

# Report

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Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>14 July 2011</b>
Report by:	<b>Chief Executive</b>

Subject:	<b>Fraud Statistics 2010/2011 Update</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 2011
- ◆ provide a comparison to the March 2010 statistics.

## 2. Recommendation(s)

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

- (1) that the contents of the report are noted

## 3. Background

- 3.1. CIPFA's Better Governance Forum (BGF) in association with ALARM, the Association of Local Authority Risk Managers prepared best practice on combating the risk of fraud in public authorities. This guidance is known as the Red Book II.
- 3.2. The Internal Audit section assessed the Council's compliance with this guidance and prepared a gap analysis and action plan. All actions are now complete. Included within this action plan were tasks to "design quarterly reports to show source, numbers and outcomes" and "consider setting targets for future years, especially for recoveries".
- 3.3. This report provides information on the number, types and outcomes of fraud investigations and details improvement targets where applicable. These targets are preliminary estimates and will be refined as more trends data becomes available. Appendices compare 2010/11 statistics to the 2009/10 figures. Although this report provides some good comparative information it is still too early in the presentation to determine any material trends or patterns.
- 3.4. It should be noted that the figures detailed in Appendix 1 vary from the figures reported in the 2010/11 Annual Internal Audit Assurance Report. This is mainly due to timing differences. Specifically, some information on Benefits and Resource fraud investigations had not been available prior to preparation of the Assurance Report.

## 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 only registered for monitoring of trends.

- 4.2. The Benefits Investigation Team within Housing and Technical Resources are responsible for recording all benefit fraud and they supply the number and value of benefit frauds, the amounts recovered and the sanctions imposed to Internal Audit for consolidation with other statistics.
- 4.3. In addition, Internal Audit collates and reports the progress and results of NFI investigations on a monthly basis. Fraud uncovered through the NFI exercise is included in this report.
- 4.4. Full statistical results for 2010/11 and 2009/10 are detailed in Appendix One. However the highlights for 2010/11 include;
- 82% of all concerns reported relate to benefits fraud. This includes NFI. Changes from 2009/10 reflect the current financial climate and a more focussed approach to identifying and reporting benefit fraud.
  - The number of non benefit frauds reported has decreased by two. However the value of non benefit fraud has increased mainly as a result of one creditors fraud perpetrated by a third party.
  - The level of investigation supports a zero tolerance approach and 90% were concluded in the year.
  - Eight investigations were conducted solely by Internal Audit and four investigations were carried out jointly by Internal Audit and the relevant Resource.
  - Fraud was proven in 89% cases. This amounted to £754,503.
  - Nine employees were formally sanctioned or resigned as a result of an investigation.
  - 78% of benefits frauds resulted in formal cautions, penalties and prosecutions
  - Overall there has been a significant improvement in the recovery of fraud highlighting the increased focus on debt recovery and an awareness of the different methods of recovery.
- 4.5. Progress against targets is highlighted at Appendix 2 together with proposed explanations of performance. The Forum is asked to note the statistics and highlights.

## **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. Outcomes for concluded investigations are reported to the Risk and Audit Scrutiny Forum when finalised.
- 5.2. Eighteen internal investigations resulted in an improvement plan. A total of 78 separate actions were recommended by Internal Audit and accepted by Resources. The most common actions relate to;
- Introducing and/or updating procedures
  - Carrying out reconciliations and following up differences
  - Providing Training
  - Ensuring there is adequate security over both Council assets and access to Council Buildings
  - 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. All employees must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.

6.3. Internal Audit will continue to collate and report fraud statistics at least annually.

## **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.

7.2. The total level of fraud was £754,503. Recoveries during 2010/11 amounted to £371,000 but further recovery is still expected. All benefit and other recoveries are retained by the Council.

## **8. Other Implications**

8.1. Fraud risk is recognised as among the top risks facing South Lanarkshire Council. This risk 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 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.

## **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 however Internal Audit liaises with the Corporate Personnel Officers group in the analysis and presentation of fraud information.

