

## AUDIT AND RISK COMMITTEE

19<sup>th</sup> September 2017

## ANNUAL FRAUD REPORT 2016/17

### Report of the Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T Mathias, Leader, Portfolio Holder for Finance and Places (Highways, Transport and Market Towns)	
Contact Officer(s):	Debbie Mogg, Director for Resources	01572 758358 <a href="mailto:dmogg@rutland.gov.uk">dmogg@rutland.gov.uk</a>
Ward Councillors	N/A	

### DECISION RECOMMENDATIONS

That the Audit and Risk Committee:

1. Endorses the content of this annual fraud report; and
2. Notes the arrangements in place to mitigate the risk of fraud against Rutland County Council.

## 1 PURPOSE OF THE REPORT

- 1.1 This report provides an overview of any fraud related activity, which has affected Rutland County Council during the period 2016-17. The report also seeks to provide assurance regarding the Council's resilience against the risk of fraud. This report is provided in accordance with the Committee's Terms of Reference to provide assurance of the adequacy of the risk management framework and control environment.

## 2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 Fraud is defined as a deception deliberately practiced in order to secure a gain (or cause a loss). Under the Fraud Act 2006, there are three main ways to commit fraud:

- Fraud by false representation;

- Fraud by failing to disclose information; and
  - Fraud by abuse of power.
- 2.2 These categories can be applied to any fraudulent activity that the Council may, at times, be subjected to. For example, false representation may occur during the recruitment process, failing to disclose information may arise during the registration of interests' process and abuse of position could occur across nearly all service areas.
- 2.3 Fraud has a serious impact on all parts of the economy and costs the UK in the region of £193 billion per year. The cost of fraud to the public sector is estimated at £37.5 billion, money that could be used for local services.
- 2.4 During 2016/17, there was a fraud investigation at the Council related to public health which is still ongoing. There were no further reports of fraud being committed against the Council in areas other than Revenues and Benefits. In this area, the Council saved £63,100 through fraud detection during the period of this report; this was attributable to housing benefit and council tax discount awards.

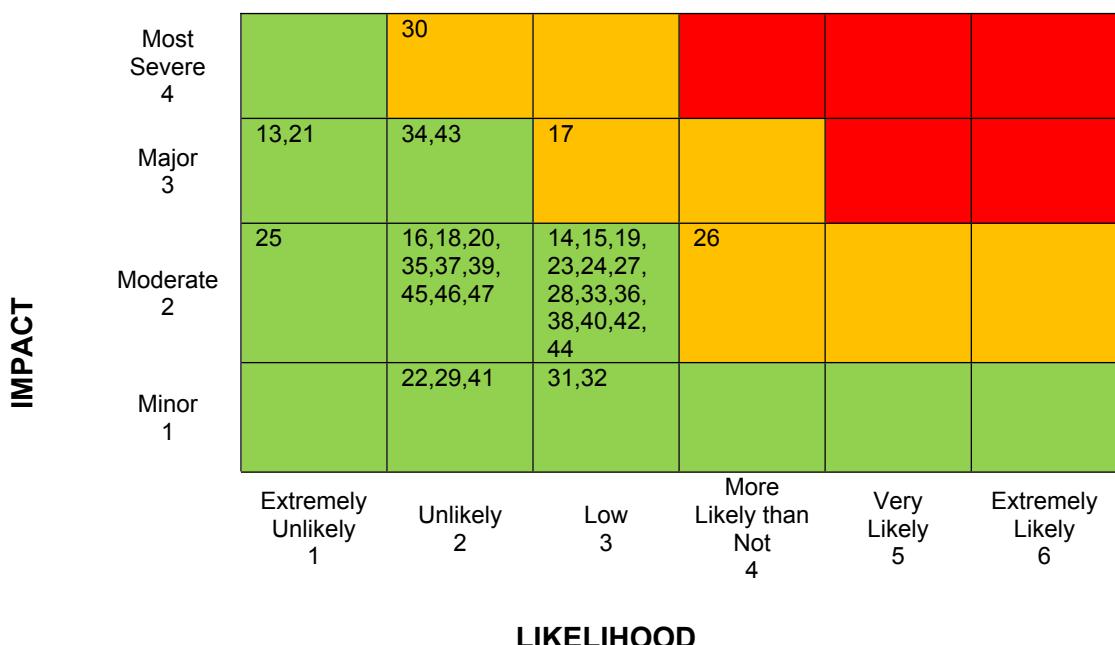
### **3 WHAT IS THE COUNCIL'S COUNTER FRAUD STRATEGY?**

