

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	30 January 2024
Report by:	Chief Executive

Subject:	Fraud Statistics Six Monthly Update 2023/2024
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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 6 months to 30 September 2023 and a comparison to the same period in 2022

2. Recommendation(s)

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

- (1) that the contents of the report be 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 6 months to 30 September 2023 together with a comparison to the statistics for the same period in 2022. 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. Revenues and Benefits continue 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 has been made with all types of fraud investigations during the 6 month period to 30 September 2023 albeit resourcing pressures have required a level of re-prioritisation throughout the period.

4. Anti-Fraud Caseload Fraud Statistics

- 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 have an inherently higher risk of fraud are considered for inclusion in the annual Audit Plan. There have been no specific patterns or trends identified in the first six months of 2023/2024 in addition to those already known.
- 4.3. An analysis of the fraud caseload for the 6 months to 30 September 2023 and the comparative period in 2022 is detailed in Table 1.

Table 1 - Fraud Caseload

Status	Six Months to 30/09/23		Six Months to 30/09/22	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	136	70	142	118
Concerns reported to 30 September	68	27	22	10
Caseload at 30 September	204	97	164	128
Cases closed in period (see Table Two)	47	33	9	5
Work in progress at 30 September	157	64	155	123

- 4.4. The number of cases being reported are beginning to increase but continue to relate primarily to suspected benefit fraud and theft.
- 4.5. DWP referrals have been removed from the above table to ensure the caseload reflects only those cases where a potential fraud has been identified by South Lanarkshire Council. In the 6 months to 30 September 2023, there were 5 further referrals from DWP. In the same period, DWP closed 6 referral cases with no outcome because of time delays and a further 3 on the basis that no fraud had been proven.
- 4.6. An analysis of closed cases in the year is detailed in Table 2:-

Table 2 - Analysis of Closed Cases

Source of fraud	Six Months to 30/09/23		Six Months to 30/09/22	
	Nos.	£000	Nos.	£000
Founded allegation (see Table Three)	11	31	3	2
Insufficient information	1	2	4	0
Unfounded allegations	11	0	1	1
Time Delay	24	0	1	2
Total	47	33	9	5

- 4.7. 23% of cases closed in the period were founded. One of these cases involved a South Lanarkshire Council employee.

4.8. An analysis of founded allegations is detailed in Table 3:-

Table 3 – Analysis of Founded Allegations

Source of fraud	Six Months to 30/09/23		Six Months to 30/09/22	
	Nos.	£000	Nos.	£000
External	10	31	3	2
Internal	1	0	0	0
Benefits	0	0	0	0
Total	11	31	3	2

4.9. All, but one of the founded cases relate to fraud committed by a third party.

4.10. Costs have been incurred by Internal Audit in the period to 30 September 2023 in relation to two investigations. Time to complete these investigations will be required in the remainder of 2023/2024. 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. These timescales can be extended to reflect other Service priorities although every effort is made to complete work within a reasonable time period.

Fraud related assignments

4.11. Aside from Internal Audit work that is captured in the statistics set out in the tables above, there are three other fraud-related areas of work in the 2023/2024 Audit Plan:-

Audit assignment	Outline Scope
National Fraud Initiative (NFI)	Coordinate investigation of matches from 2022 National Fraud Initiative Exercise (including time to investigate some categories of matches). Report outcomes to the Risk and Audit Scrutiny Committee.
Anti-Fraud checks	Rolling programme of anti-fraud checks – including, but not limited to, procurement, petty cash, purchase cards.
Fraud	React to fraud alerts through internal and external sources and disseminate information as appropriate. Undertake investigations as required.

4.12. A report was presented to the Committee in June 2023 setting out the results of the NFI matching exercise and the target number of investigations that had to be undertaken. Good progress is being made with investigations which are planned to conclude by 31 March 2024. There have been no significant outcomes to date. Aside from this, investigative work has continued throughout the year with progress with anti-fraud checks impacted by the re-direction of resources to investigative work and to the Oracle Fusion project. Some limited time to complete routine anti-fraud checks will be allocated before the end of the financial year.

5. Improvements

5.1. On the conclusion of all internal investigations, an assessment is made on whether any improvement actions are necessary. If required, 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 the Committee as part of Internal Audit's annual assurance report.

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 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.

8. Climate Change, Sustainability and Environmental Implications

- 8.1 There are no implications for climate change, sustainability or the environment in terms of the information contained in 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 in place within all Resources and are reviewed and updated in line with standard Risk Management procedures.
 - 9.2. 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.
 - 9.3. The Council's Serious and Organised Crime (SOC) Group progress delivery of various actions, revising if any new or emerging threats are identified through the pan Lanarkshire Multi Agency SOC Group. Updates on progress are presented to the Committee on a periodic basis.
 - 9.4. The collection and reporting of fraud statistics assists 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. Internal Audit will continue to highlight areas where practice could be improved to ensure that all instances of potential and actual fraud are reported to Internal Audit.
 - 9.5. There are no sustainability issues in terms of the information contained in this report.
- ## **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
Chief Executive

12 January 2024

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Review of Counter Fraud, Bribery and Corruption Policy, 23 May 2023
- ◆ 2022 National Fraud Initiative Exercise, 27 June 2023
- ◆ Fraud Statistics 2022/2023 Annual Report, 22 August 2023

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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