

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	15 September 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Fraud Statistics Annual Report 2020/2021
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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 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 year to 31 March 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 2020/2021 was significantly impacted by the pandemic. Both levels of reporting and progress with investigations have been affected as Services have been re-deployed to respond to the pandemic. Despite these delays, the processes for conducting investigations have not been altered and all suspected fraud cases will be investigated albeit time-scales for concluding work will require to be extended.

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 2020/2021 in addition to those already known.
- 4.3. An analysis of the fraud caseload for the year to 31 March 2021 and the comparative period in 2020 is detailed in Table 1.

Table 1 - Fraud Caseload

Status	Year to 31/03/21		Year to 31/03/20	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	145	139	78	69
Concerns reported to 31 March	26	45	137	132
Caseload at 31 March	171	184	215	201
Cases closed in period (see Table Two)	(38)	(34)	(70)	(62)
Work in progress at 31 March	133	150	145	139

- 4.4. Cases reported in the year were broadly equal across each of the three categories; benefit fraud; internal fraud; theft and break-ins. The majority of concerns reported in the same period in 2020 related to benefit fraud. This disparity reflects the disruption that the pandemic brought to investigative processes.
- 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 31/03/21		Year to 31/03/20	
	Nos.	£000	Nos.	£000
Founded allegation (see Table Three)	24	27	46	56
Insufficient information	5	3	9	0
Unfounded allegations	9	4	15	6
Total	38	34	70	62

- 4.6. 63% of all cases, that were investigated, were founded. Only one of these cases involved a South Lanarkshire Council employee.
- 4.7. An analysis of founded allegations is detailed in Table 3.

Table 3 – Analysis of Founded Allegations

Source of fraud	Year to 31/03/21		Year to 31/3/20	
	Nos.	£000	Nos.	£000
External	23	27	24	19
Internal	1	0	1	0
Benefits	0	0	21	37
Total	24	27	46	56

- 4.8. Almost all of the founded cases relate to Benefit Fraud cases or fraud committed by a third party.
- 4.9. Minimal costs have been incurred by Internal Audit in the year to 31 March 2021 aligning to the limited progress that has been made with completing investigations. Time to conclude these investigations has been carried over to 2021/2022.
- 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. Performance measures for investigations undertaken by Internal Audit are monitored through local Performance Indicators.

5. Improvements

- 5.1. On 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 implemented and that gaps in controls have been addressed. Outcomes for concluded investigations are reported to the Committee as part of Internal Audit's annual assurance report.
- 5.2. There was one improvement plan issued by Internal Audit during the period under review with 7 separate actions agreed. Follow up of all high priority actions resulting from fraud investigations will be included in future Audit Plans.

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 NFI exercises and the collection and reporting of fraud statistics will be carried out within existing resources.
- 7.2. A total of 32 days was allocated within the 2020/2021 Internal Audit Plan for fraud risk work. 67 contingency days was also available to undertake fraud investigations where required and 40 days was allocated to administer the 2020/2021 NFI exercise for which data was uploaded during the year. Not all of this time was required and was reallocated to allow delivery of a number of re-deployed COVID-19 tasks.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no climate change, sustainability or environmental implications 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 annually 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. In addition to this, the 2020/2021 Audit Plan included an assignment to review emerging fraud risks that considered the specific changes to processes required in response to the challenges and pressures of the pandemic. Testing of changes to existing and new processes is planned to be undertaken in 2021/2022.
- 9.4. To further support this review of emerging risks, an action plan has been drawn up by the Council's Serious and Organised Crime (SOC) working group to address the impact of COVID-19 on SOC and the challenges that this will bring to the Council in the short, medium and long term.
- 9.5. The Group will progress delivery of the various actions, revising if any new or emerging threats are identified through the pan Lanarkshire Multi Agency SOC Group. Further updates on progress with the delivery of these actions will be included in reports to the Committee as appropriate.
- 9.6. 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. This remains an area where practice could be improved and it is, therefore, important 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

30 August 2021

Link(s) to Council Values/Objectives

- ◆ Objective – Governance and Accountability

Previous References

- ◆ Fraud Statistics Annual Report 2020 21 September 2020
- ◆ Fraud Statistics Six Monthly Update, 3 March 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