

AUDIT AND RISK COMMITTEE

20 September 2016

ANNUAL FRAUD REPORT 2015-2016

Report of the Director for Resources

Strategic Aim:	All		
Exempt Information	No		
Cabinet Member(s) Responsible:	Mr T C King, Leader and Portfolio Holder for Finance and Development		
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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 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 2015-2016. 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 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 registration of interests' process and abuse of position could occur across nearly all service areas.

2.3 According to the Chartered Institute of Public Finance and Accountancy (CIPFA), cases of fraud worth £271m were detected or prevented by local authorities in 2015/16, around £100m higher than in 2014/15, when £171m was identified. Benefit related fraud continues to be the biggest challenge for Local Authorities. However, procurement fraud, such as overcharging and falsely billing for goods and services, was also highlighted as a growing threat with the number of reported cases growing from 114 in 2014/15 to 623 in 2015/16. This is an area where the Council should focus when reviewing future fraud risks.

2.4 During 2015/16, there were no reports of fraud being committed against the Council in areas other than Revenues and Benefits. In this area, the Council saved £53,101.20 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 Councils where data is available;
- 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 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 fully reviewed in 2012 and is scheduled for a further full review in 2016. This is included in the Head of Corporate Governance's work plan for 2016/17 and will be referred to the Audit and Risk Committee for consideration.

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 2015/16?

- 4.1 Internal Audit:** The Council's Internal Audit team carried out an assessment of the Council's Fraud Risks during 2015/16. This review included an evaluation of the Fraud Risk Register and associated controls such as false references, expenses, suppliers, cash theft, direct payments and gifts and hospitality. The assessment was extremely positive and recognised the clear commitment to proactively managing the fraud risks effectively and embedding a zero tolerance culture. As a result of the review and recommended good practice, the Fraud Risk Register is now reviewed and updated regularly by the Governance Group as a standing agenda item.
- 4.2 Fraud Risk Register:** The Council's Fraud Risk Register was first considered by the Audit and Risk Committee in January 2015 and again, in April 2016. Since its creation, the document has been reviewed and developed to reflect current risks. The Fraud Risk Register is currently in the process of being uploaded onto the Council's risk management software system and a new version will be presented to the Audit and Risk Committee in due course.
- 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 in 2016/17.
- 4.5 Whistleblowing – Reporting Concerns:** The Council's Whistleblowing Policy has been fully reviewed and recent legislation changes have now been incorporated into the policy and procedures. The revised 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.
- 4.6 Electoral Fraud Prevention:** During 2015/16, the Council managed two major electoral events; the Police and Crime Commissioner elections and the EU Referendum. A number of measures were introduced to mitigate the risk of fraud for example, training was delivered to Polling Station staff on the fraud risks associated with personation, robust checks were carried out during postal vote opening sessions and the Council's Fraud Hotline was published during publicity campaigns leading up to both events. Although there was an allegation of postal vote impropriety within the Police and Crime Commissioner region, it did not affect Rutland and there were no other issues to report.

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

- 5.1 **Fraud Survey:** In previous years, the Audit Commission required each Local Authority to submit information on detected fraud and corruption. This information was used to inform the annual 'protecting the public purse' report. Following the abolition of the Audit Commission, there is no formal collection of this data although some progress is being made by alternative bodies. We will assess the value of any new initiative and feed into future surveys if appropriate.
- 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, the 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 are now handled by the DWP as part of their wider strategy. During the period of this report 49 benefit fraud cases were referred to the DWP, 24 cases were closed with no further action, 25 cases were actively under investigation at year end and the overpaid benefit amounted to £3106.20.
- 5.3 **Blue Badges:** There were no reported issues concerning the fraudulent use of a Blue Badge in the period of this report. The Council has 1863 badges in circulation and will continue to monitor their use. In order to strengthen the governance around this area, we have approached colleagues in Parking Services to establish a process for identifying any future abuse and taking subsequent action i.e. warning letters and enforcement action and aim to have this in place before the end of 2016/17.
- 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 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 126 Single Person Discount awards resulting in a saving of £49,995 to the Council.
- 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. In early 2015, 1,234 matches were sent to the Council to review. The process involves sifting 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 delays in uploading the data and the presentation of the matches (approximately five months) or simply referred to housekeeping issues, such as the incorrect recording of a National Insurance number. The next upload of data is October 2016 with matches expected to arrive around January 2017.

- 5.6 **Fraud Reporting Application (App):** The Council launched this initiative during early 2015 and to date; it has not been used to report any frauds against the authority. We will continue to make the App available and regularly remind our residents of the facility to report allegations of financial irregularity.

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, alongside a full review of the Council's Fraud Strategy, which will be completed by the end of 2016/17.

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 could be substantial. The Council's strategy to 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 processes

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 None

16 APPENDICES

- 16.1 None

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