| | **Governance Scrutiny Group** |
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| ![Rushcliffe Borough Council logo] | **Thursday, 24 June 2021** |
| | **Annual Fraud Report 2020/21** |

**Report of the Director – 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 2020/21.

## 2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2020/21.

## 3. Reasons for Recommendation

1.1 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 2020, CIPFA (Chartered Institute of Public Finance and Accountancy) states that:

- The total estimated value of fraud detected or prevented by local authorities in 2019/20 was £239.4m, £13.6m less than last year's total.
- The average value per fraud case in 2019/20 was £5,090, which is higher than the average of £3,600 in 2017/18 and 2018/19.
- The approximate number of frauds detected or prevented has fallen to 47,000 in 2019/20 from the 71,000 cases found in 2018/19.
- The two greatest areas of perceived fraud risk for 2019/20 remained unchanged from the previous year: procurement, council tax single person discount (SPD).The perceived third, fourth and fifth highest fraud risk areas are business rates, adult social care and council tax reduction (CTR) respectively.
- 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 65.1% of the identified instances of fraud, with an estimated value of £35.9m.

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 2020/21.

**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 2020/21, Internal Audit services were provided by BDO.

4.7. The Council's Anti-Fraud & Corruption Policy was reviewed during 2019/20 to ensure it is up to date and appropriate. BDO also provided comments as part of their Internal Audit plan in 2020/21 and compared it to the Government Functional Standard for Counter Fraud, Bribery and Corruption.

**Whistle-blowing Policy**

4.8. 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.

4.9. There have been no whistleblowing concerns reported during 2020/21.

**National Fraud initiative (NFI)**

4.10. 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**

4.11. The Council started a review in respect of single person discounts via the NFI in December 2020.  The results of this exercise were:

| 721 | Number of cases identified by NFI |
|---|---|
| 591 | Number of live cases investigated |
| 81 | Number of cases where the discount was removed |
| £24,222 | Value of extra Council Tax billed |

4.12. Housing Benefit awards and localised Council Tax Support awards were also reviewed in 2020/21:

| 2020/21 | 2019/20 | 2018/19 | |
|---|---|---|---|
| 182 | 1,059 | 730 | Number of matches reviewed |
| 0 | 1 | 0 | Number of frauds identified |
| 3 | 6 | 0 | Number of errors identified |
| £2,373.84 | £52,712.34 | £0 | Amount of Council Tax errors identified |

4.13. Following consultation by the Cabinet Office, the market trader and alcohol license data was not collected as part of the 2020/21 NFI exercise. They also amended the matching rules which significantly improved the quality of the matches. This has resulted in the reduction in matches to be reviewed as shown above.

**Internal Investigations 2020/21**

4.14. There have been no allegations of fraud reported in 2020/21.

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

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

4.16. 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.

4.17. Due to COVID-19, no data has been available from the DWP at the time of this report.

**Internal Audit – COVID-19 Grants Assurance (SBGF and RHLG)**

4.18. As part of the internal Audit Plan for 2020/21, BDO undertook an audit to provide assurance over claims relating to the Small Business Grant Fund (SBGF), Retail, Hospitality and Leisure Grants (RHLG) and Discretionary Grants Scheme (DGS). This included ensuring that funds have only been paid to eligible businesses and ensuring that appropriate action was taken to recover any funds that have been paid out fraudulently, or paid to businesses that are ineligible due to their location, use, or rateable value.

4.19. This audit identified no potential fraud concerns with the sample of grants tested, and concluded substantial assurance over the design and effectiveness of the controls in place.

**Fraud Awareness Training and Counter Fraud Staff Survey**

4.20. During 2020/21 BDO also undertook fraud awareness training to staff across the Council.

4.21. In order to maximise the impact of the fraud awareness training, a staff survey was issued prior to the training. The survey aimed to ascertain the level of fraud awareness of staff, identified the key areas most exposed to fraud in need of training and identify potential areas of fraud risk not previously known.

4.22. The survey was issued to 130 staff in February 2021 and was completed by 87 members of staff (a 67% completion rate). The key findings were:

- 66 of 87 respondents are aware of the Council's Counter Fraud Policy
- 63 of the 87 respondents are aware of the Council's Whistleblowing Policy
- 80 of the 87 respondents would report suspected concerns to their line manager or to an executive manager, service manager or lead specialist
- Only 19 of the 87 respondents had received counter fraud training.

