Item: 3

Monitoring and Audit Committee: 24 September 2026.

National Fraud Initiative Data Matching Process.

Report by Chief Internal Auditor.

1. Overview

1.1. This report presents the report on the national fraud initiative data matching process, for scrutiny.

1.2. The National Fraud Initiative (NFI) is a counter-fraud exercise led by the Cabinet Office, which aims to prevent and detect fraud. The exercise operates across the UK public sector and includes 127 public bodies in Scotland. Audit Scotland lead the exercise in Scotland.

1.3. The report, attached as Appendix 1 to this report, gives an overview of the NFI data matching process and the outcomes achieved for the Council.

2. Recommendations

2.1. It is recommended that members of the Committee:

i. Scrutinise the report, attached as Appendix 1 to this report, in order to obtain assurance that the Council is participating in the National Fraud Initiative process and identifying potential frauds and errors.

For Further Information please contact:
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Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** In terms of the Scheme of Administration, the consideration of Internal Audit findings and recommendations and the review of actions taken on recommendations made, are referred functions of the Monitoring and Audit Committee.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.

6. **Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
   ☐Growing our Economy.
   ☐Strengthening our Communities.
   ☐Developing our Infrastructure.
   ☐Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
   ☐Cost of Living.
   ☐Sustainable Development.
   ☐Local Equality.
   ☐Improving Population Health.
9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.
15. **Cost of Living:** None directly related to the recommendations in this report.

List of Background Papers

NFI in Scotland 2026

Appendix

Appendix 1: NFI Data Matching Process Report.

Appendix 1

ORKNEY
ISLANDS COUNCIL

Internal Audit

National Fraud Initiative Data Matching Process	
Draft issue date: 1 September 2026	
Final issue date: 14 September 2026	
Distribution list:	**Director of Infrastructure and Organisational Development** **Director of Enterprise and Resources** **Director of Education, Communities and Housing** **Chief Officer of Orkney Health and Social Care Partnership**

Contents

Executive Summary

The National Fraud Initiative (NFI) is a counter-fraud exercise led by the Cabinet Office, which aims to prevent and detect fraud. The exercise operates across the UK public sector and includes 127 public bodies in Scotland. Audit Scotland lead the exercise in Scotland.

The NFI enables public bodies to use computer data matching techniques to detect fraud and errors. It involves comparing computer records held within and between bodies to see how far they match. These matches represent potentially fraudulent claims or payments and are reviewed and investigated by participating bodies. If the bodies identify fraud, overpayments or errors, they record them as outcomes of the exercise.

As part of their 2021/22 Annual Audit, Audit Scotland commented on the delays and the lack of participation in the National Fraud Initiative matching exercise by the Council. A recommendation was made that "The Council should ensure the NFI process is completed on a timely basis and reported to those charged with governance to ensure that they get value from the exercise."

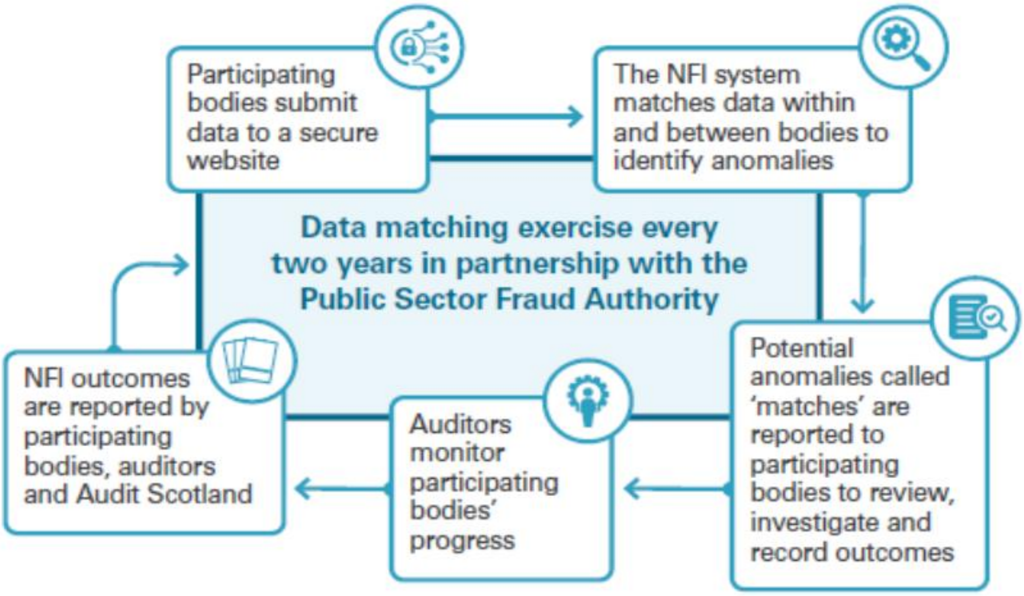
During the 2021/22 exercise, due to limited resource, the Council prioritised high risk matches which accounted for around 25% of the total matches. During the 2022/23 NFI exercise the number of matches processed had increased to 86.5%.

The most recent exercise for 2024/25 is now complete and Audit Scotland have recently released their national report on the outcomes for the process.

Process

The process involves uploading data packages to the NFI system which are then matched to the data from different bodies to identify any anomalies. These are then investigated by the relevant bodies to identify if any fraud or errors exist.

The matching exercise covers housing benefits, pensions, payroll, council tax and council tax reduction, creditors, blue badges, and housing waiting lists. The diagram below, from Audit Scotland, depicts how the matching exercise works.



Source: Audit Scotland

Outcomes

There has been significant improvement since the 2021/22 exercise, again there has been a focus on the high-risk matches and in the most recent exercise 1175 out of 1386 matches (85%) have been processed within the timeframe compared to 86.5% in the previous exercise.

The outcome of this work is that there were six errors discovered in total, all of which were in the blue badge scheme and action has been taken to address these errors.

Four cases of potential fraud have been uncovered by matching data from the Council Tax Reduction process with HMRC data. Two of these had not resulted in any loss to the Council but have been referred to Universal Credit, the others had a combined value of £1,388.33 which is in the process of being recovered.