**Archibald Strang**  
**Chief Executive**

29 June 2011

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

- ◆ Accountable, effective and efficient
- ◆ Governance and accountability

### **Previous References**

- ◆ Fraud Statistics and 2009/10 NFI Update - 16 December 2010

### **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 Performance 2010/11

	2009/10		2010/11	
	No.	£	No.	£
<b>Concerns reported:</b>				
B/F from Previous period			11	113,380.00
Benefits B/F			5	6,909.91
Reported in period – non benefits	33	138,092.43	31	269,550.21
Reported in period - benefits	93	217,062.33	126	287,009.49
Reported in period - NFI	9	38,531.94	15	150,260.73
<b>Total reported concerns in 2010/11</b>	<b>135</b>	<b>393,686.70</b>	<b>172</b>	<b>706,820.43</b>
<b>Concerns B/F</b>	<b>N/A</b>	<b>N/A</b>	<b>16</b>	<b>120,289.91</b>
<b>Total Concerns</b>	<b>135</b>	<b>393,686.70</b>	<b>188</b>	<b>827,110.34</b>

## Investigation status:

B/F Investigations concluded in period	Not Available		11	113,380.00
Current Investigations concluded in period	22	24,712.43	26	269,192.21
Concluded in period – bfw benefits	Not Available		5	6,909.91
Concluded in period – current benefits	88	210,152.42	113	270,572.06
Concluded in period - NFI	9	38,531.94	15	150,260.73
<b>Concluded in period - Total</b>	<b>119</b>	<b>273,396.79</b>	<b>170</b>	<b>810,314.91</b>
WIP C/F	11	113,380.00	5	358.00
Benefits WIP C/F	5	6,909.91	13	16,437.43
<b>Total reported concerns</b>	<b>135</b>	<b>393,686.70</b>	<b>188</b>	<b>827,110.34</b>

## Investigation responsibility:

No Investigation	0	0.00	0	0.00
Concluded Resource Investigations (incl Benefit IGT)	100	213,927.33	140	463,576.97
Concluded Internal Audit Investigations	10	20,937.52	8	62,837.21
Concluded Joint Investigations	0	0.00	4	31,240.00
Reported directly to police	0	0.00	3	102,400.00
Concluded NFI investigations	9	38,531.94	15	150,260.73
<b>Total</b>	<b>119</b>	<b>273,396.79</b>	<b>170</b>	<b>810,314.91</b>
Work in progress	16	120,289.91	18	16,795.43
<b>Total reported concerns</b>	<b>135</b>	<b>393,687.70</b>	<b>188</b>	<b>827,110.34</b>

## Concluded investigations - Classification

Theft External/break in (FT)	3	730.35	3	54,300.00
Theft Internal (FI)	4	1,144.56	11	80,341.00
Theft - opportunist (FOPP)	0	0.00	3	300.00
Governance Issue (FG)	1	0.00	1	0.00
Conduct Issue (FC)	4	1,000.00	8	14,013.00
Procedural Breach (FP)	7	2,887.52	2	186.00
Other	2	18,950.00	7	132,732.21
Benefit Fraud Including NFI (FBF)	98	248,684.36	134	428,442.70
General (FGEN)	0	0.00	1	100,000.00
<b>Total</b>	<b>119</b>	<b>273,396.79</b>	<b>170</b>	<b>810,314.91</b>

## Concluded Investigations – Outcomes

Not Investigated (NI)	0	0.00	0	0.00
Founded (SUB) – allegation proven	101	271,064.71	151	754,503.91
Unfounded (UN) – allegation incorrect	11	18.56	6	26,261.00
Unsubstantiated (UNF) – insufficient information	7	2,313.52	12	29,550.00
<b>Total</b>	<b>119</b>	<b>273,396.79</b>	<b>170</b>	<b>810,314.91</b>

