

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	5 February 2013
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Fraud Statistics Update – April to September 2012
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide a summary of fraud statistics for the six month period to 30 September 2012 and provide a comparison to the September 2011 statistics

2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Forum is asked to approve the following recommendation(s):-

- (1) that the fraud statistics 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 six months to 30 September 2012, all benefit frauds investigated by the Housing Benefit Fraud team and insurance losses resulting from a failure in internal controls or which have been investigated by Internal Audit.
- 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, the majority continues to relate to Benefit Fraud committed by external parties. Both the number and the value of Benefit Fraud have decreased since 2011 which demonstrates improvement in fraud management within this area. However, it should be noted that the NFI exercise was ongoing during 2011/2012 and this may account for the higher level of benefit fraud cases identified during this period.
- 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. There have been no specific patterns or trends identified during the six month period to 30 September 2012, in addition to those already considered to be of high risk. There

has however been the theft of three vehicles from Forrest Street. An Internal Audit investigation is currently ongoing and these thefts have been reported to the Police.

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 Resources and 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 and investigating all benefit fraud and supplies 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 on a six monthly basis.
- 4.4. The results for the six month period to 30 September 2011 and 30 September 2012 are detailed in Appendix One. However, a summary of the results is detailed below;
 - Fraud amounting to approximately £102,000 was reported to Internal Audit during the period to 30 September 2012. This represents a 58% reduction from 2011/2012 figures and a 78% reduction from 2010/2011 figures
 - 62% of the number of founded concerns related to benefit fraud.
 - All concerns were investigated which supports a zero tolerance approach to fraud.
 - 100% of investigations were completed within the eight week target. Performance in this area has consistently improved since 2009 and this is an increase of 44% from the same period last year.
 - 96% of the value of allegations investigated was founded.
 - The value of current year recoveries is down from the same period last year. This is due to the number of founded benefit fraud cases reducing by 48% when compared to the same period in 2011.
 - There has been an improvement in recovery rates for previous years which reflects a more focussed approach to debt recovery within Benefits Services.
 - Benefits Services have increased the number of sanctions since 2011/2012 and have exceeded their target.

5. Improvements

- 5.1. On the conclusion of all internal investigations, an assessment is made on whether improvement actions are 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.

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. Internal Audit will continue to collate and report fraud statistics on a six monthly basis to both the Corporate Management Team and 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. The decrease in the number of reported fraud concerns is a positive step which indicates that controls have improved within Resources.
- 8.2. 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. It is, therefore, important that all instances of potential and actual fraud are reported to Internal Audit. Further work is being undertaken by Internal Audit during 2012/2013 to promote the Council's Fraud Response Plan which should help to 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.
- 8.3 There are no implications for sustainability in terms of the information contained in this report.

9. Equality Impact Assessment and Consultation Arrangements

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

Paul Manning

Executive Director (Finance and Corporate Resources)

9 January 2013

Link(s) to Council Objectives/Values

- ◆ Value: Accountable Effective and Efficient

Previous References

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

Fraud Statistics Annual Update to the RASF, 4 September 2012

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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Fraud Statistics

Status	Six Months to 30/09/11		Six Months to 30/09/12	
	Nos.	£000's	Nos.	£000's
Total concerns	99	242	51	102
less Work in progress	15	39	5	13
Closed investigations	84	203	46	89
Concluded by IA (Inc joint)	2	0	10	38
Concluded by others	82	203	36	51
Total Concluded	84	203	46	89
<u>Investigative Outcomes</u>				
Insufficient information	10	1	1	0
Allegation correct	63	202	42	85
Unfounded allegations	11	0	3	4
Total	84	203	46	89
<u>Recoveries</u>				
Recoveries previous year		40		50
Recoveries current year		10		6
Insurance Recoveries		0		21
Total Recovery		50		77

Fraud Classification (founded)	Six Months to 30/09/11		Six Months to 30/09/12	
	Nos	£000s.	Nos	£000s.
External	3	0	8	19
Internal	10	14	8	26
Benefits (Including NFI)	50	188	26	40
Total	63	202	42	85

Performance Measures

	Target	As at 30/09/11	As at 30/09/12
Reporting Source			
Internal	80%	68%	84%
External	20%	32%	16%

Concluded Investigations			
Completed within 8 weeks of being reported	100%	56%	100%

Sanctions			
% Founded Employee Cases considered for a disciplinary hearing	80%	63%(4)	25%(2) (note 2)
No. Benefit Cases with Sanctions (Annual Target/Cumulative total)	25%	37 (note 1)	50%

Note 1: Benefits sanctions target changed in 2012/13 from 80 per year to 25% of accepted referrals therefore comparison is not possible
 Note 2: For the remaining six cases, the culprit could not be identified and therefore could not be considered for a disciplinary hearing