

# Finance and Resources Committee

10am, Thursday 21 November 2023

## Annual Fraud Prevention and Detection Report

Executive/routine  
Wards

### 1. Recommendations

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1.1 To note the Council's work on fraud prevention and detection during 2022/23.

**Dr Deborah Smart**

Executive Director of Corporate Services

Contact: Nicola Harvey, Service Director, Customer and Digital Services

E-mail: [Nicola.harvey@edinburgh.gov.uk](mailto:Nicola.harvey@edinburgh.gov.uk)

Neil Jamieson, Head of Customer Services

E-mail: [neil.jamieson@edinburgh.gov.uk](mailto:neil.jamieson@edinburgh.gov.uk) | Tel: 0131 469 6150

# Report

## Annual Fraud Detection and Prevention

### Executive Summary

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- 1.1 The annual report provides an overview of fraud prevention and detection activities undertaken in 2022/23.

### Background

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- 2.1 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.
- 2.2 The Council investigate and detect fraudulent activity that is out with the remit of central government bodies, including the Department for Work and Pensions (responsible for Housing Benefit Fraud). Appropriate external customer fraud is investigated by the Council's Customer Fraud & Visiting Team (CFVT).
- 2.3 Internal Audit also considers whether appropriate Council controls exist to support the prevention and detection of potentially fraudulent activities as part of their ongoing activities.

### Main report

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- 3.1 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 2022/23, the Customer Team detected customer fraud/error of £926K (Appendix 1), with recovery action ongoing.
- 3.2 The Council participates in Audit Scotland's National Fraud Initiative (NFI). This is a comprehensive data matching exercise that operates over a two-year rolling period and compares information held by public bodies. To maximise the efficiency of this activity an annual review of the Council's internal controls and the National Fraud Initiative database is undertaken to ensure checking activities are complementary. As a result, Council services investigate approximately 80% of the NFI's high risk matches for the period, with the remaining 20% of matches covered by existing internal controls.

- 3.3 The latest NFI exercise commenced in January 2023 and will conclude in March 2024, with the results published in the summer of 2024. Ongoing activities, up to the end of September 2023, have identified potential fraud/error of £11.7K, as detailed in Appendix 2.
- 3.4 The Council operates a web-based system that allows the public to report suspected cases of fraud. Following an initial assessment by Business Support, allegations are referred to the relevant service for investigation. During 2022/23, 467 allegations were reported (Appendix 3), this included one allegation made about a Council employee, which was investigated by Safecall, as part of the whistleblowing process. Of the 466 remaining allegations, 116 were not within the Council's remit and were referred to the appropriate external organisations. Of the remaining 350 allegations, 289 were not upheld and 61 were upheld, with appropriate actions being progressed. The largest number of upheld cases related to benefits, council tax discounts and blue badges.

## **Next Steps**

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- 4.1 The Customer and Internal Audit teams continue to engage with service areas to highlight investigation outcomes and this dialogue is used to shape counter fraud activities and increase awareness.

## **Financial impact**

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- 5.1 This work is an important financial safeguard and ongoing investigations provide service areas with evidence to attempt to recover any fraudulent sums claimed.

## **Equality and Poverty Impact**

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- 6.1 There are no direct equality and poverty impacts associated with this report.

## **Climate and Nature Emergency Implications**

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- 7.1 There are no direct climate and nature emergency implications associated with this report.

## **Risk, policy, compliance, governance and community impact**

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- 8.1 There are no direct risk, policy, compliance and community impacts associated with this report.

## **Background reading/external references**

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9.1 [Fraud Prevention & Detection - Annual Report 2021/22 Finance and Resources Committee 10th November 2022](#)

[Whistleblowing Policy](#)

[Policy on Fraud Prevention](#)

[Policy on Anti Bribery](#)

## **Appendices**

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10.1 Appendix 1 – Customer Fraud & Visiting Team – 2022/23

Appendix 2 – National Fraud Initiative

Appendix 3 – Public Reported Cases of Suspected Fraud

## 2022/23 Overview

During 2022/23, the Customer Services Team detected customer fraud of £926,256 with recovery action ongoing.

- **Scottish Welfare Fund Payments (£24,954)**  
A Community Care Grant provides support for essential goods and one-off items. This category details items that have been claimed for but were not actually required by the customer.
- **Council Tax Reduction Scheme (CTRS) (£43,464)**  
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 (£197,492)**  
This category 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. (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.)
- **Council Tax Single Occupancy Discount Review (£569,896)**  
An annual review is undertaken to ensure residents who claim a single occupancy discount on their Council Tax continue to have a genuine entitlement. This uses a combination of information held by the Council, third party data sources and specialist validation services. This work ensures that ineligible claims are removed.
- **Recovered Tenancies – non residency/illegal sublets of homes (£90,000)**  
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. This work also ensures that properties are being used by tenants that have been appropriately assessed and prioritised.
- **Disabled Blue Badges (£450)**  
The Blue Badge 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 can result in a genuinely disabled person being unable to access designated parking spaces.

## National Fraud Initiative – Ongoing Activity

Dataset	Examples of possible Fraud	Total Matches	Cases Investigated	Remaining matches	Investigation Type	Fraud No.	Errors No.	Recovery (£)
Non-Domestic Rates	Incorrectly claiming small Business Bonus Scheme	N/A	N/A	N/A	N/A	N/A	N/A	Due date for uploading Data 30/11/23
Income/ Council Tax	Incorrectly claiming exemptions	905	189	716	All matches	3	2	£6,472.66
Housing Benefits	Incorrectly claiming benefits	353	336	17	All matches	0	0	£4,661.86
Private supported care home residents	Payments for deceased resident	0	0	0	No matches released by NFI	0	0	£0
Housing Rents and Other	Ineligible tenants, Tenant on waiting list for second property, Inappropriate attempt to purchase property R.T.B.	548	548	0	All Matches	0	0	£0
Payroll/HR	Obtaining employment when not entitled to work in the UK, Second Job whilst paid long term sick	159	159	0	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	140	104	36	Sample completed due to low level of risk	0	3	£0.00
Trade Creditors History (Payments)	Duplicate payments for same goods/services, Incorrect Payments made, Employees (or family) invoicing services to Council	6818	0	6818	Sample completed due to low level of risk	0	0	£0.00
Blue Badge Permit / Residents Parking	Permit used by someone other than approved user	969	969	0	All Matches	0	0	£0.00

Resident Parking Permits	Individuals who have a resident parking permit have been matched to deceased records.	22	17	5	All Matches	0	0	£0.00
Procurement to Payroll	To identify potential undeclared interests that have been given a pecuniary advantage.	233	233	0	All Matches	0	1	£550.10
Immigration	To identify employees who are not entitled to reside and/or are not entitled to work in the UK	0	0	0	No matches released by NFI	0	0	£0.00
<b>Total</b>		10147	2555	7592		3	6	£11,684.62

## Public Reported Cases of Suspected Fraud

<b>CATEGORY</b>	<b>Number of Reported Cases</b>
<b>External</b>	
Benefits or Council Tax	263
Tenancy or Other Housing	11
Licensing / HMO / Private Landlord	22
Non-Domestic Rates	2
Blue Badges/Parking	24
Miscellaneous	28
<b>Internal</b>	
Allegations made against Staff	1
<b>Total Relevant Allegations</b>	<b>351</b>
<b>Not Relevant</b>	
Not CEC – (i.e. Police, other LA's or agencies)	69
Duplicates (multiple reports by same person)	47
<b>Total Not Relevant</b>	<b>116</b>
<b>Total Allegations Received</b>	<b>467</b>