

South Ayrshire Council

**Report by Internal Audit Corporate Fraud Team
to Audit and Governance Panel
of 31 May 2023**

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

1. Purpose

1.1 The purpose of this report is to advise Members of the Corporate Fraud Team's (CFT) activity from 1 October 2022 to 31 March 2023 and to provide an update on the progress of 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 31 March 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 7 December 2022 and covered the period 1 April 2022 to 30 September 2022. This report includes six month period to 31 March 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.

4. Proposals

4.1 **Corporate Fraud Activity 1 October 2022 to 31 March 2023**

4.1.1 The table at [Appendix 1](#) shows a summary of the activity of the CFT from 1 October 2022 to 31 March 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.
- 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 .
- Tenancy fraud is identified where the tenant is not residing in the property or is sub-letting. Three tenancies were returned and two homeless applications and the subsequent housing offer was withdrawn by Housing Services.
- 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.
- Employee investigations arise where allegations have been made relating to Council employees. One employee investigation was completed and was reported to the service for action.
- Blue Badge investigations can arise where an allegation has been received about misuse. Four new complaints of misuse were received during this six month period, 2 Badges were removed, 2 Warnings were issued, 1 badge removed and case reported to the Procurator Fiscal. In addition a Blue Badge spot check exercise was carried out by the CFT in conjunction with Ayrshire Roads Alliance Parking Supervisor where 25 vehicles parked in disabled parking bays in Ayr were checked. This resulted in one Blue Badge misuse incident (warning) included above.
- One referral received from Education Services was investigated by the CFT and resulted in a school placement application being rejected through the school registration process.
- 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. One applications for Strategic Framework Business Grants has been successfully prosecuted during this period and one was marked as no further proceedings by Procurator Fiscal.

4.2/

4.2 **National Fraud Initiative**

- 4.2.1 In addition to areas detailed in paragraph 3.2 above, the CFT also contributes to the co-ordination and completion of the biennial National Fraud Initiative exercise.
- 4.2.2 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.
- 4.2.3 South Ayrshire Council has participated in all exercises to date and uploaded a number of data sets which is a mandatory part of the exercise. The data sets included in the 2022/23 exercise are:
- 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.
- 4.2.4 A total of 4,091 NFI matches have now been received and initial work has started. This is a small overall reduction of 55 cases from the previous exercise.
- 4.2.5 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. We aim to investigate all high risk, high quality matches. A total of 1,725 investigations split over eight match areas will be completed. The details of the match areas and the target number of investigations in each area is at [Appendix 2](#). Medium priority actions may also be reviewed if investigations show a high level of fraud or error and resources permit.
- 4.2.6 Progress against the 2022/23 NFI exercise will be reported to this Panel through the six-monthly Corporate Fraud update reports. 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 £36,949.41 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 Audit and Governance Panel of 22 June 2022 - [Corporate Fraud Team - Activity Report 6 months to 31 March 2022](#)**

Report to Audit and Governance Panel of 7 December 2022 - [Corporate Fraud Team - Activity Report and Update on 2022/23 National Fraud Initiative](#)

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

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Date: 17 May 2023

Corporate Fraud Activity 1 October 2022 – 31 March 2023

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)	10	14	24	19	5	-	£20,537.95
Non Domestic Rates Cases (Including Empty Property Relief (EPR) Proactive checks)	2	189 (EPR) 1 Referral	191	181	10	-	£10,389.51 £2,117.42
Employee investigations	1	0	1	1	0	1 case investigated and passed to the service for action	
Scottish Welfare Fund visits	0	3	3	3	0		£1,474.91
Tenancy Fraud	3	5	8	5	3	3 tenancies returned 2 Homeless Applications rejected	
Housing Tenant Debt Locate & Trace checks	12	25	37	27	10	-	£2,429.62
Blue Badge Investigation	2	4	6	5	1	2 Badges removed 2 Warnings issued 1 badge removed and case referred to PF	
Education	0	1	1	1	0	Application through school registration process rejected	
Covid-19 Business Grants	2	0	2	2	0	1 Case Prosecuted 1 Case marked no proceedings	
Total for six month period to 31/03/23							£36,949.41
Total for six month period to 30/09/2022 (reported to AGP 7/12/2022)							£42,203.77
Total For Year to 31 March 2023							£79,153.18

National Fraud Initiative Target Investigations

Match Area	Total Matches	Total Target Investigations	
		No.	%
Housing Benefit	68	28	41%
Payroll	146	73	50%
Housing Tenants	284	254	89%
Blue Badges	722	645	89%
Waiting List	320	57	18%
Council Tax Reduction Scheme	470	9	2%
Creditors	2,026	603	30%
Procurement	55	55	100%
Total	4,091	1,725	42%