

REPORT TO: SCRUTINY COMMITTEE – 26 SEPTEMBER 2018

REPORT ON: CORPORATE FRAUD TEAM ACTIVITY AND PERFORMANCE, INCLUDING WHISTLEBLOWING 2017/18

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 297-2018

1.0 PURPOSE OF REPORT

This report is to inform Elected Members on the Corporate Fraud Team's (CFT's) activity and performance for the 12 month period to 31 March 2018.

2.0 RECOMMENDATIONS

It is recommended that Members of the Committee:

- i. note the content of the CFT's activity and performance report for 2017/18 at Appendix 1; and
- ii. note the results of the Council's Whistleblowing activity for 7 months to 31 March 2018 at Appendix 2.

3.0 FINANCIAL IMPLICATIONS

In the year to 31 March 2018, the CFT identified savings in excess of £190,074 from general investigative work and £461,959 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). With the exception of notional savings, action is taken by the Council to seek financial recovery.

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. At the same time, responsibility for investigating allegations of Housing Benefit fraud in Dundee transferred to SFIS. The CFT is a specialist investigative unit with responsibility for investigating all types of corporate fraud, including:

- housing tenancy
- council tax reduction / exemptions and discounts
- procurement
- payroll
- pensions
- blue badge
- parking
- employee

4.1 GENERAL INVESTIGATIVE WORK AND SFIS

The CFT identified £190,074 of savings in the year to 31 March 2018, including a notional element of £32,000 relating to tenancy and blue badge cases. With reference to Article XVI, Report No 84-2015 of the Policy and Resources Committee in February 2015, the notional value allocated to each tenancy returned to the Council is £18,000 and the notional value allocated to the termination of each blue badge is £2,000. The CFT also continues to assist SFIS with Housing Benefit investigations through the sharing of intelligence and during the year to 31 March 2018, that work identified £461,959 of fraud and error in Housing Benefits. Further detail is included at Appendix 1.

4.2 **ADVICE, GUIDANCE AND CORPORATE SUPPORT**

In addition to the investigative work carried out during 2017/18, the CFT has continued to provide a diverse range of advice and guidance to a number of Council services including Legal, Licensing, Corporate Procurement, Parking, Incomes, Environment, Non-Domestic Rates and Education. The CFT has also assisted Parking 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, was shared with the Sheriff Officers, and resulted in the Council being in a position to potentially recover £88,000 income. The CFT will continue to provide investigative support for the recovery of parking debt.

During 2017/18, the CFT Supervisor has worked alongside other key members of staff, including the Head of HR and Business Support, Head of Democratic and Legal Services, and Senior Manager – Internal Audit, to implement the Council's refreshed Whistleblowing Policy. In particular the CFT Supervisor has administered, centrally, the receipt / recording, circulation and monitoring of all Whistleblowing allegations received by the Council in person or via letter, the freephone Whistleblowing telephone line, dedicated e-mail address and online reporting form.

Work carried out by the CFT has continued to evolve during 2017/18. The team has become more actively involved in operational groups and processes, including the Serious Organised Crime Group and Integrity Group, both of which are chaired by the Head of Corporate Finance. In relation to Serious Organised Crime, the CFT Supervisor, along with the Head of Corporate Finance and Police Scotland held a Serious Organised Crime awareness session for Elected Members in November 2017. In December 2017, the CFT arranged a staff presentation from SEPA (Scottish Environment Protection Agency) on Serious Organised Crime in waste management and the decommissioning of oil rigs. The presentation had the support of both the Council's Serious Organised Crime Group and Integrity Group. A total of 31 members of staff from key services throughout the organisation attended the event, including the Executive Director of Neighbourhood Services, Head of Corporate Finance, Legal Manager, Corporate Procurement Manager, Senior Manager – Internal Audit, Trading Standards Manager and Environment Managers. 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 has worked, and will continue to work, with Police Scotland to deliver presentations promoting the Integrity Group concept to Police Scotland Officers, local authorities and other public sector bodies.

The CFT Supervisor has continued during 2017/18 to be the Scottish representative on the Executive Board of the National Anti-Fraud Network (NAFN) and a member of the Scottish Local Authorities Investigators Group (SLAIG). Continuous professional development for members of staff in the CFT during 2017/18 included attendance at a Financial Investigators Course delivered by Police Scotland's Economic Crime Financial Investigation Unit on financial investigation, which took place at the Scottish Police College, Tulliallan.

