

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 4 December 2024**

Subject: Corporate Fraud Team – Activity Report and 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 April to 30 September 2024 and to provide an update on the National Fraud Initiative (NFI) exercise to date.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 considers the CFT activity for the six-month period to 30 September 2024, noting the changes to the format and contents from the previous update reports to provide additional information on the source of the referral and investigation outcomes; and

2.1.2 notes the conclusion of the 2022/23 exercise, the start of the 2024/25 NFI exercise and that updates on the 2024/25 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 (AGP) six monthly. The last six-monthly report was submitted to Panel on 29 May 2024 and covered the period 1 October 2023 to 31 March 2024. This report covers the CFT activity during the six-month period to 30 Sept 2024 and the status of the NFI exercises as at 30 October 2024.

- 3.2 The primary scope of CFT work involves dealing with referrals of fraud and proactive exercises around Council Tax, Business Rates, Housing Tenancy and debt, Scottish Welfare Fund, Blue Badges, and Employees. Responsibility for investigating Housing Benefit fraud lies with DWP, issues may be identified by the CFT which can result in changes being made to benefits. The CFT also investigate Single Person Discount Matches identified through the NFI exercise and assist with co-ordinating and reporting on the exercise within South Ayrshire Council.

4. Proposals

4.1 As agreed at the AGP on 29 May 2024 this report has been updated to reflect additional information on the source and outcomes of referrals to the CFT. It is proposed that comparisons with previous periods will be included in update reports going forward from 2025. The Panel is requested to note the Corporate Fraud Activity from 1 April to 30 September 2024 as detailed in the following paragraphs.

Corporate Fraud Activity

4.2 Table one details new referrals received by the CFT in the six month period from 1 April to 30 September 2024 split between the source and category of the referral.

Table One: New Referrals received in period 1 April to 30 September 2024

Referral Category	NDR	CT	Housing General	Housing locate and trace	SWF	School Placements	HB	Blue Badges	Other	Total
Source										
Online referral		5	9				4	4	5	27
Email/Telephone										0
Other Council Service	8	13	16	44	1	1				83
Anti-Fraud and Anti-Bribery/ Whistleblowing Policy										0
Other Local Authority/ Organisations										0
Total	8	18	25	44	1	1	4	4	5	110

4.3 The majority (75%) of the referrals received in this period were from other Council services with the remaining 25% from online referrals. There were no referrals made through the Anti-Fraud and Anti-Bribery/Whistleblowing Policy, via email or telephone or from external organisation.

4.4 Methods of making referrals to the CFT are detailed within the Council's Anti-Fraud and Anti-Bribery Strategy which is available to all staff through The Core. There is also a dedicated page within the Council's website which details methods by which members of the public can make referrals and includes a link to the online referral form. In addition, communication is circulated to staff and members of the public annually during National Fraud Awareness week to highlight the work of the CFT and to remind staff and the public of ways to report fraud. However, the source of referrals will continue to be monitored by the CFT and steps taken to publicise referral methods if required. (The 2024 National Fraud Awareness week takes place from 17 to 23 November 2024.)

4.5 Table two below details the action taken by the CFT split by the category of the referral.

Table Two: New Referrals received in period 1 April to 30 September 2024 split by action taken

Referral Category	Investigated By CFT	Passed to Other Council Service	Passed to External Agency	Total
Non Domestic Rates	8	0	0	8
Council Tax	18	0	0	18
Housing General	25	0	0	25
Housing Locate and Trace	44	0	0	44
Social Welfare Fund	1	0	0	1
School Placement	1	0	0	1
Blue Badge	1	0	3	4
Housing Benefit	0	0	4	4
Others	0	4	1	5
Total Referrals	98	4	8	110

4.6 Action is taken on all referrals received by the CFT. The majority of referrals received are investigated by the Corporate Fraud Team. However, there may be referrals received which do not relate to Council services, for example Housing Benefit or Blue Badge entitlement, which are forwarded to the DWP or referrals which relate to operational complaints rather than fraud, for example anti-social behaviour complaints or child protection issues, which will be forwarded to the relevant service.

4.7 The referrals received during the period are split into nine separate categories as follows;

- Non-Domestic Rates referrals relate to allegations that businesses may be claiming reliefs and/or discount to which they are not entitled.
- Council tax referrals usually relate to allegations that there has been a failure to declare changes in income, residency or other changes that may affect discounts and exemptions.
- Tenancy referrals relate to allegations that the tenant is not residing in the property and may be sub-letting without permission. Referrals on homeless applications and tenancy succession applications may also be received from Housing Services.
- Housing Locate and Trace referrals are made by Housing Services where a local authority tenant has left/absconded from a tenancy with outstanding rent arrears and cannot be traced by Housing Services.
- Scottish Welfare Fund (SWF) referrals usually come from Benefits and Revenues and relate to community care grant applications for household goods.

- School placement referrals usually come from Education Services and relate to school placement requests which cannot be verified by the service.
- Housing benefit referrals relate to allegations that housing benefit is being claimed where there is no entitlement. Referrals of these types will be passed to DWP for investigation.
- Blue Badge referrals relate to either allegations of Blue Badge misuse or that there is no entitlement to the blue badge. The CFT investigate allegations of misuse but allegations of non-entitlement are passed to DWP for investigations.
- Other referrals include operational complaints which are passed to the relevant service for action and complaints that do not relate to Council services which are passed to the relevant external organisation for action. Referrals relating to employee fraud will also be included within this category. Employee investigations will be dealt with in line with the Council's Special Investigation Procedure.

