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## **AUDIT COMMITTEE**

### **COUNTER FRAUD INTERIM REPORT (APRIL 2022 TO DECEMBER 2022)**

#### **REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

##### **A. PURPOSE OF REPORT**

To inform the Audit Committee of the performance and activities of the Counter Fraud Team for the period from 1 April 2022 to 31 December 2022.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee notes the performance and activities undertaken by the Counter Fraud Team during the first nine months of financial year 2022/23.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Fraud investigations are undertaken in accordance with the council's Anti-Fraud and Corruption Policy.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	Effective counter fraud arrangements are an essential component of effective performance management.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	As a result of budgetary pressures that will come into effect for financial year 2023/24, the complement of the Counter Fraud Team will be reduced from three fte to two fte.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	None.

## D. TERMS OF REPORT

### D.1 Background

The Counter Fraud Plan 2022/23 was approved by the Audit Committee on 21 March 2022. The main planned activities of the Counter Fraud Team involve:

- maintaining the council's whistleblowing hotline;
- conducting investigations into allegations of fraud and irregularity;
- administering the biennial National Fraud Initiative (NFI) data matching exercise;
- raising fraud awareness and providing fraud prevention advice to officers.

### D.2 Counter Fraud Team Investigations (April 2022 to December 2022)

The Counter Fraud Team maintain the whistleblowing hotline (01506 282002), whistleblowing mailbox ([whistleblowing@westlothian.gov.uk](mailto:whistleblowing@westlothian.gov.uk)) and the online whistleblowing e-form. The Counter Fraud Team consider all whistleblowing referrals received in accordance with the council's Whistleblowing Policy.

The Counter Fraud Team receive fraud referrals directly from management when potential concerns are identified during the course of their duties. These referrals are dealt with in line with the Anti-Fraud and Corruption Policy and are therefore classified as 'anti-fraud' referrals.

The Counter Fraud Team also receive money laundering referrals directly from management when potential concerns are identified during the course of their duties. These referrals are dealt with in line with the Anti-Money Laundering Policy and are therefore classified as 'anti-money laundering' referrals.

Between 1 April 2022 and 31 December 2022, a total of 52 referrals were received: 21 whistleblowing referrals, 30 anti-fraud referrals and one anti-money laundering referral. A total of 40 referrals were accepted by the Counter Fraud Team and investigations were undertaken along with 28 investigations carried forward from 2021/22. A summary breakdown of the volume of fraud referrals is provided in the table below:

Referrals to Counter Fraud Team	Accepted	Not Accepted	Total
Whistleblowing Referrals	9	12	21
Anti-Fraud Referrals	30	0	30
Anti-Money Laundering	1	0	1
<b>Total Referrals 2022/23 (Apr to Dec)</b>	<b>40</b>	<b>12</b>	<b>52</b>

Investigations Carried Forward from 2021/22	28
<b>Total Active Investigations 2022/23 (Apr to Dec)</b>	<b>68</b>

During the period from 1 April 2022 to 31 December 2022, the Counter Fraud Team concluded 45 out of the 68 active investigations. 33 investigations were completed and identified no evidence of fraud or irregularity. A fraud or irregularity was concluded as having been established in 12 of the investigations and 23 investigations were still in progress as at 31 December 2022. A summary of the types of fraud referrals and outcomes from the fraud investigations carried out during the first nine months of financial year 2022/23 is provided in Appendix 1.

The primary objective of a fraud investigation is to report on the evidence gathered and conclude as to whether a fraud or irregularity has been established. The secondary objective is to identify any weaknesses in internal control and make recommendations for improvement. Where required, control improvements or fraud prevention measures were recommended by the Counter Fraud Team on all investigations undertaken throughout the year.

#### Referrals Not Accepted by Counter Fraud (April 2022 to December 2022)

Twelve whistleblowing referrals were not accepted by the Counter Fraud Team. The concerns raised were not within the scope of the Anti-Fraud and Corruption Policy and therefore required no involvement from the Counter Fraud Team. Examples include health and safety concerns and employee code of conduct concerns such as inappropriate behaviour, bullying, harassment, and employee grievances. All non-fraud policy related concerns are passed to the relevant Depute Chief Executive and Head of Service to progress in line with the applicable council policy.

