

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 29 May 2024**

**Subject: Corporate Fraud Team – Activity Report and 2022/23
National Fraud Initiative Update**

1. Purpose

1.1 The purpose of this report is to advise Members of the Corporate Fraud Team's (CFT) activity from 1 October 2023 to 31 March 2024 and to provide an update on the 2022/23 National Fraud Initiative exercise.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 considers the CFT activity for the six-month period to 31 March 2024;

2.1.2 notes the update on the 2022/23 National Fraud Initiative (NFI); and

2.1.3 notes that the 2024/25 NFI exercise is due to commence in October 2024 and updates on the exercise will be included within future CFT activity reports.

3. Background

3.1 Update reports on the work of the CFT are submitted to the Audit and Governance Panel six monthly. The last six-monthly report was submitted to Panel on 6 December 2023 and covered the period 1 April 2023 to 30 September 2023. This report covers the CFT for the six-month period to 31 March 2024 and the status of the 2022/23 NFI exercise as at 16 April 2024.

3.2 The CFT is a specialist investigative unit with responsibility for proactively and reactively investigating all types of corporate fraud against the Council, including:

- Council Tax Reduction/ Exemptions/ Discounts.
- Business Rates.
- Scottish Welfare Fund.
- Housing Tenancy.
- Employee Fraud.
- Procurement; and
- Blue Badge Misuse.

3.3 The National Fraud Initiative (NFI) is a counter-fraud exercise whereby data is taken from councils, other public bodies and Companies House and cross matched to identify the potential for fraud. All Council's in Scotland are required to participate in NFI exercises which are carried out every two years. Audit Scotland has responsibility for co-ordinating the exercise across Scotland. Internal Audit and Corporate Fraud are responsible for co-ordinating and reporting on the exercise within South Ayrshire Council. The CFT investigated Single Person Discount Matches identified through the NFI exercise.

4. Proposals

4.1 The Panel is requested to note the Corporate Fraud Activity from 1 October 2023 to 31 March 2024 as detailed in [Appendices 1 and 2](#) of this report.

4.1.1 The table at [Appendix 1](#) provides detail of the source of the referrals to the CFT, the type of complaint received, and the course of action taken by the CFT in response to the referral.

4.1.2 The table at [Appendix 2](#) details the activity of the CFT from 1 October 2023 to 31 March 2024 and a summary of the outcomes from completed investigations, with an explanation of each below.

- Council tax investigations comprise of cases where there has been a failure to declare changes in income, residency or changes that may affect discounts and exemptions.
- National Fraud Initiative (NFI) investigations are completed by the CFT where recipients of Single Persons Discounts (SPD) have been matched to other data sets which could indicate that they may not be entitled to SPD.
- The CFT receive individual Non-Domestic Rates referrals and also carry out unannounced checks on properties in receipt of Non-Domestic Rates empty property relief.
- Tenancy fraud is identified where the tenant is not residing in the property or is sub-letting. Checks on homeless applications and tenancy succession applications are also completed at Housing Services request.
- Scottish Welfare Fund Visits are carried out by the CFT in relation to community care grant applications for household goods.
- Housing Tenant debt arises where a local authority tenant has left/absconded from a tenancy with outstanding rent arrears. CFT carry out checks to locate and trace the former tenants on behalf of Housing Services.
- Blue Badge investigations can arise where an allegation has been received about misuse.
- Employee investigations arise where allegations have been made relating to Council employees.

4.2 The Panel is also asked to note the status of the 2022/23 National Fraud Initiative.

4.2.1 The investigations of NFI matches are now complete. A total of 4,758 NFI matches were received and a target number of 1,724 investigations split

over the eight areas included in the exercise was set at the start of the exercise. However this was reduced to 1,186 to reflect the results of the Creditors matches investigations. The target number of investigations of matches included in the “duplicate records by amount and creditor references” report was significantly reduced as initial investigations by the Service established that the matches related to cases where the same supplier had been paid the same amount but on different dates for separate invoices. The reduction in number of matches was discussed and agreed with the Chief Internal Auditor. The details of the match areas, the target number of investigations, the number of investigations completed in each area and the outcomes are included in [Appendix 3](#).

4.2.2 A Members Information Bulletin on the 2023/24 NFI exercise will be issued after Audit Scotland publish their final report.

4.2.3 The 2024/25 NFI exercise is due to commence around October 2024 when datasets will be uploaded to the NFI. It is proposed that updates on this exercise will continue to be reported through these six monthly CFT Activity Reports.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Recovery of the amounts due is in progress. In Council Tax Reduction, Discounts and Non-Domestic Rates cases the debtor is rebilled reflecting the amount due. The savings identified of £72,015.59 represents the amount that would have been lost to the Public Purse had the fraud/error/debt remained undetected by the Council’s CFT.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 Risk Implications of Adopting the Recommendations

8.1.1 There are no risks associated with adopting the recommendations.

8.2 Risk Implications of Rejecting the Recommendations

8.2.1 Rejecting the recommendation may result in ineffective scrutiny of the Council’s control arrangements in relation to anti-fraud.

