

# Finance and Resources Committee

10.00am, Thursday, 11 October 2018

## Fraud Prevention and Detection - Annual Report

Item number	7.7
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

The annual report provides an overview of fraud prevention and detection activities undertaken in 2017/18.

## Fraud Prevention and Detection - Annual Report

### 1. Recommendations

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- 1.1 It is recommended that Committee notes the content of the Annual Report.

### 2. Background

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- 2.1 In 2014 the City of Edinburgh Council ceased to investigate all Housing Benefit fraud, with the activity, and related staff, transferring to the Single Fraud Investigation Service (SFIS) at The Department for Work and Pensions.
- 2.2 The Council retained a group of counter fraud specialists to investigate and detect fraudulent activity that was out with the remit of SFIS. This team focuses on external/customer fraud and works in tandem with Internal Audit, whose focus is detecting and preventing potential fraudulent activities by Council staff. Both areas are responsible for liaising with Council services to raise awareness of appropriate fraud prevention controls and counter measures.

### 3. Main report

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#### **Corporate Fraud Investigation Team**

- 3.1 Over the last 12 months the Corporate Fraud Investigation Team (CFIT) has worked with service stakeholders to identify and tackle potential fraudulent activity. The Team has delivered a range of successful anti-fraud campaigns in the following areas:
- Benefit Administration (that are out with the DWP's remit)
  - Discretionary Housing Payments
  - Scottish Welfare Fund Payments
  - Council Tax Reduction Scheme
  - Council Tax Recovery (fraudulent discounts and exemptions)
  - Recovered Tenancies as a result of illegal sublets
  - Fraudulent use of Disabled Blue Badges

- School Placements
- 3.2 During 2017/18, CFIT detected customer fraud in excess of £418,000 and wherever possible recovery action is ongoing. These activities are detailed in Appendix 1.
- 3.3 CFIT continue to engage with service areas to highlight investigation outcomes and this dialogue is used to shape counter fraud activities and increase awareness. In conjunction with the Council's Housing team and local Housing Associations CFIT recovered 15 illegally sublet properties during 2017/18. In addition to the financial benefits detailed in Appendix 1 this important work ensures that properties are being used by tenants that have been appropriately assessed and prioritised.
- 3.4 A similar joint working venture with Communities and Families targeted fraudulent school placement applications and prevented children being incorrectly placed in schools out with the appropriate post code area. 16 cases were investigated in detail during 2017/18 and this resulted in a number of placements being withdrawn. This work has been identified as best practice by other local authorities.
- 3.5 CFIT has a close working relationship with Police Scotland, with shared intelligence and resources to progress activities such as tenancy fraud investigations and joint stop and search operations.

#### **National Fraud Initiative**

- 3.6 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.
- 3.7 To maximise the efficiency of this activity a review of the Council's internal controls and the National Fraud Initiative database is undertaken to ensure that checking activities are complimentary. As a result Council services investigated approximately 80% of the NFI's recommended matches for the period, with the remaining 20% of matches covered by existing internal controls.
- 3.8 These checks identified fraudulent activity equating to £58,500, as detailed in Appendix 2.

#### **Employee Fraud - Internal Audit**

- 3.9 The Council operates a web based system that allows the public to report suspected cases of fraud. The system is overseen by Internal Audit (IA) and following an initial assessment by IA, allegations against Council employees are referred to the relevant service area for investigation. These allegations are tracked by IA 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.

- 3.10 In 2017/18, 531 competent allegations were made by the public. Many of these included multiple fraud allegations, resulting in 658 issues requiring to be reviewed. A breakdown of these cases is included in Appendix 3.
- 3.11 In 2017/18 six allegations were made against Council employees. Initial investigations confirmed that two of the allegations were unfounded, with one potentially vexatious. The other cases were fully investigated:
- Theft of £270 cash resulted in appropriate action being taken and more robust controls introduced defining key responsibilities and limiting access to a small number of designated people.
  - Employee admitted to misusing the public transport season ticket advance as an interest free loan of £630. This resulted in a further allegation of alleged wider malpractice and this is being investigated.
  - Member of staff investigated for allegedly earning undeclared income.
- 3.12 All incidences of attempted fraud or theft are reported to the Insurance section, in line with the Council's duty to keep our insurers informed of our risk environment and mitigation controls.

