

04 November 2024

Richard Leonard MSP
Convener
Public Audit Committee
Scottish Parliament

By email

Dear Convener

The National Fraud Initiative in Scotland 2024

Following our evidence session on 26 September and your letter of 2 October 2024, I am now writing to you about our work extending the NFI in Scotland to new bodies, on a voluntary pilot basis. I also provide an update on the potential to reintroduce immigration data in future NFI exercises.

NFI voluntary participation pilot initiative

As John Cornett outlined at the evidence session on the 26 September, only bodies we audit under Part 2 of the Public Finance and Accountability (Scotland) Act 2000 are mandated to participate in the NFI. Currently we mandate the participation of all but the smallest public bodies. For mandated bodies, appointed auditors monitor NFI delivery arrangements and progress, and they report locally as appropriate.

Expanding participation to wider public sector bodies for whom we do not appoint the auditors presents us with a challenge in terms of supporting those bodies and holding them to account on their participation. Nevertheless, as the body administering NFI in Scotland, in support of the Cabinet Office and their partners who undertake the matching process nationally, we have been working during the last 18 months to expand NFI participation in Scotland, in particular including universities and housing associations on a pilot and voluntary basis. The purpose of the pilots is to enable us to assess the potential benefits, resource requirements and support arrangements needed for this wider voluntary participation.

In your letter of 2 October, you rightly point out that there is no guarantee that all bodies receiving public funding will volunteer for participation in the NFI and you ask if current arrangements are sufficient. We invested significant time and worked through stakeholders and with users to attract potential participants. We secured the initial interest of around 25 housing associations, with around half of these progressing with us to the stage of considering the detailed governance around the NFI, including managing the requirements of data protection legislation. Unfortunately, we were not able to attract any initial interest from universities.

Data protection compliance is more challenging for bodies participating in NFI on a voluntary basis than it is for bodies we mandate to participate. Bodies looking to participate in NFI on a voluntary basis need to satisfy themselves that sharing their data within NFI is lawful. This is particularly the case with, but not limited to, data they have collected from service users. We consider that voluntary participation in the main biennial NFI exercise can be managed in a

manner which is compatible with data protection legislation. However, we also understand that bodies looking to join NFI on a voluntary basis, identify increased risks associated with sharing data when compared to bodies whose participation is mandated.

Specifically, bodies considering voluntary participation in the NFI would need to assess the uses to which data provided by them may be put. A matter of concern which has been identified in discussion with potential voluntary participants is uncertainty about potential uses of NFI data by contracted organisations which manage the NFI matching processes.

You also ask in your letter whether there is scope for the Scottish Government to strengthen legislation in this area. One option may be for Scottish Government to mandate NFI participation by additional public bodies. The advantages and disadvantages of such a change, the legislative process which would be required, and any resource or other implications coming from widening the mandate would be a matter for the Scottish Government to consider. Nonetheless, there is merit in this exploration taking place so that the Scottish Government can be satisfied that the NFI delivers upon its ambitions.

Immigration data and future NFI exercises

As discussed at the evidence session on 26 September, immigration data has not been included in the NFI for the last few exercises and there will be no immigration data in the 2024/25 exercise. The Cabinet Office have been in discussion with the Home Office about the reintroduction of immigration data into NFI, but they have not secured any firm commitment from them in this regard. The Cabinet Office have also informed us that any inclusion of the dataset in 2026/27 exercise would likely be on a limited pilot basis initially to enable arrangements to be tested and resource implications to be considered further.

I hope that this additional detail is of value to you. We would be happy to discuss these matters with you and the committee further if that would help.

Yours sincerely

Stephen Boyle
Auditor General for Scotland