

## Summary Sheet

### Council Report:

Audit Committee – 19 September 2017.

### Title:

Fraud Annual Report 2016/17

### Is this a Key Decision and has it been included on the Forward Plan?

No

### Strategic Director Approving Submission of the Report:

Judith Badger (Strategic Director of Finance and Customer Services)

### Report Author(s):

David Webster (Head of Internal Audit)

### Ward(s) Affected:

All wards

### Executive Summary:

The purpose of the attached Annual Fraud Report 2016/17 is to bring together in one document a summary of the work which has taken place in the period to prevent, detect and investigate allegations of fraud and corruption.

The Council has a zero-tolerance to fraud and corruption. It is proposed to publish the Annual Fraud Report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

The production of an annual fraud report, which details the work done by the Council to counter fraud and corruption, is in line with good practice recommended by CIPFA. Attached at **Appendix A** is a draft annual fraud report for 2016/17. The purpose of the report is to raise awareness and inform our stakeholders of the work the Council undertakes to manage the risk of fraud and corruption.

### Recommendation:

**The Audit Committee is asked to**

- a. Note the production of the Annual Fraud Report 2016/17**
- b. Agree to this report being published to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.**

### Background Papers:

*“Protecting the English Public Purse 2016”* [TEICCAF – The European Institute for Combatting Corruption and Fraud]

*“National Fraud Initiative 2016/17”* The Cabinet Office.

**Consideration by any other Council Committee, Scrutiny or Advisory Panel:**

No

**Council Approval Required:**

No

**Exempt from the Press and Public:**

No

**Title:**

Fraud Annual Report

**1. Recommendations**

**The Audit Committee is asked to:**

- **Support the production of the Annual Fraud Report 2016/17**
- **Agree to this report being published to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.**

**2. Background**

2.1 RMBC, like every Local Authority, has a duty to ensure that it safeguards the public money that it is responsible for. It expects the highest standards of conduct and integrity from all who have dealings with it including staff; members; contractors; volunteers and the public. The Council is committed to the elimination of fraud and corruption and to ensuring that all activities are conducted ethically, honestly and to the highest possible standard.

2.2 This report provides a summary of the anti-fraud work done by the Council in 2016/17.

2.3 It is not possible to prevent and detect all fraud. The Council strives towards a zero-tolerance to fraud and corruption and to minimise the risk of fraud. The Council publicises cases of proven fraud to deter others who might be considered acting fraudulently. Once agreed, it is proposed to publish the Annual Fraud Report to help the Council further demonstrate its commitment and act as a deterrent to further fraud.

**3. Anti-Fraud work undertaken during 2016/17**

3.1 The Anti-Fraud and Corruption Policy and Strategy were updated and presented to the Audit Committee in September 2016. They were subsequently published on the Internal Audit intranet page.

3.2 The department took part in the National Fraud Initiative. This compares data across the public sector and requires participants to examine data matches to check on potential fraud. The vast majority of data matches have been examined and dealt with / closed, with two more matching reports still to be checked. Savings of £16k have been identified resulting from this work.

3.3 A fraud awareness training session was delivered to members on 23<sup>rd</sup> January 2017 by Jon Baker from Moore Stephens. The session was well attended by 12 members including the Leader.

3.4 Work is ongoing with the Corporate Risk Manager to include the risk of fraud in risk registers across the Council.

3.5 The department is working on a Fraud Awareness e-learning module to roll out via the Council's learning platform.

3.6 The department is working on an Anti-Money Laundering Policy in conjunction with the Legal Team.

3.6 During the year the Internal Audit team spent 106 days on investigating potential fraud and irregularities. Reports on progress were brought to each Audit Committee meeting including conclusions on each one – whether they were fraud, disciplinary matters or not proven.

**4. Options considered and recommended proposal**

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for ensuring the Council has appropriate arrangements in place for managing the risk of fraud.

