

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 7 December 2022**

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

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**1. Purpose**

- 1.1 The purpose of this report is to advise Members of the Corporate Fraud Team's (CFT) activity from 1 April 2022 to 30 September 2022 and to provide an update to Members on the progress of the 2022/23 National Fraud Initiative (NFI) exercise.

**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 2022; and**

**2.1.2 notes the update on the 2022/23 National Fraud Initiative .**

**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 22 June 2022 and covered the year to 31 March 2022. This report includes the six month period to 30 September 2022.

- 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.

## 4. Proposals

### 4.1 **Corporate Fraud Activity 1 April 2022 to 30 September 2022**

4.1.1 The table at [Appendix 1](#) shows a summary of the activity of the CFT from 1 April 2022 to 30 September 2022, 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.
- The CFT receive individual complaints and carry out checks on properties in receipt of Non-Domestic Rates empty property relief as well as the small business bonus scheme.
- Tenancy fraud is identified where the tenant is not residing in the property or is sub-letting.
- 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 to allow them to put arrangements in place to recover debt.
- Employee investigations arise where allegations have been made relating to Council employees. This investigations can be carried out in conjunction with Internal Audit.
- Blue Badge investigations arise where an allegation has been received about misuse.
- Covid Business Support Grants were managed by Local Authorities on behalf of the Scottish Government and aimed at helping to keep small and medium sized companies in business during the Covid crisis. Two investigations into potentially fraudulent applications for Strategic Framework Business Grants passed to the Procurator Fiscal are awaiting a court date.

### 4.2 **National Fraud Initiative**

4.2.1 The 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. Audit Scotland has responsibility for co-ordinating the exercise across Scotland. Internal Audit and Corporate Fraud is responsible for co-ordinating the exercise within South Ayrshire Council and the CFT also contributes to the completion of investigations resulting from the exercise.

4.2.2 The 2022/23 NFI exercise has commenced and data sets as at 30 September 2022 were uploaded to the NFI website by the due date. Full details of the areas included in the 2022/23 exercise and the purpose of the matches are in [Appendix 2](#) and include:

- payroll;
- housing tenants and waiting lists;
- blue badges;
- trade creditors;
- taxi drivers;
- council tax single person's discount;
- electoral register;
- council tax reduction scheme; and
- Small Business Rate Relief recipients.

4.2.3 Councils will be informed of the matches resulting from the data match by the end of January 2023 and are responsible for investigating a proportion of these matches using a risk based approach.

4.2.4 Progress against the 2022/23 NFI exercise will be reported to the Audit and Governance Panel through the six-monthly Corporate Fraud update reports. A Members Information Bulletin will also be issued at the conclusion of the exercise, after Audit Scotland publish their final report which is likely to be July 2024.

## **5. Legal and Procurement Implications**

5.1 The processing of data by Audit Scotland in the NFI data matching exercise is carried out under the powers in Part 2A of the Public Finance and Accountability (Scotland) Act 2000 which allows them to carry out data matching exercises for the purpose of assisting in the prevention and detection of fraud or other crime and in the apprehension and prosecution of offenders (the 'permitted purposes'). It does not require the consent of the individuals concerned under the Data Protection Act 2018. South Ayrshire Council sets out how we use and share personal information in our Privacy Policy.

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 £42,203.77 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 increases the risk that ongoing fraud is not identified and stopped and that potential savings to the Council are not recovered.

## 9. **Equalities**

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached at [Appendix 3](#).

## 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 Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## 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 22 June 2022 - Corporate Fraud Team - Activity Report 6 months to 31 March 2022](#)

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**Date:** 24 November 2022

**Corporate Fraud Activity 1 April 2022 – 30 September 2022**

**Appendix 1**

<b>Fraud/Error Type</b>	<b>Cases b/f from previous report</b>	<b>New referrals in period</b>	<b>Total referrals</b>	<b>Closed Cases</b>	<b>Current Live Cases</b>	<b>Non-Financial Benefit/ Outcome</b>	<b>Financial Savings (£)</b>
Council Tax (Reduction, Exemptions and Discounts, Arrears)	4	31	35	25	10	-	£15,640.73
Non Domestic Rates Cases (Empty Property Relief checks)	0	64	64	62	2	-	£25,490.31
Employee investigations	0	1	1	0	1	-	-
Tenancy Fraud	1	4	5	2	3	1 tenancy removed 1 Homeless Application rejected 1 case at Procurator Fiscal	-
Housing Tenant Debt Locate & Trace checks	2	46	48	36	12	-	£1,072.73
Blue Badge Investigation	1	5	6	4	2	2 Investigations closed with no further action 2 Badges removed	-
Covid-19 Business Grants	2	0	2	0	2	2 Cases at Procurator Fiscal	-
<b>Total 1/04/22 to 30/09/22</b>							<b>£42,203.77</b>