4.23. The full results are included in Appendix 1.

4.24. The training was for all staff and was recorded so staff unable to attend could access it later. Areas covered in the training were:

- Results from the Counter Fraud Survey
- Definition of fraud (including bribery, corruption and money laundering)
- Why fraud happens
- Key fraud statistics

- The types of fraud staff may encounter
- How to spot fraud
- Managing fraud risk exposure.

## 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 notes the Annual Fraud Report for 2020/21.

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| **Background papers available for Inspection:** | |
| **List of appendices:** | Appendix 1: BDO's Counter Fraud Staff Survey Results |

**Survey Results**

### Q1. In which area of Rushcliffe Borough Council do you work?
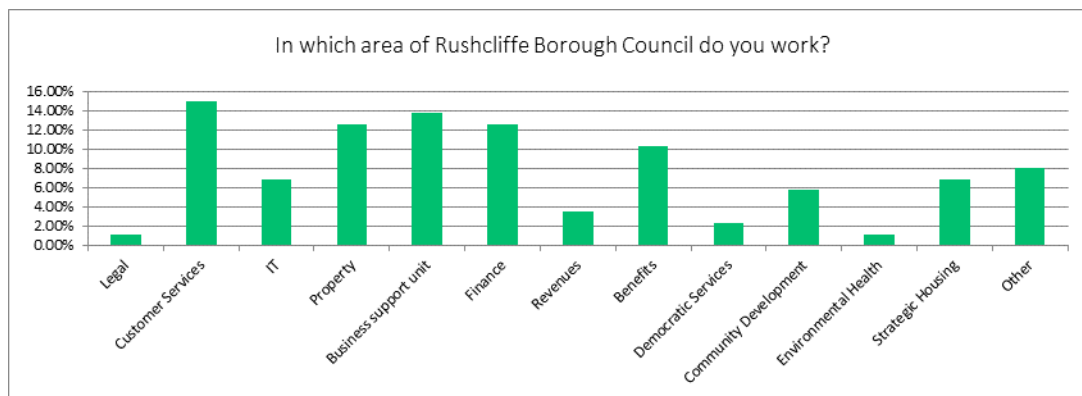


Overall, the response rate was very good, particularly from staff working in areas more exposed to the risk of fraud such as finance, property, customer services and benefits.

### Q2. Are you aware of the Counter Fraud Policy?

Of the 87 respondents, 66 had answered that they were aware of the fraud policy. Of the 21 who had answered no, the results indicate that it is spread evenly across the Council and not isolated to a specific department.

### Q3. When did you last read the Anti-Fraud and Corruption Policy?
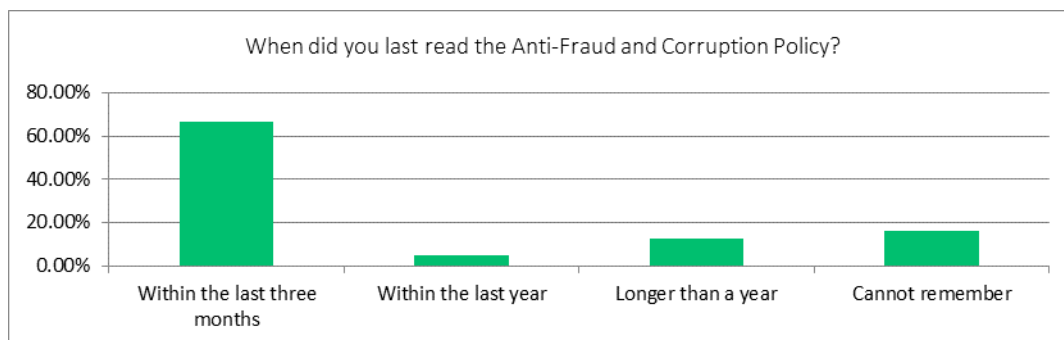


Of the 66 who were aware of the policy, 42 had responded that they had last read the policy within the last three months. This shows that there is good awareness of the policy. It should be noted that three of the 66 skipped this question.

### Q4. Have you received fraud and bribery training?

Only 19 of the 87 respondents confirmed that they had received fraud awareness training, with the majority coming from customer services and finance. A lack of fraud training means there is a risk that fraud goes either undetected or unreported. The delivery of the fraud awareness training in March 2021 will address this issue.