**5. Consultation**

5.1 None.

**6. Financial and Procurement Implications**

7.1 There are no direct financial or procurement implications arising from this report. The e learning module is being developed with an external supplier, with a small cost paid from the Internal Audit budget.

**7. Human Resources Implications**

7.1 There are no direct implications for HR arising from this report.

**8. Implications for Children and Young People and Vulnerable Adults**

8.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

**9. Equalities and Human Rights Implications**

9.1 There are no direct Equalities or Human Rights implications arising from this report.

**10. Accountable Officer(s):**

David Webster (Head of Internal Audit).

# **Appendix A**

## **ROTHERHAM METROPOLITAN BOROUGH COUNCIL**

### **ANNUAL FRAUD REPORT 2016/17**

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## 1. INTRODUCTION

<b>Rotherham Council has a zero tolerance to fraud and corruption</b>
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- 1.1 This fraud report is produced by Rotherham Council to raise awareness of the work the Council undertakes to manage the risk of fraud and corruption. It brings together in one document a summary of the outcomes of our work to prevent and detect fraud and corruption.
- 1.2 Rotherham Borough Council (including schools) employs over 8,000 people and in 2016/17 it provided services costing £671 million (gross expenditure). It awarded over £20 million to 26,000 Council Tax Reduction claimants and paid over £85 million to 22,000 Housing Benefit claimants. Like any organisation of this size, the Council can be vulnerable to fraud and corruption, both from within and outside the organisation. The Council aims to minimise its risk of loss due to fraud and corruption, recognising that any loss incurred may be borne by the honest majority.
- 1.3 The Council's commitment to minimising the risk of fraud and corruption is outlined in the following extract from its Anti-Fraud & Corruption Policy:

*"The Council is determined to prevent and eliminate all fraud and corruption affecting itself, regardless of whether the source is internally or externally based. Our strategy to reduce fraud is based on deterrence, prevention, detection, investigation, sanctions and redress within an over-riding anti-fraud culture. We will promote this culture across all our service areas and within the community as a whole. One pound lost to fraud means one pound less for public services. Fraud is not acceptable and will not be tolerated".*

## 2 SUMMARY FOR 2016/17 – BY TYPE OF FRAUD.

### 2.1 BLUE BADGE SCHEME

During 2014/15 there were 11 cases of Blue Badge fraud that were successfully prosecuted. The total of the fines was £1,882 with costs awarded in the total sum of £2,750 and a total of £248 Victim Surcharge imposed.

### 2.2 COUNCIL TAX SINGLE PERSON DISCOUNT

In 2016/17 the Local Taxation team carried out an annual review of Council Tax Single Persons discounts. This project was carried out in conjunction with a third party specialist company, Datatank. The Datatank review process is designed to identify fraud and reduce ineligible claims for Single Persons discount.

The SPD caseload of 38,276 was screened against credit bureau data which provides comprehensive financial and credit details to identify dual/multi occupancy households. 6,411 cases were identified for further investigation after the credit screening.

Changes were made to 1,811 accounts which resulted in additional £389k revenue.

## **2.3 BUSINESS RATES [NNDR] TAX AVOIDANCE**

The Revenues and Benefits Service is continuing with its initiatives to minimise tax avoidance / evasion within the tax base. The Council has engaged Greenhalgh Kerr Solicitors, experts in specialist rating assistance, to pursue companies seeking to avoid Business Rates. Since this exercise began, in August 2013, the Council has managed to collect approximately £720k from approximately 76 companies, a proportion of which had falsely claimed full / part charitable status.

## **2.4 DUPLICATE CREDITOR PAYMENTS**

Financial Services utilises software at enabling the detection of invoices that had been approved for payment by officers of the Council that may have resulted in duplicate payments. These cases do not necessarily imply fraud, but between April 2016 and June 2017, over £480k in potential over payments has been prevented and £38,000 in actual over payments recovered.