## National Fraud Initiative match areas 2022-23

Match area	Match between	Purpose of Match/Fraud risk
Housing Benefits (HB) <i>(HB Datasets provided by DWP)</i>	HB to Student Loans	To identify individuals claiming benefits, whose student loan eligibility results in them being ineligible for those benefits.
	HB to HB (within SAC and between other authorities)	To identify an individual that is claiming housing benefit from more than one local authority at the same time.
	HB to Rents(within SAC and between other authorities)	To identify possible tenancy fraud and/or housing benefit fraud where an individual appears to be resident at two different addresses.
	HB to taxi drivers (within SAC and between bodies)	To identify where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to CTRS	To identify anyone claiming housing benefit and council tax reduction from one or more local authority at the same time.
	HB to Waiting List	To identify where an individual appears to be resident at two different addresses as the address on the waiting list application is different to the address on the benefit system
Council Tax Reduction Scheme (CTRS)	CTRS to Payroll (within SAC and between other bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to pensions	To identify where CTRS claimants have failed to declare pension income that might remove entitlement to benefit or reduce benefit payable.
	CTRS to CTRS (within SAC and between other authorities)	To identify an individual claiming CTRS from one or more local authority.
	CTRS to HB (within SAC and between other authorities)	To identify where an individual is in receipt of council tax reduction and housing benefit from one or more local authority simultaneously that may remove or reduce entitlement to the reduction.
	CTRS to Housing Tenants (within SAC and between other authorities)	To identify possible cases of tenancy fraud and/or CTRS fraud where an individual appears to be resident at two different addresses.
	CTRS to taxi drivers(within SAC and between bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTR Scheme to DWP deceased	To identify where a person has passed away but may be in receipt of CTR after the date of death

Match area	Match between	Purpose of Match/Fraud risk
Payroll	Payroll to payroll (within SAC and between bodies)	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time.  To identify leavers who are continuing to be paid
	Payroll to Creditors	To identify employees who are also creditors where there may be a conflict of interests or corruption.
	Payroll to Pensions	To identify employees who have gone back into employment after drawing a pension that could result in an abatement of pension.
Housing Tenants (HT)	HT (within SAC and between bodies)	To identify where an individual appears to be resident at two different addresses suggesting possible cases of subletting or dual tenancies.
	HT to HB	To identify possible cases of tenancy fraud and/or housing benefit fraud, where an individual appears to be resident at two different addresses.
	HT to CTR Scheme	To identify possible causes of tenancy fraud and/or incorrect claims for CTR where an individual appears to be resident at two different addresses.
	HT to State Benefits	To identify possible cases of tenancy fraud against the organisation i.e. where an individual appears to be resident at two different addresses.
	HT to DWP Deceased	To Identify where the tenant has died, but the DWP has not been informed.
	Housing Tenants to Waiting Lists	To identify where an individual appears to be resident at two different addresses as the address on the waiting list application is different to the address on the rents system
Waiting Lists	Housing Waiting Lists to Housing Tenants (within SAC and between bodies)	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing rents system suggesting possible undisclosed changes in circumstances or that false information has been provided.
	Housing Waiting List to Housing Waiting List (within SAC and between bodies)	To identify where an individual appears to have registered on the waiting list using two different addresses.
	Housing Waiting Lists to Housing Benefit Claimants (within SAC and between bodies)	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing benefit system.
	Waiting List to DWP deceased	To identify an applicant who has died but is still shown on the waiting list
Blue Badges	Blue badge to blue badge	To identify individuals who hold more than one Blue Badge
	Blue badge to DWP deceased person	To identify cases where a badge holder has died, but the local authority may not have been notified so the badge has not been cancelled.

Match area	Match between	Purpose of Match/Fraud risk
Procurement	Procurement – payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage.
Creditors	Duplicate creditors by Duplicate creditor payments and details	To identify instances where the same supplier has been recorded against more than one reference number on the system thus increasing the potential for creditors to obscure fraudulent activity.  To identify potential duplicate payments.
	VAT overpaid	To identify instances where VAT may have been overpaid.
Council Tax Single Person Discount ( <i>Note 1</i> )	Council Tax to Electoral register	To identify individuals who have declared they are living alone but have not declared they are living with a partner or non- dependant in the household.
Non Domestic Rates ( <i>Note 2</i> )	Small Business Rates Relief (SBRR) to Small Business Rates relief (within SAC and between bodies) and SBRR to data from Companies House	To identify those fraudulently in receipt of Small Business Rates Relief (SBRR) within and between authorities

*Note 1: Single Person Discount and electoral register data upload takes place in the same year as the core NFI data but the upload of this data takes place after the other datasets. This data can be uploaded from 28th November 2022 for the current exercise.*

*Note 2: NDR data will be included in the 2022/23 NFI exercise However, due to the rating revaluation due to take place in Scotland in 2023, the NDR data will not be required until after that has taken place. Councils will be notified of the submission deadline which will be in Spring 2024.*



**South Ayrshire Council  
Equality Impact Assessment  
Scoping Template**

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Approach to 2022/23 National Fraud Initiative exercise
Lead Officer (Name/Position/Email)	Cecilia McGhee, Chief Internal Auditor

### 2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	Low	Low
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	Low	Low
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	Low	Low
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	Low	Low
Socio-economic Background – social class i.e. parent’s education, employment and income	Low	Low

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	No
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	No
<b>Foster good relations</b> between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	No
Increase participation of particular communities or groups in public life	No
Improve the health and wellbeing of particular communities or groups	No
Promote the human rights of particular communities or groups	No
Tackle deprivation faced by particular communities or groups	No

## 5. Summary Assessment

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<b>YES</b> <input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/>
<b>Rationale for decision:</b>  The National Fraud Initiative is a counter-fraud exercise and participation is mandatory for Scottish Councils. This report is to provide Members with notice of the 2022/23 National Fraud Initiative exercise. Their decision on this has no specific equality implications.	
<b>Signed :</b> Cecilia McGhee, Chief Internal Auditor  <b>Date:</b> 2 November 2022	