9. Equalities

9.1 The proposals in this report allow scrutiny of the Corporate Fraud Team’s activity. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new

and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

10. Sustainable Development Implications

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to the three priorities in the Council Plan; Spaces and Places; Live, Work, Learn and, Civic and Community Pride.

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this paper.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

Background Papers **Report to Audit and Governance Panel of 31 May 2023 - [Corporate Fraud Team - Activity Report and Update on 2022/23 National Fraud Initiative](#)**

Report to Cabinet of 17 January 2023 - [2022/23 National Fraud Initiative](#)

Person to Contact **Cecilia McGhee, Chief Internal Auditor**
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612432
E-mail Cecilia.McGhee2@south-ayrshire.gov.uk

Douglas Urquhart, Senior Investigations Officer
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612662
E-mail dougie.urquhart@south-ayrshire.gov.uk

Date: 17 May 2024

Sources of Fraud Referrals in period 1 October 2023 to 31 March 2024

Source	NFI SPD Matches	Online Form/ SAC Website	Email/ Telephone	Council Service	Whistleblowing Process	Other Local Authority/ Organisation	Total	CFT Response to Referral
Category of complaint								
Non Domestic Rates				14			14	Investigated by CFT
Council Tax	972	5	1	9			987	Investigated by CFT
Housing General		14		3			17	Investigated by CFT
Housing Locate and Trace				33			33	Investigated by CFT
Social Welfare Fund				2			2	Investigated by CFT
Employee		3	1				4	2 Referred to HR, 1 referred to Service 1 Investigated by CFT
Blue Badge		1					1	Investigated by CFT
Housing Benefit		12				2	14	12 Referred to DWP 2 Investigated jointly with DWP
Others		2					2	*Referred to other Services
Total	972	37	2	61		2	1,074	

*1 complaint referred to Waste Management / 1 complaint referred to Environmental Health

Corporate Fraud Activity 1 October 2023 – 31 March 2024

	Cases b/f from previous report	New referrals in period	Total referrals	Closed Cases	Current Live Cases	Non-Financial Benefit/ Outcome	Financial Savings (£)
Non-Domestic Rates	0	14	14	10	4	-	£32,510.85
Council Tax (Reduction, Exemptions and Discounts, Arrears)	7	15	22	12	10	-	£1,208.04
NFI Council Tax SPD data matching checks	36	972	1,008	988	20	-	£35,181.38
Tenancy Fraud	4	17	21	8	13	Closed no issues	
Housing Tenant Debt Locate & Trace checks	11	33	44	35	9	-	£3,115.32
Scottish Welfare Fund (SWF)	0	2	2	1	1	Closed no issues	
Employee	0	4	4	3	1	3 referrals passed to HR/Service, 1 investigated by CFT and passed to Service	
Blue Badge Investigations	1	1	2	2	0	Closed no issues	
Housing Benefit	0	14	14	12	2	12 Passed to DWP 2 Joint Working Investigations	
Others	0	2	2	2	0	2 passed to Council Service	
Total for six-month period to 31/03/24							£72,015.59
Annual Total 1/04/23 to 31/03/24							£152,088.87

NFI 2022/23 Progress of Investigations

Match Area Current Results	Total Matches No.	Target Investigation No.	Target Completed No.	Target Completed %	Additional Investigations completed No.	Total Investigations Completed No.	Errors No.	Fraud No.	Outcome £
Housing Benefit	68	28	28	100%	3	31	0	0	0
Payroll	149	73	73	100%	76	149	0	0	0
Housing Tenants	723	254	254	100%	83	337	0	0	0
Blue Badge	722	645	645	100%	77	722	317	0	£206,050 ¹
Waiting List	320	57	57	100%	230	287	0	0	0
Council Tax Reduction Scheme	695	9	9	100%	50	59	0	0	0
Creditors	2,026	65 ²	65	100%	0	65	0	0	0
Procurement	55	55	55	100%	0	55	0	0	0
Total	4,758	1,186	1,186	100%	519	1,705	317	0	£206,050

¹ The Cabinet Office automatically allocates an estimated saving of £650 to each Blue Badge error. This does not represent actual loss to South Ayrshire Council

² The target number of investigations was reduced from 603 to 65 due to the results of the investigations indicating that the majority of the matches (1,836) relates to payments to suppliers for the same amount but which related to different periods (e.g. contract payments or annual charges)