

Finance and Resources Committee

10am, Thursday 10th November 2022

Annual Fraud Prevention and Detection Report

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 To note the Council's work on fraud prevention and detection during the 2021/22 financial year.

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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 2021/22.

3. Background

- 3.1 The Council is responsible for a range of counter fraud activities. These are designed to detect, investigate and prevent fraud and ensure that public money is spent on essential services.
- 3.2 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 (now responsible for Housing Benefit Fraud). Appropriate external customer fraud is investigated by the Council's Customer Fraud & Visiting Team (CFVT).
- 3.3 Internal Audit also considers whether appropriate Council controls exist to support the prevention and detection of potentially fraudulent activities 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 a variety of 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 2021/22, the Customer Team detected customer fraud/error of £1.228m (Appendix 1), with recovery action ongoing.
- 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. Audit Scotland published the outcome for the 2020/21 exercise in August 2022 (Appendix 2). The 2020/21 exercise evidenced a low number of fraud/errors (2% fraud/error rate: 242 out of 11,564 cases investigated) and all cases have been actioned. Work to upload the datasets for the next two-year exercise 2022/23 commenced in July 2022 and the assessment will be concluded in January 2023.

- 4.3 The Council operates a web-based system that allows the public to report suspected cases of fraud. Following an initial assessment by Business Support within Legal Services, allegations are referred to the relevant service area for investigation. During the financial year 2021/22, 524 allegations were reported (Appendix 3), with no allegations made against Council employees. Of the 524 allegations, 81 were not relevant and were referred to appropriate external organisations, with the remaining allegations progressed by service areas.
- 4.4 Home visits to support external fraud investigations and face to face contact was suspended for most of the 2021/22 due to the coronavirus pandemic. The CFVT resource was redirected to support processing of Scottish Government Business Grant schemes, conducting assurance checks against potential fraudulent applications under the Strategic Framework and Retail, Hospitality & Leisure Funds. The team reviewed high risk applications and identified 421 fraudulent claims.

5. Next Steps

- 5.1 The Customer Fraud & Visiting Team and Internal Audit 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 the Customer Fraud & Visiting Team and Internal Audit provide a financial safeguard. Outcomes from investigations provide service areas with evidence to recover any fraudulent sums claimed.

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 2020/21. Finance and Resources Committee 9th December 2021](#)
[Corporate Debt Policy](#)
[Whistleblowing Policy](#)
[Policy on Fraud Prevention](#)
[Policy on Anti Bribery](#)

9. Appendices

- 9.1 Appendix 1 – Customer Fraud & Visiting Team – 2021/22
Appendix 2 - National Fraud Initiative – 2020/21
Appendix 3 - Public Reported Cases of Suspected Fraud

Customer Fraud & Visiting Team – 2021/22 Activities

During 2021/22, the Customer Team detected fraud of £1.228m with recovery action ongoing.

- **Benefit Administrative Penalties (£3,351.08)**
Administrative penalties occur when a Benefit claimant deliberately fails to provide details of a change of circumstance, which then results in a benefit overpayment. Council investigates these cases on behalf of the Secretary of State.
- **Discretionary Housing Payments (£703.91)**
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) (£119,493.77)**
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.
- **Council Tax Discounts and Exemptions (£75,204.36)**
Discounts and exemption incorrectly applied due to the customer providing incorrect information or failing to report a change of circumstance e.g., liability, student status, empty properties etc. NB: Additional discounts and exemptions are also removed as part of the ongoing business review activities; however, these are not classified as fraudulent for the purpose of this report.
- **Council Tax Single Occupancy Discount Review (£1,029,711.95)**
Annually, the service undertakes a review to ensure residents who claim a single occupancy discount on their Council Tax continues to have a genuine entitlement. In partnership with the Council, an external partner undertakes an evidence based single occupancy discount review. This uses a combination of information held by the Council, third party data sources and specialist validation services. The work carried out ensures that ineligible claims are removed and that those who are entitled continue to receive their discount.

National Fraud Initiative

Overview of 2020/21 matches.

Dataset	Examples of possible Fraud	Cases Investigated	Investigation Type	Fraud No.	Errors No.	Notional Value £
Non-Domestic Rates	Incorrectly claiming small Business Bonus Scheme	853	All Matches	0	104	£433,823.59
Income/ Council Tax	Incorrectly claiming exemptions	1814	All matches	1	133	£179,083.07
Housing Benefits	Incorrectly claiming benefits	415	All matches	4	0	£27201.52
Housing Rents and Other	Ineligible tenants, Tenant on waiting list for second property, Inappropriate attempt to purchase property R.T.B.	520	All Matches	0	0	£0.00
Payroll/HR	Obtaining employment when not entitled to work in the UK Second Job whilst paid long term sick	147	All Matches	0	0	£0.00
Trade Creditors Standing Data (Procurement)	Fraudulent or erroneous payments where supplier set up with more than one reference, Inappropriate Suppliers on database	325	Sample completed due to low level of risk	0	0	£0.00
Trade Creditors History (Payments)	Duplicate payments for same goods/services Incorrect Payments made Employees (or family) invoicing	6023	Sample completed due to low level of risk	0	0	£0.00

	services to Council					
Blue Badge Permit / Residents Parking	Permit used by someone other than approved user	1188	All Matches	0	0	£0.00
Resident Parking Permits	Individuals who have a resident parking permit have been matched to deceased records.	38	All Matches	0	0	£0.00
Procurement to Payroll	To identify potential undeclared interests that have been given a pecuniary advantage.	241	All Matches	0	0	£0.00
Total		11,564		5	237	£640,108.18

Public Reported Cases of Suspected Fraud

CATEGORY	Number of Reported Cases
External	
Benefits or Council Tax	320
Tenancy or Other Housing	81
Licensing / HMO / Private Landlord	15
Non-Domestic Rates	2
Blue Badges/Parking	12
Miscellaneous	13
Internal	
Allegations made against Staff	0
Total Relevant Allegations	443
Not Relevant	
Not CEC – (i.e., Police, other LAs, or agencies)	77
Duplicates (multiple reports by same person)	4
Total Not Relevant	81
Total Allegations Received	524