



## **Governance Scrutiny Group**

**Tuesday, 23 July 2019**

### **Annual Fraud Report**

## **Report of the Executive Manager – Finance and Corporate Services**

### **1. Purpose of report**

- 1.1. The purpose of this report is to summarise the incidence of fraud and fraud prevention activities at the Council during the year 2018/19.

### **2. Recommendation**

It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2018/19.

### **3. Reasons for Recommendation**

- 3.1 To conform with best practice and Public Sector Internal Audit Standards and give assurance to the Governance Scrutiny Group regarding the Council's fraud prevention environment.

### **4. Supporting Information**

- 4.1. The Corporate Governance Group, at its meeting on 10 May 2018, resolved that a fraud report be brought to the meeting of the Governance Scrutiny Group annually for approval.
- 4.2. In its Annual Fraud and Corruption Tracker Summary Report for 2018, CIPFA (Chartered Institute of Public Finance and Accountancy) states that:
- The total estimated value of fraud detected or prevented by local authorities in 2017/18 was £302m, £34m less than last year's total.
  - The average value per fraud also reduced from £4,500 in 2016/17 to £3,600 in 2017/18.
  - The number of frauds detected or prevented has risen to 80,000 in 2017/18 from the 75,000 cases found in 2016/17.
  - The number of serious or organised crime cases doubled to 56 in 2017/18.
  - The amount lost to business rates fraud increased significantly to £10.4m in 2017/18 from £4.3m in 2016/17.
  - Blue Badge fraud also increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18.
  - For 2017/18, the three greatest areas of perceived fraud risk were procurement, council tax single person discount (SPD) and adult social care.

- For 2017/18, the four main types of fraud (by volume) that affected local authorities were council tax, housing, Blue Badge fraud and business rates.

4.3. The purpose of this report is to provide an overview of general and specific fraud related issues that have arisen at the Council during 2018/19.

## **5. Preventing and Detecting Fraud**

5.1. Fraud and conduct issues can involve council employees, elected members, partners, customers and the general public. Both conduct and fraud issues can be identified/raised in a number of ways:

- Pro-active investigation work, undertaken internally or externally, for example as part of the National Fraud Initiative.
- Referral by employees, elected members, partner organisations, or members of the public identification by management.

5.2. In carrying out its functions and responsibilities, Rushcliffe Borough Council (“the Council”) is firmly committed to dealing with fraud or corruption and will deal equally with attempted and perpetrated fraud or corruption from inside or outside the Council.

5.3. The Council does not have a dedicated fraud prevention resource; however, it is the responsibility of managers as part of the internal control environment to identify fraud and if required, request RSM as the internal auditors to investigate any allegations of fraud. RSM in the course of their audits may also identify any fraud.

## **6. Whistleblowing Policy**

6.1. It is important to any organisation that any fraud, misconduct or wrong doing by workers or officers of the organisation is reported and properly dealt with. The Council encourages all individuals to raise any concerns that they may have about the conduct of others within the Council. The Policy applies to all employees and those contractors working for the Council on Council premises, for example, agency staff, builders. It also covers suppliers and those providing services under a contract with the Council in their own premises.

6.2. There have been no whistleblowing concerns reported during 2018/19.

## **7. National Fraud initiative (NFI)**

7.1 The NFI is a data matching exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. A national exercise is undertaken every two years. Once the data-matching process for each exercise is completed, the NFI will make the output available to the relevant participating body for consideration and investigation via the

secure NFI software. Participating bodies are then responsible for investigating any matches. From the exercise, the Council have taken action as follows:

## 7.2 Council Tax Single Person Discount

2017/18	2018/19	
699	567	Number of matches reviewed
0	0	Number of frauds identified
148	29	Number of errors identified
£92,600.09	£19,875.45	Amount of Council Tax errors identified

7.3 During 2018/19 the Council purchased an additional NFI product, Single Person Discount (SPD) Premium which matched Council Tax records, Electoral Register and Credit Reference Agency data to the Council's Single Person's Discount caseload. The results were:

### Cases updated due to returned reviews/contact prompted by reviews

Total number of updated cases: 108  
 Total amount of extra billed: £35,227.43  
 Number of cases passed to Benefits for updating: 2

### SPD removed due to non-return of reviews

Total number of SPD removed cases: 78  
 Total amount of extra billed: £32,749.09  
 Number of cases passed to Benefits for SPD to be removed: 34

**Grand total extra billed: £40,875.09**

## 7.4 Housing Benefit awards, localised Council Tax Support awards, taxi and alcohol licences and Council Tax records 2018-20

730	Number of matches reviewed
0	Number of frauds identified
0	Number of errors identified
£0	Amount of Council Tax errors identified

7.5 The 730 matches are ones checked by DWP of which 350 matches have been reviewed to date by the Council and 18 have been identified for further investigation and work in ongoing in reviewing the remaining matches.

