

---

**Report to Resources and Audit Committee**

---

**Date of Meeting: 24 September 2015**

---

**Subject: Annual Fraud Report 2014/15**

---

**Report by: Internal Audit and Fraud Team Leader**

---

**1.0 Purpose**

- 1.1. This report provides members with an update on the work that was undertaken during 2014/15 in relation to fraud.

**2.0 Recommendations**

- 2.1. The Committee is asked to note, comment on and challenge the Annual Fraud Report 2014/15.

**3.0 Considerations**

- 3.1. The Council has a responsibility to protect public funds and in doing so, all stakeholders have a role to play in ensuring fraud and corruption are minimised. With an increasing demand on Council services, reduced funding to local government and current economic environment, mitigating fraud risk is an integral part of protecting public funds to ensure that financial resources are allocated where they are needed.
- 3.2. The Council has arrangements to mitigate the risk of fraud, and where it does occur, to detect, recover amounts fraudulently obtained and consider sanctioning those who commit fraud. The Annual Fraud Report provides members with an overview of the:
- 2014/15 national fraud context
  - Council approach to fraud investigation
  - Key fraud investigation activities undertaken in 2014/15 by the Council
  - Outline proposals for future fraud prevention and detection activity

## Conclusion

- 3.3 The existing arrangements, as described in the attached Annual Fraud Report (Appendix A) indicate that Clackmannanshire Council remains well placed to prevent fraud and deal with it effectively when it does occur.

## 4.0 Sustainability Implications

- 4.1. There are no sustainability implications.

## 5.0 Resource Implications

### 5.1. *Financial Details*

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. No

- 5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

### 5.4. *Staffing*

- 5.5. There remains uncertainty about the level of staffing should members of staff transfer to the DWP under the Single Fraud Investigation Service

## 6.0 Exempt Reports

- 6.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

## 7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box )

- |  |                          |
|--|--------------------------|
| The area has a positive image and attracts people and businesses         | <input type="checkbox"/> |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/> |
| Our communities are safer  | <input type="checkbox"/> |
| Vulnerable people and families are supported                             | <input type="checkbox"/> |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/> |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/> |
| The environment is protected and enhanced for all                        | <input type="checkbox"/> |

The Council is effective, efficient and recognised for excellence

**(2) Council Policies** (Please detail)

Financial Regulations.

**8.0 Equalities Impact**

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes  No

**9.0 Legality**

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers.  
Yes

**10.0 Appendices**

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Annual Corporate Fraud Report 2014/15

**11.0 Background Papers**

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)  
Yes  (please list the documents below) No

Fighting Fraud Locally - The Local Government Fraud Strategy

Fighting Fraud Together - The Strategic Plan to Reduce Fraud

Protecting the Public Purse 2013 - Fighting Fraud Against Local Government -November 2013



The National Fraud Initiative in Scotland - Audit Scotland - July 2014

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Richard Saunders	Senior Auditor / Fraud Specialist	226209

**Approved by**

NAME	DESIGNATION	SIGNATURE
------	-------------	-----------

Stephen Coulter	Head of Governance	
Nikki Bridle	Depute Chief Executive	



# Clackmannanshire Council

[www.clacksweb.org.uk](http://www.clacksweb.org.uk)

## Annual Corporate Fraud Report 2014/15

## **1.0 Introduction**

1.1 Clackmannanshire Council recognises its responsibility to ensure the public finances it administers are used efficiently, effectively and for the purposes they were intended. The Council further recognises that it is vulnerable to fraud and corruption and, in the current economic climate, acknowledges the increased risk posed by such illegal activities against valuable public funds.

## **2.0 Fraud in the wider national context**

2.1 Previous reports have provided information on the national picture based on statistical data obtained from the National Fraud Authority (NFA). The NFA was dissolved in 2014 and the work by the authority transferred to various other government departments such as the Home Office, Cabinet office and National Crime Agency. As a consequence, it is presently difficult to provide a comprehensive UK -wide picture of fraud.

