

Finance and Resources Committee

10.00am, Thursday 9th December 2021

Annual Fraud Prevention and Detection Report

Executive/routine Wards Council Commitments	Executive
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1. Recommendations

- 1.1 To note work by the Council on fraud prevention and detection activities during 2020/21.

Stephen S. Moir

Executive Director of Corporate Services

Contact: Neil Jamieson, Head of Customer Services.

Customer and Digital Services Division, Corporate Services Directorate

Email: neil.jamieson@edinburgh.gov.uk

Report

Annual Fraud Prevention and Detection Report

2. Executive Summary

- 2.1 The annual report provides an overview of fraud prevention and detection activities undertaken in 2020/21.

3. Background

- 3.1 The Council is responsible for a range of counter fraud activities. These are designed to detect, investigate, prevent and report fraud and ensure that public money is spent on essential services.
- 3.2 Housing Benefit fraud detection is undertaken by the Single Fraud Investigation Service (SFIS) at The Department for Work and Pensions.
- 3.3 The Council investigate and detect fraudulent activity that is out with the remit of central government bodies such as the Department for Work and Pensions and HMRC. Council services are required to review their own risks and establish robust procedures to prevent and detect fraud within their operation. Certain types of customer fraud are investigated by the Customer Fraud and Visiting Team (CFVT) and where appropriate CFVT share information and best practice to enable services to strengthen controls and reduce the risk of future fraud.
- 3.4 Internal Audit also considers whether appropriate controls have been established across the Council to support prevention and detection of potentially internal and external fraudulent activities by Council employees as part of their Governance, Risk, and Best Value Committee approved Internal Audit annual plan.

4. Main report

- 4.1 Fraud allegations are received from various sources, including members of the public, Department for Work and Pensions, HM Revenues and Customs, the Police and the National Fraud Initiative (NFI) exercise. During 2020/21, CFVT detected customer fraud of £1.715m (Appendix 1) and recovery action is ongoing to secure appropriate funds.
- 4.2 The Council participates in Audit Scotland's NFI exercise. This is a comprehensive data matching exercise that operates over a two-year rolling period and compares

information held by public bodies. The latest exercise commenced in January 2021, when matches were released and service teams are currently reviewing these datasets (Appendix 2). Matches are due to be finalised by January 2022. Audit Scotland will review the outcomes for its national report in March 2022, with the NFI report expected to be published in summer 2022. This information will be reported to Committee as part of 2022 Annual report.

- 4.3 The Council operates a web-based system that allows the public to report suspected cases of fraud. Following an initial assessment, allegations against Council employees are referred to the relevant service area for investigation. These allegations are tracked, and investigation outcomes are reported as part of the annual fraud detection report. Allegations against third parties are passed to CFVT who engage relevant service areas or outside agencies to complete the investigation. Where appropriate both CFVT and Internal Audit provide advice and assistance to support investigations.
- 4.4 During the financial year 2020/21, 617 allegations were reported (Appendix 3). Two allegations were made against Council employees. Investigations were undertaken; one allegation was confirmed as unfounded and one could not be taken forward due to insufficient evidence.
- 4.5 External fraud investigation home visits and face to face activities were suspended in March 2020 due to Covid19 safeguards. These activities did not resume by the end of the 2020/21 financial year, however, where possible alternative verification methods were utilised. CFVT resource was primarily redirected to support the Scottish Government Business Grant schemes, specifically conducting assurance checks against potential fraudulent applications. As a result of this work, 467 suspected fraudulent applications were reviewed and this analysis resulted in 130 fraudulent (£1.66m) applications being rejected.
- 4.6 Fraudulent Business Grant applications were monitored jointly as part of a Scotland wide strategy led by the appropriate national body. Data was shared across all 32 Local Authorities to ensure a consistent and coordinated approach. This data was also shared with Police Scotland as part of their work to tackle serious and organised crime.

5. Next Steps

- 5.1 Council services, the Customer Fraud and Visiting Team, Internal Audit and Digital Services, will continue to work collaboratively to provide financial safeguards and deter potentially fraudulent activity.

6. Financial impact

- 6.1 While there is no direct financial impact as a result of this report, the actions of Council services and Internal Audit provide a financial safeguard.

