

## AUDIT AND RISK COMMITTEE

23 July 2019

### ANNUAL FRAUD REPORT 2018/19

#### Report of the Strategic Director for Resources

Strategic Aim:	All	
Exempt Information	Appendix A of this report contains exempt information and is not for publication in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
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Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That the Audit and Risk Committee endorses the content of this annual fraud report.

## 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 2018/19. The report also seeks to provide assurance regarding the Council's resilience against the risk of fraud.
- 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 to be between £25m and £75m, money that could be used for local services.

### 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;
- 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 reviewed by the Audit and Risk Committee in July 2018, updated in September 2018 and approved by Full Council. The Council launched its new Strategy in Fraud Awareness week in November 2018.

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

### 4 HOW HAS THE COUNCIL WORKED TO TACKLE FRAUD DURING 2018/19

4.1 **Internal Audit:** Internal Audit undertake a specific fraud review every year which looks at a sample of fraud risks. In 2018/19 this focused on the following areas:

- **Risk Register** - The Council's Fraud Risk Register currently contains over 4 risks and is subject to officer review on a six monthly basis. The Register is consistent with the Council's corporate risk management framework and the format provides details of the latest update on each risk. The risks identified are wide and varied and cover both internal and external frauds, across various service areas. The auditors have raised no recommendations in this area.
- **"Spurious" payments to staff** - It was confirmed from walkthrough testing that there is an appropriate segregation of duties within the payroll system and policies in relation to additional payments to staff had been revised in recent years to ensure clarity and consistency in application. Sample testing

in relation to additional payments highlighted no issues of concern and formal approval mechanisms are in place.

- **Timesheet payments** - In sample testing, evidence of approval of time claimed was seen in all cases and the policy was clear on eligibility to claim such hours. It was also confirmed that electronic systems are in place for the independent authorisation of timesheets for agency staff procured via the Council's framework. The use of purchase orders also provides assurance over the risk of duplicated agency timesheets/invoicing.
- **Cash theft (car parking)** - This was reviewed following reports of a number of thefts and attempted thefts from parking machines during 2018. In October 2018 additional controls were added to parking machines to heighten security and since these were introduced it is understood that there have been no further successful thefts from the machines. Insurance coverage is in place for the cash (to a prescribed £500 limit) and CCTV coverage has been subject to review, where possible. Cash from the machines is collected by a contractor and there are reconciliations built into procedures to ensure that the monies collected are balanced to the monies due, based on the machine's audit ticket functionality.
- **Register of interests** - The fraud risk register also refers to a 'register of interests' for officers. Whilst such a register is not statutory for council officers, unlike elected Members, and is not required to be made publicly available, it is considered best practice to ensure all officer interests are recorded and held securely. The Council will implement this recommendation.

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 periodically to the Audit and Risk committee. The latest version (which was reviewed by the Internal Auditors is attached at Exempt Appendix 1).

4.3 **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. In November, the Council also supported Fraud Awareness Week and used it as an opportunity to promote its Counter Fraud Policy to residents with a press release issued to local media, supported by social media promotion. An article on Counter Fraud and Corruption was also featured in One Council.

4.4 **Information sharing** - During 2018/2019 Rutland County Council was alerted to three different potential frauds affecting residents.

4.5 Action Fraud were contacted in September to report the scam we had been made aware of relating to Council Tax rebate. The communications team promoted their reporting hotline and website in all communications relating to that scam and all further issues the Council was made aware of. Communications for each issue included press releases to local media, information on the Council's website and content promoted through the Council's Facebook and Twitter accounts. Engagement with content is detailed in the table below.

Date	Description	Link	Reach
8 April 2019	Scam call about Council Tax refund due to admin error	<a href="http://bit.ly/2vjTzxU">http://bit.ly/2vjTzxU</a>	Twitter 2,276 Facebook 9,712  Total engagements: 1,735
23 January 2019	Scam email about historic City Council overpayment	<a href="http://bit.ly/2ZvvBNS">http://bit.ly/2ZvvBNS</a>	Facebook 1,185  Total engagements 127
19 <sup>th</sup> November 2018	Fraud awareness week campaign	<a href="https://www.rutland.gov.uk/my-council/council-news/council-renews-commitment-to-fight-off-fraud/">https://www.rutland.gov.uk/my-council/council-news/council-renews-commitment-to-fight-off-fraud/</a>	Website 24
10 September 2018	Scam call about Council Tax rebate	<a href="http://bit.ly/2W2cMzV">http://bit.ly/2W2cMzV</a>	Facebook 8,938  Total engagements 1,379

4.6 **Whistleblowing** – the Council received two referrals relating to different issues. One has been investigated and no evidence of wrongdoing was found. The other matter is being considered further.

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

5.1 **Benefit Related Fraud:** As identified earlier in the report, the management of benefit related fraud is a big challenge. The Single Fraud Investigation Service (SFIS) which is managed Department for Works and Pensions is responsible for investigating all allegations of fraud regarding all DWP awarded benefits such as Job Seekers Allowance and Housing Benefit. During the period of this report, 3 cases of suspected Housing Benefit fraud were reported to SFIS. Unfortunately officers receive very little feedback on the progression of cases once they have been referred.

5.2 **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 39 Single Person Discount awards resulting in an estimated saving of £35,358 to the Council.

5.3 **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 2018, 736 matches were produced for the Council to review.

- 5.4 A number of new reports have been added for 2018/19 helping to better identify key areas of enquiry. These show that 258 of the identified matches were classified as High Risk and also that 151 matches were 'multiple occurrence' (meaning the same individual was identified in more than one match).
- 5.5 Matches have been reviewed and there were no significant 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. 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.

## **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 DATA PROTECTION IMPLICATIONS**

- 10.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

## **11 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 11.1 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.

## **12 EQUALITY IMPACT ASSESSMENT**

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

## **13 COMMUNITY SAFETY IMPLICATIONS**

13.1 None

## **14 HEALTH AND WELLBEING IMPLICATIONS**

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

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

15.1 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.

## **16 BACKGROUND PAPERS**

16.1 There are no additional background papers to the report.

## **17 APPENDICES**

17.1 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.**