

# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>26 January 2022</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Fraud Statistics Six Monthly Update 2021/2022</b>
----------	--

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide a summary of the fraud statistics for the six months to 30 September 2021 and a comparison to the same period in 2020

## 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 months to 30 September 2021 together with a comparison to the statistics for the same period in 2020. 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 with all types of fraud investigations during 2021/2022 has continued to be impacted by the pandemic in terms of both the reporting of new cases and concluding investigations. Despite these delays, the processes have not been altered. All suspected, significant fraud cases continue to be investigated with timescales extended for concluding work. This may continue for the remainder of this financial year but steps are being taken to progress existing cases to a conclusion and to re-establish reasonable timescales in 2022/2023.

#### 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 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 2021/2022 in addition to those already known.
- 4.3. An analysis of the fraud caseload for the six months to 30 September 2021 and the comparative period in 2020 is detailed in Table One.

**Table One - Fraud Caseload**

Status	Six Months to 30/09/2021		Six Months to 30/09/2020	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	133	150	145	139
Concerns reported to 30 September	19	4	14	39
Caseload at 30 September	152	154	159	178
<b>Cases closed in period (see Table Two)</b>	<b>16</b>	<b>6</b>	<b>21</b>	<b>22</b>
Work in progress at 30 September	136	148	138	156

- 4.4. Although cases reported in the period remain relatively low, a pattern of these coming primarily from suspected benefit fraud has started to emerge again.
- 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 30/09/2021		Six Months to 30/09/2020	
	Nos.	£000	Nos.	£000
<b>Founded allegation (see Table Three)</b>	<b>10</b>	<b>5</b>	<b>15</b>	<b>22</b>
Insufficient information	1	0	3	0
Unfounded allegations	5	1	3	0
<b>Total</b>	<b>16</b>	<b>6</b>	<b>21</b>	<b>22</b>

- 4.6. 63% of cases closed in the period 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 30/09/2021		Six Months to 30/09/2020	
	Nos.	£000	Nos.	£000
External	10	5	15	22
Internal	0	0	0	0
Benefits	0	0	0	0
<b>Total</b>	<b>10</b>	<b>5</b>	<b>15</b>	<b>22</b>

- 4.8. All of the founded cases relate to Benefit Fraud or fraud committed by a third party.
- 4.9. Minimal costs have been incurred by Internal Audit in the period to 30 September 2021 aligning to the limited progress that has been made with completing investigations and reflecting the continuing re-direction of resources to deliver corporate tasks. This requirement has now ended and the intention is to conclude all current, open investigations by 31 March 2022.
- 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. These timescales have been extended to reflect other Service priorities over the last eighteen months but are now being set re-established to support a return to normal service delivery timescales.

## **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 this 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 National Fraud Initiative (NFI) exercises and the collection and reporting of fraud statistics will be carried out within existing resources.
- 7.2. A total of 50 days was allocated within the first six months of 2021/2022 for routine fraud risk assignments and to undertake fraud investigations where required. This was supplemented by 25 further days to facilitate the completion of the 2020/2021 NFI exercise. In practice, most of those time has been used to undertake anti-fraud work on grants being disbursed by South Lanarkshire Council on behalf of the Scottish Government and to assist Services to undertake investigations on NFI 'matches'. Further time has been allocated in the second half of 2021/2022 to conclude work within these areas and to complete testing around wider, emerging public sector fraud areas that have been identified by Audit Scotland.

## **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 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. This exercise in 2020/2021 has contributed to the review of fraud policies. Work to promote the revised fraud policy will be undertaken by Internal Audit in 2021/2022.
- 9.3. The Council's Serious and Organised Crime (SOC) working group have developed an action plan to address the impact of COVID-19 on SOC and the challenges that this has brought to the Council in the short, medium and long term. The Group progress delivery of the various actions, revising these if any new or emerging threats are identified through the pan Lanarkshire Multi Agency SOC Group. Updates on progress are presented to this 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.

## **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**

10 January 2022

### **Link(s) to Council Values/Ambitions/Objectives**

- ◆ Objective – Governance and Accountability

### **Previous References**

- ◆ Fraud Statistics Six Monthly Update 2020/2021, 3 March 2021
- ◆ Fraud Statistics Annual Report 2020/2021, 15 September 2021

### **List of Background Papers**

None

**Contact for Further Information**

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

Yvonne Douglas, Audit and Compliance Manager

Ext: 2618 (Tel: 01698 452618)

E-mail: [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)