

## ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	<b>Meeting:</b>	<b>Audit Committee</b>
2.	<b>Date:</b>	<b>23<sup>rd</sup> July, 2014</b>
3.	<b>Title:</b>	<b>Annual Fraud Report 2013/14</b>
4.	<b>Directorate:</b>	<b>Environment and Development Services</b>

### 5. Summary

The purpose of the attached Annual Fraud Report 2013/14 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.

### 6. Recommendations

**The Audit Committee is asked to:**

- **Support the production of the Annual Fraud Report 2013/14**
- **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 2013/14. 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 (i.e. fraud cases excluding Housing Benefits and Council Tax Reduction Scheme) remains very low in overall terms, taking into account the Council's activities and spending. General fraud cases exceeding £10,000 are required to be reported to the Audit Commission and there were none of these in 2013/14.

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 1,060 potentially fraudulent cases during 2013/14, obtained 37 prosecutions and issued 96 cautions and penalties.

Priorities for 2014/15 are to:

- Update our fraud risk assessment to ensure we continue to focus resources on potentially vulnerable areas.
- Carry out specific fraud related reviews throughout the Council, including payments to the independent sector for adult social care, direct payments, and reviews of major contractors.
- 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.
- Also assess the scope for proactive counter-fraud activity through local data matching exercises.
- Consider the business case for establishing a corporate 'Counter-Fraud' Function/Team

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 the 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 2013/14 will contribute towards good governance.

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

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

“Fighting Fraud Locally” [National Fraud Authority]

### **Contact Names:**

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### **Appendices:**

**Appendix A - Annual Fraud Report 2013/14**

# **Appendix A**

**ROTHERHAM MBC**

**ANNUAL FRAUD REPORT 2013/14**

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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 11,300 people, approximately 50% of these employed by schools, and provided services costing £707 million (gross expenditure) in 2013/14. It paid over £110 million to over 31,000 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 2013/14

In 2013/14, the Council's Benefits Fraud Team completed investigations into 1,060 suspicious cases (1,342 in 2012/13). The Service obtained 37 successful prosecutions for Housing and Council Tax Benefit Fraud (29 in 2012/13). The Council also issued 38 formal cautions (81 in 2012/13) and 58 administrative penalties (84 in 2012/13). There were 15 cases of Benefit fraud exceeding £10,000 in the year.

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

Investigations of cases highlighted by the Audit Commission's 'National Fraud Initiative' (NFI) will commence again in 2014/15. The NFI is run every 2 years the last one being in 2012/13, this exercise will be led by the Council's Internal Audit Service.

### 3. CASE STUDIES

#### 3.1 HOUSING BENEFITS & COUNCIL TAX REDUCTION SCHEME

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 2013/14 the Benefits Fraud Team received 1,060 referrals from various sources, including; the General Public, the Department for Work and Pensions (DWP) and the Housing Benefit Matching Service (HBMS).

The Benefits Fraud Team completed investigations into 1,060 suspicious cases. The Service obtained 37 successful prosecutions for Housing and Council Tax Benefit Fraud and issued 38 formal cautions and 58 administrative penalties. 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 2013/14

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
2013/14	38	58	37	133

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

##### **Case 1**

*An investigation was carried out into a Housing and Council Tax benefit claim following a data matching exercise which indicated that the husband of a claimant (although separated) was financially linked to the property.*

*The claimant admitted that she had separated from her husband but he continued to live in her property. She admitted that she had made fraudulent claims over a number of years resulting in an overpayment of Housing Benefit of £30,695 and Council Tax Benefit of £4,945.*

*The claimant was found guilty of dishonestly making a false statement to obtain benefit and was given a 9 months custodial sentence, suspended for 12 months and ordered to do 150 hours of unpaid work.*

##### **Case 2**

*Following a Police tip-off it was believed that a Rotherham Housing Benefit claimant had been living in properties in Doncaster and Redbridge rather than the property in the Rotherham area. Checks were made with the other two councils which showed the claimant had made concurrent claims for Housing Benefit at all three authorities.*

*It was established that claims totalling £6,075 were indeed fraudulent.*

*The claimant was found guilty of fraud and money laundering as well as benefit fraud and was given a 2 year custodial sentence.*

### **Case 3**

*A referral was received from the Department for Work and Pensions (DWP) Fraud Investigation Service advising that a benefit claimant was in receipt of single person discount (Council Tax) when in fact she had a partner living in the household with her who was in full-time employment.*

*The claimant had fraudulently claimed £28,578 in benefit over several years.*

*The claimant pleaded guilty to all offences and was sentenced to a Combined Community Order for 16 weeks and also ordered to pay £80.00 compensation and £85.00 costs.*

## **3.2 BLUE BADGE SCHEME**

During 2013/14 there were 13 cases of Blue Badge fraud that were successfully prosecuted. The following are examples:

### **Case 1**

*An individual was found guilty of using his daughter's badge to park his car in Corporation Street on 09/05/14 and again in Effingham Square on 21/05/13, whilst she was not present. A successful prosecution resulted in a fine of £200 plus a £20 victim surcharge and court costs of £309.*

### **Case 2**

*An individual was found guilty of using his grandmother's badge to park his car in Wellgate on 04/06/13 whilst she was not present. A successful prosecution led to a fine of £100 plus a £20 victim surcharge and court costs of £150.*

### **Case 3**

*An individual was found guilty of using his deceased mother's badge to park his car in Howard Street on 03/04/13. A successful prosecution led to a fine of £90 plus a £20 victim surcharge and court costs of £100.*

## **3.3 COUNCIL TAX SINGLE PERSON DISCOUNT**

During 2013/14 the Revenues Team, in partnership with external specialist Datatank, completed a review of high risk Single Person Discount (SPD) cases that were suspected could involve ineligible claims for SPD. Of these, 673 ineligible claims were identified amounting to £148K in value.