4.8 Tables three and four below detail the number of investigations concluded by the CFT in the six month period to 30 September 2024 and the outcomes of the investigation.

4.9 Steps are taken to recover all financial outcomes where possible. Updated bills are issued where outcomes have been identified for Council Tax Reduction and Discounts and Non-Domestic Rates cases. Debtor accounts are issued for all other financial outcomes.

Table Three: Number of Investigations Concluded in period 1 April to September 2024 split by outcome

Outcome	Number of Cases
Open Cases at 1 April 2024	40
Referrals made during the period	110
Referred to another agency or Council Service for investigation	(13)
Total CFT Caseload in period	137
CFT Investigations Closed with no issues identified	102
CFT Investigations Closed with results achieved (See Table four)	16
Open Referrals as at 1 October 2024	19

Table Four: Concluded investigation outcomes split by category

Category	Number of Cases	Value (£)
<i>Financial Outcomes</i>		
Non-Domestic Rates	3	£10,250
Council Tax Reduction	5	£20,265
Housing Locate & Trace	3	£6,182
Scottish Welfare Fund	1	£638
Total Financial Outcomes	12	£37,335
<i>Other Outcomes</i>		
Education	1	1 School Placement Rejected
Tenancy Fraud	3	2 Tenancies returned 1 Housing Application rejected
Total Other Outcomes	4	

- 4.10 In addition to investigating referrals received the CFT also carry out pro-active exercises in fraud risk areas. Previous pro-active exercises include Blue Badge checks in conjunction with Ayrshire Roads Alliance (ARA) and unannounced checks on properties in receipt of Non Domestic Rates Empty Property Relief. A further pro-active exercise is planned for 2024/25 and is due to commence in November 2024. It is proposed that the progress and results of this exercise is include in future CFT Activity Reports to this Panel.

National Fraud Initiative

- 4.11 With the exception of investigations of Single Person Discount matches which will continue to be carried out until the start of the next exercise, the 2022/23 exercise is now concluded. The Audit Scotland report on the 2022/23 exercise, The National Fraud Initiative in Scotland 2024, was shared with all Members on 15 August 2024 and a Members Bulletin Note on the exercise within South Ayrshire Council was issued on 16 September 2024. The 2022-23 exercise investigation results for South Ayrshire Council are included in [Appendix 1](#).
- 4.12 Within South Ayrshire Council, officers are assigned responsibility for investigating matches within their service area. However, the CFT are responsible for investigating Single Person Discount matches to multiple data sets including the electoral register, payroll and housing tenants and Single Person Discount matches to HMRC Household Composition data sets
- 4.13 The CFT investigations comprise of review of Council and other systems and visits to properties where required. 1,124 NFI investigations were completed by the corporate fraud team during the six month period to 30 September 2024. These investigations resulted in a total financial outcome of £40,618 from 45 cases which are the only financial outcomes for the Council resulting from NFI investigations. The results of all CFT NFI investigations are included within [Appendix 1](#).

4.14 The Panel is asked to note that the 2024/25 NFI exercise has commenced and required datasets were uploaded to the NFI website by the due date. The electoral register and single person discount data sets are required to be uploaded in December 2024 after the electoral register has been updated. The results of the data match are expected to be received around December 2024/January 2025. Arrangements will then be made to share this information with the service to allow investigations to be completed.

4.15 It is proposed that updates on this exercise will continue to be reported to the Audit and Governance Panel through the 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, Single Person Discount and Non-Domestic Rates cases the debtor is rebilled reflecting the amount due. The savings identified from CFT referrals of £37,335 and from NFI investigations of £40,618 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 Fraud risk is considered when planning all Internal Audit assignments and testing conducted to ensure there are adequate controls in place to mitigate the risk where required. In addition, anti-fraud reviews will be considered for inclusion with annual Internal Audit Plans where the CFT work indicates a high fraud risk within specific service areas.

8.2 Risk Implications of Adopting the Recommendations

8.2.1 There are no risks associated with adopting the recommendations.

8.3 Risk Implications of Rejecting the Recommendations

8.3.1 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

[Members Bulletin – September 2022 - National Fraud Initiative 2022](#)

[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 Audit and Governance Panel of 29 May 2024 - Corporate Fraud Team - Activity Report and 2022/23 National Fraud Initiative Update](#)

[Audit Scotland: The National Fraud Initiative in Scotland 2024 – August 2024](#)

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NFI 2022/23 Investigations Results

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%	57	66	0	0	0
Creditors	2,026	65	65	100%	0	65	0	0	0
Procurement	55	55	55	100%	0	55	0	0	0
Business Rates	109	79	79	100%	0	79	0	0	0
CT Single Person Discount	5,358	858	858	100%	1,523	2,381	142	0	£187,475 ²
Total	10,225	2,123	2,123	100%	2,049	4,172	459	0	£393,525

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 outcomes recorded for Council Tax, Single Person Discount errors are made up of actual savings (£64,871) which relate to amounts recoverable by South Ayrshire Council through the Council Tax billing process, and future savings estimates (£122,604) which is the annual value of the discount cancelled multiplied by two years and therefore also does not represent actual amounts recoverable by South Ayrshire Council.