**Q5. When did you last attend fraud and bribery training?**
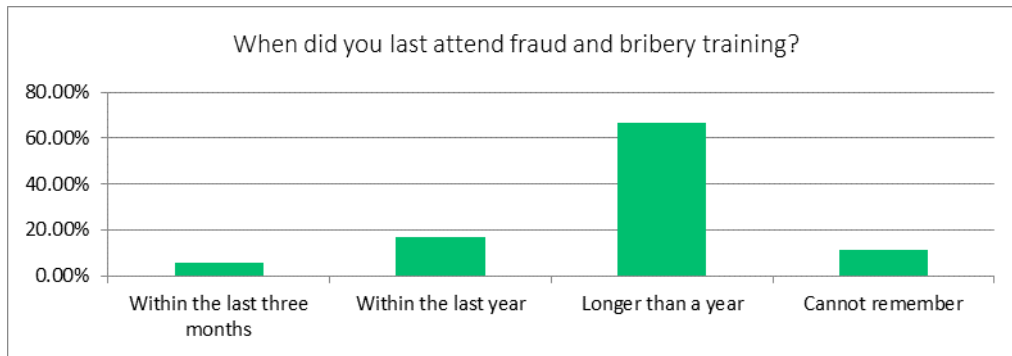


Of the 19 who had received training we asked when they last attended a fraud awareness training session. The majority (12) responded stating that it had been more than a year. Regular fraud awareness training is a key component to maintaining a strong anti-fraud culture.

**Q6. How would you rate the quality of the training?**
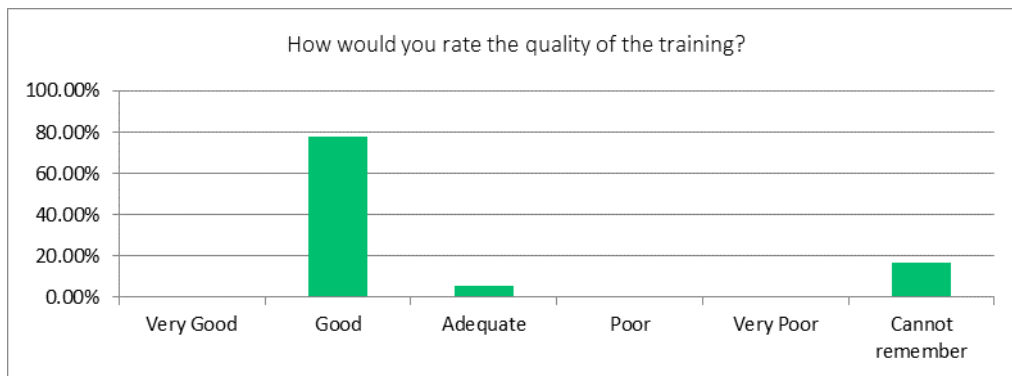


Additionally, we asked the 19 who had received fraud awareness training to rate the quality. Overall, 14 rated the training as good.

**Q7. In your view, how do you perceive the likelihood of fraud (internal and external) occurring at the Council?**
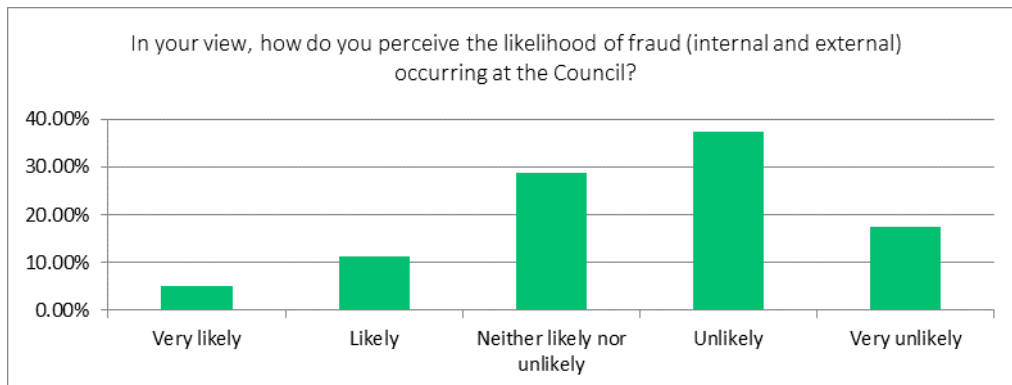


The majority (55%) of respondents were of the view that the likelihood of fraud occurring at the Council is unlikely. Fraud (and cyber enabled fraud) is

the most reported crime in the UK and a significant risk to the public sector. With the majority of the view that the likelihood of fraud is low may indicate that people are not as aware of the risk and may result in fraud going undetected.

