

To the Chair and Members of the AUDIT COMMITTEE

ANNUAL FRAUD REPORT – 2013/14 EXECUTIVE SUMMARY

1. Attached at **Appendix A** is the Annual Fraud Report 2013/14. The purpose of the report 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.
2. It should be noted that the incidence of fraud remains very low in overall terms, taking into account the Council's activities and spending.
3. However, within this overall position Members will note the number of suspected general fraud cases and other significant issues increased for the first time in 3 years during 2013/14. Whistleblowing instances (as in previous years) remain low, while the number of cases where service management have referred an area or allegation for review however has increased. The reasons for these changes are unknown but could be influenced by both the current financial climate and increased awareness of the Council's governance arrangements as promoted by the Council's Governance Group.
4. Investigation of cases highlighted by the Audit Commission's National Fraud Initiative identified savings for the Council in excess of £43,300. These were recoveries made where it was identified that claims for housing benefit were fraudulent or incorrect.
5. The Council investigated 814 potential fraudulent benefits cases (1052 in 2012/13) and, from these, obtained 45 prosecutions (30 in 2012/13) and issued 28 cautions and penalties (74 in 2012/13). This drop in the number of penalties applied is reflective of the state of the economy and the difficulties in recovering these financial based penalties.
6. Significant changes are due to affect the Council in 2015/16 through the establishment of the Single Fraud Investigation Service (SFIS) with the Department for Work and Pensions (DWP). Currently, the Council employs specifically trained investigators to investigate benefits fraud from within. The Government is working through a rolling program of incorporating local government benefits fraud investigators into the SFIS and staff currently investigating benefits fraud within the Council will be transferred to SFIS with effect from September 2015. The Council will need to decide on the level of Anti-fraud resources it wishes to retain after current staff have transferred to the SFIS.
7. 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.

RECOMMENDATION

8. The Audit Committee is asked to support the production of the 'Annual Fraud Report' and 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.

BACKGROUND

9. 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. Doncaster Council has a zero tolerance approach to fraud and seeks to educate staff on identifying fraudulent behaviour, educate managers to assess the risks of fraud in their areas and to detect and investigate fraud where it is identified.
10. During 2013/14 as part of delivering our anti-fraud and corruption strategy, the Council has:

- Reviewed and revised the existing Anti-Fraud and Corruption Framework
- Continued work on the action plan to manage fraud risks highlighted within the following publications:
 - Guidance issued by the Secretary of State for Justice on the Bribery Act 2010
 - CIPFA Managing the risk of Fraud 2 (the Red Book)
 - The Audit Commission's Protecting the Public Purse.

This action plan and associated progress is being reported separately to the July Audit Committee.

- Created and populated fraud and bribery risk registers for Doncaster Council. These have been used to undertake anti-fraud and corruption reviews and strengthen any control weaknesses identified.
 - Prepared and submitted the data sets required for use in the 2014/15 National Fraud Initiative exercise.
11. Priorities for the coming year are to:
 - Review the National Fraud Initiative data matches and make appropriate recoveries
 - Oversee the implementation of the agreed management actions arising from the self-assessments re the Bribery Act, Protecting the Public Purse and Managing the Risk of Fraud assessments
 - Deliver further anti-fraud and corruption reviews in key risk areas of the Council as identified through our Fraud and Bribery Risk Registers
 - Deliver a programme of fraud risk training via an e-learning self-assessment tool for employees/managers

- Highlight the consequences of committing fraud e.g dismissal, prosecution etc via several media methods, to increase deterrence.
- Prepare for the implementation of the SFIS and make recommendations for bridging any gaps identified within the Council's remaining capacity to investigate fraud and error.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

12. Awareness of fraud is an integral part of preventing and detecting it. The publishing of this report acts as a deterrent and emphasises the Council's stance on fraud and corruption.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

13. Fraud prevention and management contribute to the effective management of the Council's risks, which in turn directly contributes to the achievement of the Council's goals.

RISKS AND ASSUMPTIONS

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

CONSULTATION

15. None

FINANCIAL IMPLICATIONS

16. The outcomes from the Council's work in relation to preventing and detecting fraud and corruption are outlined in the attached report.

LEGAL IMPLICATIONS

17. The Council is obliged to minimise the loss of resources resulting from fraud and corruption.

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BACKGROUND PAPERS

Anti-Fraud and Corruption Framework

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ANNUAL FRAUD REPORT 2013/14



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1 INTRODUCTION

Doncaster Council has a zero tolerance to fraud and corruption

- 1.1 This fraud report is produced by Doncaster 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 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.
- 1.3 Doncaster Council employs over 10,000 people (including authority schools) and has a yearly revenue gross expenditure of over £640m and capital spending of over £80m. The Council paid over £121m to Housing and Council Tax Benefits claimants during the year. 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.
- 1.4 Any instances of fraud, corruption and other dishonesty endanger the achievement of the Council's policies and objectives as they divert its limited resources from the provision of services to the people of Doncaster. They also undermine the Council's reputation and threaten its financial standing. Consequently the Council is determined to eliminate fraud and corruption, as can be seen through the following commitment made in the Council's Anti-Fraud, Bribery and Corruption Policy:

“The overall attitude will be one of zero tolerance and the control regime, within the bounds of reasonableness, will promote this and will also aim to reduce losses due to fraud, bribery and corruption to an absolute minimum.”

