

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF250

DATE: 26 September 2013

TITLE:	Counter Fraud Annual Report 2012/13	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Paul Carpenter Governance and Communication Portfolio Holder	
CONTACT OFFICER:	David Scott Finance Support Manager d.scott@southkesteven.gov.uk Tracey Elliott Governance & Risk Officer t.elliott@southkesteven.gov.uk Tel: (01476) 406038	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF155 – Counter Fraud and Corruption Framework HOF188 – Governance and Risk Update The above reports can be located by putting their reference number in the search section of the committee website via the link below: http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1	

1. RECOMMENDATION

The Governance & Audit Committee is requested to:

1. note the contents of this report
2. approve the proposed action plan

2. PURPOSE OF THE REPORT

As part of the Committee's terms of reference, Counter Fraud is one of the key areas of focus. In order to develop greater awareness around this area and in line with best practice (as with have done with other areas such as risk management), a review of the counter fraud arrangements has been undertaken. This has resulted in the production of an annual report covering the 2012/13 period which details the various aspects of work delivered during the course of the year.

3. DETAILS OF REPORT

Background

Like any organisation of significant size and complexity, South Kesteven District Council is inherently vulnerable to risks of fraud and corruption. With reducing Government funding and the current economic downturn it is vital that we maintain strong defenses against fraud and make best use of our information and intelligence in order to ensure we have effective fraud prevention procedures in place. The annual report provides a summary of the outcomes of the functions within Governance & Risk and Revenues & Benefits services.

Protecting the Public Purse

The Audit Commission¹ publishes an annual report (in November each year) on fraud and corruption in local government called 'Protecting the Public Purse' (PPP). PPP gives details on the amounts of detected fraud, warns of emerging fraud risks and promotes best practice. Much of the information for PPP is obtained from the annual fraud and corruption survey of local government. The results of the survey also inform the National Fraud Authority's annual assessment of the total value of fraud in the UK. As an Authority we are required to submit the information under section 48 of the Audit Commission Act 1998. The authority undertook and completed this survey in May 2012 and again in May 2013.

Following the publication of the next PPP annual report in November 2013 it may be possible to arrange for the Audit Commission to present an overview of the outcomes to members as part of the Committee's ongoing development and awareness in this area.

National Fraud Initiative

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a compulsory national data exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

¹ Whilst for external audit arrangements the Audit Commission has been abolished it still continues to exist for other activities such as Fraud and Corruption with its work around Protecting the Public Purse and National Fraud Initiatives.

NFI 2010/11 helped trace almost £229 million in fraud, error and overpayments in England. Since the initiative's start in 1996, the programme has helped identify £939 million in fraud or error and the initiative has attracted international recognition.

It is a tool that is helpful in assisting local authorities to identify potential fraud in areas such as council tax, housing benefit, pensions, payroll and housing tenancy. Public bodies such as DWP, UK Border agency and Local authorities provide a number of data files via a secure portal to the Audit Commission who then run a matching exercise across all the data information provided. Any data matches which may warrant further investigation are made available through the secure portal for the participating public bodies to investigate for fraud or other irregularities.

The 2012/13 NFI data matching exercise has nearly concluded. The current status is summarised below:

Number of matches received	1,985
Number of matches processed to date	1,155
Number cleared with no issue being identified	1,129
Number identified as requiring investigation	290
Number of errors currently found	26
Number still under investigation	21

NFI data matching currently operates over a two year cycle, but is moving towards more real-time and near real-time fraud prevention activity. Building on the successes of the NFI so far, there is potential to develop this tool into a real-time counter fraud checking service for local authorities. The NFI can also directly support the implementation of this strategy through targeting its matches to these areas of identified fraud risk.

Summary of Housing Benefit & Council Tax Support and/or Universal Credit Fraud Performance

The Council's Revenues & Benefits Service employs two full time fraud investigators.

During the year ending 31 March 2013, there were 1,064 fraud referrals of which 982 of these were investigated resulting in the following:

	Number	Total Value	Average Value
Cautions	14	£15,330	1,095
Penalties	25	£81,144	3,246
Prosecutions	6	£35,602	5,934
Value identified	45	£132,076	
Caseload figures	11,133		

Referrals can be made from:

- the public, staff or Councillors
- data matching ie Housing Benefit Matching Service or the NFI
- joint working with the DWP but can be other Authorities as well
- internal referrals eg Benefits, Council Tax, Rents or Housing

The outcome of the referrals can result in:

- no fraud found
- being below the figure that would be investigated – currently set at £800
- overpayments – where a letter will be sent confirming no action to be taken other than recovery of the overpayment
- classification as fraud

Counter Fraud, Bribery and Corruption Framework

In order to ensure the framework is up to date and fit for purpose the Committee will be asked at this meeting, under a separate agenda item, to review and approve amendments to the current framework which was last updated in March 2011. The main changes relate to incorporating the new requirements under the Enterprise and Regulatory Reform Act 2013 within the Whistleblowing policy and ensuring the Counter Fraud Policy has recognition for the changes around Universal Credit.

