

REPORT TO: SCRUTINY COMMITTEE – 28 SEPTEMBER 2022

**REPORT ON: CORPORATE FRAUD TEAM ACTIVITY & PERFORMANCE,
INCLUDING WHISTLEBLOWING 2021/22**

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 230-2022

1.0 PURPOSE OF REPORT

This report is to inform Elected Members of the Corporate Fraud Team's (CFT's) activity and performance for the 12-month period to 31 March 2022, including whistleblowing activity.

2.0 RECOMMENDATION

It is recommended that Members of the Committee note the information in this report.

3.0 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report although it is noted that in the year to 31 March 2022, the Corporate Fraud Team (CFT) identified savings of £487,347 from general investigative work and £143,629 of fraud and / or error in Housing Benefits through the sharing of intelligence with the Department of Work and Pensions (DWP) Single Fraud Investigation Service (SFIS). The total of savings and overpayments for CFT work in 2021/22 is £630,976. With the exception of prevented payments, action has been taken by the Council to seek financial recovery where applicable.

4.0 BACKGROUND

At the 27 April 2015 Policy and Resources Committee (Article VIII, Report No 180-2015) Members approved the establishment of a CFT from 1 June 2015. The CFT is a specialist investigative unit with responsibility for investigating all types of corporate fraud.

4.1 COVID-19 PANDEMIC

Throughout 2021/22, the CFT continued to work with key members of staff in the teams responsible for administering the various Covid-19 Grants to mitigate the risk of fraud and investigate cases of alleged fraud. At the same time, to help raise staff awareness surrounding fraud risk relating to Covid-19 grant applications, the CFT delivered targeted training.

The CFT investigated a total of 78 applications relating to Covid-19 Business Support Grants, Self-Isolation Grants and Taxi Driver Grants. These investigations prevented £286,340 of payments being incorrectly awarded and uncovered possible fraudulent payments of £148,305.

In order to escalate the processing time of applications, CFT staff assisted the Covid-19 Business Grants Team by carrying out pre-checks on 647 Grant applications for Table Top Service, Ventilation, Hospitality, Leisure and Nightclub Closure.

The CFT also worked in collaboration with other Scottish local authorities to maintain a list of suspected fraud cases. The accumulated list was shared with relevant Council

officers to help facilitate appropriate cross-checking of information prior to payment and ultimately mitigate the risk of paying fraudulent claims.

In June 2022 Audit Scotland issued their publication on Scotland's Financial Response to Covid-19. The Audit Scotland report is considered as a separate report as part of the agenda for this Scrutiny Committee.

The total Covid-19 funding allocated to councils by the Scottish Government in 2020/21 and 2021/22 was £1.8 billion. One of the recommendations in the report for councils is: -

- Continue to monitor and report on fraud and error from Covid-19 business support payments to ensure that processes are working in practice, funds are allocated correctly and steps are taken to recover funds paid in error.

The above recommendation is already part of CFT's existing counter fraud processes for mitigating fraud risks and recovery of overpayments for Covid-19 business support payments. CFT have reported one case to Police Scotland for alleged fraud relating to multiple Covid-19 business support payments. Police Scotland are currently actively investigating this case.

The CFT continue to receive Covid-19 Fraud Intelligence alerts from third parties, including other local authorities, the Scottish Local Authority Investigator's Group (SLAIG), the National Anti-Fraud Network (NAFN) and Police Scotland. These alerts are shared timeously with key officers.

4.2 GENERAL INVESTIGATIVE WORK AND SFIS

The CFT identified £487,347 of savings in the year to 31 March 2022, which includes the prevention of £286,340 Covid-19 Grant payments (as noted above at 4.1).

The DWP re-started a full service of Benefit investigations in 2021 and the CFT continued to assist investigating Housing Benefit through the sharing of evidence and witness statements as part of the SFIS. That work identified £143,629 of fraud and error. Further detail is included at Appendix 1 along with referral statistics for the year.

The CFT continues to work with and share best practice with various other agencies and public sector bodies. These include various teams within Police Scotland, Scottish Government, Audit Scotland, OSCR (Office of the Scottish Charity Regulator), the Cabinet Office, SEPA (Scottish Environment Protection Agency), NHS Counter Fraud Services, SAAS (Student Awards Agency Scotland), HMRC and other Scottish local authorities.