2.2 Using the last national fraud indicator provided by the former NFA who estimated that for 2012/13 combined losses to fraud throughout the UK were approximately £52 billion annually and of this estimate, around £20.7 billion directly affected the public sector. The majority of public sector loss was attributed as tax fraud, nonetheless around £6 billion in the public sector was lost from areas such as Payroll, Procurement, Grants and Pensions, and the Government's Fraud, Error and Debt Taskforce reported that in 2013/14 £6.5 billion in fraud savings was detected from an estimated £20.6 billion of fraud committed against the public sector'.

2.3 This then provides a fairly broad indication that there has been little movement in the predicted amount of public sector fraud in the UK and the amount of fraud uncovered for 2013/14 is broadly similar to the figures provided by the former NFA for 2012/13.

2.4 In 2013 the Audit Commission in England published 'Protecting the Public Purse 2013; Fighting Fraud against Local Government'. This report acknowledges the work done by Councils over recent years to combat fraud. As part of their research, the Audit Commission surveyed around 480 English public sector bodies and found the following:-

- Local public bodies detected about 107,000 frauds, valued at £178 million (Excluding tenancy fraud). This compares with 119,000 detected frauds valued at £135 million in 2009/10,
- 76% of all non-benefit frauds were detected by 25% of all councils
- 200 cases of Social Care fraud with a value of £4 million were discovered in 2012/13
- the average value of all detected non-tenancy fraud increased by 15% in 2012/13.

2.5 The report also provided the Commission's view that fraud is likely to increase in coming years because of increased pressures on public resources and states that authorities could do more to tackle fraud effectively.

2.6 The main recommendations of the Audit Commission and those equally pertinent to Scotland include:

- retaining a capability to investigate fraud corporately and not only restricted solely to housing benefit;
- improving / increasing the use of data, information and intelligence to focus their counter-fraud work;
- reviewing counter-fraud arrangements in the context of the (former) NFA's strategy for local government, *Fighting Fraud Locally*,
- working with other registered social housing providers to improve the use of civil and criminal action to deter tenancy fraudsters;

### 3.0 Fraud in the Local Context

3.1 Clackmannanshire Council acknowledges its responsibilities in relation to preventing, detecting and recovering public funds lost through fraud. The Council's zero tolerance approach to fraud is demonstrated by its existing arrangements and the continuous work and improvements which have occurred during 2014/15.

3.2 The Council's strategic objectives for counter fraud work are:

- **Awareness: We will prevent more fraud by achieving a step change in awareness of fraud among Clackmannanshire Council employees, the general public and organisations in the private, public and voluntary sectors.**
- **Prevention and Detection: We will prevent more fraud through stronger systems and controls and detect fraud using all legal means at our disposal.**
- **Enforcement: We will strengthen our response through deployment of the Council's Prosecutions Policy.<sup>1</sup>**

3.3 In terms of enforcement, the council's Counter fraud authorised officer works collaboratively with others to apply the proceeds of crime act (POCA) and take action to recover assets obtained by fraudsters through their criminal activity. Assets can vary from houses, vehicles, boats, jewellery and high-end goods, to money held in bank accounts, stocks/shares and other saving accounts.

3.4 In Scotland, all POCA recoveries are pooled and distributed under the '*Cash Back for Communities*' scheme. Since its inception in 2008, Clackmannanshire has benefitted from over £580,000 of identified and recovered criminal assets. (Figure 1). Cash Back for Communities is a managed fund which allocates funding to partner organisations to deliver projects across Scotland. Organisations include Creative Scotland, the Prince's Trust, Youth Scotland and Youthlink Scotland. Examples of specific projects funded in Clackmannanshire include Link-Up Community Building, Scottish Rugby Union Development Officers and Prince's Trust Development Awards.

3.5 When expenditure (2008/09 to 2013/14) is measured per 10,000 young people, by local authority area, the expenditure quoted above rises to £654,215. This

<sup>1</sup> Clackmannanshire Council 'Fraud Strategy 2013-17'.

makes Clackmannanshire the 6th highest recipient in Scotland to benefit from the proceeds of crime act (Figure 2).