### **D.3 National Fraud Initiative (NFI)**

The Counter Fraud Team administer the National Fraud Initiative (NFI) biennial data matching exercise which matches datasets shared between participating bodies to prevent and detect fraud. Examples of the datasets that are matched include council tax records, blue badge records, housing tenant records, payroll records and taxi driver licences.

The current 2022/23 NFI exercise is in progress and the required datasets for this exercise were submitted to the NFI before the deadline of 18 November 2022. It is expected that the NFI data match will be released on 26 January 2023. The aim is to fully investigate all data matches classed as 'high risk' before the NFI deadline of 31 March 2024. The Counter Fraud Team will work with relevant council services to ensure that this deadline is met. Once complete, details of the NFI outcomes will be reported to the Audit Committee.

### **D.4 Fraud Prevention and Awareness**

The Counter Fraud Team are committed to the prevention, as well as detection, of fraud, theft and wrongdoing against West Lothian Council. During the nine months from April to December, the Counter Fraud Team have continued to provide advice to services to ensure that effective internal controls are in place that help prevent fraud. In addition, fraud awareness measures were carried out such as alerting services to relevant fraud news and disseminating fraud alerts prepared by Police Scotland, the National Anti-Fraud Network (NAFN) and other key fraud partners.

The Counter Fraud Team also continues to work in close partnership with Police Scotland and other investigatory bodies. During the first nine months of financial year 2022/23, the Counter Fraud Team have responded to over 250 information requests (e.g. Data Protection Act Schedule 2 requests) to assist with the prevention or detection of crime and the apprehension or prosecution of offenders.

### **D.5 Counter Fraud Team Performance Indicators**

Performance for a selection of Counter Fraud Team performance indicators for the period from 1 April 2022 to 31 December 2022 is provided below and further details are included in Appendix 2.

Percentage of fraud referrals assessed and decided within three days (IA039)

The Counter Fraud Team aims to make a decision to either accept or reject a fraud referral within three working days of receipt. If accepted, fraud referrals are then risk assessed and prioritised in line with resources. Cumulative performance to Q3 was 100% with 52 out of 52 referrals assessed within three days.

Average length of time (in weeks) to commence fraud investigations (IA043)

If a referral is accepted, the Counter Fraud Team aims to commence an investigation within two weeks. Calculated using a 12 month rolling average, the average length of time to commence fraud investigations from 1 January 2022 to 31 December 2022 was 0.6 of a week.

Average length of time to issue draft fraud reports (IA040)

The Counter Fraud Team aim to complete an investigation and issue a draft report within 14 weeks from the start date of the investigation. Calculated using a 12 month rolling average, 52 counter fraud reports have been issued from 1 January 2022 to 31 December 2022, taking an average of 18.3 weeks to issue.

**D.6 Counter Fraud Team Resources 2023/24**

Since 2016/17, the Counter Fraud Team has consisted of a compliment of three full time equivalent (fte) staff; one Senior Counter Fraud and Compliance Officer and two Counter Fraud and Compliance Officers. As a result of budgetary pressures that will come into effect for financial year 2023/24, the complement of the team will be reduced to two fte; one Senior Counter Fraud and Compliance Officer and one Counter Fraud and Compliance Officer. Fraud referrals received from 1 April 2023 onwards will be risk assessed and prioritised in line with resources.

**E. CONCLUSION**

This report highlights the performance and activities of the Counter Fraud Team during the nine months to 31 December 2022. The work of the Counter Fraud Team is carried out in accordance with the council's Anti-Fraud and Corruption Policy, Anti-Money Laundering Policy, Whistleblowing Policy, and in accordance with the council's zero tolerance approach to fraud.

**F. BACKGROUND REFERENCES**

Report to the Audit Committee on 21 March 2022: Counter Fraud Plan 2022/23

Report to the Audit Committee on 21 June 2022: Counter Fraud Annual Report 2021/22

Appendices/Attachments:

- Appendix 1 – Summary of Counter Fraud Investigations 2022/23 (Apr to Dec)
- Appendix 2 – Counter Fraud Team Performance Indicators 2022/23 (Apr to Dec)

Contact Person:

- Stuart Saunders (Senior Counter Fraud and Compliance Officer)
- [stuart.saunders@westlothian.gov.uk](mailto:stuart.saunders@westlothian.gov.uk)
- Tel: 01506 281574; Mob: 07884115071

**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

Date of meeting: 20 January 2023

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## APPENDIX 1

### SUMMARY OF COUNTER FRAUD INVESTIGATIONS 2022-23 (APRIL TO DECEMBER)


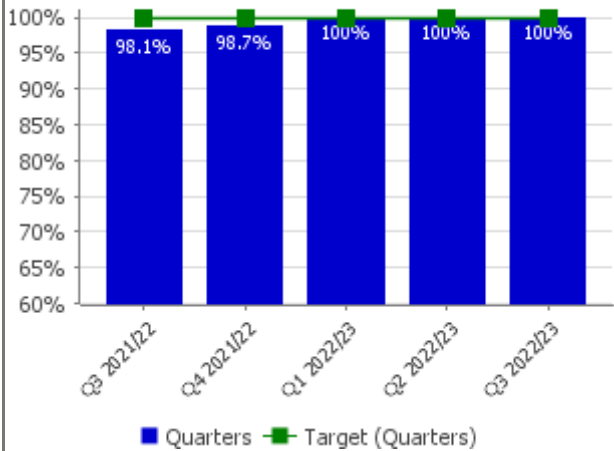

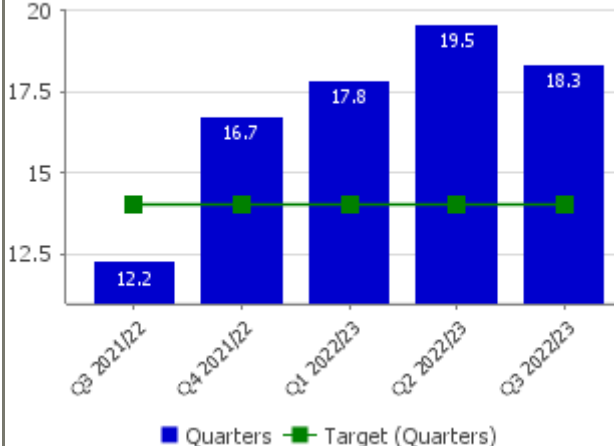
Fraud Referral Categories	<u>Completed</u> Fraud / Irregularity Established	<u>Completed</u> Fraud / Irregularity Not Established	<u>In Progress</u> (as at 31 Dec 2022)	Totals
<b><u>Payroll - Sickness Absence Frauds</u></b> Examples include: <ul style="list-style-type: none"> <li>Falsified symptoms to work privately / run own business</li> <li>Falsified medical documentation (e.g. hospital letter)</li> <li>Withholding information on Fitness to Work to obtain paid time off / extra holidays</li> </ul>	0	11	3	14
<b><u>Other Payroll Frauds</u></b> Examples include: <ul style="list-style-type: none"> <li>Recruitment fraud – false qualifications, undeclared convictions</li> <li>Falsification of payroll claims – mileage, timesheets or overtime</li> <li>Falsification of leave</li> <li>Significant abuse of the flexi system</li> </ul>	1	3	0	4
<b><u>Thefts and Embezzlements</u></b> Examples include: <ul style="list-style-type: none"> <li>Cash theft</li> <li>Embezzlement of funds</li> <li>Plant, equipment and materials theft</li> </ul>	1	0	6	7
<b><u>Fraudulent Claims and Applications</u></b> Examples include: <ul style="list-style-type: none"> <li>Tenancy fraud</li> <li>Grant support fraud – crisis, school clothing, school meals, single person discount</li> <li>Blue badge fraud</li> <li>Falsified personal injury claims</li> </ul>	8	14	9	31


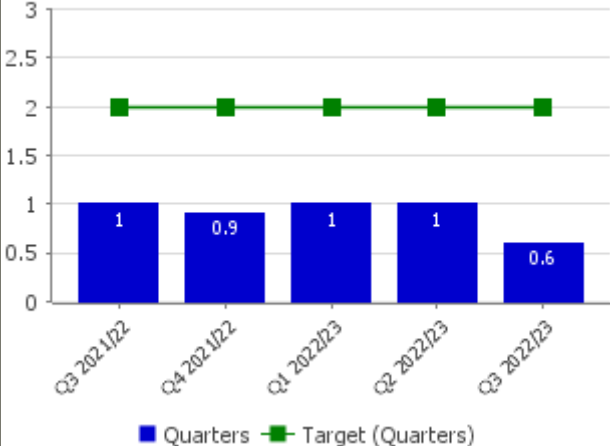
Fraud Referral Categories	<u>Completed</u> Fraud / Irregularity Established	<u>Completed</u> Fraud / Irregularity Not Established	<u>In Progress</u> (as at 31 Dec 2022)	Totals
<b>Procurement Frauds</b> Examples include: <ul style="list-style-type: none"> <li>• Bank Mandate Fraud</li> <li>• Supplier malpractice (e.g. false invoicing / deliberate overcharging)</li> <li>• Procurement process manipulation (e.g. preferential treatment towards suppliers during a Quick Quote or tender process)</li> </ul>	2	0	0	2
<b>Criminality</b> Examples include: <ul style="list-style-type: none"> <li>• Money Laundering</li> <li>• Use of council property / lets for illegal activity</li> <li>• Drug use / dealing during working hours</li> <li>• Bribery / attempted bribery</li> </ul>	0	1	1	2
<b>Miscellaneous</b> Examples include: <ul style="list-style-type: none"> <li>• Corrupt working practices</li> <li>• Unauthorised Computer Access</li> <li>• Fraudulent use of council vehicle</li> </ul>	0	4	4	8
<b>Totals:</b>	<b>12</b>	<b>33</b>	<b>23</b>	<b>68</b>

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APPENDIX 2

COUNTER FRAUD TEAM PERFORMANCE INDICATORS 2022-23 (APRIL TO DECEMBER)

PI Code & Short Name		Trend Chart	Current Target	Current Value	Last Update	Latest Notes												
IA039_6b.5 Percentage of fraud referrals assessed and decided within 3 working days of receipt		<p><b>Percentage of fraud referrals assessed and decided within 3 working days of receipt</b></p>  <table><thead><tr><th>Quarters</th><th>Value</th></tr></thead><tbody><tr><td>Q3 2021/22</td><td>98.1%</td></tr><tr><td>Q4 2021/22</td><td>98.7%</td></tr><tr><td>Q1 2022/23</td><td>100%</td></tr><tr><td>Q2 2022/23</td><td>100%</td></tr><tr><td>Q3 2022/23</td><td>100%</td></tr></tbody></table> <p>■ Quarters ■ Target (Quarters)</p>	Quarters	Value	Q3 2021/22	98.1%	Q4 2021/22	98.7%	Q1 2022/23	100%	Q2 2022/23	100%	Q3 2022/23	100%	100%	100%	Q3 2022/23	Cumulative performance to Q3, 2022/23 was 100%. 52 out of 52 referrals were assessed within three days.
Quarters	Value																	
Q3 2021/22	98.1%																	
Q4 2021/22	98.7%																	
Q1 2022/23	100%																	
Q2 2022/23	100%																	
Q3 2022/23	100%																	
IA040_9b.1a Average length of time (in weeks) to issue draft fraud reports		<p><b>Average length of time (in weeks) to issue draft fraud reports</b></p>  <table><thead><tr><th>Quarters</th><th>Value</th></tr></thead><tbody><tr><td>Q3 2021/22</td><td>12.2</td></tr><tr><td>Q4 2021/22</td><td>16.7</td></tr><tr><td>Q1 2022/23</td><td>17.8</td></tr><tr><td>Q2 2022/23</td><td>19.5</td></tr><tr><td>Q3 2022/23</td><td>18.3</td></tr></tbody></table> <p>■ Quarters ■ Target (Quarters)</p>	Quarters	Value	Q3 2021/22	12.2	Q4 2021/22	16.7	Q1 2022/23	17.8	Q2 2022/23	19.5	Q3 2022/23	18.3	14	18.3	Q3 2022/23	52 counter fraud reports have been issued in the last 12 months, taking an average of 18.3 weeks to issue.
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Quarter	Quarters	Target (Quarters)																						
Q3 2021/22	1	2																						
Q4 2021/22	0.9	2																						
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