7. Stakeholder/Community Impact

7.1 There is no direct impact on stakeholders or community arising from this report.

8. Background reading/external references

8.1 [Fraud Prevention & Detection - Annual Report 2019/20. Finance and Resources Committee 29th October 2020](#)

8.2 [Corporate Debt Policy](#)

8.3 [Whistleblowing Policy](#)

8.4 [Policy on Fraud Prevention](#)

8.5 [Policy on Anti Bribery](#)

9. Appendices

9.1 Appendix 1 – Customer Fraud and Visiting Team – 2020/21

9.2 Appendix 2 - National Fraud Initiative – 2020/21

9.3 Appendix 3 - Public Reported Cases of Suspected Fraud

Customer Fraud and Visiting Team – 2020/21 Key Activities

During 2020/21, the Customer Fraud and Visiting Team (CFVT) detected customer fraud of £1,715,296.67, with recovery action ongoing.

- **Covid 19 Business Support Grants (£1,663,600)**
Council resource was redirected to support processing of Scottish Government Business Grant schemes, specifically conducting assurance checks against potential fraudulent applications.
- **Discretionary Housing Payments (£8058.60)**
These payments are awarded to claimants in receipt of Housing Benefit and suffering from financial hardship. Overpayments occur when a claimant fails to provide the correct information when applying or fails to report a change in circumstances.
- **Council Tax Reduction Scheme (CTRS) (£25,638.07)**
CTRS is available to claimants who are experiencing financial difficulties and find themselves unable to make their Council Tax payments. Payments in error occur when a claimant fails to provide the correct information when applying for the scheme or fails to report a change in circumstances.
- **Recovered Tenancies – non residency and illegal sublets of Council homes (£18,000)**
The Audit Commission recommend that Local Authorities use a notional figure of £18,000 per tenancy when calculating potential loss to the Council. This figure incorporates the cost of temporary accommodation for genuine applicants, legal costs to recover the property, re-let cost and the rent foregone during the void period between tenancies. One tenancy was successfully recovered.

National Fraud Initiative

Overview of work currently being undertaken to investigate 2020/21 matches, target for completion January 2022.

Dataset	Examples of possible Fraud	Match No.	In Progress
Pensions	Obtaining the pension payments of a deceased person, Exceeding new income limits after taking added years	969	Ongoing
Income/ Council Tax	Incorrectly claiming single persons discount	13,388	Ongoing
Housing Benefits	Incorrectly claiming benefits	421	Ongoing
Council Tax Reduction	Incorrectly claiming benefits	1822	Ongoing
House Rents	To identify where an individual appears to be resident at two different addresses suggesting possible cases of subletting or dual tenancies.	526	Complete
Private supported care home residents	Payments for deceased resident		
Waiting lists	Ineligible tenants, Tenant on waiting list for second property, Inappropriate attempt to purchase property R.T.B.	635	Ongoing
Payroll/HR	Obtaining employment when not entitled to work in the UK Second Job whilst paid long term sick	147	Ongoing
Trade Creditors Standing Data (Procurement)	Fraudulent or erroneous payments where supplier set up with more than one reference, Inappropriate Suppliers on database	325	Complete
Trade Creditors History (Payments)	Duplicate payments for same goods/services Incorrect Payments made Employees (or family) invoicing services to Council	6023	Complete
Blue Badge Permit / Residents Parking	Permit used by someone other than approved user	1188	Ongoing
Resident Parking Permits	Individuals who have a resident parking permit have been matched to deceased records.	38	Ongoing

Procurement to Payroll	To identify potential undeclared interests that have been given a pecuniary advantage.	241	Ongoing
Immigration	To identify employees who are not entitled to reside and/or are not entitled to work in the UK	0	n/a
NDR	To identify those claiming multiple Small Business Bonus Scheme grants, those fraudulently in receipt of SBBS within and between authorities.	853	Ongoing
Total		26,576	

Public Reported Cases of Suspected Fraud

CATEGORY	Number of Reported Cases
External	
Benefits or Council Tax	448
Tenancy or Other Housing	100
Licensing / HMO / Private Landlord	15
Non-Domestic Rates	1
Blue Badges/Parking	16
Miscellaneous	22
Internal	
Allegations made against Staff	2
Total Relevant Allegations	604
Not Relevant	
Not CEC – (i.e. Police, other LA's or agencies)	11
Duplicates (multiple reports by same person)	2
Total Not Relevant	13
Total Allegations Received	617