Fig.1 Expenditure (2008/09 to 2013/14) by local authority area

Local Authority	Expenditure	Local Authority	Expenditure
Aberdeen City	£1,500,788	Inverclyde	£830,587
Aberdeenshire	£1,055,401	Midlothian	£537,429
Angus	£1,347,225	Moray	£523,559
Argyll & Bute	£538,801	North Ayrshire	£1,457,172
Clackmannanshire	£583,167	North Lanarkshire	£2,097,000
Dumfries & Galloway	£1,401,950	Orkney Islands	£274,349
Dundee City	£1,771,156	Perth & Kinross	£989,907
East Ayrshire	£1,021,442	Renfrewshire	£851,129
East Dunbartonshire	£503,483	Scottish Borders	£1,283,186
East Lothian	£790,472	Shetland Islands	£272,185
East Renfrewshire	£706,230	South Ayrshire	£773,501
Edinburgh, City of	£3,973,733	South Lanarkshire	£1,296,726
Eilean Siar	£625,397	Stirling	£1,070,259
Falkirk	£818,867	West Dunbartonshire	£530,494
Fife	£1,732,579	West Lothian	£1,013,699
Glasgow City	£5,382,353	Not split by LA area <sup>B</sup>	£1,401,951
Highland	£1,589,332	<b>Scotland</b>	<b>£40,545,509</b>

Fig 2. Expenditure 2008/09 to 2013/14 per 10,000 young people, by local authority area

Local Authority	Expenditure	Local Authority	Expenditure
Aberdeen City	£325,954	Inverclyde	£585,786
Aberdeenshire	£244,046	Midlothian	£358,621
Angus	£687,676	Moray	£319,848
Argyll and Bute	£386,126	North Ayrshire	£598,354
Clackmannanshire	£654,215	North Lanarkshire	£337,155
Dumfries and Galloway	£580,109	Orkney Islands	£773,467
Dundee City	£537,349	Perth and Kinross	£395,773
East Ayrshire	£470,798	Renfrewshire	£274,478
East Dunbartonshire	£260,131	Scottish Borders	£717,425
East Lothian	£446,292	Shetland Islands	£664,514
East Renfrewshire	£404,855	South Ayrshire	£417,027
Edinburgh City	£416,215	South Lanarkshire	£239,112
Eilean Siar	£1,476,734	Stirling	£546,664
Falkirk	£306,818	West Dunbartonshire	£328,256
Fife	£261,297	West Lothian	£316,109
Glasgow City	£441,303		
Highland	£417,729	<b>Scotland</b>	<b>£417,127</b>

Figs 1 & 2. Extracted from: National Evaluation of the CashBack for Communities Programme Final Report: May 2014 pp 17/18.



3.6 Other Key achievements during the year include:-

- performance remains healthy for the investigation, prosecution and recovery of benefit fraud
- ongoing participation in the 2014/15 National Fraud Initiative
- £287,194 in overpaid benefit identified
- 3 high value cases (over £50k each) totalling £165,746.71 identified
- conducted several internal / corporate investigations
- purchase of a new investigations case management system

**Fraud Performance**

3.7 Welfare / Benefit / Tax investigation work continue to dominate the type of fraud being investigated by the corporate internal audit and fraud team, ensuring the Council continues to achieve its responsibilities in relation to benefit fraud detection and recovery. We continue to engage with DWP, HMRC and other partners to contribute to achievement of national counter fraud objectives.

3.8 The profile of cases referred to the Fraud team during 2014/15 was as follows:

**Profile and Number of referrals between 01/04/2014 and 31/03/2015**

FAILURE TO DECLARE (FTD) A MATERIAL CHANGE	<b>56</b> (24)
LIVING TOGETHER	<b>30</b> (45)
ABANDONED PROPERTY	<b>5</b> (12)
FTD NON DEPENDENT	<b>6</b> (21)
CONTRIVED TENANCY	<b>9</b> (2)
FTD INCOME	<b>8</b> (4)
FTD PENSION	<b>13</b> (1)
FTD CAPITAL/PROPERTY	<b>3</b> (6)
FTD EMPLOYMENT/EARNINGS	<b>24</b> (16)
FALSE RESIDENCY	<b>0</b> (4)
OTHER	<b>2</b> (2)

(source: InCase fraud management system. Figures in brackets represent 12/13 stats )

3.9 Of the above referrals, approximately 33% of cases received some form of sanction and all cases have proceeded in line with the Clackmannanshire Council Benefit Fraud Sanctions and Penalties Policy and the Corporate Prosecutions Policy.

