

# Finance and Resources Committee

10.00am, Thursday 29<sup>th</sup> October 2020

## Annual Fraud Prevention and Detection Report

Executive/routine Wards Council Commitments	Routine
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### 1. Recommendations

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- 1.1 To note the fraud prevention and detection work undertaken during the 2019/20 financial year.

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# Report

## Annual Fraud Prevention and Detection Report

### 2. Executive Summary

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- 2.1 The annual report provides an overview of fraud prevention and detection activities undertaken in 2019/20.

### 3. Background

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- 3.1 The Council is responsible for a wide range of counter fraud activities. These are designed to prevent, detect, investigate and report fraud and ultimately 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. External/customer fraud is investigated by the Council's Corporate Fraud Investigation Team (CFIT). In conjunction with these activities Internal Audit assess whether appropriate controls are in place to prevent and detect potential internal and external fraudulent activities by Council employees. Both functions are responsible for liaising with Council services to raise awareness of appropriate fraud prevention controls and counter measures.

### 4. Main report

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- 4.1 Fraud allegations are received from various sources, including the public, Department for Work and Pensions, HM Revenues and Customs, the Police and the National Fraud Initiative (NFI) exercise. During 2019/20 CFIT detected customer fraud of £856,784 (Appendix 1). Action is ongoing to recover appropriate funds and CFIT continue to work with affected services to strengthen controls to reduce future fraud.
- 4.2 The Council also 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 February 2019 and concluded in December 2019, resulting in £110,837 of fraud being identified (Appendix 2)
- 4.3 The Council operates an online 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. Allegations against third parties are passed to CFIT who engage relevant service areas or outside agencies to complete the investigation.

- 4.4 During 2019/20, 508 allegations were reported to the Council and these are detailed in Appendix 3. These allegations relate to a range of services and a small number relate to external organisations. Three specific allegations were made against Council employees. These were fully investigated, confirming that all three allegations were unfounded.
- 4.5 Due to the coronavirus outbreak all external fraud investigation home visits and face to face contact was suspended on Monday 16 March 2020. Future activities continue to be kept under review as part of the Council's wider service recovery plans.

## **5. Next Steps**

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- 5.1 Customer and Digital Services and Internal Audit will continue to work collaboratively to provide financial safeguards and deter potentially fraudulent activity.

## **6. Financial impact**

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- 6.1 While there is no direct financial impact because of this report, the actions of the Corporate Fraud Investigation Team and Internal Audit provide an important financial safeguard. Outcomes from investigations provide service areas with evidence to strengthen controls and recover any fraudulent sums claimed. This recovery work is an ongoing activity.

## **7. Stakeholder/Community Impact**

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

## **8. Background reading/external references**

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- 8.1 [Fraud Prevention and Detection - Annual Report 2018/19. Finance and Resource Committee 15 August 2019](#)
- 8.2 [Corporate Debt Policy](#)
- 8.3 [Whistleblowing Policy](#)
- 8.4 [Policy on Fraud Prevention](#)
- 8.5 [Policy on Anti Bribery](#)

## **9. Appendices**

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- 9.1 Appendix 1 - Corporate Fraud Team – 2019/20
- 9.2 Appendix 2 - National Fraud Initiative – 2019/20
- 9.3 Appendix 3 - Public Reported Cases of Suspected Fraud

## Appendix 1 - Corporate Fraud Team – 2019/20

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During 2019/20, the Corporate Fraud Investigation Team (CFIT) detected customer fraud of over £856k with recovery action ongoing (£665k recovered at 31/3/20, including relevant notional values).

- **Benefit Administrative Penalties (£13,389)**

Administrative penalties occur when a Benefit claimant deliberately fails to provide details of a change of circumstance, which then result in a benefit overpayment. Council investigate these cases on behalf of the Secretary of State. Currently £773.81 of £13,389.00 collected with recovery action ongoing.

- **Discretionary Housing Payments (£2,400)**

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. Sum identified fully collected.

- **Scottish Welfare Fund Payments (£33,079)**

A Community Care Grant aims to help people on benefits with additional support in the home. A Community Care Grant can also help families facing exceptional pressures, with one-off items, like a cooker or a washing machine. Pre-issue compliance checks have prevented £33,079 (100%) of ineligible goods being issued.