**Employee - Sanctions**

	2009/10 No.	2010/11 No.
Dismissed	2	7
Written Warning	2	1
Verbal Warning	1	0
<b>Total employees formally sanctioned</b>	<b>5</b>	<b>8</b>
Resigned	4	1
No formal/ informal action	1	1
<b>Total employees subject to disciplinary</b>	<b>10</b>	<b>10</b>
Passed to Police	1	0
No disciplinary action	14	18
<b>Total employees investigated</b>	<b>25</b>	<b>28</b>

**Concluded investigations - External thefts**

Passed to Police	0	3
No action	3	0
Not Known	0	0
Other	0	0
<b>Total External sanctions (excl Benefits)</b>	<b>3</b>	<b>3</b>

**Concluded investigations - Benefits**

Administrative Penalty	26	44
Administrative Caution	4	12
Passed to Procurator Fiscal	23	36
Successful Prosecution	1	13
<b>Total Benefit Sanction (excl NFI)</b>	<b>53</b>	<b>92</b>
<b>Sanction Outstanding</b>	<b>35</b>	<b>26</b>
<b>Benefit Investigations Concluded</b>	<b>88</b>	<b>118</b>

**Recoveries**

Fraud Recovery Cumulative	Total 2009/10		Total 2010/11	
	£	%	£	%
<b>O/S Fraud C/F from previous period</b>			265,443.43	
<b>Founded Fraud identified in period</b>	271,064.71		<b>754,889.23</b>	
<b>Total</b>	<b>271,064.71</b>		<b>1,020,332.67</b>	
Current Housing Benefits fraud recovered	3,520.31	2%	16,392.67	6%
Previous period Housing benefit fraud recovered	Not available	0%	31,538.78	15%
NFI Recovered	97.00	0.25%	4,752.38	3%
Other	1,300.00	5.8%	218,621.21	57%
<b>Total Recovered</b>	<b>4,917.31</b>	<b>2%</b>	<b>371,305.04</b>	<b>27%</b>

**Additional recovery of administrative penalties**

Total O/S Administrative Penalties B/F			9,501.32	
Total Administrative Penalties Raised In period	10,596.14		16,357.01	
<b>Total</b>	<b>10,596.14</b>		<b>25,858.33</b>	
<b>Total Recovered In period</b>	<b>1,094.82</b>	<b>10%</b>	<b>2,134.74</b>	<b>8%</b>

## Appendix 2

### Performance Measures

	Target	As at 31/03/10	As at 31/03/11	Possible interpretation
<b>Reporting Source</b>				
Internal	80%	77%	72%	Introduction and publicity of new external Whistle blowing line has raised public awareness, possibly public less willing to ignore fraud within the Council
External	20%	23%	28%	
<b>Concluded Investigations</b>				
Completed within 8 weeks of being reported	100%	59%	51%	Increase in the number of Resource Investigations carried out which may take longer, Internal Audit only becoming involved in the more complex fraud cases which by their nature are more time consuming
<b>Sanctions</b>				
% Founded Employee Cases considered for a disciplinary hearing	80%	90%	67%	For 1 of the 6 proven fraud cases involving an employee it was not possible to identify a culprit, and in another 1 case the employee resigned therefore it was not possible to consider a disciplinary hearing
No. Benefit Cases with Sanctions (Annual Target/Cumulative total)	80	53	92	Restructure of the Benefits Section has resulted in better focus on administering sanctions for Benefit Fraud
<b>Recovery In Year</b>				
Housing benefit (2009/10 and Current)	35%	2%	11%	Although still below target the recovery rate has significantly improved. Improved and consistent reporting has result in an improved level of awareness of the level of debt and a greater focus on recovery.
Administrative Penalties Recovered	15%	10%	8%	The actual monetary value of Administrative Penalties recovered has increased since 2010/11. However as the number of Administrative penalties has also increased from the previous year, the % recovered has decreased.
NFI	35%	0.3%	3%	Although still significantly below target there is increased awareness of NFI fraud through better reporting and greater focus on recovery of NFI fraud
Other	35%	6%	57%	Increased awareness of methods for recovery and greater focus on the recovery of fraud

\* Some investigations can result in multiple sanctions against groups of employees