

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 22 June 2022**

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**Subject: Corporate Fraud Team – Activity Report 6 months to  
31 March 2022**

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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 October 2021 to 31 March 2022.

**2. Recommendation**

**2.1 It is recommended that the Panel scrutinises the content of this report.**

**3. Background**

3.1 This report provides an update on the CFT's activity for the six month period to 31 March 2022. The previous six monthly update was presented to this Panel on 1 December 2021.

3.2 The CFT is a specialist investigative unit with the Internal Audit and Corporate Fraud Service 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 During 2020/21 and 2021/22, COVID-19 was added as an additional category of fraud being investigated by the CFT. The CFT have worked on referrals on COVID-19 business, self-employed grants, and the strategic framework business grants. The results and outcomes of investigations carried out during the six month period to 31 March 2022 are contained in this report.

3.4 The Internal Audit and Corporate Fraud Service also has responsibility for coordinating the Council's response to the National Fraud Initiative (NFI) exercise. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public

sector which aims to prevent and detect fraud. The NFI in Scotland is led Nationally by Audit Scotland and runs every two years. The purpose of the exercise is to match electronic data both within and between participating bodies to detect fraud and error.

3.5 South Ayrshire Council participated in the 2020/21 exercise to date and uploaded a number of data sets which is a mandatory part of the exercise. This includes:

- 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
- grant recipients (a new category for 2020/21 to capture COVID-19 business grants data).

3.6 The results of the NFI exercise are then returned to Councils for further investigation where required. As agreed by the Leadership Panel at their meeting on 16 March 2021 high quality NFI matches were investigated by the CFT in partnership with the relevant Service Areas. An update on this completed work is included in section 3.7 below.

### 3.7 ***NFI 2020/21 Exercise Result Update***

3.7.1 A total of 4,146 individual matches were received in respect of South Ayrshire Council covering areas such as Blue Badges, Council Tax Reduction and Housing Tenants. A total of 679 high level recommended matches were reviewed by the CFT and other officers within Services. The final results are as follows:

*(Table One- NFI Investigation Results)*

Fraud/Error Type	Processed	Errors	NFI Future Financial Saving Estimates	Actual Financial Savings (£) Recoverable
Blue Badge	190	68	£39,100.00	
Council Tax Reduction	117	4	£705.39	£2,294.74
Business Rates SBBS	36	4	£15,949.95	£26,966.59
Housing	300	1		
Payroll	36	0		
<b>Total</b>	<b>679</b>	<b>77</b>	<b>£55,754.89</b>	<b>£29,261.33</b>

3.7.2 The NFI future financial savings estimates are nominal amounts attributed to errors/fraud by the Cabinet Office and may not reflect actual savings amounts for the Council. For example, £575 is allocated to each Blue Badge error as an estimate of the future saving as a result of cancelling a

blue badge, this may not be a true representation of future saving to South Ayrshire Council. The amounts recorded in the Actual Financial Savings (£) Recoverable column represent actual amounts saved/recoverable by the Council. The results from NFI investigations completed by the CFT are included in update reports in the period they are carried out. The results detailed in table one above were included in the update to this Panel on 1 December 2021.

## 4. Proposals

### 4.1 ***Corporate Fraud Activity 1 October 2021 to 31 March 2022***

- 4.1.1 The table at [Appendix 1](#) shows the activity of the CFT from 1 October 2021 to 31 March 2022, further explanation is provided below.
- 4.1.2 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.
- 4.1.3 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.
- 4.1.4 House visits are carried out to check that applications for community care grants from the Social Welfare Fund are genuine.
- 4.1.5 Tenancy fraud is identified where the tenant is not residing in the property or is sub-letting. After CFT investigations one tenancy was given up and one homeless accommodation was removed by Housing Services. One case is currently still at the Procurator Fiscal.
- 4.1.6 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.
- 4.1.7 Employee investigations arise where allegations have been made relating to Council employees. There was an investigation into a missing cash amount investigated during this period which was passed to Police Scotland.
- 4.1.8 Blue Badge investigations arise where an allegation has been received about misuse.
- 4.1.9 In March 2020 the Scottish Government introduced grant funding schemes to be administered by Councils to assist companies impacted by the restrictions put in place to control the spread of Covid 19. Further grant funding was made available by the Scottish Government throughout 2021/22 to help businesses that continued to be impacted by further restrictions imposed to deal with ongoing pandemic. These grants were administered by Revenues and Benefit and Economy and Regeneration and the CFT worked closely with services dealing with referrals for possible fraudulent applications as well as interventions to check eligibility of claims. The results of investigations carried out in the six month period to 31 March 2022 are included in this report. The results of investigations

