

## ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	<b>Meeting:</b>	<b>Audit Committee</b>
2.	<b>Date:</b>	<b>25<sup>th</sup> September, 2013</b>
3.	<b>Title:</b>	<b>Annual Fraud Report 2012/13</b>
4.	<b>Directorate:</b>	<b>Environment and Development Services</b>

### 5. Summary

The purpose of the attached Annual Fraud Report 2012/13 is to bring together in one document a summary of the work which has taken place in the period to prevent and detect 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.

### 6. Recommendations

**The Audit Committee is asked to:**

- **Support the production of the Annual Fraud Report 2012/13**
- **To agree to appropriate publicity being produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.**

## **7. Proposals and Details**

The production of an annual fraud report, which details the work done to counter fraud and corruption, is in line with good practice recommended by CIPFA.

Attached at **Appendix A** is a draft report for 2012/13. 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.

It should be noted that the incidence of general fraud remains very low in overall terms, taking into account the Council's activities and spending. General fraud cases (excluding benefits) exceeding £10,000 are required to be reported to the Audit Commission and there were none of these in 2012/13.

However, there continues to be a significant amount of attempted and actual Housing and Council Tax Benefits fraud committed against the Council. The Council investigated 1,342 potentially fraudulent cases during 2012/13, obtained 29 prosecutions and issued 165 cautions and penalties.

Priorities for 2013/14 are to:

- Update our fraud risk assessment to ensure we continue to focus resources on potential vulnerabilities
- Carry out specific fraud related reviews throughout the Council, including payments to the independent sector for adult social care
- Keep abreast of national developments and ensure the Council continues to comply with current best practice
- Continue to participate in the National Fraud Initiative
- Provide training, advice and guidance
- Publicise the consequences of committing fraud e.g. dismissal, prosecution etc via suitable media sources.

It is proposed to publish the Annual Fraud Report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

## **8. Finance**

Any costs associated with publicising the outcomes achieved in the year can be contained within budget. Publication of positive outcomes can enhance the Council's reputation and deter fraud and corruption against the Council.

## **9. Risks and Uncertainties**

Failure to maintain robust arrangements for the prevention and detection of fraud and corruption increases the risk of loss to the Council from fraudulent activity.

## **10. Policy and Performance Agenda Implications**

The production and distribution of the Annual Fraud Report 2012/13 will contribute towards good governance.

## **11. Background Papers and Consultation**

“National Fraud Initiative 2012/13” [Audit Commission]

“Fighting Fraud Locally” [National Fraud Authority]

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### **Appendices:**

**Appendix A - Annual Fraud Report 2012/13**

# **Appendix A**

**ROTHERHAM MBC**

**ANNUAL FRAUD REPORT 2012/13**

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## 1. INTRODUCTION

<b>Rotherham Council has a zero tolerance to fraud and corruption</b>
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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.

In the current economic position we might expect to see an increased risk of losses through fraud and corruption, as individuals and organisations look for ways to alleviate financial difficulties. In such a climate, the importance of minimising the risk of fraud is increased. It is important that we stay on our guard, as any public sector body can ill afford to suffer losses due to fraud when our own budgets are so constrained.

Rotherham Borough Council (including schools) employs 11,877 people, approximately 50% of these employed by schools, and provided services costing £699 million (gross expenditure) in 2012/13. It paid over £102 million to over 30,000 Housing and Council Tax Benefits 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.

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. PERFORMANCE SUMMARY FOR 2012/13

The Council's primary aim remains to stop fraud from occurring. The Council has recently updated its Anti-Fraud & Corruption Framework and created an action plan of practical measures to strengthen our arrangements in this regard.

In 2012/13, the Council's Benefits Fraud Team completed investigations in to 1,342 suspicious overpayment cases (1,393 in 2011/12). The Service obtained 29 successful prosecutions for Housing and Council Tax Benefit Fraud (32 in 2011/12). The Council also issued 81 formal cautions (108 in 2011/12) and 84 administrative penalties (93 in 2011/12). There were 8 cases of Benefit fraud exceeding £10,000 in the year.