**Q8. Are you aware of the Council's Whistleblowing Policy?**

Of the 87 respondents, 63 were aware of the Whistleblowing Policy which shows good awareness. Of the 24 who were not aware of the policy, there is no trend indicating that this finding is isolated to a specific area of the Council.

**Q9. When did you last read the Whistleblowing Policy?**
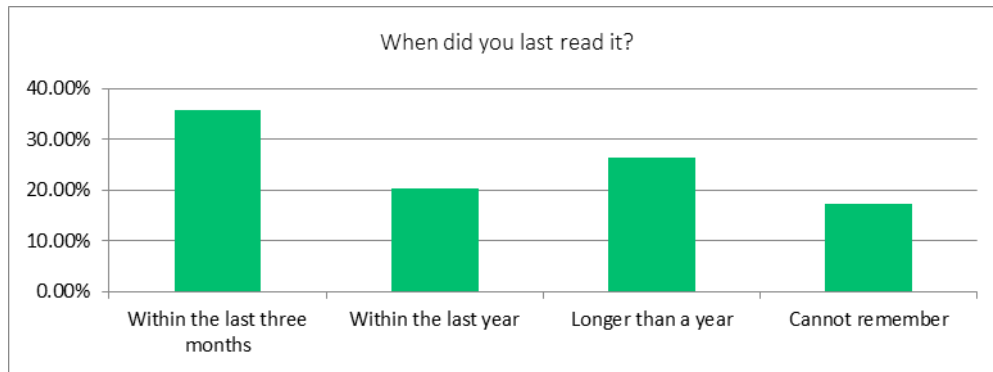


Of the 63 who were aware of the policy, the majority (46) had read the policy in the last 12 months.

**Q10. If you had a concern regarding fraud or bribery, would you report your concerns?**

Of the 87 respondents, eight skipped this question. Of the 79 who responded to this question, all confirmed that they would report suspected concerns. This is a positive finding which indicates that there is confidence in the mechanisms in place for combatting and investigating fraud and bribery.

**Q11. If you had a concern of fraud or bribery, who would you contact initially?**

| Summary of Response | Tally |
|---|---|
| Executive Managers, Service Managers & Lead Specialists | 40 |
| Line Manager | 37 |
| CEO | 2 |
| Human Resources | 1 |
| No Comment | 7 |

This was a free text question where 80 of the 87 respondents provided a comment. Of those who responded the majority would report their concerns to their line manager or to an executive manager, service manager or lead specialist. This demonstrates that there is good awareness of the reporting mechanisms as outlined within the Council's Anti-Fraud and Corruption

Policy.

**Q12. If you have ever suspected fraud or bribery at the Council, did you report it?**

Of the 87 respondents, nine skipped this question and 72 responded that this was not applicable to them. Five had responded stating that they had reported their concerns, while one responded that they had not reported their concern. This response was likely submitted in error as the subsequent question, asking them why they did not report their concerns, was answered with that they had not come across any instances of fraud.

**Q13 & 14. Who did you report it to? And were you satisfied that the matter was dealt with?**

Of the five who had reported their concerns, two raised them with their line managers, one to the CEO and two to the Executive Managers, Service Managers and Lead Specialists. All five also responded that they were satisfied that the matters had been dealt with. This is positive as this does show that the mechanisms for countering fraud are also being seen to operate effectively. This is a key component to establishing a robust anti-fraud culture.

**Q15. If there is anything else you would like to raise, please do so.**

We received four comments. These are summarized below:

- Two respondent suggested annual anti-fraud refresher training particularly in light of the economic climate.

- One respondent stated that they had been prompted to go through the Anti-fraud and Corruption Policy and Whistleblowing Policy as they were not previously aware of them.

- One responded stated that they were not able to locate the Whistleblowing Policy online.