

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2024

**BY:** Service Manager – Internal Audit

**SUBJECT:** Counter Fraud Annual Report

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the Counter Fraud and Whistleblowing prevention, detection and investigation work undertaken during 2023/24.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the contents of the report.

## **3 BACKGROUND**

- 3.1 The Audit and Governance Committee approved the Shared Service arrangement with Midlothian Council in October 2022. As part of the overall agreement the funds being received from Midlothian Council were utilised to recruit a Counter Fraud Officer. This Officer was then recruited on a two-year contract and started work in May 2023. This report provides an update on the work completed by the Counter Fraud Officer who is supported by the Internal Audit team and many other services within the Council, including in particular: Revenues, People & Council Support and Housing.
- 3.2 The work of the Counter Fraud Officer has 4 key areas of focus, which are the following:
- National Fraud Initiative (NFI) investigation work;
  - Fraud investigations undertaken following reporting from service teams either through counter fraud reporting processes or whistleblowing;
  - Proactive fraud detection processes and further data matching analysis; and
  - Preventative processes with communication of Council counter fraud processes, procedures, risk management and reporting best practice.
- 3.3 The NFI is a UK wide data matching exercise, coordinated in Scotland by Audit Scotland and runs every two years. The purpose of the exercise is to match electronic data (e.g. names, addresses, Dates of Birth, National Insurance Numbers), both within and between participating bodies, to detect fraud and overpayments. East Lothian Council, along with other local authorities and public sector bodies, participates in the NFI data matching exercise. NFI seeks to help participating bodies identify possible

cases of fraud and detect and correct any over or under payments. The data for NFI in Scotland is processed by the Cabinet Office on behalf of Audit Scotland.

3.4 As part of the 2022/23 NFI exercise, the Council submitted data for the following areas:

- Housing (Current Tenants and Waiting Lists)
- Payroll
- Residents Parking Permits
- Council Tax and Electoral Register
- Creditors (Standing Data and Payment History)
- Taxi Driver Licences
- Council Tax Reduction Scheme
- Non-Domestic Rates Small Business Bonus Scheme

In addition, Benefits details are submitted by the DWP and HMRC, while Blue Badge details are submitted directly by the Blue Badge Digital Service.

3.5 Appendix 1 provides a summary of the counter fraud outcomes achieved, which includes the NFI outcomes that have been delivered. Of the core 83 reports received 77 have been fully investigated with 2,151 matches, 7 matches remain to investigate fully and are in progress. From these core matches the following areas of error were identified:

- 50 deceased individuals were removed from the Housing waiting list with NFI estimated savings of £214,150;
- 96 deceased individuals had Blue Badges cancelled with NFI estimated savings of £62,400;
- 5 Duplicate invoice payments that had not already been returned were identified with a recovery of £48,999 that has now been received back by the Council.

3.6 In addition to these matches the NFI process also provides Council Tax single person discount matches with the electoral register, identifying when data suggests more than one individual lives in a property. A process has been developed by the Counter Fraud Officer to review the households identified against existing Council information and then write to households for further details when required. Following either receipt of further information or non-response to reminder communication a request is made for the Revenues team to remove single person discount or make further amendments based on current household situation. From the 2,055 properties identified 1,128 households have been reviewed resulting in 171 amendments to single person discount. This has resulted in £114,364 of additionally billed Council Tax with the NFI estimating additional future increased income to the Council of £107,661, creating an estimated £222,025 of further income for the Council.

3.7 In addition to the NFI developed matches within the Council the Counter Fraud Officer has completed Counter Fraud training with housing teams across the Council and developed processes to review potential further fraud issues, the following have been the key detected and resolved outcomes of this work:

- One Council property was recovered following investigation of potentially abandoned tenancies using information obtained by the Counter Fraud Officer from the National Anti-Fraud Network (NAFN) and a Local Authority from England, the NFI estimates this as a saving to the Council of £78,300; and
- Further reporting of Household composition mismatches reported from various Council service teams has resulted in further increased billed Council Tax of £14,303 from 21 cases.

- 3.8 In addition, the Counter Fraud Officer and other Internal Audit staff have been involved in 16 investigations. One of the investigations has resulted in identifying fraud and in conjunction with HR staff this has resulted in the recovery of £25,588, internal control advice has been provided in relation to several other investigations.
- 3.9 Within the last year the Counter Fraud Officer has investigated a total of 1,165 cases and provided estimated savings of £665,764 and the Council has or is actively recovering £203,253 of income/wrongly paid expenditure and has brought back into use one Council property.
- 3.10 In conclusion the NFI exercise remains a useful and appropriate way of detecting fraud. The case for continuing to support a Counter Fraud Officer is strong and enhances the capability to detect and recover underpaid income and overpaid expenditure. The targets that were set for the 2023/24 financial year have been exceeded and the overall budget saving target of £250,000 over the 2023/24 and 2024/25 financial year is expected to both be met and exceeded.

#### **4 POLICY IMPLICATIONS**

- 4.1 None

#### **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial - None
- 6.2 Personnel - None
- 6.3 Other – None

#### **7 BACKGROUND PAPERS**

- 7.1 None

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## Appendix 1 Counter Fraud Savings 2023/24

Saving Type	Total Estimated future Savings *	Recovering	TOTAL
NFI - Blue Badge Parking Permit to DWP Deceased	£62,400.00		£62,400.00
NFI - Waiting List to DWP Deceased	£214,150.00		£214,150.00
NFI - Duplicate Creditors Payment		£48,999.04	£48,999.04
NFI Council Tax Single Person Discount Exercise (September 2023 - Date)	£99,595.10	£107,593.64	£207,188.74
NFI Council Tax Rising 18's Single Person Discount Exercise (January 2024 - Date)	£8,065.68	£6,770.19	£14,835.87
Council Service Team Reported Fraud (Single Person Discount services notified)		£14,302.80	£14,302.80
Reported Tenancy Fraud (Tenancy Abandonment - Property Reclaimed) *	£78,300.00		£78,300.00
Internal Corporate Fraud Investigation Recoveries		£25,587.60	£25,587.60
<b>TOTALS</b>	<b>£462,510.78</b>	<b>£203,253.27</b>	<b>£665,764.05</b>

\*Recovery value based on NFI Outcome Calculations.