

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	22 August 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Fraud Statistics Annual Report 2022/2023
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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 2023 and a comparison to the same period in 2022

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 2023 together with a comparison to the statistics for the same period in 2022. It includes all frauds reported to Internal Audit, benefit frauds during this period passed to the Department for Work and Pensions (DWP) for investigation 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 Her Majesty's Revenue and Customs (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. The level of progress with all types of fraud investigations, which was impacted by the pandemic, has started to improve albeit re-establishing consistent timescales continues to be challenging.

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 2022/2023 in addition to those already known.
- 4.3. An analysis of the fraud caseload for the year to 31 March 2023 and the comparative period in 2022 is detailed in Table 1.

Table 1 - Fraud Caseload

Status	Year to 31/03/23		Year to 31/03/22	
	Nos.	£000	Nos.	£000
Cases open as of 1 April	148	120	133	150
Concerns reported during financial year	36	11	48	12
Department of Work and Pension referrals	(32)	(45)	-	-
Caseload for the year	152	86	181	162
Cases closed in period (see Table 2)	(16)	(16)	(33)	(42)
Work in progress at 31 March	136	70	148	120

- 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. Department of Work and Pension referrals have been removed from the above table to ensure the caseload reflects only those cases where a potential fraud has been identified by South Lanarkshire Council.
- 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 31/03/23		Year to 31/03/22	
	Nos.	£000	Nos.	£000
Founded allegation (see Table 3)	9	12	15	30
Insufficient information	1	0	3	0
Unfounded allegations	6	4	11	2
Time Delay	-	-	4	10
Total	16	16	33	42

- 4.6. The majority of the cases closed in the period were founded and related to thefts.
- 4.7. An analysis of founded allegations is detailed in Table 3:-

Table 3 – Analysis of Founded Allegations

Source of fraud	Year to 31/03/23		Year to 31/03/22	
	Nos.	£000	Nos.	£000
External	7	7	14	11
Internal	1	0	0	0
Benefits	1	5	1	19
Total	9	12	15	30

- 4.8. One case related to a theft by a South Lanarkshire Council employee which was investigated and passed to Personnel Services for appropriate action to be taken under the Council's disciplinary procedures.
- 4.9. Minimal costs have been incurred by Internal Audit in the year to 31 March 2023 with progress in concluding assignments being impacted by a re-direction of resources to assist with the implementation of Oracle Fusion, a major system upgrade of the Council's human resources and financial management systems.
- 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 continued to be extended to reflect other Service priorities.

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.

7. Financial Implications

- 7.1. The investigation of fraud, participation in the 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) is responsible for co-ordinating the NFI exercise. A total of 30 days was allocated in the 2022/2023 Internal Audit Plan to facilitate the upload of datasets and undertake an analysis of matches that were returned early 2023.
- 7.3. In addition, 123 audit days were allocated in 2022/2023 to anti-fraud activities. This time resourced a rolling programme of anti-fraud checks, reviewed the Council's Conflict of Interest and fraud policies and developed an annual process for briefing within Resources. Progress has been made in all of these areas and the output was captured within the 2022/2023 Internal Audit annual assurance report.

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. 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 2022/2023 has contributed to the review of fraud policies.
- 9.3. The Council's Serious and Organised Crime (SOC) working group has 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 the Corporate Management Team (CMT) 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.
- 9.5. There are no sustainability issues in terms of the information contained in this report.

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)

1 August 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Risk and Audit Scrutiny Committee - Fraud Statistics 2021/2022 Annual Report, 27 September 2022
- ◆ Risk and Audit Scrutiny Committee - Fraud Statistics Six Monthly Update, 7 March 2023

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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