

# AUDIT AND RISK COMMITTEE

30 June 2015

## ANNUAL FRAUD REPORT 2014-2015

### Report of the Director for Resources

Strategic Aim:	<b>All</b>	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor King, Portfolio Holder for Places (Development and Economy) and Resources	
Contact Officer(s):	Debbie Mogg, Director for Resources	Tel: 01572 758358 dmogg@rutland.gov.uk
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Ward Councillors	Not Applicable	

### DECISION RECOMMENDATIONS

That the Audit and Risk Committee:

1. Endorses the content of this annual fraud report and
2. Notes the control mechanisms 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 2014-2015. The report also seeks to provide an assurance regarding the Council's resilience against the risk of fraud. This is in accordance with the Committee's Terms of Reference to provide assurance of the adequacy of the risk management framework and control environment.

## 2. HOW DO WE DEFINE FRAUD AND HOW PREVALENT IS IT?

- 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
- Fraud by abuse of position

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 register of interest process and abuse of position could occur in a social care setting.

2.3 The latest government statistics show the UK economy lost £52bn to fraud in 2013. Fraud against the public sector is estimated to cost around £20.6bn; more than £2bn of this is attributable to local government.

2.4 In the Audit Commission's latest annual report 'Protecting the Public Purse 2013: Fighting Fraud against Local Government' it is highlighted that fraud amounting to £178 million was detected by local government in 2013. This can be broken down further to 107,000 cases of detected fraud. Housing Benefit and Council Tax Benefit fraud accounted for over two-thirds of the total fraud loss value.

### **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 Councils;
- Ensuring counter-fraud resources are proportionate to risk and local harm;
- Encouraging the Council to focus on deterrence, by widely publicising action against fraudsters; and
- Increasing staff confidence in the Council's whistleblowing arrangements through corporate leadership and support for those who report concerns.

3.2 The Council's Counter Fraud Strategy forms part of the Constitution. It was last fully reviewed in 2012 and is scheduled for a further full review in 2016.

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
- Use of deterrents

#### **4. HOW HAS THE COUNCIL WORKED TO TACKLE FRAUD IN THE YEAR?**

- 4.1 **Fraud Risk Register:** As part of the Council's proactive approach in identifying fraud risks it decided to establish a specific Fraud Risk Register. The Register includes a list of areas where officers believe the Council could be susceptible to fraud. The Register was initially presented to Audit and Risk Committee in April 2014. Further enhancements were made and it was again presented to Audit and Risk Committee in January 2015, where it was agreed that the Committee would continue to review this process as the Register continues to develop. The development of this Register did not identify any issues of concern.
- 4.2 **Joint Working Arrangements:** In order to obtain national funding for fighting fraud, the Council joined a group of 10 local authorities (in Leicestershire and Rutland) to bid for funding to support a project to share best practice, namely providing a central Intelligence Hub, the development of an Application for residents to report fraud and the provision of a resource to consider insurance fraud. The bid was successful resulting in an award of £470,109 to Leicester City Council as the lead authority. This project is in the early stages of implementation and will be reported back to Audit and Risk Committee as it develops.
- 4.3 **Training and Awareness:** The Council continues to deliver Fraud Awareness training to all new Officers during the induction process. More targeted training will be delivering during 2015-2016 as part of a wider corporate governance initiative entitled 'Focus on Fraud'.
- 4.4 **Whistleblowing – Reporting Concerns:** The Council's Whistleblowing Policy is a key element in its arrangements to promote good governance and to guard against fraud, corruption or other types of improbity. The Policy is undergoing a full review with the outcome being presented to Audit and Risk Committee in July 2015.

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

- 5.1 **Fraud Survey:** Each year, the Council participates in a national fraud survey, which until recently, was administered by the Audit Commission. During the last survey, the Audit Commission received responses from 493 local government bodies: a response rate of 100 per cent. These results map the volume and value of different types of fraud detected, providing information about emerging and changing fraud risks and help identify good practice in tackling fraud. Although Rutland County Council was not identified as having any particular risks, it is important to see where other Councils are suffering through fraudulent activity. The Council has just completed its Fraud Survey submission for 2015. Benefit fraud activity has been included alongside one other procurement issue, which occurred in 2014. This matter has already been reported to Audit and Risk Committee.

- 5.2 **Benefit Related Fraud:** As identified earlier in this report, the biggest challenge for any Council continues to be the management of benefit-related fraud. During the summer of 2014, the Government introduced its Single Fraud Investigation Service, which is hosted by the Department for Work and Pensions (DWP) as part of the Government's Welfare Reform agenda. Under previous arrangements, Rutland County Council operated a shared service with Corby Council whereby Corby investigated all cases of benefit-related fraud affecting Rutland. All staff previously engaged on local authority benefit investigations, have now transferred across to the DWP to investigate *all* types of benefit fraud. Therefore, all cases affecting Rutland will now be handled by the DWP as part of their wider strategy. During the period of this report 10 cases of Housing and/or Council Tax Benefit fraud were detected; the value of which was £56,844. The usual steps were taken to recover overpaid benefit.
- 5.3 **Blue Badges:** There were no issues concerning the fraudulent use of a Blue Badge in the period of this report. However, one issue of note concerned a Rutland resident, who applied for a Blue Badge on line *via* a bogus website. This resulted in the resident being defrauded of a £48 fee. When the Council became aware of this matter, they immediately reported it to Action Fraud, which is the UK's national fraud and internet crime reporting centre.
- 5.4 **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 single person discount claims. The Council engages a specialist company to carry out this work. The outcome involves informing those who may no longer be entitled that the discount will be removed. During the period of this report, the Council identified savings of approximately £40,000 in this area.
- 5.5 **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 participating authority. The NFI has recently provided the Council with 1,234 matches to review. They include Blue Badge registrations, concessionary parking anomalies and Pension data. The results of the reviews will be reported to Audit and Risk Committee at a future date.

## 6. CONSULTATION

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

## **7. ALTERNATIVE OPTIONS**

- 7.1 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. FINANCIAL IMPLICATIONS**

- 8.1 The financial implications of failing to protect the Council could be substantial. These measures provide an assurance that public funds are being protected from abuse.

## **9. LEGAL AND GOVERNANCE CONSIDERATIONS**

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

## **10. EQUALITY IMPACT ASSESSMENT**

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

## **11. COMMUNITY SAFETY IMPLICATIONS**

- 11.1 None

## **12. HEALTH AND WELLBEING IMPLICATIONS**

- 12.1 Good governance arrangements promote the financial wellbeing of the local community.

## **13. CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 13.1 This report seeks to demonstrate that Rutland County 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.

## **14. BACKGROUND PAPERS**

Protecting the Public Purse: fighting fraud against local government. Audit Commission

## **15 APPENDICES**

None

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