

**COUNTER FRAUD TEAM (CFT) ANNUAL REPORT AND UPDATE 2022**

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**1. 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 contents of the Annual Report and progress of the CFT since its inception in September 2020.
- 2.2 Note that the Executive Leadership Team (ELT) have agreed to make the posts permanent.
- 2.3 Note that future annual reporting relating to counter fraud will be included within the Internal Audit Annual Report.

**3.0 DETAIL**

***Background***

- 3.1 In December 2019 SMT approved the formation of a CFT for a trial two year period from 1 April 2020 with a 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 total annual staff costs of £73k in 2022-23 (including oncosts). The CFT is a "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 Both the Team Lead and Lead Investigator underwent the CIPFA Accredited Fraud investigators course and concluded their studies in January 2021. Both members passed and are now accredited fraud investigators. The CFT team leader is pursuing a Masters in Finance via Glasgow Caledonian University

Apprenticeship and has an unconditional offer to study in September 2022.

**Activity To Date – Investigations**

3.5 Between October 2020 and April 2022 the CFT received various allegations including those against Council employees. The CFT will always pursue employee allegations to either uphold the allegation and/or protect our employees from malicious referrals.

The CFT have also proactively investigated a further 3 employees as a result of ongoing investigations. All 3 incidents led to training issues.

**Activity To Date – Proactive 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).

The CFT work closely and routinely with colleagues in Revenues and Benefits. Where proactive work, reactive work or reviews are carried out by the CFT or Revs and Bens, this brings consistent and additional work such as account holder complaints, penalty reviews, and/or further fraudulent investigative work. The CFT rely on the revenue and benefits staff for the behind the scenes contribution. Further gratitude goes to the empty homes team for information sharing that has proven vital in securing proper charges to empty homes and securing empty homes back to being occupied.

3.7 The primary way to maximize revenue is through being proactive and performing these reviews where cumulative knowledge and experience indicates a higher chance of a successful outcome. Some examples are single person discounts, student exemptions, second homes, long term empty properties, 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 Individuals claiming exemptions	Rebilling of £3940 – paid in full
2	Single Person discount removal via work with NDR Debt Recovery	Rebilling of £650– paid in full
3	Claimant receiving discount as home classified as for sale. This exemption had expired and the house should have been classified as an empty home with double charge levied.	Rebilling of £5,295 - £3,252 recovered to date.
4	Empty home identified which was not subject to the double charge	Rebilling of £3,500 - £1,424 recovered to date.
5	Single Person Penalty Charges	2019-2020 - rebilling of £5,478 for penalty charges
	Student Review	2020-2021 - rebilling of £25,757

		for penalty charges and £13,819 for Student Exemption  Recovery in progress
6	Second Home not declared. Back date of appropriate rates.	Rebilling of £16,093 – recovered in full
7	Empty home identified which was not subject to the double charge	Rebilling of £8,890 – recovered in full
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.
9	Inheritance of property remaining under deceased name.	£4696 – recovered in full
10	Readjustment of Tax Benefits through work carried out via the National Fraud Initiative	£673.66 – recovered in full
11	Empty Home identified under deceased exemption and not subject to double charge	£2893 – recovered in full
12	Review carried out, and site visits to Tarbert. Numerous fraudulent claims for a variety of tax exemptions	Rebill of £11,693 – £2332.75 recovered and in progress
13	Full Single Person Discount Review. Work alongside Revs and Bens team.	Rebill of £239,862. Recovered in full.
14	Review of Covid Grants. Investigation into repayment of funds due to exceeding criteria	£120,000. Recovery in progress however this is central government funds. The council may be entitled to a small percentage.

### ***Activity To Date – Reactive and Rebilling Vs Costs***

- 3.8 Reactive work is also an important role of the team to reduce benefit fraud. The CFT continue to receive referrals of alleged council tax fraud which have resulted in comprehensive investigatory work.
- 3.9 Since the inception of the CFT pilot there have been 124 referrals to date with the number growing each year. Some of these referrals have identified instances of fraud, some concluded no offence has occurred and others have been referred on to other teams within the Council or the Police.
- 3.10 The number of referrals made to the CFT are included in the following table. Referrals are made via the online portal via the council website, by telephone and/or by email. The CFT will investigate all referrals in the first instance to confirm basis of facts.
- 3.11 Thereafter once corroborative evidence is found and the referral is substantiated the CFT will conduct full investigations. Investigations often require the assistance from other councils departments for information such as HR, Revs ad Bens, Blue Badge

team, etc. Failing the test after initial evidence gathering the referral will be rejected, refuted or closed accordingly.

