

**COUNTER FRAUD TEAM 2021 ANNUAL REPORT**

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**1.0 INTRODUCTION**

- 1.1 This report updates the Audit and Scrutiny Committee (the Committee) on the progress of the two year pilot Counter Fraud Team (CFT) established in September 2020.

**2.0 RECOMMENDATIONS**

- 2.1 Endorse the 2021 CFT Annual Report setting out the progress of the CFT since its inception in September 2020.
- 2.2 Note that the 2022 CFT Annual Report will be presented to the Committee upon the expiry of the two year pilot in September 2022.

**3.0 DETAIL**

*Background and Costs*

- 3.1 In December 2019 the Strategic Management Team approved the formation of a CFT for a trial 2 year period from 1 April 2020 with an annual fraud report to be provided to inform a future decision on whether the CFT should become a permanent part of the Council's establishment.
- 3.2 The establishment of the CFT was delayed by the COVID pandemic with the Team Leader and Lead Investigator not appointed until September and October 2020 respectively. On that basis the two year pilot will end in September 2022.
- 3.3 The two roles (an LGE 9 and LGE 8) incur annual staff costs of £73k in total (including oncosts). The CFT is "spend to save" pilot meaning the amount billed and recovered will need to match, and preferably exceed the staff costs incurred. However it should be noted that the value of the CFT to the Council is more than just the monetary aspect. They also provide a deterrent to fraud being perpetrated in the first place and can also protect staff against malicious accusations of alleged fraud.
- 3.4 In addition to these staff costs both the Team Lead and Lead Investigator underwent the CIPFA Accredited Fraud investigators course, having started in October 2020, and concluded their studies in January 2021. Both members passed and have received digital copies of their certificates so are now

accredited fraud investigators. This cost £3,000 in total and is a one off cost. There are no annual membership fees in relation to this. There was also a one off cost of £1,480 for software licenses and £938 for laptops which would only be incurred every 3 to 5 years.

*Activity To Date – Referrals Regarding Council Officers*

3.5 Between October 2020 and June 2021 the CFT received four referrals alleging fraud against Council employees. These, the conclusions of the investigations, and current status are summarised in the table below.

	<b>Allegation</b>	<b>Allegation Conclusion</b>	<b>Comment</b>
1	Council officer working for another employer during period of sick leave.	Not upheld	No evidence to substantiate any wrong doing. Officer was a part time employee on sick leave due to work related stress. CFT confirmed he was volunteering for local COVID relief activities.
2	Council officer inappropriately using stock from a service yard	Upheld	Sufficient evidence to substantiate the allegation. Officer was dismissed on grounds of gross misconduct. Appeal to Head of Service was rejected. Further appeal to elected members was upheld and officer was reinstated with no sanctions.
3	Council officer falsely claiming single person discount for Council Tax.	Upheld	Sufficient evidence to substantiate the allegation. Accused has provided full admission. Report passed to Council's Monitoring Officer as per requirement of Council's Public Interest Disclosure Policy. Value of the fraud is £2,408 (3 years backdated single person discount).
4	Council officer obtained funds fraudulently from care home resident's bank account	Not upheld	The review concluded there was no prima facie evidence of fraud being perpetrated by a Council/HSCP officer when carrying out their duties as an employee.

*Activity To Date – Revenues and Benefits Related Work*

3.6 A large element of the work of the CFT focuses on maximizing the Council's revenue streams by reducing the amount of benefit fraud (deliberate and 'accidental')

3.7 The primary way this is achieved is through being proactive and performing reviews of specific categories of benefits where cumulative knowledge and

experience indicates a higher chance of a successful outcome due to them being areas where either fraud or out of date information may be leading to the Council not recognising the appropriate level of revenue. Some examples are single person discounts, student exemptions, second homes, long term empty properties, and bi-annual reviews for penalty charges and reviews of residential properties used as places of employment. The table below summarises some examples of this proactive work

	<b>Situation</b>	<b>Conclusion and Status</b>
1	Retired doctor still claiming job related dwelling exemption	Rebilling of £2,485 – paid in full
2	Retired dentist still claiming job related dwelling exemption	Rebilling of £1,463 – paid in full
3	Claimant receiving discount as home classified as for sale. This exemption had expired and the house should be classified as an empty home with double charge levied.	Rebilling of £5,295 - £3252 recovered to date.
4	Empty home identified which was not subject to the double charge	Rebilling of £3,500 - recovery in progress
5	Bi-annual large scale reviews of hundreds of accounts with reliefs such as single person discount, student exemptions and penalty charges.	2019-2020 - rebilling of £5,478 for penalty charges  2020-2021 - rebilling of £25,757 for penalty charges  £13,819 for Student Exemption.  £12,000 for Student Discounts.  Recovery in progress
6	A removal of exemption due to occupation. Repossession taken back by owner.	Rebilling of £16,093 - recovery in progress
7	Empty home identified which was not subject to the double charge	Rebilling of £8,890 - recovery in progress
8	Fraudulent application of Business Support Grant. CFT became involved when Rates Team asked for advice. CFT investigated the business	Refusal of £6,000 grant.

