

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	3 March 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Fraud Statistics Six Monthly Update
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide a summary of the fraud statistics for the six month period to 30 September 2020 and a comparison to the same period in 2019

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the contents of this report are noted.

3. Background

- 3.1. Collating and reporting fraud statistics and setting targets for improvement are considered best practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Local Authority Risk Managers (ALARM).
- 3.2. This report provides information on the number, types and outcomes of fraud investigations within South Lanarkshire Council for the six month period to 30 September 2020, together with a comparison to the statistics for the same period in 2019. It includes all frauds reported to Internal Audit, benefit frauds during this period investigated by the Department for Work and Pensions (DWP) and insurance losses resulting from a failure in internal controls or which have been investigated by Internal Audit.
- 3.3. Although the responsibility for housing benefit fraud investigations has transferred to the DWP Fraud and Error Service (FES), South Lanarkshire Council retains responsibility for the recovery of fraud overpayments from their own Housing Benefit claimants. Housing benefit fraud data will, therefore, continue to be included within the fraud statistics reported as information is provided by FES.
- 3.4. The Revenues and Benefits Section continues to deliver an annual programme of rolling reviews on housing benefit claimants based on risk-profiling to establish the most likely areas of benefit fraud or overpayment. Information is also obtained from HMRC through Real Time Information (RTI) and DWP through the Housing Benefit Matching Service (HBMS). Where fraud is suspected, the case will be passed to FES for investigation and, if proven, the case returned to South Lanarkshire Council to pursue recovery. Irrespective of whether a fraud is proven or not, the Council takes steps immediately to recover any overpayment.

- 3.5. Progress with all types of fraud investigations during the period 1 April to 30 September 2020 has been significantly impacted by the pandemic. Both levels of reporting and progress with investigations has been affected as Services have been re-deployed to respond to COVID-19. Despite these delays, the processes for conducting investigations has not been altered and all suspected fraud cases will be investigated, albeit time-scales for concluding work will require to be extended.

4. Results

- 4.1. All concerns reported to Internal Audit are risk assessed with high risk areas investigated by Internal Audit, medium risks investigated by Resources and low risks registered for monitoring of trends. Internal Audit may also undertake joint investigations with Resources and the Fact-Finding team within Personnel Services, depending on the nature of the fraud and the operational knowledge required.
- 4.2. Areas within the Council that inherently have a higher risk of fraud are considered for inclusion in the annual Audit Plan. There have been no specific patterns or trends identified in the period to 30 September 2020 in addition to those known already.
- 4.3. An analysis of the fraud caseload for the six month period to 30 September 2020 and the comparative period in 2019 is detailed in Table One.

Table One - Fraud Caseload

Status	Six Months to 30/09/20		Six Months to 30/09/19	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	145	139	78	69
Concerns reported to 30 September	14	39	79	91
Caseload at 30 September	159	178	157	160
Cases closed in period (see Table Two)	21	22	32	36
Work in progress at 30 September	138	156	125	124

- 4.4. The majority of the cases reported in the period relate to thefts and break-ins and to issues referred to Internal Audit for investigation. The majority of concerns reported in the same period in 2019 relate to benefit fraud. This disparity reflects the disruption to the investigative process as a result of the ongoing pandemic.
- 4.5. An analysis of closed cases in the year is detailed in Table Two:

Table Two - Analysis of Closed Cases

Source of fraud	Six Months to 30/09/20		Six Months to 30/09/19	
	Nos.	£000	Nos.	£000
Founded allegation (see Table Three)	15	22	23	31
Insufficient information	3	0	3	0
Unfounded allegations	3	0	6	5
Total	21	22	32	36

- 4.6. 71% of all cases, that were investigated, were founded. None of these cases involved a South Lanarkshire Council employee.
- 4.7. An analysis of founded allegations is detailed in Table Three:

Table Three – Analysis of Founded Allegations

Source of fraud	Six Months to 30/09/20		Six Months to 30/09/19	
	Nos.	£000	Nos.	£000
External	15	22	17	16
Internal	0	0	0	0
Benefits	0	0	6	15
Total	15	22	23	31