#### **Policy and Procedures**

- 3.13 The Council is committed to preventing and tackling fraudulent activity. Fraud detection and prevention activities are detailed in a range of Council policies and these are subject to ongoing review to ensure they are comprehensive and consistent with existing best practice.
- 3.14 Both CFIT and IA's 2018/19 work programme include targeted action to support these policies and raise awareness of appropriate fraud prevention controls and counter measures.

## **4. Measures of success**

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- 4.1 Success can be measured through the following outcomes:
- improved service co-ordination to tackle fraudulent activities; and
  - ongoing development of fraud detection methods

## **5. Financial impact**

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- 5.1 While there is no direct financial impact as a result of this report, the actions of Internal Audit and the Corporate Fraud Investigation Team provide both a financial safeguard and a deterrent to potential fraudulent activities.

## 6. Risk, policy, compliance and governance impact

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- 6.1 The work of the Corporate Fraud Investigation Team and Internal Audit continue to promote an anti-fraud culture within the Council and both functions help to ensure the highest standards of probity and public accountability.

## 7. Equalities impact

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- 7.1 There are no additional equalities and rights related impacts arising from this report.

## 8. Sustainability impact

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- 8.1 There are no direct sustainability impacts as a result of this report.

## 9. Consultation and engagement

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- 9.1 This report has been completed following consultation with the Chief Internal Auditor.

## 10. Background reading/external references

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[Fraud Prevention and Detection - Annual Report 16/17](#), Finance and Resources Committee 5 September 2017

[Corporate Debt Policy](#); [Corporate Fraud and Corruption Policy](#)

[Policy on Fraud Prevention](#); [Policy on Anti Bribery](#)

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## 11. Appendices

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Appendix 1 - Corporate Fraud Team - 2017/18

Appendix 2 - National Fraud Initiative - 2017/18

Appendix 3 - Public Reported Cases of Suspected Fraud

### Corporate Fraud Team - 2017/18

During 2017/18, the Corporate Fraud Investigation Team (CFIT) detected customer fraud of over £418,000 with recovery action ongoing, wherever possible.

- **Benefit Administrative Penalties (£8,617)**  
Administrative penalties occur when a Benefit claimant deliberately fails to provide details of a change of circumstance, which then results in a benefit overpayment. The Council investigate these cases on behalf of the Secretary of State.
- **Discretionary Housing Payments (£6,019)**  
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 (£24,316)**  
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) (£88,658)**  
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 Recovery – Fraudulent Discounts and Exemptions (£18,818)**  
Discounts and exemption incorrectly applied due to customer providing false information or failing to report a change of circumstance e.g. 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 – Illegal Sublets of Council homes (£270,000)**  
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.
- **Fraudulent use of a Disabled Blue Badges (£2,430)**  
This activity ensures that disabled parking is used appropriately across Edinburgh. This revenue includes car pound fees and parking ticket penalties.
- **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.

## 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	1,088	All matches	0	23	£48,717
Income/ Council Tax	Incorrectly claiming exemptions	3,377	All matches	2	4	£4,842
Housing Benefits	Incorrectly claiming benefits	2,983	All matches	0	1	£3,963
Private supported care home residents	Payments for deceased resident	80	All recommended matches	0	4	£978
Housing Rents and Other	Ineligible tenants, Tenant on waiting list for second property, Inappropriate attempt to purchase property R.T.B.	670	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	418	All 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	404	All Matches	0	0	0
Trade Creditors History (Payments)	Duplicate payments for same goods/services Incorrect Payments made Employees (or family) invoicing services to Council	171	Sample completed due to low level of risk	0	0	0
Blue Badge Permit / Residents Parking	Permit used by someone other than approved user	594	All recommended matches	0	0	0
<b>Total</b>		9,785		2	31	£58,500

### Public Reported Cases of Suspected Fraud

CATEGORY	Number of Reported Cases
<b>External</b>	
Benefits or Council Tax	415
Tenancy or Other Housing	109
Licensing / HMO / Private Landlord	5
Non-Domestic Rates	16
Blue Badges/Parking	12
Miscellaneous	6
<b>Internal</b>	
Allegations made against Staff	6
<b>Total Relevant Allegations</b>	<b>569</b>
<b>Not Relevant</b>	
First operational contact (not fraud)	8
Not CEC – (i.e. Police, other LA's or agencies)	41
Insufficient Evidence to Investigate	14
Duplicates (multiple reports by same person)	26
<b>Total Not Relevant</b>	<b>89</b>
<b>Total Allegations Received</b>	<b>658</b>