

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	4 September 2012
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Fraud Statistics Annual 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 year to 31 March 2012 and provide a comparison to the 2010/2011 statistics

2. Recommendation(s)

2.1. The Forum 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). South Lanarkshire Council has collected and reported fraud statistics and improvement targets to the Risk and Audit Scrutiny Forum since 2009.
- 3.2. This report provides information on the number, types and outcomes of fraud investigations within the Council together with a comparison to the statistics for same period in 2011. It includes all frauds reported to Internal Audit during the year to 31 March 2012. Insurance losses resulting from a failure in internal controls or which have been investigated by Internal Audit are also included in this report.
- 3.3. The report provides good comparative information and highlights that the value of fraud within the Council has decreased. Of the total value of founded fraud investigations within the Council, 96% relates to Benefit Fraud, the majority of which is committed by external parties. This is consistent with previous years. However it should be noted that both the number and the value of Benefit Fraud has decreased since 2011 which demonstrates improvement in fraud management within this area.
- 3.4. Areas within the Council that inherently have a higher risk of fraud are considered for inclusion in the fraud management plan within the annual Audit Plan. During the period to 31 March 2012, there were no unusual material trends or patterns identified which required additional investigation by Internal Audit.

4. Results

- 4.1. All concerns reported to Internal Audit are recorded on the corporate risk management system, Figtree. Each concern is risk assessed with high risk areas investigated by Internal Audit, medium risks investigated by Resources and low risks

registered for monitoring of trends. Joint investigations may also be carried out by Internal Audit depending of the nature of the fraud and the operational knowledge required.

- 4.2. Housing Services' Benefits Investigation Team is responsible for recording all benefit fraud and it supplies the details of the number and value of benefit frauds, the amounts recovered and the sanctions imposed to Internal Audit for consolidation with the information held by Internal Audit.
- 4.3. The Risk Management Section is responsible for collecting and recording all insurance losses. Information relevant to these statistics is provided to Internal Audit at the year end. However, processes are currently being developed to ensure relevant fraud information is passed from Risk Management to Internal Audit on a more frequent basis to ensure comprehensive data is held on fraud statistics and that improvement actions are implemented promptly where required.
- 4.4. The results for the years to 31 March 2011 and 31 March 2012 are detailed in Appendix One. However a summary of the results is detailed below:-
 - Fraud amounting to approximately £365,000 was reported to Internal Audit during the year to 31 March 2012. This represents a 55% reduction from 2010/2011 figures
 - 73% of reported concerns related to benefit fraud
 - There has been a decrease of 11% in the number of fraud concerns as at 31 March 2012 when compared to the same period in 2011
 - 64% of investigations were completed within the eight week target. Performance in this area has consistently improved since 2009 and this is an increase of 13% from the same period last year
 - 79% of allegations investigated were founded
 - Current year recoveries are down from the same period last year. This reflects reduced fraud losses during 2011/2012
 - 98% of amounts recovered in 2011/2012 relate to benefit fraud
 - There has been an improvement in the benefits recovery rates for previous and current years which reflects a more focused approach to debt recovery within Benefits Services
 - The percentage of founded employee cases considered for a disciplinary hearing has increased since last year. Of the 12 cases involving employees, ten had been considered for disciplinary hearing. In the remaining two cases, the culprit could not be identified
 - Benefits Services increased the number of sanctions since 2010/2011 and exceeded their annual target of 80 sanctions

5. Improvements

- 5.1. On the conclusion of all internal investigations, an assessment is made on whether 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 will be followed up by Internal Audit to ensure implementation in line with the audit planning strategy. Outcomes for concluded investigations are reported to the Risk and Audit Scrutiny Forum when they are finalised as part of routine updates.
- 5.2. Six internal investigations resulted in an improvement plan. The most common actions relate to;
 - Introducing and/or updating procedures
 - Ensuring there is adequate security over Council assets, and
 - Introducing anti fraud measures within operational services

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 away from the Council's primary objectives.
- 6.2. In order to increase employees' understanding of the risk of fraud within the Council, Internal Audit, in consultation with Personnel Services, has developed a Learn on Line fraud awareness course. The course is aimed at all employees. It defines fraud and highlights where fraud can occur, who can commit fraud, possible signs of fraud and how to report a fraud. The course is currently available on line and it is recommended that all employees with access to Learn on Line complete it. This approach has been endorsed by the CMT.
- 6.3. Internal Audit will continue to collate and report fraud statistics on a six monthly basis to the Risk and Audit Scrutiny Forum.

7. Financial Implications

- 7.1. The collection and reporting of fraud statistics will be carried out within existing resources. It is anticipated that through continuous collection and monitoring of fraud statistics, preventative measures can be introduced which will ensure scarce resources are protected and improvements made where necessary.

8. Other Implications

- 8.1. Fraud Risk is recognised as among the top risks facing the 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.
- 8.2. The decrease in the number of reported fraud concerns is a positive step which indicates that controls have improved within Resources. However it is also possible that fraud is not being identified or reported within Resources. There are specific audits in areas of high risk to fraud included in the Audit Plan annually and standard fraud indicator tests are included within all audit programmes. This testing has not highlighted any major areas of concern therefore it is reasonable to assume that control within Resources is improving.
- 8.3. 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. It is, therefore, important that all instances of potential and actual fraud are reported to Internal Audit. Further work will be undertaken by Internal Audit during 2012/2013 to promote the Council's Fraud Response Plan which should help ensure all known fraud concerns are reported and that employees are made aware of the systems in place within the Council for reporting suspected or actual fraud.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.
- 9.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning
Executive Director (Finance and Corporate Resources)

27 August 2012

Link(s) to Council Objectives/Improvement Themes/Values

- Improvement Theme: Governance and Accountability

Previous References

Fraud Statistics Six Monthly Update to the RASF, 26 January 2012

List of Background Papers

- None

Contact for Further Information

If you would like further information, please contact:-

Cecilia McGhee, Audit Adviser

Ext: 4628 (Tel: 01698 454628)

E-mail: cecilia.mcghee@southlanarkshire.gov.uk

Fraud Statistics

Status	Year to 31/03/11		Year 31/03/12	
	Nos	£000s.	Nos	£000s.
Total concerns	197	833	175	402
less Work in progress	18	17	6	37
Closed investigations	179	816	169	365
Concluded by IA (Inc joint)	12	94	6	0
Concluded by others	167	722	163	365
Total Concluded	179	816	169	365
<u>Investigative Outcomes</u>				
Insufficient information	12	29	16	1
Allegation correct	160	761	134	358
Unfounded allegations	7	26	19	6
Total	179	816	169	365
<u>Recoveries</u>				
Recoveries previous year		34		90
Recoveries current year		180		50
Insurance Recoveries		60		0
Total Recovery		274		140

Fraud Classification	Year to 31/03/11		Year to 31/03/12	
	Nos	£000s.	Nos	£000s.
External	14	258	11	4
Internal	5	72	7	12
Benefits (Including NFI)	141	431	116	342
Total	160	761	134	358

Performance Measures

	Target	As at 31/03/11	As at 31/03/12
Reporting Source			
Internal	80%	72%	66%
External	20%	28%	34%

Concluded Investigations			
Completed within 8 weeks of being reported	100%	51%	64%

Sanctions			
% Founded Employee Cases considered for a disciplinary hearing	80%	75%(12)	83%(10)
No. Benefit Cases with Sanctions (Annual Target/Cumulative total)	80	92	97