4.3 ADVICE, GUIDANCE AND CORPORATE SUPPORT

In addition to the investigative work carried out during 2021/22, the CFT has continued to provide a diverse range of advice, guidance and support to the Council's strategic services.

The CFT continues to assist the Council's Parking Team and the Sheriff Officers to trace debtors with large outstanding debts relating to non-payment of Penalty Charge Notices. The new information obtained by the CFT is shared with the Sheriff Officers to assist in the debt recovery process. As in previous years, the CFT will continue to provide investigative support for the recovery of parking debt.

Work carried out by the CFT during 2021/22 continued, once again, to evolve in the Council. In addition, the CFT has continued to be actively involved in operational groups and processes, including the Serious Organised Crime Group, Integrity Group and the Compliance Group (see 4.4 below), all of which are chaired by the Head of Corporate Finance.

The Council's Integrity Group, which meets regularly, receives, considers and monitors organisational vulnerability alerts / fraud and corruption flags identified via a number of sources, including intelligence from external bodies, and agrees appropriate actions / preventative measures to mitigate the risks identified.

The CFT Supervisor's work in the Council's Serious Organised Crime Group included working with the Council's Risk Management Co-Ordinator to produce a Serious Organised Crime Risk Register and the compilation of the remit for the Serious Organised Crime Group. The CFT Supervisor continues to work closely with local Police Scotland teams and also the National Serious Organised Crime Interventions Unit (NSOCIU), Scottish Crime Campus, Gartcosh. It is through collaborative working with NSOCIU that Serious Organised Crime Awareness Sessions were organised and attended by 68 Housing Staff during February & March 2021 via Microsoft Teams.

Forthcoming awareness sessions for Elected Members have been arranged for September 2022 which will focus on local and national SOC issues. Further SOC training on the issues of waste and fly tipping by SOC gangs is being arranged for Council Staff who deal with waste, including commercial contracts.

The CFT Supervisor has continued during 2021/22 to be the Scottish representative on the Executive Board of National Anti-Fraud Network (NAFN) and an active member of Scottish Local Authority Investigator's Group (SLAIG), both of which have continued to meet remotely. As part of SLAIG, the CFT Supervisor participates in discussions with the Crown Office and Procurator Fiscal Service (COPFS) and Scottish Government regarding the ongoing prevention and detection of public sector fraud. The CFT also receives national fraud alerts through NAFN from the National Crime Agency, the National Fraud Intelligence Bureau and the National Cyber Security Centre. These alerts are distributed to key Council staff.

The CFT continues to work closely with the DWP and is represented at both local and national (Scottish) level meetings to help support the Housing Benefit investigation process in general and recovery of overpayments from Housing Benefit fraud and error in Dundee.

4.4 COMPLIANCE GROUP AND RELATED CFT WORK

A Compliance Group was established in 2019/20 within Corporate Finance to help ensure that a sound, consistent system of internal control exists across the Council. Membership of the core Compliance Group, which is chaired by the Head of Corporate Finance, is the Council's Senior Manager – Internal Audit, Senior Manager - Financial Services, Corporate Procurement Manager and a Senior Accountant. The work of the core Compliance Group, including prioritised engagement with Council services, is informed through a risk-based approach.

During 2021/22, the Compliance Group advised the CFT to carry out a risk review of Control Self-Assessment Forms which had been issued and returned from premises that held cash on premises. CFT completed their risk assessments and are now intending to carry out ad-hoc establishment visits to review controls in operation and feedback assurances, or otherwise, to the Compliance Group.

During 2021/22 the Corporate Procurement Manager and the CFT Supervisor delivered awareness training on Procurement and Fraud & Risks to staff in a number of areas including City Development, Fleet Services, Customer Services, Benefit Delivery Team, IT, Corporate Debt & Council Advice Services.

4.5 CORPORATE FRAUD EMPLOYEE INVESTIGATIONS

Fraud and corruption are ever present risks in all organisations and can have a negative impact through disruption to services or undermining the achievement of objectives.

The Council acknowledges its responsibility for ensuring that fraud and corruption risks are mitigated and managed effectively. All allegations of fraud and corruption are investigated by the CFT, in partnership with other Council colleagues and external agencies where appropriate.

During 2021/22, the CFT continued to investigate allegations of fraud, bribery and corruption, which at times involved working alongside Police Scotland and the Crown Office and Procurator Fiscal Service (COPFS). Other CFT investigations during 2021/22 involving employees included allegations of improper conduct with contractors / clients, missing cash and goods, Government Purchase Card misuse, Council Tax Reduction and discounts, Blue Badge misuse, misuse of flexitime and annual leave system, breach of Scottish Government Covid-19 lockdown / level restrictions and breach of Council policies.