- 4.8. All founded cases relate to Benefit Fraud cases or fraud committed by a third party.
- 4.9. Minimal costs have been incurred by Internal Audit in the six month period to 30 September 2020 aligning to the limited progress that has been made with completing investigations. Conclusion of these investigations forms part of the approved 2020/2021 Audit Plan that sets out a programme of work through to 31 March 2021.
- 4.10. Time budgets and target completion timescales for investigations are set at the start of each audit and will vary depending on the nature of the investigation. Performance measures for investigations undertaken by Internal Audit are monitored through local Performance Indicators and are reported to each meeting of the Risk and Audit Scrutiny Committee (RASC).

5. Improvements

- 5.1. On the conclusion of all internal investigations, an assessment is made on whether an improvement action is necessary. If deemed necessary, an improvement plan will be issued containing recommended actions. These improvement plans are agreed with the relevant Heads of Service and the actions followed up by Internal Audit to ensure implementation and that gaps in controls have been addressed. Outcomes for concluded investigations are reported to this Committee as part of Internal Audit's annual assurance report.
- 5.2. There was one improvement plan issued by Internal Audit during the period under review with seven separate actions to be taken. Follow up of all high priority actions resulting from fraud investigations will be included in future Audit Plans.

6. Employee Implications

- 6.1. South Lanarkshire Council has a zero tolerance approach to fraud. All employees have a role to play in reducing fraud within the Council and should understand the risk of fraud faced by the Council, that fraud is serious and that it diverts resources from the delivery of the Council's primary objectives. A Learn on Line Fraud (LOL) Awareness course is available to all employees with People Connect access.

7. Financial Implications

- 7.1. The investigation of fraud, participation in NFI exercises and the collection and reporting of fraud statistics will be carried out within existing resources.
- 7.2. A total of 32 days has been allocated within the 2020/2021 Internal Audit Plan for fraud risk work. 67 contingency days are also available to undertake fraud investigations where required and 40 days have been allocated to administer the 2020/2021 NFI exercise for which data has been uploaded.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no significant implications in terms of climate change, sustainability and environmental issues associated with this report.

9. Other Implications

- 9.1. Fraud risk is recognised as one of the top risks facing South Lanarkshire Council. This risk is significant as it can adversely affect the delivery of Council objectives and erode valuable resources. It is, therefore, important that the risk of fraud is soundly managed. Fraud Risk Registers are now in place within all Resources and are reviewed and updated annually in line with standard Risk Management Procedures.
- 9.2. The 2020/2021 Audit Plan includes an assignment to review emerging fraud risks that will consider changes to service delivery as this has evolved in response to the challenges and pressures of the pandemic. Where appropriate, actions will be agreed to address gaps in internal controls to mitigate the risk of fraud.
- 9.3. The collection and reporting of fraud statistics should assist in the management of fraud by identifying patterns and trends of fraud and areas of high risk where preventative controls should be concentrated. However, in order to do this effectively, fraud statistics must be complete. This remains an area where practice could be improved and it is, therefore, important that all instances of potential and actual fraud are reported to Internal Audit. Further work can be undertaken by Internal Audit to promote fraud policies if considered appropriate.
- 9.4. In order to ensure the Council is fully aware of and prepared for emerging fraud risks, Internal Audit periodically carry out self-assessment exercises against good practice guidance in fraud management. Internal Audit will continue to include an allowance within the Internal Audit Plan to undertake such assessments.

10. Equality Impact Assessment and Consultation Arrangements

- 10.1. There is no requirement to undertake an equality impact assessment.
- 10.2. Consultation was not necessary for this report.

Paul Manning

Executive Director Finance and Corporate Resources

16 February 2021

Link(s) to Council Values/Objectives

- ◆ Objective – Governance and Accountability

Previous References

- ◆ Fraud Statistics Six Monthly Update, 19 February 2020
- ◆ 2018 National Fraud Initiative Exercise, 21 September 2020
- ◆ Fraud Statistics Annual Report 2020, 21 September 2020
- ◆ The National Fraud Initiative 2018/2019, 21 September 2020

List of Background Papers

None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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