

Finance and Resources Committee

10.00am, Thursday, 15 August 2019

Annual Fraud Prevention and Detection Report

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 To note continued work by the Council on Fraud Prevention and Detection during the 2018/19 financial year.

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Annual Fraud Detection and Prevention

2. Executive Summary

- 2.1 The annual report provides an overview of fraud prevention and detection activities undertaken in 2018/19.

3. Background

- 3.1 The Council is responsible for a wide 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 for the community.
- 3.2 Housing Benefit fraud, 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. External/customer fraud is investigated by the Council's Corporate Fraud Investigation Team (CFIT).
- 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.
- 3.5 These areas are responsible for liaising with Council services to raise awareness of appropriate fraud prevention controls and counter measures.

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 2018/19, CFIT detected customer fraud of £1,164,130 and recovery action is ongoing. CFIT have worked collaboratively with services affected to strengthen controls to reduce future fraud. Details of the types of fraud identified are detailed in Appendix 1.
- 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 February 2019. NFI work is ongoing and concludes in December 2019. Appendix 2 details results to the end of April 2019, identifying fraud/error equating to £8,904.

- 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 CFIT who engage relevant service areas or outside agencies to complete the investigation. Where appropriate both CFIT and Internal Audit provide advice and assistance to support investigations.
- 4.4 During the 2018/19 financial year, two allegations of fraud were reported directly to Internal Audit. Details are included in Appendix 3

5. Next Steps

- 5.1 The Corporate Fraud Investigation Team, Internal Audit and Digital Services, will continue to work collaboratively to provide financial safeguards and deter potential fraudulent activity.

6. Financial impact

- 6.1 While there is no direct financial impact as a result of this report, the actions of the Corporate Fraud Investigation 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 and Detection - Annual Report 17/18, Finance and Resources Committee 11 October 2018](#)
[Corporate Debt Policy](#)
[Corporate Fraud and Corruption Policy](#)
[Policy on Fraud Prevention](#)
[Policy on Anti Bribery](#)

9. Appendices

- 9.1 Appendix 1 - Corporate Fraud Team - 2018/19
Appendix 2 - National Fraud Initiative - 2018/19

Appendix 3 - Public Reported Cases of Suspected

Corporate Fraud Team - 2018/19

During 2018/19, the Corporate Fraud Investigation Team (CFIT) **detected customer fraud** of over **£1,164,000** with recovery action ongoing (**£355,519 recovered as at 31/03/19**).

- **Benefit Administrative Penalties (£15,170)**
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 investigate these cases on behalf of the Secretary of State.
- **Discretionary Housing Payments (£619)**
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.
- **Scottish Welfare Fund Payments (£34,600)**
A Community Care Grant aims to help people on benefits who may have to go into care unless they get some support to stay at home or if they are leaving any form of care and need help to set-up their own home. A Community Care Grant can also help families facing exceptional pressures, with one-off items, like a cooker or a washing machine. Savings have been identified where items have been claimed for but were not actually required by the customer.
- **Council Tax Reduction Scheme (CTRS) (£57,827)**
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 (£423,382)**
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 purpose of this report.
- **Recovered Tenancies – non residency and illegal sublets of Council homes (£252,000)**
The Audit Commission recommend that Local Authorities use a notional figure of £18,000 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. 14 tenancies were successfully recovered.
- **Disabled Blue Badges (£2,460)**
The Blue Badge (Disabled Parking) Scheme provides a national arrangement of parking concessions for those people who have 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. It can result in a genuinely disabled person being unable to access designated parking spaces.
- **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 due to fraudulent activity.

- **Non Domestic Rates (£372,996)**

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.

- **Garden Waste (£5,076)**

This important work ensures that customers who apply for exemption from the annual Garden Waste charge correctly fall into one of the non-paying exemption categories.

National Fraud Initiative

Dataset	Examples of possible Fraud	Cases Investigated	Investigation Type	Fraud No.	Errors No.	Recovery £
Pensions	Obtaining the pension payments of a deceased person, Exceeding new income limits after taking added years	229	All matches	0	33	Not Concluded at this time
Income/ Council Tax	Incorrectly claiming exemptions	749	High Risk matches	0	0	0
Housing Benefits	Incorrectly claiming benefits	568	High Risk matches	1	1	£8,127.70
Private supported care home residents	Payments for deceased resident	194	All Matches	0	7	£777.06
Housing Rents and Other	Ineligible tenants, Tenant on waiting list for second property, Inappropriate attempt to purchase property R.T.B.	8	Sample completed due to low level of risk	0	0	0
Payroll/HR	Obtaining employment when not entitled to work in the UK Second Job whilst paid long term sick	0	High Risk Matches	0	0	0
Trade Creditors Standing Data (Procurement)	Fraudulent or erroneous payments where supplier set up with more than one reference, Inappropriate Suppliers on database	0	High Risk matches	0	0	0
Trade Creditors History (Payments)	Duplicate payments for same goods/services Incorrect Payments made Employees (or family) invoicing services to Council	0	Sample completed due to low level of risk	0	0	0
Blue Badge Permit / Residents Parking	Permit used by someone other than approved user	0	High Risk matches	0	0	0
Resident Parking Permits	Individuals who have a resident parking permit have been matched to deceased records.	0	High Risk matches	0	0	0
Procurement to Payroll	To identify potential undeclared interests that have been given a pecuniary advantage.	0	High Risk matches	0	0	0
Immigration	To identify employees who are not entitled to reside and/or are not entitled to work in the UK	0	High Risk matches	0	0	0
Total		1,748		1	41	£8,904.76

Public Reported Cases of Suspected Fraud

CATEGORY	Number of Reported Cases
External	
Tenancy or Other Housing	1
Internal	
Allegations made against Staff	1
Total Relevant Allegations	2