

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Cabinet  
of 21 January 2025**

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**Subject: 2024/25 National Fraud Initiative**

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**1. Purpose**

- 1.1 The purpose of this report is to provide Members with notice of the 2024/25 National Fraud Initiative (NFI) exercise and seek agreement to the proposed approach for investigating NFI matches.

**2. Recommendation**

**2.1 It is recommended that the Cabinet:**

**2.1.1 notes the commencement of the 2024/25 NFI exercise; and**

**2.1.2 agrees the proposed approach for the 2024/25 NFI to investigate high risk, high quality matches and consider medium risk matches if resources permit.**

**3. Background**

- 3.1 The NFI is a counter-fraud exercise whereby data taken from Councils, other public bodies and Companies House is cross matched to identify the potential for fraud. 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 and the Corporate Fraud Team also contribute to the completion of investigations resulting from the exercise. Representatives from other Council services are nominated to carryout investigations within their service area.

- 3.2 The 2024/25 NFI exercise has commenced and, in compliance with the mandatory requirements of the exercise, data sets as at 30 September 2024 and the Electoral Register and Council Tax data as at 2 December 2024 were uploaded to the NFI website by the due date. Full details of the areas included in the 2024/25 exercise and the purpose of the matches are in [Appendix 1](#) for information 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. Proposals**

- 4.1 Councils have been advised that the matches resulting from this exercise will be available in January 2025 and are responsible for investigating a proportion of these matches using a risk based approach. It is proposed that, subject to the total number of matches received, South Ayrshire Council investigates all high risk, high quality matches. Medium risk actions will also be considered for review if a high level of outcomes are identified through the high risk investigations and/or resources permit. This is consistent with the agreed approach for the previous NFI exercises in 2020/21 and in 2022/23.
- 4.2 It is also proposed that, as with previous years' NFI exercises, progress and investigation results from this exercise will be reported to the Audit and Governance Panel through the six-monthly Corporate Fraud team update reports. A Members Information Bulletin will be issued at the conclusion of the exercise, after Audit Scotland publish their final report which is likely to be around July 2026.

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

- 5.1 Audit Scotland carries out data matching under Part 26A of the Public Finance and Accountability (Scotland) Act 2000 and Section 97 of the Criminal Justice and Licensing Act 2010. This legislation provides that Audit Scotland may carry out data matching exercises or arrange for them to be carried out on its behalf. This legislation allows Audit Scotland 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 (known as the 'permitted purposes'). The requirements of data protection legislation apply.
- 5.2 Information was added to the Council Website and communication was sent to staff via the Staff Community Hub to advise that the exercise was starting prior to data being extracted and uploaded to the NFI. South Ayrshire Council sets out how we use and share personal information in our Privacy Policies which are available on the Council Website at [www.south-ayrshire.gov.uk/privacy-notices](http://www.south-ayrshire.gov.uk/privacy-notices).
- 5.3 There are no procurement implications arising from this report.

#### **6. Financial Implications**

- 6.1 There are no financial implications arising from this report. The Council will take steps to recover all fraudulent or erroneous payments identified through this exercise.

#### **7. Human Resources Implications**

- 7.1 The investigation of the NFI matches will be carried out using existing staff resources within Internal Audit and Corporate Fraud and other Council services as required.

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## **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 Audit Scotland requires us to participate in a data matching exercise to assist in the prevention and detection of fraud. We are required to provide particular sets of data to Audit Scotland for matching for each NFI exercise which is carried out every two years. As the new Integrated Impact Assessment is only completed when considering policies, procedure, strategies, projects, applications for funding or financial decisions, it is not required for this report.

## **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.

## **14. Next Steps for Decision Tracking Purposes**

14.1 If the recommendations above are approved by Members, the Chief Internal Auditor will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

<b><i>Implementation</i></b>	<b><i>Due date</i></b>	<b><i>Managed by</i></b>
Put measures in place to ensure submission of information by required date(s) in accordance with Audit Scotland timetable	30 April 2025	Chief Internal Auditor

**Background Papers** Report to Cabinet of 16 March 2021 – [National Fraud Initiative 2020/21](#)

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

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**Date:** 9 January 2025

## National Fraud Initiative match areas 2024-25

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
	CTRS to HMRC Property Ownership	To identify possible cases of tenancy fraud and/or CTRS fraud where an individual appears to be resident at two different addresses.

Match area	Match between	Purpose of Match/Fraud risk
	CTRS to HMRC Earnings and Capital	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
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.
	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 to 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 Council 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
	HT to HMRC Property Ownership	To identify possible cases of tenancy fraud against the Council i.e. where an individual appears to be resident at two different addresses or suggesting possible cases of subletting or dual tenancies.
	HT to HMRC Household Composition	
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.

Match area	Match between	Purpose of Match/Fraud risk
	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.
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	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.
	Council Tax to other Data Sets including Payroll, Council tax Reduction, Housing and Taxi Driver Licences	To identify where the householder is claiming a council tax single person discount on the basis that they live alone, but other NFI information suggests that there may be more than one person in the household.
	Council Tax to HMRC Household Composition	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	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