Whistleblowing Investigation

One whistleblowing case was reported to the Council and was investigated by internal audit. The case was thoroughly investigated and a conclusion was reached that there was no evidence to support the suspicions made.

Insurance

A number of professional organisations and insurance sector companies have suggested that in times of recession there is often a corresponding correlation in levels of crime, including fraud and burglaries. Local authorities experienced over 7,000 fraudulent claims in the last five years resulting in over £82 million in fraud savings since 2008.

Zurich Municipal received an average of over 1,400 fraudulent claims a year since 2008 amounting to an average annual tally of £16.5 million. Claims range from casualty and personal injury, through to property and motor. Both the volume and value of fraudulent claims made have increased during the five year period. In 2008 Zurich received 1,058 fraudulent claims referrals totalling just under £12 million, but by the end of 2012 these had risen to 1,719 and £22 million respectively – increases of 62% and 83%.

While it is difficult to determine whether the increase in claim referrals is due to better detection or a higher incidence of baseline fraud, the amount being saved by local authorities is nonetheless significant.

As predicted, the Council has seen an increase in suspicious claims. In response to this the Council has proactively worked with its insurers, Zurich Municipal, to review any claims which they may consider suspicious. Any claim that appears suspicious (eg scenarios which are very unusual or perhaps an over exaggeration of injury etc) is flagged to our insurers and the claim is passed to their dedicated Claims Investigation Unit whose role it is to investigate suspicious claims, gathering and sharing intelligence, as well as raising awareness amongst their employees, customers and distributors.

Due to the increase in the number of claims where we had concerns, a workshop was run in March in conjunction with our insurers. A number of officers from across the Council attended the workshop and feedback was very positive. They were given a detailed presentation of the claims investigation process and the Council's Governance & Risk Officer had also prepared some detailed case studies of claims that were under investigation. These were discussed amongst the group and it helped to put our concerns into context.

As a result of the Council's proactive work five public liability claims (out of a total of 73 over the past three years) have been under a more thorough investigation. The total insurance reserve for these claims is £125,000. One of the claims has now been successfully defended as a result of officers working together and sharing information that was critical.

Training and Awareness

Underpinning any preventative approach should be a strong anti-fraud culture that is driven and implemented from the top down. It requires continuous active promotion and needs to include staff, members of the public and suppliers. An anti-fraud culture should seek to motivate staff and ensure that they understand the importance of tackling fraud, are able to recognise fraud and abuse and know how and where to report suspicions of fraud.

The most effective anti-fraud cultures change people's attitudes and behaviours towards fraud, positively reinforcing their responsibility in preventing, detecting and reporting fraud and deterring criminals from committing fraud in the first place.

In order to raise the awareness of counter fraud, the following activities are planned:

- A week-long "Fraud: Spot it, Stop it" campaign to increase fraud awareness among all staff. The activity is planned for late October/early November. The material to be used has been developed by the National Fraud Authority and the campaign frequently uses the **STOP** mnemonic:



Spot loopholes that fraudsters could exploit

Tell your line manager if you suspect fraud

Own the problem – it is everyone's responsibility to stop fraud

Pass the test on the counter fraud and corruption e-learning package

- In conjunction with the above campaign, counter fraud and corruption e-learning will be rolled out to staff as part of the corporate training programme to support the Council's anti-fraud culture.

Action Plan

The following actions are planned to be undertaken over the coming 12 months.

- Delivery of a Single Person Discount review project over a 3 month period in partnership with an external provider, to review single person status in properties by cross-referencing with other sources of information about their household – commencing in September 2013
- Delivery of the ‘Spot it, Stop it’ fraud campaign across the Council in order to raise awareness as part of a strong anti-fraud culture – October 2013
- Rollout of the a Counter Fraud e-learning package to staff as part of ongoing training and development amongst officers – November 2013
- Continue to work through the remainder of the NFI data matches to ensure there are no instances of fraud – November 2013
- Liaise with the audit commission with a view to them providing a update to members on the outcomes of the Protecting Public Purse review – January 2014

Conclusion

In summary, the Council has a number of processes in place which help to identify and tackle fraud such as the NFI and housing benefit fraud team work. This is underpinned by a robust Counter Fraud and Corruption framework which is regularly review and updated to ensure it is in line with current legalisation. There are a number of proposed actions which the Council is looking to deliver over the next 12 months which should further embed and strengthen the current arrangements in place.

4. OTHER OPTIONS CONSIDERED

None

5. RESOURCE IMPLICATIONS

This report has no direct impact on the Council’s resources, including finance/ budget, people, land/property etc.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENT OF FINANCIAL SERVICES

These are contained within the report.

10. COMMENT OF LEGAL AND DEMOCRATIC SERVICES

This report provides details of the Councils performance in respect of Counter Fraud. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Counter Fraud and Corruption Framework.

11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

None

12. APPENDICES: