

AUDIT AND RISK COMMITTEE

24 July 2018

ANNUAL FRAUD REPORT 2017/18

Report of the Director for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr O Hemsley, Leader	
Contact Officer(s):	Saverio Della Rocca, Director for Resources	01572 758159 sdrocca@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That the Audit and Risk Committee:

1. Endorses the content of this annual fraud report; and
2. Reviews the draft Fraud Strategy (Appendix A) and advises on amendments prior to submission to 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 2017-18. The report also seeks to provide assurance regarding the Council's resilience against the risk of fraud and to present an updated Fraud Strategy for comment prior to submission to Council.
- 1.2 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 £190 billion per year. The cost of fraud to the public sector is estimated at £40.3 billion, money that could be used for local services.

2.4 During 2017/18, there was a fraud investigation at the Council related to public health which has now been concluded (see 5.5). There were no further reports of fraud being committed against the Council in areas other than Revenues and Benefits.

3 THE COUNCIL'S COUNTER FRAUD AND CORRUPTION POLICY

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 has been reviewed. A new Strategy is presented to the Committee for consideration (Appendix A) prior to it being recommended to Full Council for approval. The Strategy was drafted with support from Internal Audit based on best practice and their experience across their client base.

3.3 The Strategy is made up of five key areas, a summary of key points is noted below:

- **Culture** – the Council has a strong counter fraud culture from training for new starters at Council induction to maintenance of a fraud risk register where potential fraud risks are analysed and assessed;

- **Prevention** – the Council’s approach is geared around fraud prevention. Operational managers and staff are best placed to prevent fraud through risk management controls applied to day to day business activities. Members, officers, Internal Audit etc all have a vital role which is set out in Section 3;
- **Deterrence** – the Council will seek to deter fraudsters through taking the strongest possible action to recover lost funds and to take legal action against fraudsters;
- **Detection and Investigation** – the Council encourages officers, Members, the public etc to refer any concerns and will investigate them through the Internal Audit function; and
- **Awareness and training** – the Council will continue to raise awareness of fraud matters through induction and other channels.

3.4 The ultimate measure of effectiveness is that the Council suffers no losses through fraud. Performance is reported through the Annual Fraud Report.

4 HOW HAS THE COUNCIL WORKED TO TACKLE FRAUD DURING 2017/18

4.1 **Internal Audit:** Internal Audit has undertaken a specific fraud review which looked at specific fraud risks in respect of:

- **Blue Badges** - It was noted that there was an absence of enforcement/investigative controls in place for blue badge fraud and there is potential opportunity to increase the enforcement activity and promotion of the zero tolerance in this area. The Council is making some updates to its website to allow individuals to report in instances where they may suspect misuse. Whistleblowing can be very effective in this area.
- **Gifts and Hospitality** - A review of the records currently in place has highlighted a lack of supporting evidence of approvals. It was also noted that the template form does not appear to cover ‘offers’ received, rather just those which have been accepted. The policy has been updated and template revised.
- **Deceased clients (social care)** - The order and invoice authorisation process should ensure that any invoices for clients no longer in receipt of care should not be processed for payment. No issues were found in the testing.
- **Theft of assets** - The inventory log for IT assets was found to out of date or inaccurate in some cases. The log of assets is being updated.
- **Elections** - The Elections Project Officer maintains a full, detailed risk register outside of the fraud risk register which provides some assurance over the operational management of risk. Procedural guidance is also in place for key controls such as inspecting officer visits to ballot stations and for the storing, counting and reporting of ballots.

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 and was last reviewed in January 2018.

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 by Internal Audit.

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, 13 benefit fraud cases were referred to the SFIS; 6 cases were closed with no further action required, 1 was sent to the DWP compliance team and 1 was referred for prosecution, leaving 5 cases that are actively under investigation. At year end the overpaid benefit amounted to £24,900.

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 1700 badges in circulation and will continue to monitor their use. 255 badges were cancelled during the period of this report (227 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 taxpayers to confirm ongoing entitlement. Where taxpayers fail to confirm then the discount is removed. During the period of this report, the Council removed 47 Single Person Discount awards resulting in an estimated saving of £17,933 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 the last full upload (2016/17), 1,271 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. Our next submission is for the 2018/19 year.

5.5 **Public Health:** The Council has a statutory duty to provide certain public health

services to the public. The Council used to discharge its duties by commissioning a private company to provide smoking cessation services on its behalf. The contract with the Company made provision for activity-based payments and the suspected fraud concerns the apparent falsification of data, which wrongly certified that services had been provided whereas, in fact, they had not. This falsification of data enabled the Company to claim higher fees from the Council. Our contract with the Company ended 31st March 2018 (this service is now part of the Community Wellbeing Service) and we stopped paying at the point we became aware that there may be an issue with the data.

The Police Economic Crime Unit have completed their investigation and following discussions with the CPS have decided that it would not be in the public interest to pursue a criminal charge. The Council has also agreed an amount owing for services provided.

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 managing fraud.

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.
- 8.2 In terms of the Counter Fraud Strategy, then Members can endorse the current strategy or suggest amendments.

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 Appendix A – Counter Fraud and Corruption Policy

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