2 PERFORMANCE SUMMARY FOR 2013/14

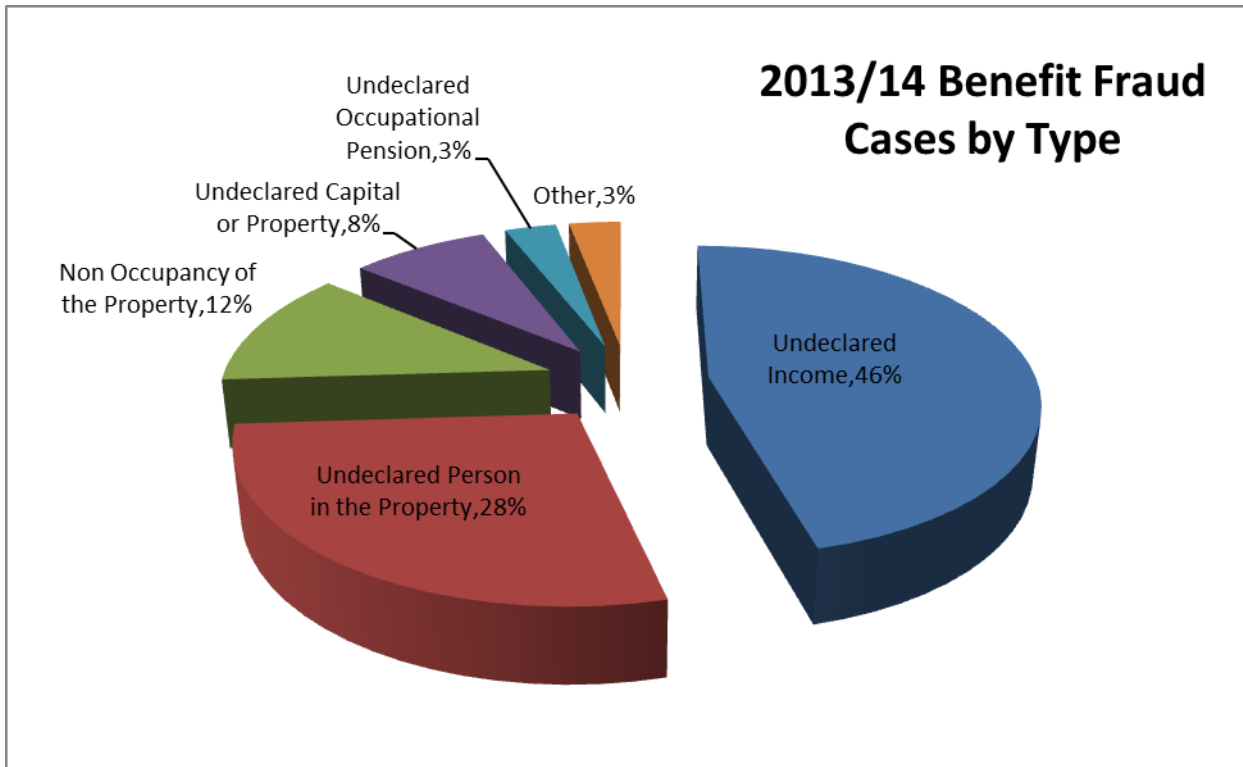
- 2.1 The Council's primary aim remains to stop fraud from occurring. The Council has an Anti-Fraud and Corruption Framework in place and considers practical measures to strengthen our arrangements in this regard on a yearly basis.
- 2.2 In 2013/14, the Council's Revenues and Benefits Enforcement Team had 813 potential fraud cases referred to it and investigated 814. The service obtained 45 successful prosecutions for Housing and Council Tax Benefit Fraud (30 in 2012/13) and issued 22 formal cautions (56 in 2012/13) and 6 administrative penalties (18 in 2012/13).
- 2.3 Investigations of cases highlighted by the Audit Commission's – 'National Fraud Initiative' (NFI) for 13/14 have identified savings in excess of £43,300 on 17 confirmed cases of housing benefits fraud / error. Recovery has commenced in 15 of these cases.
- 2.4 Excluding Housing Benefits, the level of fraud committed against the Council remains very low for the size and complexity of organisation.
- 2.5 There were no general cases of fraud exceeding £10,000 that needed to be reported to the Audit Commission in 2013/14 but there were 12 cases of benefits fraud over £10,000 that were reported.

3 HOUSING AND COUNCIL TAX BENEFIT

Benefit Fraud Investigations

- 3.1 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 Revenues and Benefits Enforcement Team (the Enforcement team) to prevent, detect and deter Benefit fraud.
- 3.2 The Team receives referrals of possible fraud cases from many sources. In 2013/14 in total the Enforcement Team received 813 new fraud referrals. The Enforcement Team investigated 814 cases during the year and found various types of fraud being committed as shown in the chart on the next page.