- 3.1 Councillors and Officers continue to have a crucial role in supporting the right approach to deter and detect fraud. For example;
- Ensuring the Council understands local fraud risks;
  - Comparing the Council's performance against countering fraud with similar Council's where data is available;
  - Ensuring counter-fraud resources are proportion to risk and local harm;
  - Encouraging the Council to focus on deterrence, by widely publicising action against fraudsters and to mitigate the risk of fraud; and
  - Increasing staff confidence in the Council's whistleblowing arrangements through corporate leadership and assurance and support for those who report concerns.
- 3.2 The Council's Counter Fraud Strategy forms part of the Constitution. It was last reviewed in 2012 and is scheduled for a further full review in 16/17. This review was deferred to 2017/18 pending the arrival of the new Head of Corporate Governance. Internal Audit will be supporting this work as they have reviewed strategies across their client base and can advise on best practice. The Strategy will be referred to the Audit and Risk Committee for consideration in due course.
- 3.3 The Strategy is made up of five key areas with a clear theme of individual responsibility placed upon Councillors and Officers for their own conduct:
- Prevention;
  - Detection;
  - Investigation;

- Retribution and Restitution; and
- Use of deterrents.

## 4 HOW HAS THE COUNCIL WORKED TO TACKLE FRAUD DURING 2016/17

- 4.1 **Internal Audit:** Internal Audit will sometimes conduct a specific fraud review which looks at two or three fraud risks (from the Risk Register) and examines whether controls reported are working in practice. The last review was undertaken in 2015/16 and a further review is planned in 2017/18. Alongside specific fraud work, the auditors will review aspects of fraud elements in their financial systems and other work. In 2016/17, work was undertaken in a number of areas where fraud risk is relevant (creditors, debtors, benefits, payroll, taxi licensing, highways maintenance contract, contract procedure rule compliance). These audits have highlighted one issue in respect of highways which is being looked at further. In all other areas sufficient or substantial assurance was received.
- 4.2 **Fraud Risk Register:** The Council's Fraud Risk Register is now on our risk management software system alongside the Corporate Risk Register. This allows greater transparency of the Fraud Risk Register to staff. The Register is reviewed and presented to Audit and Risk committee every six months. The current Fraud Risk Register is included as **Appendix A** to this report. Each risk is assessed based on its impact and likelihood; these scores then reflect where the risk sits within the risk matrix:



- 4.3 **Joint Working Arrangements:** The Council is continuing to work with colleagues at Leicester City Council on funded initiatives such as data matching; sample data sets have been sent to Leicester City Council so that parameters can be established for future data sharing.
- 4.4 **Training and Awareness:** The Council continues to deliver Fraud Awareness training to all new Officers during the induction process. This is reviewed regularly to ensure current trends and data is included. More targeted training will be delivered as part of the review of the Council's Fraud Strategy.

- 4.5 **Whistleblowing – Reporting Concerns:** The Council’s Whistleblowing policy has been fully reviewed. The Policy was approved by Cabinet in February 2016. Since then, all managers have been briefed and press releases have been issued to inform our residents of the changes in reporting concerns.

## 5 HOW DO WE MEASURE THE LEVEL OF FRAUD EACH YEAR?

- 5.1 **Benefit Related Fraud:** As identified earlier in the report, the biggest challenge for any Council continues to be the management of benefit-related fraud. The Department for Work and Pensions investigates allegations of Housing Benefit fraud via their Single Fraud Investigation Service (SFIS). During the period of this report, 31 benefit fraud cases were referred to the SFIS; 3 cases were closed with no further action required, leaving 25 cases that are actively under investigation. At year end the overpaid benefit amounted to £6,300.
- 5.2 **Blue Badges:** There were no reported issues concerning the fraudulent use of a Blue Badge during the period of this report. The Council has 1628 badges in circulation and will continue to monitor their use. 232 badges were cancelled during the period of this report (209 of these were due to the badge holder being deceased).
- 5.3 **Single Person Discount:** The Revenues and Benefits team undertake various checks as a means of preventing and detecting fraud and corruption. One annual check involves verifying the eligibility of Council Tax Single Person Discount claims. The Council engages a specialist company to carry out this work. The outcome involves asking claimants to confirm ongoing entitlement. Where claimants fail to confirm then the discount is removed. During the period of this report, the Council removed 143 Single Person Discount awards resulting in an estimated saving of £56,800 to the Council.
- 5.4 **National Fraud Initiative (NFI):** The NFI places a mandatory requirement on local authorities to annually upload selected datasets to a secure website. The data is then matched against other collected data and a number of matches are produced for each authority. In 2016, 1,267 matches were produced for the Council to review. The process involves sifting through the cases so that only those of a potential high risk are processed. Following this review there were no issues to report; the matches had either been dealt with between the period of the data being uploaded and the matching reports being presented to us (approximately five months) or simply referred to housekeeping issues, such as the incorrect recording of a date of death or a National Insurance number.

## 6 ASSURANCE

- 6.1 Overall, the Council is managing the risk of fraud well; Rutland is one of the few Local Authorities to create a Fraud Risk Register and this has been commended by Internal Audit. The Council is also actively engaged in a joint working arrangement with other authorities and has professionally trained officers, who are specialists in this discipline. Fraud risks and emerging threats will continue to be assessed as part of the Council’s approach to manage fraud, alongside a full review of the Council’s Fraud Strategy, due to be completed during 2017/18.

## 7 CONSULTATION

7.1 There is no requirement to consult on this subject; the report focusses on internal arrangements to counter fraud.

## **8 ALTERNATIVE OPTIONS**

8.1 The alternative option is to fail to implement any measures to address the risk of fraud. This would leave the Council vulnerable therefore it is not an option that should be considered.

## **9 FINANCIAL IMPLICATIONS**

9.1 The financial implications of failing to protect the Council should be substantial. The Council's strategy for tackling fraud provides an assurance that public funds are being protected from abuse.

## **10 LEGAL AND GOVERNANCE CONSIDERATIONS**

10.1 The Council has an on-going obligation to detect and investigate localised fraud and to prevent reoccurrence by risk management and the continuance of good governance including best practice and by following evolving anti-fraud initiatives.

## **11 EQUALITY IMPACT ASSESSMENT**

11.1 An Equality Impact Assessment (EqIA) has not been completed as the report concerns internal administrative procedures.

## **12 COMMUNITY SAFETY IMPLICATIONS**

12.1 None

## **13 HEALTH AND WELLBEING IMPLICATIONS**

13.1 Good governance arrangements promote the financial wellbeing of the local community.

## **14 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

14.1 This report seeks to demonstrate that the Council continues to have a robust counter-fraud culture and effective counter-fraud arrangements in place. Fraud risks are managed effectively therefore preventing harm to the local community. It should, however, be noted that although the Council will make vigorous efforts to protect itself; fraud is recognised as a growing area of concern and the Council is not immune to these increased levels of risks. Therefore a vigilant approach is required at all times.

## **15 BACKGROUND PAPERS**

15.1 There are no additional background papers to the report.

## **16 APPENDICES**

16.1 EXEMPT Appendix A – Fraud Risk Register

Exempt Appendix – Appendix A is marked as “Not For Publication” because it contains

exempt information as defined in paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972, namely the information relates to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

**A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.**