During 2017/18 the CFT also participated in a DWP pilot, along with corporate fraud teams from 5 other Scottish local authorities, to test the assumptions currently underpinning the calculation of the New Burdens payment made to local authorities for undertaking Housing Benefit fraud investigation work. The CFT continues to work closely with the DWP and is represented at both local and Scottish level meetings to help support the investigation process in general and recovery of overpayments from Housing Benefit fraud and error in Dundee.

In March 2018, staff from the Fraud Implementation Team of the new Social Security Agency (SSA) for Scotland met with the CFT to discuss local trends and possible partner

agency working. A demonstration of the Council's fraud case management system was also provided. The CFT will continue to liaise with and support the SSA for Scotland.

4.3 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 / managed effectively. All allegations of fraud and corruption are investigated by CFT staff, in partnership with other Council colleagues and external agencies where appropriate.

During 2017/18 employee investigations relating to corporate fraud have followed allegations of improper conduct with contractors and other Council service areas, missing monies from Council premises, misuse of Council vehicles, missing / misuse of Council equipment, misuse of emails and misuse of the Council's staff parking scheme. Following conclusion of these investigations, recommendations for improvement, 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.

4.4 WHISTLEBLOWING

The Council launched a refreshed Whistleblowing Policy on 31 August 2017. The aim of the Policy is to encourage and assist employees to report any concerns they may have about possible fraud or other wrongdoing in connection with Council operations or activities and to ensure that all concerns reported are dealt with thoroughly and consistently. The Policy was launched in conjunction with the Communications Service utilising a combination of communication measures, including the publication of Whistleblowing posters and their subsequent circulation and display throughout the Council, staff payslip notifications, an email to managers from the Head of HR and Business Support for cascading to all staff. A copy of the Policy document was also made available on the Council's Intranet pages along with Guidance for Managers and Frequently Asked Questions.

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 and who should lead the 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 the Police 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 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. The CFT manages the Council's dedicated Whistleblowing telephone line and email reporting arrangements. The CFT monitors and records all Whistleblowing allegations and outcomes on the Council's Fraud Management System. For the 7 month period to 31 March 2018, the Council received 7

Whistleblowing allegations. Allegations and outcomes data, split by service area, can be found at Appendix 2.

4.5 LOCAL AUTHORITY AND DWP FRAUD INVESTIGATION JOINT WORKING PILOT

The DWP has been working with one Scottish local authority, West Dunbartonshire Council, and a number of English and Welsh local authorities on a national project piloting fraud investigation joint working, including fraud investigation joint working relating to Council Tax Reduction and benefits administered by the DWP. The DWP concluded that the pilot had been a success and wrote to all local authority Chief Executives in Scotland, England and Wales asking them to confirm whether they would be willing to take part in the national roll out of these arrangements. In response to the letter, 210 local authorities volunteered to adopt the joint working approach. The Council noted its interest with a preference of becoming involved at the latter stages of roll out. Nationally the plan is that implementation activity will commence in August 2018, with full roll-out across all 210 local authorities expected by summer 2019.

4.6 NATIONAL FRAUD INITIATIVE (NFI)

Previously information relating to NFI was contained within this annual report. From now on, NFI will be reported to Scrutiny Committee in a separate annual report.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

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

7.0 BACKGROUND PAPERS

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

29 August 2018

CORPORATE FRAUD ACTIVITY AND PERFORMANCE REPORT - 1 APRIL 2017 TO 31 MARCH 2018

FRAUD TYPE	REFERRALS TO TEAM	SAVINGS IDENTIFIED (£) / BENEFITS
Housing Tenancy	18	18,000 (1 house returned to Housing stock)
Blue Badge	15	14,000 (5 badges removed for misuse and 2 prosecutions)
Council Tax (Council Tax Reduction / exemptions and discounts)	80	64,233
Payroll	1	2,861
Parking	3	1,092
Procurement	6	55,466
Pensions	5	10,433
Discretionary Housing Payment	1	62
Housing Benefit (identified during other CFT investigations)	N/A	23,927
SUB-TOTAL	129	190,074
Housing Benefit - DWP Information Exchange for Investigation Cases	310	461,959
TOTAL	439	652,033

APPENDIX 2

The table below provides a summary of results from Whistleblowing activity for 7 months to 31 March 2018.

Service Area	No. of Allegations
Neighbourhood Services	1
Construction Services	5
Dundee Health & Social Care Partnership (Council Employee)	1
TOTAL	7

Investigation Status	Outcomes		
	No Further Action	Disciplinary Action	Unknown
Complete	4	0	-
Ongoing			3