Investigations of cases highlighted by the Audit Commission's 'National Fraud Initiative', led by the Council's Internal Audit Service, identified savings of almost £4k.

There were 13 successful prosecutions made against fraudulent blue badge permit users.

There were no general cases of fraud exceeding £10,000 that needed to be reported to the Audit Commission in 2012/13.

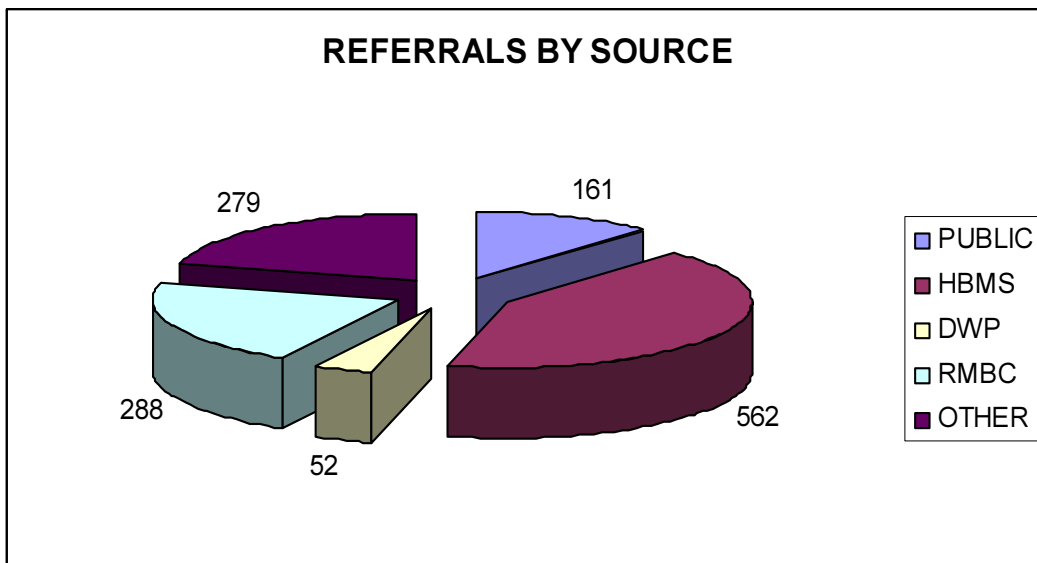
### 3. HOUSING AND COUNCIL TAX BENEFITS

It is recognised that the majority of people claiming benefits are honest and declare their correct circumstances when claiming benefit. Unfortunately, there are some who deliberately set out to defraud the benefit system. It is the job of the Council's Benefits Fraud Team to prevent, detect and deter Benefit fraud.

The Team receives referrals of possible fraud cases from many sources. In 2012/13 in total the Benefits Fraud Team received 1,342 referrals where investigations were closed. The Public referred 161 of the cases. Referrals were also received from the Department for Work and Pensions (DWP) and the Housing Benefit Matching Service (HBMS).

Chart 1 shows a breakdown of all 1,342 in 2012/13.

Chart 1: Source of fraud referrals 2012/13



Source: Benefits Fraud Team

Examples of outcomes of cases investigated by the Benefits Fraud Team are provided below:

#### **Case Study 1**

An allegation was received stating that a resident was falsely claiming for housing benefits relating to a property which had been purchased by his brother for him to live in, thus making the arrangement between himself and his brother a contrived arrangement in order to claim Housing Benefit.

The claimant had fraudulently claimed a total of £47,822 Housing Benefit over a period of 14 years.

The claimant was found guilty of benefits fraud and given a 16 months custodial sentence.

#### **Case Study 2**

A joint investigation was carried out jointly by the Council and the Department for Work & Pensions, following information received that a claimant was in full-time employment as a lorry driver whilst in receipt of Housing and Council Tax benefit, Incapacity Benefit and Disability Living Allowance.

The resident admitted that he had been in receipt of benefits that he knew he was not entitled to whilst in full-time employment for six years. During this period he had falsely claimed £10,980 in Housing and Council Tax benefit, £28,881 in Incapacity Benefit and £14,856 in Disability Living Allowance.

