

Agenda Item	8
Report No	AC/12/25

THE HIGHLAND COUNCIL

Committee: **Audit Committee**

Date: **28 May 2025**

Report Title: **Fraud and Whistleblowing Annual Report 2024/25**

Report By: **Strategic Lead (Corporate Audit)**

1. **Purpose/Executive Summary**

- 1.1 This annual report presents the information relating to the activities undertaken by the Corporate Fraud Team during 2024/25. This includes details of fraud and other investigation activities, and the outcomes relating to the whistleblowing concerns reported.

2. **Recommendations**

- 2.1 The Committee is invited to:
- (i) **Scrutinise** and **note** details of the fraud investigations and activities undertaken as detailed in section 5.1 of the report.
 - (ii) **Scrutinise** and **note** the information at section 5.2 including the low number of whistleblowing concerns requiring investigation.
 - (iii) **Note** that where a fraud or whistleblowing investigation identifies any control weakness, fraudulent activity or areas for improvement, this will be addressed through an Internal Audit report which will be provided to Committee for scrutiny purposes.

3. Implications

- 3.1 There are no Resource, Risk, Legal or Gaelic implications arising from this report.

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is an update report and therefore an impact assessment is not required.

5. Annual Report 2024/25

5.1 Fraud investigations and activities

- 5.1.1 During the year, the activities involved work on a total of 18 cases and these are summarised below. This consisted of active cases subject to investigation and concluded cases with ongoing recovery or further actions by the Procurator Fiscal.

Fraud cases:

- 1 – Enterprise Car club (Established this was not fraud but a billing error)
- 4 – Staff reported for various allegations (Fraud not established following investigation)
- 1 – Ongoing investigation

Theft cases:

- 10 – Overpayment referred from Payroll (3 repaid in full, 3 recovering through the Corporate Debt Recovery Team, 4 remain ongoing investigations)
- 2 - Reported thefts of material/fuel (1 ongoing)

At the 31 March 2025 we have 6 active cases subject to investigation and concluded cases with ongoing recovery or further actions by the Procurator Fiscal.

Payroll Cases:

An Internal Audit report on the "Review of the Payroll Control Environment" was scrutinised by the Audit Committee in June 2024. A subsequent "Payroll Overpayments Update" report was provided by the Assistant Chief Executive - Corporate to the November 2024 Audit Committee meeting. The report detailed the actions taken to reduce the risk of overpayments from payroll occurring and reported that audit recommendations agreed in June 2024 had either been completed on-time or remained on target. Where overpayments have arisen and the recipient fails to engage with the repayment of the sum involved, these continue to be referred to the Corporate Fraud Team for potential investigation. Any cases investigated are then shown in the theft numbers above.

- 5.1.2 The Corporate Fraud Team also acts as the Single Point of Contact (SPoC) for information enquiries from organisations such as Police Scotland, the Department of Work and Pensions and the UK Immigration Office. The information provided often leads to successful outcomes for these organisations, but the role of the Corporate

Fraud Team is not routinely recognised and reported. Therefore, a flavour of the work undertaken is provided below.

Department of Work and Pensions (DWP)

The DWP issues Local Authority Information Exchange Forms (LAIEFs) to the Corporate Fraud Team to request evidence for their enquiries and investigations. The DWP has a two-prong approach: their Criminal Investigation Team pursue allegations of serious benefit fraud potentially resulting in prosecution. Their Compliance Team review instances of failure to declare changes of circumstances resulting in potential overpayments of benefit. Without provision of appropriate evidence DWP is unable to progress their cases. During the year, the Corporate Fraud Team have collated information and responded to 54 LAIEFs.

Police Scotland

Police Scotland's Local Divisional Intelligence Unit, requests information on a daily basis from the Corporate Fraud Team. This process negates any duplication of work across Council Services and ensures the information and intelligence gathered is for a policing purpose and is retained in line with the Management of Police Information procedure.

"Highland Council's Corporate Fraud Team have played an integral part in the investigation of number of incidents which have occurred across Police Scotland's N Division over the last 12 months. The Corporate Fraud Team are routinely asked to assist in the investigation of incidents which occur across N Division's mainland covering both South and North Highland areas as well as the city of Inverness. This includes investigations into rape, serious crime, robberies, housebreakings, high risk missing persons etc to name but a few. Two specific incidents of a serious nature which occurred in Inverness where much needed support was provided from the Team was in relation to the investigation into an unexplained suspicious death in Inverness in March 2024 and a fatal fire enquiry in July 2024. N Division Officers also continue daily to investigate county lines activity across the Division and with the support of the Corporate Fraud Team they have successfully caused disruption to a number of Serious and Organised Crime Groups involved in the distribution of controlled drugs within local communities. The support given in this area of criminality has been vital with support also provided in identifying adults who are vulnerable to criminal exploitation which has allowed Police and partner agencies to put appropriate safeguarding measures and support in place.