carried out prior to this period were included in previous CFT updates to this panel. Two applications for Strategic Framework Business Grants are at the Procurator Fiscal for consideration.

- 4.1.10 In addition to dealing with COVID Business grant referrals from Services South Ayrshire Council has participated in Pan Ayrshire Data Matching exercises. There has been a total of four Pan Ayrshire Data Matching exercises completed to date and a final data match is currently ongoing. The Pan Ayrshire Data Match exercises aim to identify where duplicate grant payments have been made across the three Ayrshire Councils and are carried out by East Ayrshire Council's Internal Audit team with results returned to Internal Audit and Corporate Fraud for review. The Corporate Fraud Team investigated relevant matches and took appropriate action where required, including recovery of overpayments and referral to Police Scotland. The results of the first four data matching exercises were included in previous CFT update reports to this Panel and the results of the final exercise will be included in the CFT update report when concluded.

## **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 and discount cases the debtor is rebilled reflecting the amount due. The savings identified from Covid Business Support Grants are from cases investigated by the CFT which have either not been paid or are have been identified for recovery. The savings identified of £30,215.72 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 Investigations involving a Council Employee are conducted in line with the Councils Special Investigation Procedures. HR is consulted where required.

## **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 There are no risks associated with rejecting the recommendations.

## **9. Equalities**

- 9.1 The proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact

Assessment is not required. A copy of the Equalities Scoping Assessment is attached at [Appendix 2](#).

## **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 report.
- 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 1 December 2021**  
**[Corporate Fraud Team Activity Report](#)**

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**Date: 8 June 2022**

Corporate Fraud Activity 1 October 2021 – 31 March 2022

Appendix 1

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)	12	13	25	21	4	-	£6,947.71
Scottish Welfare Fund visits	0	4	4	4	0	-	£1,732.93
Employee Cash investigation	0	1	1	1	0	Reported to Police Scotland	
Tenancy Fraud	1	4	5	4	1	1 case at PF 1 tenancy given up 1 temp accommodation removed.	
Housing Tenant Debt Locate & Trace checks	0	14	14	12	2	-	£11,535.08
Blue Badge Investigation	0	3	3	2	1	2 cases referred to DWP	
Covid-19 Business Grants	2	1	3	1	2	2 Cases at PF	£10,000
<b>Total for Six Months to 31/3/22</b>	<b>15</b>	<b>40</b>	<b>55</b>	<b>45</b>	<b>10</b>		<b>£30,215.72</b>
<b>Total for Six Month to 30/9/21</b> <i>(included in November report to Panel)</i>							<b>£103,382.14</b>
<b>Annual Total 2021/22</b>							<b>£133,597.86</b>

## 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: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

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. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	<b>Corporate Fraud Team – Activity Report</b>
Lead Officer (Name/Position/Email)	Douglas Urquhart, Senior Investigations Officer - <a href="mailto:dougie.urquhart@south-ayrshire.gov.uk">dougie.urquhart@south-ayrshire.gov.uk</a>

**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 – gender identity (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? (Fairer Scotland Duty). 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	No	No
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	No	No
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	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent’s education, employment and income	No	No

**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)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

**5. Summary Assessment**

<p><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>)</p>	<p><del>YES</del> <b>NO</b>      <input checked="" type="checkbox"/></p>
<p><b>Rationale for decision:</b> This report advises Members of the Corporate Fraud Team’s activity and performance from October 2021 to March 2022. Their consideration of this has no specific equality implications.</p>	
<p><b>Signed :</b> Douglas Urquhart, Senior Investigations Officer</p> <p><b>Date:</b> 13 May 2022</p>	