2014/15 will be the 3<sup>rd</sup> annual review of an ongoing programme designed to target and eliminate incorrect (and fraudulent) SPD claims to ensure the Council's tax base is as accurate as it can be.



### 3.4 RECOVERY OF HOUSING TENANCIES

During 2013/14, a joint exercise between the Council's Neighbourhoods & Adult Services Directorate and the Council's Benefits Fraud Team investigated three instances where the tenant had been claiming benefits whilst not resident in the property. These were as follows: -

#### **Case 1**

*A tenant was not resident at the property and was living with his parents.*

*The tenant indicated he had only been absent from the property on a temporary basis and did intend to return. He was asked to confirm the dates that he had been absent from the property but this information was not forthcoming and the tenant terminated his tenancy.*

*This resulted in overpayment of Housing Benefit of £2,030 and Council Tax Benefit of £288 and also meant that the tenancy was then made available for someone who was on the waiting list for local authority accommodation.*

#### **Case 2**

*A tenant was not resident at the property but was allowing his friend to lodge there. During enquiries the tenant contacted the Housing Department and terminated his tenancy.*

*This resulted in overpayment of Housing Benefit of £601 and Council Tax Reduction of £138 and also meant that the tenancy was then made available for someone who was on the waiting list for local authority accommodation.*

### 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. It also investigates any areas of suspected fraud.

Various issues were investigated during the year following a review of the National Fraud Initiative data matching exercise and anonymous whistle-blowing 'tip-offs', including:

#### **Case 1: Investigation into allegations of favouritism and improper award of a £260K contract.**

*Following an anonymous allegation Internal Audit investigated the procurement and award process of a contract. We found no evidence to support the allegation of 'financial inducement' or 'corrupt practices' having taken place, however; we did identify a number of system weaknesses that have subsequently been strengthened.*

#### **Case 2 - Investigation into allegations of financial issues at a secondary school, raised by a whistle blower.**

*Internal Audit confirmed claims made by a whistleblower that income was paid into a Private Fund at a school, instead of the school's public budget and that VAT had not been promptly and properly accounted for and paid over to HM Revenues & Customs. An action plan to address the position and mitigate against future recurrence has been agreed by Governors.*

#### **Case 1 - Investigations into allegations of financial abuse**

*We provided assistance with an investigation being undertaken by Adult Social Services and South Yorkshire Police into allegations of financial abuse of an elderly man with learning difficulties by a carer employed by a contractor. Insufficient evidence was found to support the allegations made; however, controls and procedures have been improved following the audit.*

## 5. 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, consequently there was no activity during 2013/14 as the last exercise was carried out in 2012/13. The next exercise is due in 2014/15.

## 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 2013/14 is given below.

Table 2: Summary of all fraud results for RMBC during 2013/14

<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 and council tax benefit fraud	1060	574,853	No	n/a
Housing tenancy fraud	0	0	No	n/a
Council tax discount ineligible claims	673	148,000	No	n/a
Council Tax Reduction (CTR) fraud	42	5,472	No	n/a
Non-domestic rates fraud (Business Rates)	0	0	No	n/a
Procurement fraud	0	0	No	n/a
Fraudulent insurance claims	0	0	No	n/a
Social care fraud	1	6,500	No	n/a
Local Welfare Assistance fraud	0	0	No	n/a
Economic and 3 <sup>rd</sup> Sector support fraud	0	0	No	n/a
Debt fraud	0	0	No	n/a
Pension fraud	0	0	No	n/a
Investment fraud	0	0	No	n/a
Payroll & employee contract fulfilment fraud	2	NR*	2	NR*
Expenses fraud	0	0	No	n/a

<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>
Abuse of position fraud	1	NR*	1	NR*
Other fraud	0	0	No	n/a
Disabled parking concessions (Blue Badge)	13	n/a	1	n/a
Recruitment fraud	0	n/a	No	n/a
Frauds over £10,000 & all incidents of corruption [included within above data]	15	n/a	No	n/a
Fraud & Corruption prosecutions [included within above data]	37	n/a	No	n/a
<b>Total value of fraud detected</b>	<b>1792</b>	<b>734,825</b>		

\*NR – Not Recorded

## 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 and corruption

In 2014/15 we will:

- Update our fraud risk assessment to ensure we continue to focus resources on potentially vulnerable areas.
- Carry out specific fraud related reviews throughout the Council, including payments to the independent sector for adult social care, Direct Payments, and reviews of major contractors.
- 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 to managers.
- Publicise the consequences of committing fraud e.g. dismissal, prosecution etc. via suitable media sources.
- Also assess the scope for proactive counter-fraud activity through local data matching exercises.
- Consider the business case for establishing a corporate 'Counter-Fraud' Function/Team

## 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 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.