All benefit referrals are sent to the Department of Work and Pensions. Other referrals include data sharing to Police Scotland, Health and Social work and other outside agencies.

- 3.12 The table below summarises the total income recovered by the team to date. This has been broken down into reactive work through referrals, which can also be quantified in terms of numbers, and proactive work such as large scale council tax reviews. The total fund recovered by the Fraud Team are

<b>Reactive Work</b>	<b>Total</b>	<b>Pursued/ Concluded/ Upheld</b>	<b>Rejected/ Refuted/ Not Upheld</b>	<b>Rebilled Value (£)</b>
Employee	14	10	4	6,251
Council Tax	74	18	56	56,808
Blue Badge	6	0	6	0.00
DWP	21	21	0	673
Grants	7	4	2	118,500
Other	13	12	1	0.00
Welfare Fund	0	0	0	0.00
<b>Total</b>	<b>135</b>	<b>66</b>	<b>69</b>	<b>63,732</b>
<b>Proactive Work</b>				
<b>Total combined work rebilled</b>				<b>778,341</b>
<b>Total combined work recovery</b>				<b>618,103</b>

*Note that the above figures do not include any Grant funds recovered because they are not part of the Councils revenue streams.*

- 3.13 The process of identifying how much of the recovery relates to the work of the CFT is challenging and the above figures are based on review of individual accounts.

The CFT have also relied on the external source namely DataTank to conduct the large reviews and in doing so they have computer software to track the accounts. The CFT will dip sample the accounts in these larger reviews to conduct testing for accuracy.

- 3.14 The current recovery in percentage terms is 79.4% rebilled to recovered.

- 3.15 Those accounts rebilled but not recovered include situations where properties have been sold or demolished, or where the account holder is not a UK resident or their property has been repossessed.
- 3.16 The rebilled accounts are routinely monitored and recovery is updated routinely. It is not within the CFT remit to pursue rebilling as that is Debt Recovery teams. The CFT will liaise with Debt Recovery for long term debts, work closely together. The CFT merely monitor recovery for its own records. The unquantifiable work carried out by the CFT also raises awareness of the potential for suspicious activity toward the Council and information is passed nationally to other local authorities and Police Scotland.

The CFT remain stout in protecting the public purse in any form.

### ***Other Activity***

- 3.17 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, SMT and Financial Services Management Team
  - Developing a LEON training course
  - Reviewing and proposing changes to the Council's Anti-Fraud Strategy and Public Disclosure Policy
  - National Fraud Initiative (NFI) Administrator. The CFT team leader is now the Key Contact and work is carried out bi-annually to cross reference Cabinet Office data highlighting areas of risk of fraud and error.
  - National Anti Fraud Network (NAFN) Administrator. The CFT team investigator is the key contact and sole administrator. This system is used daily by the CFT for evidential sources that can prove/disprove fraudulent claims.
  - Scottish Local Authority Investigators Group (SLAIG) member. Attendance of quarterly information sharing
  - Audit Scotland Liaison.
  - Police Scotland Liaison. Both CFT members are in regular contact with the L Division Local Intelligence Officer (LIO). The CFT regularly provide updates to Police Scotland and share information.

### 3.18 ***Next Steps***

- Continued assessment of reactive and proactive work.
- Spring 2022 – Tarbert (completed)
- Spring 2022 – Oban
- Summer 2022 – Dunoon
- Summer 2022 - Helensburgh
- End of 2022 – Second Home review

## **4.0 CONCLUSION**

- 4.1 The CFT is progressing well with both team members now fully CIPFA accredited fraud investigators. Continued routine 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 easily exceeding target. 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. Crucially had no Counter Fraud team been in place then the reported instances of fraud would still be taking place at a cost to the Council and public purse. Given the success of the pilot, the ELT met in July 2022 and agreed to make these posts permanent.

## **5. IMPLICATIONS**

- 5.1 Policy - None
- 5.2 Financial – Recovery of income from fraudulent activities
- 5.3 Legal – Employee Conduct Reports
- 5.4 HR – Employee Conduct Reports
- 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 Climate Change - None
- 5.7 Risk – Reducing Council's exposure to fraud
- 5.8 Customer Service – None

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