

REPORT TO: Audit and Governance Committee

MEETING DATE: 17 June 2025

BY: Service Manager – Internal Audit

SUBJECT: Counter Fraud Annual Report

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the Counter Fraud and Whistleblowing, prevention detection and investigation work undertaken during 2024/25.

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 The Audit & 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. Following the evaluation completed in the summer of 2024 the Counter Fraud Officer has now been made a permanent post in the Internal Audit & Counter Fraud Team. 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 particularly: 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 Investigation (NFI) work;
 - Fraud Investigations undertaken following reporting from service teams either through counter fraud reporting processes or whistleblowing;
 - Pro active 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, which is led 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. Some initial work on the 2024/25 exercise whilst some of the savings accruing in 2024/25 were as a result of the 2022/23 matching exercise.

3.3 As part of the 2024/25 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, HMRC are due to provide various data sources, with Blue Badge details submitted directly by the Blue Badge Digital Service.

3.6 Appendix 1 provides a summary of the Counter fraud outcomes achieved that includes the NFI outcomes that have been delivered. For the 2024/25 exercise matches only initially became available in December 2024 and all matching exercises are not yet complete, however of the Core 76 reports received to date 34 have been fully investigated with 558 of the 3,591 matches completed and 650 having been reviewed. From these core matches to date the following areas of error were identified:

- 54 individuals were removed from the Housing Waiting list with NFI estimated savings of £231,282;
- 90 individuals had Blue Badges removed with and NFI estimated saving of £54,786.

3.7 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. In addition, Council officers submit further information which allows for further recovery of Council tax. A total of £73,903.56 has been added to Council tax bills within the year and a further £56,878.50 is expected to be increased income in future years as a result of the work done against Council Tax SPD matches.

3.8 In addition to the NFI developed matches within the Council the Counter Fraud officer has completed Counter fraud training with housing teams and developed processes to review potential further fraud issues with 1 Council Property was recovered following investigation of potentially abandoned recoveries using information obtained by the Counter Fraud Officer, the NFI estimates this as a saving to the Council of £78,300. In addition 1 homeless application was withdrawn prior to issue of a temporary

accommodation and 2 withdrawals from temporary accommodation, resulting in an estimated saving of £28,283 based on NFI estimates. Further investigations are ongoing in housing aimed at ensuring that social housing is allocated to appropriate households. Overall, 38 housing investigations have been undertaken in the 2024/25 year.

- 3.9 In addition, the Counter Fraud Officer and other Internal Audit staff have been involved in 7 whistleblowing investigations. Three of these investigations remain ongoing and reports are provided when appropriate improvements are required by management.
- 3.10 Within the last year the counter fraud officer has investigated in excess of 1000 cases and provided estimated savings of £449,530 and the Council has or is actively recovering £73,904 of income/wrongly paid expenditure and has brought back into use one Council property.
- 3.11 In conclusion the NFI exercise remains a useful and appropriate way of detecting fraud. Providing a capability to detect and recover underpaid income and overpaid expenditure. In addition, further work is planned within 2025/26 to complete a Council wide risk assessment of procedures in place as a result of the new Crime of Failure to Prevent Fraud applicable to the Council from September 2025. The Counter Fraud Officer undertook training in March to May 2025 on fraud risk assessment to prepare for this work.

4 INTEGRATED IMPACT ASSESSMENT

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

5 RESOURCE IMPLICATIONS

- 5.1 Financial - None
- 5.2 Personnel - None
- 5.3 Other – None

6 BACKGROUND PAPERS

- 6.1 None

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Appendix 1 Counter Fraud Savings 2024/25

Saving Type	Total Estimated future Savings *	Recovering	TOTAL
NFI - Blue Badge Parking Permit to DWP Deceased/and movement out with area	£54,786.00		£54,786.00
NFI - Waiting List to DWP Deceased/Housing Benefit claimants	£231,282.00		£231,282.00
NFI Council Tax Single Person Discount Exercise (2022-23 exercise mainly)	£56,878.50	£52,440.96	£109,319.46
Council Service Team Reported Fraud (Single Person Discount services notified)		£21,462.60	£21,462.60
Reported Tenancy Fraud (Tenancy Abandonment - Property Reclaimed)	£78,300.00		£78,300.00
Temporary accommodation Recoveries (three properties)	£28,283.00		
	£449,529.50	£73,903.56	£523,433.06

*Recovery value based on NFI Outcome Calculations.