



Governance Scrutiny Group

Thursday, 30 July 2020

Fraud Annual Report 2019/20

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 2019/20. It also presents, to the Group, a revised Anti-Fraud and Corruption Policy for 2020-2024.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

- a) notes the Annual Fraud Report for 2019/20
- b) approves the revised Anti-Fraud and Corruption Policy for 2020-2024.

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. In its Annual Fraud and Corruption Tracker Summary Report for 2019 CIPFA (Chartered Institute of Public Finance and Accountancy) states that:

- The total estimated value of fraud detected or prevented by local authorities in 2018/19 was £253m, £49m less than last year's total.
- The average value per fraud case remained consistent at £3,600 in 2017/18 and 2018/19.
- The approximate number of frauds detected or prevented has fallen to 71,000 in 2018/19 from the 80,000 cases found in 2017/18.
- The three greatest areas of perceived fraud risk for 2018/19 remained unchanged from the previous year: procurement, council tax single person discount (SPD) and adult social care.
- The area that has grown the most in the last year is council tax single person discount (SPD) with an estimated increase of £3.6m since 2017/18.

- Council tax fraud represents 78% of the identified instances of fraud, with an estimated value of £30.6m
- 4.2. The purpose of this report is to provide an overview of general and specific fraud related issues that have arisen at the Council during 2019/20.

Preventing and Detecting Fraud

- 4.3. 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.
- 4.4. In carrying out its functions and responsibilities, 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.
- 4.5. 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 ensure controls are in place to mitigate the risk of fraud.
- 4.6. Internal Audit may also identify fraud through their reviews, and are available to support managers to investigate any allegations of fraud. During 2019/20, Internal Audit services were provided by RSM, and this will be taken forward by BDO as the Council's new Internal Audit provider.
- 4.7. The Council's Anti-Fraud and Corruption Policy has been reviewed during 2019/20 to ensure it is up to date and appropriate. This policy has been reviewed against best practice guidance by BDO following the publication of new Function Standards for Counter Fraud in June 2020. The updated policy is included at **Appendix A**, with BDO's assessment document appended at **Appendix B** for information.
- 4.8. This review has highlighted the need for the Council to complete, with the assistance of BDO, a Fraud Risk Assessment which will be undertaken over the coming year to fully meet the new standards.

Whistle-blowing Policy

- 4.9. 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.

- 4.10. There have been no whistleblowing concerns reported during 2019/20.

National Fraud initiative (NFI)

- 4.11. 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.

Council Tax Single Person Discount

- 4.12. The Council has undertaken two reviews in respect of single person discounts via the NFI during 2019/20. The first matched data between the Council's cases and HMRC data to identify where other people may have been resident in the property.

- 4.13. The results of this exercise were:

16 August 2019	Date commenced
894	Number of matches reviewed
0	Number of frauds identified
50	Number of changes identified
£47,175.36	Amount of Council Tax errors identified

- 4.14. The second review matched the Council's live cases against credit information linked to that address.

- 4.15. The results from this exercise were:

15 January 2020	Date commenced
1137	Number of matches reviewed
0	Number of frauds identified
97	Number of changes identified
£24,450.93	Amount of Council Tax errors identified

- 4.16. Housing Benefit awards, localised Council Tax Support awards, taxi and alcohol licences and Council Tax records:

2019/20	2018/19	
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1,059	730	Number of matches reviewed
1	0	Number of frauds identified
6	0	Number of errors identified
£52,712.34	£0	Amount of Council Tax errors identified

4.17. The decision on the fraud identified case was made after the year end, following an investigation by the DWP. This case has an initial outcome, subject to appeal, with a large overpayment of £38,646.30.

Internal Investigations 2019/20

4.18. There have been no allegations of fraud reported in 2019/20.

Benefit Fraud Investigations conducted by the Counter Fraud and Compliance Directorate

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

4.20. 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.

4.21. For the Council, the following data was received for 2019/20:

Quarter 1 Data April - June 2019	Local Service Investigation	Local Service Compliance	Total Cases
Referrals	2	2	4
Outcomes	0	0	0
Positive Outcomes	0	0	0
Ad Pens	0		0
Prosecutions	0		0
LA average referrals per caseload	0.12%		
Great Britain average referrals per caseload	0.16%		

Quarter 2 Data July - September 2019	Local Service Investigation	Local Service Compliance	Total Cases
Referrals	1	0	2

Outcomes	1	2	3
Positive Outcomes	0	0	0
Ad Pens	0		0
Prosecutions	0		0
LA average referrals per caseload	0.06%		
Great Britain average referrals per caseload	0.15%		

- 4.22. Due to Covid19, the quarter 3 and 4 data was not available from the DWP at the time of this report. An updated version of this report will be submitted once the data has been received.

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.

Referrals - The total number of HB fraud referrals received by DWP in the quarter as a result of HB processing.

Outcomes - Number of CFCD cases with an outcome recorded in the quarter.

Positive Outcomes - Number of CFCD cases with an outcome recorded in the quarter. Includes all outcome categories listed in 'Outcomes' except for 'No Result'.

Ad Pens - Number of CFCD cases with an outcome of 'Admin Penalty' recorded in the quarter.

Prosecutions - Number of CFCD cases with an outcome of 'Prosecution' recorded in the quarter.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

There are no financial implications associated with the recommendations to this report.

6.2. Legal Implications

There are no legal implications associated with the recommendations to this report.

6.3. Equalities Implications

There are no equalities implications associated with the recommendations to this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications associated with the recommendations to this report.

7. Link to Corporate Priorities

Quality of Life	The detection and subsequent investigation of fraudulent activity supports the Council's ability to deliver services across its priority areas.
Efficient Services	
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group:

- a) notes the Annual Fraud Report for 2019/20
- b) approves the revised Anti-Fraud and Corruption Policy for 2020-2024.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix A – Anti Fraud and Corruption Policy 2020-2024 Appendix B – BDO Assessment of the Rushcliffe Anti Fraud and Corruption Policy 2020-2024