3.10 Increasingly trained and skilled investigators have conducted and reported on other investigations on behalf of senior management into matters ranging from suspected serious health & safety breaches to misappropriation of council goods and equipment. It is anticipated that this type of investigation will increase as investigators become less constrained by the volume of welfare cases being investigated and able to divert more attention to conducting general internal cases of suspected wrongdoing

Clackmannanshire Council benefit fraud statistics 2010 - 2014

Financial Year	5 year performance statistics				
	2010/11	2011/12	2012/13	2013/14	2014/15
Referrals Received	244	220	211	131	157
No. of Investigations	183	146	156	92	112
No. of Cases Rejected	61	74	55	39	45
Cautions Issued	44	30	34	11	8
Penalties Issued	19	18	11	21	16
Cases passed to Fiscal	20	5	16	10	13
Fraud Identified (£'s)	£176,022	£115,859	£167,956	£243,009	£287,194

(\*figures for 2013/14 are subject to audit)

3.11 For 2013/14, Clackmannanshire Council was second in Scotland for sanctions applied in relation to number of investigators employed. The ongoing rollout of the Single Fraud Investigation Service (SFIS) in Scotland has made it difficult to compare our performance with other Scottish LA's for the reporting period as, the DWP have yet to report on Scottish LA's 2014/15 performance.

**Performance in other fraud related fields**

**National Fraud Initiative 2014/15**

3.12 In November 2014, Clackmannanshire Council began its bi-annual participation in the National Fraud Initiative (NFI). This targeted fraud exercise is administered by Audit Scotland, and is a collaborative initiative involving a range of Scottish public sector bodies, external auditors and the Cabinet Office, its overall aim is to identify public sector fraud and error and where identified taking appropriate corrective action.

**Annual Governance Statement 2014/15**

3.13 The fourth Annual governance Statement (AGS) will appear in the 2014/15 Financial Statements. Corporate assessment of fraud was a key consideration in completing the Annual Governance Statement.

## **Progressing counter fraud activity**

3.14 The combination of welfare and tax fraud into a new Single Fraud Investigation Service continued to be rolled out during the reporting period and is expected to be completed by 2017. In Clackmannanshire's case, responsibility for investigating welfare and tax fraud will transfer to the new body in November 2015.

3.15 The Councils Future Fraud Prevention and Detection Activity and Corporate Fraud Objectives remain as;

- Continued Participation in and Completion of the ongoing National Fraud Initiative (currently undertaking the 2014/15 exercise).
- Increased use of data matching to establish possible incidences of fraud such as the Council Tax Reduction Scheme
- Roll out a Council-wide awareness training / guidance on specific anti-fraud subjects e.g. Money Laundering, ID theft, Forgery etc.
- Targeted training in anti-bribery and money laundering training
- A comprehensive revision of the whistle-blowing policy
- Areas considered as 'high risk' of potential fraud are;
  - Housing Allocations
  - Procurement
  - Homelessness applications
  - Council Tax Reduction Scheme
  - Insurance Claims
  - Internal Fraud
  - Recruitment
  - Blue Badge Scheme
  - Direct Payments (Social Care)
  - Grants
  - Social Welfare Fund
- Provide a consultancy role for internal investigations, particularly where criminality may be involved

## **4.0 Conclusions**

4.1 An increasing focus on fraud prevention and detection throughout the public and private sectors nationally, demonstrates an increased importance being placed on reducing fraud, both as an additional means of addressing one of the economic pressures affecting the public sector as well as demonstrating accountability, transparency and a commitment towards the proper management and administration of public funds.

4.2 The Integration of fraud and internal audit teams now provides a more corporate approach to fraud prevention and detection. This combination of appropriately qualified investigation staff and qualified internal audit staff utilises the skills of the two disciplines and contributes to the Council's objective of fraud protection and minimisation.