To strengthen detection even further, Meridian Ltd has been engaged to undertake an annual check of all payments made by the Council to identify possible duplicate payments, unapplied credits and unrecovered credit notes. Between April 2015 and September 2016, duplicate payments totalling £6,000 were identified along with unclaimed credits totalling £20,000.

## **2.5 INSURANCE CLAIMS**

The Council's Claims handler, Gallagher Bassett, checks any claims received against national insurance databases to look for duplicate / persistent / doubtful claims. Additionally, detailed evidence is required to support any claims received and this is examined for authenticity by Gallagher Bassett.

The Council receives in the region of 750 new claims each year, of which it repudiates around 92% of Highways Public Liability claims and 65% of other general Public Liability claims.

During 2016/17 only two claims were flagged as suspicious.

The first involved a claimant who was a minor and concerns were raised regarding causation of the incident. This was subsequently investigated by Kennedys Law who obtained additional witness evidence to substantiate the circumstances surrounding the claim.

The other arose as the result of an alleged accident on the claimant's property when he claimed to have slipped on moss. The allegations were challenged and the claimant subsequently discontinued his claim as he said he had mental health issues and was confused.

## **3 THE ROLE OF INTERNAL AUDIT**

The Council's Internal Audit [IA] team has a crucial role in helping the Council to prevent and detect fraud and corruption. The team carries out an annual assessment of the areas most at risk of fraudulent activity. It also investigates any areas of suspected fraud.

Various issues were investigated during the year following requests from management and anonymous whistle-blowing 'tip-offs' and allegations. These are reported to Audit Committee as they are resolved.



#### **4. NATIONAL FRAUD INITIATIVE**

The National Fraud Initiative matches electronic data within and between some 1,300 public and private sector organisations to highlight potentially fraudulent activity. The initiative works by comparing different sets of data, like payroll and housing benefits records, and flagging unusual combinations such as any person claiming housing benefits from more than one local authority or any person claiming housing benefits while failing to disclose his/her employment.

The NFI is undertaken every two years and the current 2016/17 exercise is in progress. To date 976 potential matches have been investigated, this represents 33% of the recommended matches to investigate. Investigations have detected:

- 2 separate errors involving persons in receipt of housing benefits, totalling £16,156.

#### **5. THE COUNCIL'S ARRANGEMENTS FOR MANAGING THE RISK OF FRAUD AND CORRUPTION.**

The Council has recently updated its Anti-Fraud, Bribery & Corruption Strategy and Action Plan of practical measures to strengthen our arrangements for the prevention of fraud and corruption

In 2017/18 we will:

- Keep under review the adequacy of the Council's capacity to deal with corporate and general fraud
- Refresh the Council's Anti-Fraud and Corruption Strategy, Policy and Action Plan, and ensure they remain up-to-date with best practice
- Carry out checks on Members' register of interests, and the use of council resources by Members and officers e.g. IT and communication equipment and Members' dealings with the Council as residents.
- Complete a programme of awareness raising through e learning
- Ensure the risk of fraud is included in RMBC risk registers through liaison with the Corporate Risk Manager and the Risk Champions Group.
- Continue to participate in the National Fraud Initiative.
- Update the Anti-Money Laundering Policy
- Complete the annual self-assessment against the 'Fighting Fraud and Corruption Locally 2016-19 Checklist'.

#### **6. REPORTING YOUR CONCERNS**

If you have any concerns report your suspicions as quickly as possible together with the relevant details. You can report any concerns to the Chief Internal Auditor on Rotherham 382121 Ext. 23282 or the Assistant Director of Legal Services on Ext. 23253.

Alternatively you may prefer to put your suspicions in writing to the:

Head of Internal Audit,

Rotherham Metropolitan Borough Council,

Riverside House,

Main Street,

Rotherham, S60 1AE.

The Council would prefer you not to provide information anonymously as any subsequent investigation could be compromised if we cannot contact you to help gain a full understanding of the issues. However, we will still consider anonymous information that is received.

All reported suspicions will be dealt with sensitively and confidentially.