Highland Council Corporate Fraud Team provide a vital service to N Division and their contribution to the various investigations undertaken has led to a number of successful outcomes".

Detective Inspector, Reactive CID, Inverness - 05/03/25

5.2 Whistleblowing cases

- 5.2.1 During the year 2024/25 a total of 8 concerns were reported through whistleblowing. For completeness all concerns received are listed in Table 1 below including those outside the scope of whistleblowing. The "Category" used is one of the six categories of malpractice/ wrongdoing set out in section 1.1 of the Whistleblowing policy. Where the concern reported is out of scope, this will be referred elsewhere, either internally to the relevant Council Service or to the appropriate external organisation.

Where there are any lessons to be learned, or improvements required these will be addressed in the normal manner through an Internal Audit report. This report will also be provided to the Audit Committee for scrutiny purposes.

Table 1 – 2024/25 whistleblowing concerns

Category	Investigated?	Open/ Closed	Outcome
Health and Safety concerns	Yes	Open	Investigation still ongoing.
Employee fraud	Yes	Closed	Allegations not proven.
N/A - HR related	No	Closed	Referred to HR.
N/A - HR related	No	Closed	Referred to HR.
Employee fraud	Yes	Closed	Allegations not proven.
N/A - Benefit Fraud	No	Closed	Referred to DWP.
Employee fraud	No	Closed	Allegations previously investigated and were not proven.
N/A - HR related	No	Closed	Referred to HR.

- 5.2.2 Table 2 below details the number, type and outcomes of the whistleblowing complaints for the previous 3 years. It should be noted that more detail in relation to each annual report was provided to the Committee at the time and the information below has been provided for comparison purposes only.

Table 2 – summary of previous three year's whistleblowing concerns

Year	No. of concerns	Investigated?		Investigation outcomes		
		Y	N	Proven	Not proven	Comments
2023/24	10	5 *1	5	1	3	Proven allegations addressed with Service.
2022/23	2	0	2	n/a	n/a	
2021/22	6	4	2	1	3 *2	Proven allegations addressed with Service.
Totals	18	9	9	2	6	

Notes:

Where a case was not investigated this was due to the matter being outside the scope of the Whistleblowing policy.

*1 1 of the cases investigated established that the concerns did not relate to the Highland Council and so was subsequently closed. Therefore, this has not been included in the outcome totals.

*2 Whilst the allegations were disproven, a number of areas for improvement were identified and an investigation report was produced. This was scrutinised in private by the Audit Committee on 23/03/23.

5.3 National Fraud Initiative (NFI)

The Council participates in the biennial NFI exercise which is led by Audit Scotland. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. It uses computer data matching techniques to detect possible cases of fraud and error.

The exercise results in a high volume of individual matches across a wide variety of areas that require further investigation and verification to eliminate false positives and narrow down any potential fraud cases. This work is carried out by Council staff within Services alongside their existing duties.

The outcome of the 2022/23 NFI national exercise was reported to the Audit Committee in September 2024. At the time the Council was exploring other means of identifying and reducing the risk of fraud. The Data and Digital solutions project within the Corporate Solutions portfolio of the Delivery Plan included a number of potential technical solutions to enable savings. This included examining potential council tax fraud through the use of Experian data to identify where other undeclared adults are living in the household where benefits or discounts have been awarded. As planned, a sample of 30,000 single person discounts (SPDs) were reviewed, including 66% of NFI matches that were still current at that time. All SPDs from last year's NFI have therefore either been cancelled or confirmed as correct.

In preparation for the 2024/25 NFI Self-Appraisal Checklist has been completed to inform our planning (See separate agenda item). The Highland Council has provided the data sets for the 2024/25 exercise, and these were made available for review and investigation in December 2024. All matches for investigation have been allocated to Council staff to investigate and work is underway.

5.4 Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

- 5.4.1 A review of compliance with the above Code of Practice was undertaken last year and this identified one action required to achieve full compliance. This action, relating to the amendment and renaming of the now Counter Fraud Policy was completed in June 2024. There have been no further changes since this time and so full compliance can still be reported.

Date: 13 May 2025

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