The claimant was found guilty of benefits fraud and given a 20 weeks custodial sentence.

A summary of the number of prosecutions, cautions and administrative penalties is shown in the following table.

Table 1: The Number of sanctions achieved by the Housing Benefits Fraud Team – 2009/10 to 2012/13

Year	Formal Cautions	Administrative Penalties	Successful Prosecutions	Total Sanctions
2009/10	68	80	36	182
2010/11	107	84	25	216
2011/12	108	93	32	233
2012/13	81 *	84	29	194

*\*The reduction in Formal Cautions in 2012/13 was due to a temporary reduction in cases referred to the Council by the Department for Works & Pensions.*

#### **4. 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. IA carries out reviews of the controls in place to prevent fraud and corruption in these areas on a cyclical basis and, where relevant, makes recommendations for strengthening arrangements.

The number of non-benefits fraud referrals to IA during the year was again very low, but included the following examples:

- An overclaim of £1,592 expenses by Council employee.
- Management of a residential home reported to IA a loss / theft of £578 from the Home's main administration office. In liaison with the Police, IA concluded this was likely to have been an opportunist thief. IA agreed a number of recommendations with management.

Where frauds have been identified or control weaknesses found, IA has followed up in these areas to ensure tighter financial controls are introduced to reduce the risk of further problems arising. Where management investigations have taken place, IA has followed up with a review to ensure that control weaknesses are again identified and addressed.

IA is required to report to the Council's external auditor and the Audit Commission any cases of fraud exceeding £10,000. There were no general cases above this value reported in 2012/13.

#### **5. NATIONAL FRAUD INITIATIVE**

The National Fraud Initiative (NFI), run by the Audit Commission, 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 Council found £3,975 from the most recent matching exercise investigated in 2012/13.

## 6. REVIEW OF THE ANNUAL FRAUD SUBMISSION (ALL FRAUD AREAS)

Each year, the Audit Commission collates a general survey on fraud encompassing all known fraud types. A summary of the results for Rotherham Council for 2012/13 is given below.

Table 2: Summary of all fraud results for RMBC, 2012/13

<u>Type of fraud</u>	<u>Totals</u>		<u>Cases involving employees</u>	
	<u>Numbers</u>	<u>Value</u>	<u>Numbers</u>	<u>Value</u>
Housing Benefit & Council Tax Benefit fraud *	331	717,930	1	2976
Council Tax SPD fraud *	1954	563,915	No	No
Procurement fraud	1	3,500	No	No
Economic and Third Sector support fraud [false payments of grants, loans etc. to any 3 <sup>rd</sup> party]	1	1,200	No	No
Payroll & employee contract fulfilment fraud	5	NR		
Other fraud – employees / public	2	1,784	1	1,206
Blue Badge	13	n/a		
Fraud & Corruption prosecutions [included within above data]	29	n/a	1	n/a
Frauds over £10,000 & all incidents of corruption [included within above data]	8	n/a	No	No
<b>Total value of fraud detected</b>	<b>2,307</b>	<b>1,288,329</b>		

\* These are purely fraud figures as opposed to the larger benefits fraud and overpayments figures reported elsewhere.

## 7. 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 & corruption

In 2013/14 we will:

- Update our fraud risk assessment to ensure we continues to focus resources on potential vulnerabilities
- Carry out specific fraud related reviews throughout the Council, including payments to the independent sector for adult social care

- Keep abreast of national developments and ensure the Council continues to comply with current best practice
- Continue to participate in the National Fraud Initiative
- Provide training, advice and guidance
- Publicise the consequences of committing fraud e.g. dismissal, prosecution etc via suitable media sources.

## **8. 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. 23297 or the Director of Legal and Democratic Services on Ext. 55768.

Alternatively you may prefer to put your suspicions in writing to the Director of Internal Audit and Asset Management, Environment and Development Services Directorate, 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.

If you wish to report any suspicions in relation to Benefit Fraud ring the Fraud Hotline for free on 0800 028 2080.