## 8. Internal Investigations 2018/19

7.6 There have been no allegations of fraud reported in 2018/19.

**9. Benefit Fraud Investigations conducted by the Counter Fraud and Compliance Directorate**

7.7 The Council no longer investigates Housing Benefits frauds. These are undertaken by the DWP Counter Fraud and Compliance Directorate (CFCD).

7.8 The DWP has a suite of Management Information (MI) that allows Local Authorities (LAs) to monitor the progress of referrals made to CFCD and enables LAs to see the outcomes CFCD are achieving on their behalf. Additionally, it enables LAs to make a comparison of the volume of referrals that they have made against the national average.

7.9 For the Council, the following data was received for each quarter of 2018/19:

<b><u>Quarter 1 Data April - June 2018</u></b>	<b>Local Service Investigation</b>	<b>Local Service Compliance</b>	<b>Total cases</b>
<b>Referrals</b>	0	3	4*
<b>Outcomes</b>	0	2	3*
<b>Positive Outcomes</b>	0	1	1
<b>Ad Pens</b>	0		0
<b>Prosecutions</b>	0		0
<b>LA average referrals per caseload</b>	0.11%		
<b>Great Britain average referrals per caseload</b>	0.12%		

<b><u>Quarter 2 Data July - September 2018/</u></b>	<b>Local Service Investigation</b>	<b>Local Service Compliance</b>	<b>Total cases</b>
<b>Referrals</b>	0	2	2
<b>Outcomes</b>	0	2	2
<b>Positive Outcomes</b>	0	1	1
<b>Ad Pens</b>	0		0
<b>Prosecutions</b>	0		0
<b>LA average referrals per caseload</b>	0.05%		
<b>Great Britain average referrals per caseload</b>	0.12%		

<b><u>Quarter 3 Data October – December 2018</u></b>	<b>Local Service Investigation</b>	<b>Local Service Compliance</b>	<b>Total cases</b>
<b>Referrals</b>	0	0	1*
<b>Outcomes</b>	0	1	1
<b>Positive Outcomes</b>	0	0	0
<b>Ad Pens</b>	0		0
<b>Prosecutions</b>	0		0
<b>LA average referrals per caseload</b>	0.03%		

<b>Great Britain average referrals per caseload</b>	0.13%
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<b><u>Quarter 4 Data January - March 2019</u></b>	<b>Local Service Investigation</b>	<b>Local Service Compliance</b>	<b>Total cases</b>
<b>Referrals</b>	0	0	0
<b>Outcomes</b>	0	2	2
<b>Positive Outcomes</b>	0	0	0
<b>Ad Pens</b>	0		0
<b>Prosecutions</b>	0		0
<b>LA average referrals per caseload</b>	0%		
<b>Great Britain average referrals per caseload</b>	0.15%		

**Key:**

- \* Where the figures for Investigations and Compliance do not add up to the Total cases column the reasons for any discrepancy in data may be due to:
- The MI set out in the table being a snap-shot of a quarter and may not balance exactly with the dates that the Council sent the referral; or
  - The total cases data also includes data for other areas within CFCD, for example organised fraud so does not necessarily add up to the totals of investigations and compliance activities.

<b>Referrals</b>	The total number of HB fraud referrals received by DWP in the quarter as a result of HB processing.
<b>Outcomes</b>	Number of CFCD cases with an outcome recorded in the quarter.
<b>Positive Outcomes</b>	Number of CFCD cases with an outcome recorded in the quarter. Includes all outcome categories listed in 'Outcomes' except for 'No Result'.
<b>Admin Pens</b>	Number of CFCD cases with an outcome of 'Admin Penalty' recorded in the quarter.
<b>Prosecutions</b>	Number of CFCD cases with an outcome of 'Prosecution' recorded in the quarter.

**10. Risks and Uncertainties**

- 10.1. If recommendations are not acted upon there is a risk internal controls are weakened, and the risk materialises.

## **11. Implications**

### **11.1. Financial Implications**

There are no financial implications.

### **11.2. Legal Implications**

There are no legal implications.

### **11.3. Equalities Implications**

There are no equalities implications.

### **11.4. Section 17 of the Crime and Disorder Act 1998 Implications**

There are no Section 17 implications.

### **11.5. Other implications**

There are no other implications.

## **12. Link to Corporate Priorities**

The prevention of fraud supports All of the Council's corporate priorities.

## **13. Recommendations**

It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2018/19.

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<b>Background papers available for Inspection:</b>	None
<b>List of appendices:</b>	None