Following conclusion of these investigations, recommendations for improvements to internal controls, to reduce the risk of similar incidents happening in the future, were passed to HR and the employee's Head of Service. It is the remit of HR and the employee's Head of Service to consider whether any disciplinary action is required.

4.6 WHISTLEBLOWING

The Council's whistleblowing function is corporately managed by the CFT. The CFT manages the Council's dedicated whistleblowing telephone line and email reporting arrangements. It also monitors and records all whistleblowing allegations and outcomes on the Council's Fraud Management System.

In line with the policy, all whistleblowing allegations received are shared with the Head of Human Resources and Business Support, the Head of Democratic and Legal Services and the Senior Manager – Internal Audit. These managers, or an appropriate delegated officer, determine how best to proceed with, and who should lead, an investigation.

The action taken by the Council in response to a reported concern will depend on its nature, but may include one or more of the following:

- carrying out an internal investigation (HR, Internal Audit and / or CFT)
- dealing with the matter through an internal procedure
- referring the issue to Police Scotland and / or to external audit
- referring the issue to an external public or regulatory authority
- bringing in external specialists to investigate where required

A decision may also be taken that no formal investigation is required.

Employees can report concerns in a variety of ways e.g. speak to their supervisor, send a letter, complete an anonymous form on the intranet or internet, email the dedicated email address or phone the 24hr freephone whistleblowing telephone number.

For the 12-month period to 31 March 2022 the Council received 30 whistleblowing allegations, including 4 which were not involving any Council Staff and which were passed to other agencies or Council Teams to be dealt with as part of their own processes. The number of allegations received, which was similar to 2020/21, demonstrates the ongoing positive culture of the organisation in which staff feel comfortable enough to report their concerns. Whistleblowing allegation statistics, split by service area, can be found at Appendix 2 along with corresponding outcomes data.

4.7 NATIONAL FRAUD INITIATIVE (NFI)

The NFI is co-ordinated by the CFT and the Council's Key Contact is the CFT Supervisor. The Council's NFI performance is reported in a separate annual report to this Committee, report 231-2022 refers.

5.0 POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6.0 CONSULTATIONS

The Council Leadership Team was consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

15 SEPTEMBER 2022

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**CORPORATE FRAUD ACTIVITY AND PERFORMANCE REPORT - 1 APRIL 2021 TO 31
MARCH 2022**

Table 1 – CFT Referrals / Information Exchanges Statistics

SERVICE AREA / FRAUD or ERROR TYPE	NUMBER OF REFERRALS
Blue Badge	14
Council Tax (Council Tax Reduction and discounts)	46
Housing Tenancy	8
Children & Families	8
City Development	8
Corporate Services	30
Neighbourhood Services	18
Covid-19 Grant Applications / Breaches	80
DH&SCP	4
SUB-TOTAL	216
Housing Benefit - DWP Information Exchange for Investigation Cases	63
TOTAL	279

Table 2 – Savings / Benefits Identified

FRAUD or ERROR TYPE	NUMBER CASES	OF	SAVINGS IDENTIFIED (£) / BENEFITS
Council Tax (Council Tax Reduction and Single Person Discount)	17		7,512
Covid-19 Grants	5		148,305
Covid-19 Grants (Prevention)	48		286,340
Non-Domestic Rates (Small Business Rates Relief)	5		34,598
Pensions	1		4,145
Housing Benefit (Identified during other CFT investigations)	6		6,447
SUB-TOTAL	82		487,347
Housing Benefit - DWP Information Exchange for Investigation Cases	21		143,629
TOTAL	103		630,976

The tables below provide a summary of results from the whistleblowing activity for 12 months to 31 March 2022.

Table 1 – Whistleblowing Allegations per Service Area

Service Area	No. of Allegations
Children & Families	3
City Development	6
Corporate Services	1
Neighbourhood Services	12
DH&SCP	4
Passed to other agencies or Council Teams to investigate as allegation was not a Whistleblowing Allegation	4
TOTAL	30

Table 2 – Outcomes of Whistleblowing Allegations

Outcomes	
Ongoing	7 allegations
No further action / unsubstantiated	7 allegations
Dealt with in line with current HR procedures	12 individuals

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