3.8 Reactive work is also an important part of the work to reduce benefit fraud. The CFT continue to receive referrals of alleged council tax fraud which have resulted in comprehensive investigatory work. Through the investigations most allegations are not supported by evidence however, we welcome referrals as it continues to make us accountable to our constituents, and elected members and also helps raise the profile of the team. The table summarises the referrals received in 2020/21 (from October 2020 to March

2021) and 2021/22 up until June 2021.

3.9

<b>Referrals 2020/2021</b>	<b>Totals</b>	<b>Information</b>
Tax	28	Investigative work has confirmed that there is evidence of fraud in eight referrals. Measures are being put in place to recover the associated underpayment of Council Tax.
Benefits	1	Passed to DWP
Blue Badge	1	Passed to blue badge team.
Employee	3	One dismissal subsequently appealed successfully, one investigation – no further action taken, one no offence.
Other	1	Intelligence passed to police
<b>Total</b>	<b>34</b>	

<b>Referrals 2021/2022</b>	<b>Totals</b>	<b>Information</b>
Tax	21	Investigative work has confirmed that there is no evidence of fraud to date in relation to these referrals although: <ul style="list-style-type: none"> <li>• Two cases referred to the Valuation joint Board for further investigation</li> <li>• One referred to social work for assessment of possible care need.</li> <li>• One refers to ACHA and Anti-social Behaviour Team</li> </ul>
Benefits	8	Passed to DWP
Blue Badge	1	No offence found
Employee	1	Employee Admission of Fraud. Currently with Monitoring Officer
Other	7	<ul style="list-style-type: none"> <li>• One general query</li> <li>• One relating to a Council laptop – reported to Council's Governance &amp; Risk Manager and IT Department</li> <li>• Two in relation to COVID grants.</li> <li>• Two in relation to NDR</li> <li>• One resulting in Phishing Email awareness.</li> </ul>
<b>Total</b>	<b>38</b>	

*Activity To Date – Total Billing vs Costs*

3.10 The CFT incurred costs of £42,706 from October 2020 to March 2021 (including one off costs). Thereafter an annual cost of £73k (£18,250 per quarter). The table below summarises the total costs of the team to date, the amount rebilled as a direct consequence of their work and the amount of rebilling that has been recovered to date.

	<b>Cost (£)</b>	<b>Rebilled (£)</b>	<b>Recovered to Date (£)</b>
2020/2021	42,706	18,032	13,654
2021/2022 (Q1 & Q2)	36,500	176,905	18,531
<b>Total</b>	<b>79,206</b>	<b>194,937</b>	<b>32,185</b>

3.11 The CFT are working with colleagues in Revenue and Benefits to refine how to more robustly track the amount of rebilling that ultimately results in recovery. Where it is a single referral (for example those in the table at paragraph 3.7 relating to job related dwelling exemption) it is fairly straight forward to track the repayment coming in. However it can be more complicated if readjusted bills are subject to repayment plans or have been rolled into current year bills and also where revised bills remain in recovery stage as they will pass to debt recovery agents or simply the account holder will refuse to pay.

3.12 The Council's previous CFT averaged 71.5% recovery over a similar two year period. If that was applied to the £194,937 in the table at paragraph 3.10 we would recover £139,379 which comfortably exceeds the £79,206 cost to date.

#### *Other Activity*

3.13 In addition to the proactive and reactive work detailed above the CFT have progressed a number of other initiatives to further the Council's approach and awareness of fraud matters. These include:

- Raising awareness through presenting to the Audit And Scrutiny Committee, full SMT and Financial Services Management Team
- Developed a LEON training course.
- Reviewing and proposing changes to the Council's Anti-Fraud Strategy and Public Disclosure Policy.
- Regular engagement with colleagues in Internal Audit to share lessons learned and identified process weaknesses.

#### *Next Steps*

3.14 *Revenues and Benefits Related Work*

Autumn 2021 - A pilot review focusing on Bute. Bute has a high volume of empty home exemptions. Once COVID restrictions are lifted the CFT plan to

carry out home visits to confirm tenancies. If the pilot proves to be successful it will be rolled out to other major towns.

- 3.15 As per paragraph 3.11 further work is required to be able to accurately track the extent to which additional billing translate into cash recovery. The CFT will continue to explore ways to track this.

#### **4.0 CONCLUSION**

- 4.1 The CFT is progressing well with both team members now fully CIPFA accredited fraud investigators. Further work is required to be able to accurately track the full income recovered from the team's work however based on the amount of additional billing, even accounting for a degree of non-recovery, the indications are that they are exceeding the target to break even. In addition they are raising awareness of the Council's zero tolerance to fraud and this will act as a deterrent to fraud being perpetrated in the first place.

#### **5.0 IMPLICATIONS**

- 5.1 Policy - None
- 5.2 Financial – The output of the work of the CFT is resulting in increased revenue to the Council
- 5.3 Legal – No legal issues as a direct consequence of this report however the CFT engage with Legal Services, where appropriate, during fraud reviews.
- 5.4 HR - No HR issues as a direct consequence of this report however the CFT engage with HR, where appropriate, during reviews relating to Council Officers.
- 5.5 Fairer Scotland Duty - None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty - None
- 5.6 Risk – An active CFT will reduce the Council's exposure to fraud risk.
- 5.7 Customer Service - None

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**14 September 2021**

**For further information contact:**

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