



# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>27 September 2022</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Fraud Statistics Annual Report 2021/2022</b>
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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 2022 and a comparison to the same period in 2021

## 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 year to 31 March 2022 together with a comparison to the statistics for the same period in 2021. 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, 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. 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 year to 31 March 2022 and the comparative period in 2021 is detailed in Table 1.

**Table 1 - Fraud Caseload**

Status	Year to 31/03/22		Year to 31/03/21	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	133	150	145	139
Concerns reported to 31 March	48	12	26	45
Caseload at 31 March	181	162	171	184
<b>Cases closed in period (see Table 2)</b>	<b>(33)</b>	<b>(42)</b>	<b>(38)</b>	<b>(34)</b>
Work in progress at 31 March	148	120	133	150

- 4.4. Although cases reported in the year remain relatively low, a pattern of these coming primarily from suspected benefit fraud and theft has started to emerge again.
- 4.5. An analysis of closed cases in the year is detailed in Table 2:-

**Table 2 - Analysis of Closed Cases**

Source of fraud	Year to 31/03/22		Year to 31/03/21	
	Nos.	£000	Nos.	£000
<b>Founded allegation (see Table 3)</b>	<b>15</b>	<b>30</b>	<b>24</b>	<b>27</b>
Insufficient information	3	0	5	3
Unfounded allegations	11	2	9	4
Time Delay	4	10	0	0
<b>Total</b>	<b>33</b>	<b>42</b>	<b>38</b>	<b>34</b>

- 4.6. 45% of cases closed in the period were founded. None of these cases involved a South Lanarkshire Council employee. In 2021/2022, some potential benefit fraud cases were closed by FES, with no action taken, given the considerable time delay in investigating as a result of the pandemic.
- 4.7. An analysis of founded allegations is detailed in Table 3:-

**Table 3 – Analysis of Founded Allegations**

Source of fraud	Year to 31/03/22		Year to 31/03/21	
	Nos.	£000	Nos.	£000
External	14	11	23	27
Internal	0	0	1	0
Benefits	1	19	0	0
<b>Total</b>	<b>15</b>	<b>30</b>	<b>24</b>	<b>27</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 year to 31 March 2022 aligning to the continuing re-direction of resources to deliver corporate tasks in the year. This requirement is now coming to an end and progress is being made with concluding all current, open investigations by the end of Quarter 2 in 2022/2023.
- 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 2 years but are now being re-established to reflect a return to normal service delivery.

## **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 Risk and Audit Scrutiny Committee (RASC) 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) exercise and the collection and reporting of fraud statistics is carried out within existing resources.
- 7.2. One Audit Assistant (with overview and management from an Audit Adviser) within Internal Audit is responsible for co-ordinating the NFI exercise which included, for the most recent Exercise, facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, assisting with the recording of some or all Creditor, Procurement, Grants and Single Person Discount investigations and reporting on employee benefit fraud cases as required. A total of 66 days was allocated in the 2021/2022 Internal Audit Plan to take account of the increased role of Internal Audit in the current Exercise.
- 7.3. In addition, 75 days were allocated in 2021/2022 to undertake fraud investigations where required. 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. Further time was allocated to conclude work within areas of

emerging public sector fraud that had been identified by Audit Scotland in their report of July 2020<sup>1</sup>. Testing in these areas in 2021/2022 included Overtime and Paypoint with further output on testing on Purchase Cards; Invoice Authorisation and Disclosure Checks planned in quarters one and two of 2022/2023.

## **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. This exercise in 2020/2021 contributed to the review of fraud policies. Work to promote the revised fraud policy has been delayed slightly and will now be undertaken by Internal Audit in 2022/2023.
- 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 if any new or emerging threats are identified through the pan Lanarkshire Multi Agency SOC Group. Updates on progress are presented to RASC 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**

8 September 2022

## **Link(s) to Council Values/Priorities/Outcomes**

- ♦ Accountable, effective, efficient and transparent

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<sup>1</sup> COVID 19 - Emerging Fraud Risks – Audit Scotland, July 2020

**Previous References**

- ◆ Fraud Statistics 2020/2021 Annual Report, 15 September 2021
- ◆ Fraud Statistics Six Monthly Update, 26 January 2022

**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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