

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 6 December 2023**

**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 April 2023 to 30 September 2023 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 30 September 2023; and

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

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 31 May 2023 and covered the period 1 October 2022 to 31 March 2023. This report includes six-month period to 30 September 2023.

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 Fraud referrals can be received from members of the public through the online form available on the Council's website, by telephone or via email. Concerns regarding employees are reported to the CFT in line with the Council's Special Investigation Procedures or the Whistleblowing Policy and Procedure for reporting concerns at work. Other Council services, including Housing, Revenues and Benefits and Education also make referrals to the CFT to request investigation of suspected or actual fraud.

3.4 The CFT also contributes to the co-ordination of the NFI exercise across the Council and to carrying out investigations of NFI matches in some areas including Council Tax Single Person Discount and Small Business Bonus Scheme rates relief.

4. Proposals

4.1 ***Corporate Fraud Activity 1 April 2023 to 30 September 2023***

4.1.1 The table at [Appendix 1](#) shows a summary of the activity of the CFT from 1 April 2023 to 30 September 2023, 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.
- Referrals are made to the CFT where there is a concern that 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.
- Education Services can request school placement applications are checked by CFT.

4.2 ***National Fraud Initiative***

4.2.1 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 the exercise within South Ayrshire Council. Investigation of the NFI matches is carried out by relevant staff within either Internal Audit and Corporate Fraud or other Council Services.

4.2.2 South Ayrshire Council has participated in all exercises to date and the required data sets for the latest exercise (2022/23) were uploaded by the due date to allow the data matches to be complete in line with set timescales. The data sets uploaded were:

- payroll;
- housing tenants and waiting lists;
- trade creditors;
- taxi drivers;
- council tax single person's discount;
- electoral register; and
- council tax reduction scheme.

4.2.3 We have been advised that a Small Business Bonus Scheme data match will also be carried out as part of this current exercise and arrangements have been put in place with Revenues and Benefits to ensure this data set is available for upload by the due date of 30 November 2023.

4.2.4 A total of 4,097 NFI matches have been received to date. The approach to investigating the matches was agreed by Cabinet on 17 January 2023 and is consistent with the approach adopted for previous NFI exercises. A minimum target of 1,724 investigations split over eight match areas was agreed for completion by 31 March 2025. The target number of investigations includes all high risk, high quality matches. Additional investigations may be carried out by Services where resources permit. The details of the match areas, the target number of investigations and the number of investigations completed in each area to date is detailed at [Appendix 2](#).

4.2.5 Progress of the 2022/23 NFI exercise will continue to be reported to this Panel through the six-monthly Corporate Fraud update reports until the exercise has been concluded. A Members Information Bulletin will also be issued at the conclusion of the process, after Audit Scotland publish their final report which is likely to be around July 2024.

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 £80,073.28 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 Cabinet of 17 January 2023 - [2022/23 National Fraud Initiative](#)

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

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Date: 23 November 2023

Corporate Fraud Activity 1 April 2023 – 30 September 2023

Fraud/Error Type	Cases b/f from previous report	New referrals in period	Total referrals	Closed Cases	Current Live Cases	Non-Financial Benefit/ Outcome	Financial Savings (£)
Council Tax (Reduction, Exemptions and Discounts, Arrears)	5	19	24	17	7	-	£27,047.54
NFI Council Tax SPD data matching checks	0	715	715	679	36	-	£30,964.78
Non-Domestic Rates	10	4	14	13	1		£8,270.85
Scottish Welfare Fund visits	0	4	4	4	0	-	£2,634.38
Tenancy Fraud	3	7	10	6	4	1 tenancy returned 3 Succession Applications rejected	
Housing Tenant Debt Locate & Trace checks	10	62	72	61	11	-	£11,155.73
Blue Badge Investigation	1	2	3	2	1	1 Warning issued 1 Fiscal Fine	
Education	0	1	1	1	0	Application through school registration process rejected	
Total for six-month period to 30/09/23							£80,073.28

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 (Note 1) No.	Fraud No.	Outcome £
Housing Benefit	68	28	2	7%	0	2	0	0	0
Payroll	149	73	73	100%	52	125	0	0	0
Housing Tenants	285	254	113	45%	0	113	0	0	0
Blue Badge	722	645	645	100%	77	722	317	0	£206,050 ¹
Waiting List	320	57	0	0%	0	0	0	0	0
Council Tax Reduction Scheme	472	9	9	100%	50	59	0	0	0
Creditors	2,026	603	0	0	0	0	0	0	0
Procurement	55	55	24	44%	0	24	0	0	0
Total	4,097	1,724	866	50%	179	1,045	317	0	0

Note 1: The errors recorded against the Blue Badge investigations are where the Blue Badge has not been cancelled in Council systems following the death of a service user. Fraud would exist where there was evidence of deliberate misuse of a Blue Badge. There were no instances of deliberate misuse identified during the investigation of the NFI matches.

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