- **Council Tax Reduction Scheme (CTRS) (£87,603)**

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. Currently £75,364 of £87,603 has been collected with recovery action ongoing.

- **Council Tax Discounts and Exemptions (£355,508)**

This relates to discounts and exemption incorrectly applied due to the customer providing false 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 ongoing business review activities, however, these are not classified as fraudulent for the purposes of this report. Currently £191,586 of £355,508 has been collected with recovery action ongoing.

- **Recovered Tenancies – non-residency and illegal sublets of Council homes (£324,000)**

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. 18 tenancies were successfully recovered.

- **Disabled Blue Badges (£4,500)**

The Blue Badge (Disabled Parking) Scheme provides a national arrangement of parking concessions for people with a permanent or substantial disability. The misuse of the Blue Badge scheme undermines the benefits of the scheme, impacts upon local

traffic management and creates hostility amongst other badge holders and members of the public.

- **School Placements (No direct saving)**

This important work ensures that school catchment areas are appropriately applied. While there are no direct financial implications this activity ensures genuine applications are less likely to be declined and avoids the cost of hiring more teachers and classroom assistants.

- **Non-Domestic Rates (£36,305)**

Discounts and exemption incorrectly applied due to customer providing false information or failing to report a change of circumstance e.g. liability status, empty properties etc. NB: Additional discounts and exemptions are also removed as part of ongoing business review activities, however, these are not classified as fraudulent for the purpose of this report. Currently £33,141 of £36,305 has been collected with recovery action ongoing.

## Appendix 2- National Fraud Initiative – Potential Fraud

Dataset	Examples of possible Fraud	Cases Investigated	Investigation Type	Fraud/Errors related to fraud No.	Recovery £
Pensions	Obtaining the pension payments of a deceased person, Exceeding new income limits after taking added years	1161	All matches	0	0
Income/ Council Tax	Incorrectly claiming exemptions	2521	All matches	5	£13,107.00
Housing Benefits	Incorrectly claiming benefits	2814	All matches	25	£96,953.00
Private supported care home residents	Payments for deceased resident	194	All Matches	7	£777.06
Housing Rents and Other	Ineligible tenants, Tenant on waiting list for second property, Inappropriate attempt to purchase property R.T.B.	467	All Matches	0	0
Payroll/HR	Obtaining employment when not entitled to work in the UK Second Job whilst paid long term sick	267	All Matches	0	0
Trade Creditors Standing Data (Procurement)	Fraudulent or erroneous payments where supplier set up with more than one reference, Inappropriate Suppliers on database	226	Sample completed due to low level of risk	0	0
Trade Creditors History (Payments)	Duplicate payments for same goods/services Incorrect Payments made Employees (or family) invoicing services to Council	1036	Sample completed due to low level of risk	0	0
Blue Badge Permit / Residents Parking	Permit used by someone other than approved user	794	All Matches	0	0
Resident Parking Permits	Individuals who have a resident parking permit have been matched to deceased records.	23	All Matches	0	0
Procurement to Payroll	To identify potential undeclared interests that have been given a pecuniary advantage.	166	All Matches	0	0
Immigration	To identify employees who are not entitled to reside and/or are not entitled to work in the UK	0	No matches released by NFI	0	0
<b>Total</b>		9669		37	£110,837.06

Errors related to fraud include incorrect award of Council Tax discounts/exemptions and Housing Benefit linked to false claims. Errors relating to care home payments to deceased resident were due to discrepancy in the date of death.

## Appendix 3 - Public Reported Cases of Suspected Fraud

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CATEGORY	Number of Reported Cases
<b>External</b>	
Benefits or Council Tax	352
Tenancy or Other Housing	89
Licensing / HMO / Private Landlord	12
Non-Domestic Rates	9
Blue Badges/Parking	9
Miscellaneous	13
<b>Internal</b>	
Allegations against Staff	3
<b>Total Relevant Allegations</b>	<b>487</b>
<b>Not Relevant</b>	
Not Council – (i.e. Police, other Local Authorities or agencies)	15
Duplicates (multiple reports by same person)	6
<b>Total Not Relevant</b>	<b>21</b>
<b>Total Allegations Received</b>	<b>508</b>