Frauds found by type



3.3 An example of the type of cases is provided below.

Benefits Fraud Case Study

A claimant was referred for investigation due to the suspicion that she had an undeclared private pension. This information came from the Housing Benefit Matching Service.

Checks were carried out with the pension provider who confirmed that the claimant did receive such a pension and details of the bank account this pension was paid into was also obtained. This bank account had not been declared on the benefits claim form, and when statements of the undeclared bank account were obtained, these highlighted a further two undeclared private pensions.

The claimant was interviewed under caution where she admitted that she had deliberately failed to declare all 3 pensions as she struggles to make ends meet. Following adjudication, overpayments totaling over £3,400 were confirmed.

The claimant pleaded guilty at the first opportunity and the Magistrates imposed a curfew order for 16 weeks and the claimant was ordered to pay costs along with a victim surcharge.

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

Number of formal actions taken - 2010/11 to 2013/14 – Benefits Fraud:

Year	Formal Cautions	Administrative Penalties	Successful Prosecutions	Total Sanctions
2010/11	65	79	38	182
2011/12	104	60	57	221
2012/13	56	18	30	104
2013/14	22	6	45	73

- 3.5 Last year the Council's Enforcement Team concentrated its resources on cases where there was greater potential to uncover higher value fraud as a result of department for Work and Pensions policy changing.
- 3.6 The number of cautions and penalties has reduced once again which was expected but the Council's prosecutions have increased by 50% highlighting that the risk scoring of referrals to target high value fraud has been effective.

4 THE LEVEL OF GENERAL FRAUD

- 4.1 Once again this year the overall level of fraud remained very low in, taking into account the Council's activities and spending. Internal Audit 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 fraud cases above this value reported in 2013/14.
- 4.2 Notwithstanding the above, the number of significant concerns raised with Internal Audit increased during the year to 10 referrals (there were 7 in 2012/13). A summary of the key outcomes is given below. Please note that for confidentiality reasons, any information that would indicate the names of the individuals involved has been removed:
- Fraudulent invoices for care provided to children - Concerns were raised by service managers after it was uncovered that invoices submitted by a carer for care given to children that may not have taken place. Evidence supports the concerns and the matter has been referred to the Police for action.
 - Fuel theft – two different allegations of fuel thefts were investigated during the year. Allegations were unproven in one case whilst for the second, the allegation was

proven and a referral was made to the Police, resulting in the culprit admitting the offence and receiving a Police Caution. Internal disciplinary processes are in progress on this second case.

- Internet abuse – one case involving misuse of internet facilities during working hours was investigated. Evidence supported the allegations and disciplinary action was taken against the perpetrator.
- Theft of stocks – allegations were received from a member of the public alleging that an individual had been stealing stock from the Council. This case is still under investigation.
- Fraudulent overtime claims – concerns were raised by a service manager that the claims of an employee did not match their actual whereabouts. Evidence of discrepancies was found and disciplinary action was taken.

4.4 Where frauds have been identified or control weaknesses found, Internal Audit has followed up in these areas to ensure tighter financial controls are introduced to reduce the risk of further problems arising.

5 NATIONAL FRAUD INITIATIVE

Background

- 5.1 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 .
- 5.2 Generally, the NFI matches are performed every 2 years. For the 2013/14 year, the initiative looked at matches concerning housing benefits, pensions payments, housing tenancies, payroll payments, creditor payments, blue badge and residential parking permits, care home payments, licenses and undeclared personal interests in companies and businesses.

NFI 2013 / 14

- 5.3 The Council found £ 43,391 of fraud from this most recent matching exercise, all relating to housing benefits overclaims and recovery has commenced on 15 of the 17 cases identified.

5.4 Investigation of blue badge and residential parking permits matches will be carried out in 2014/15. Work on all the other data streams identified in 5.2 has been completed but no further savings were identified.

5.5 The 2013/14 NFI matching exercise savings, whilst low compared to the amount of resource time involved with the matching process, is still considered to be beneficial to the Council in that it provides assurance that controls are working effectively. All reports are dealt with / investigated on a risk basis with the priority given to the best quality data matches. Where the highest quality matches fail to identify any savings frauds or issues, work is discontinued to preserve resources as much as possible.

5.6 Data matches highlighted by the Audit Commission from the 2014/15 exercise will be investigated when received.

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

6.1 Each year, the Audit Commission collates a general survey on fraud encompassing all known fraud types. A summary of the results for Doncaster Council for the last three reported years is given below.

	2011/12		2012/13		2013/14	
	Number	Value (£)	Number	Value (£)	Number	Value (£)
Housing Benefits and Council Tax Related						
Number of Housing Benefit / Council Tax Benefit fraud	1137	£781,067	1052	£653,972	813	£620,723
Number of prosecutions	46		33		45	
Number of prosecutions resulting in a guilty	39		32		45	
Council Tax single persons discount fraud	0	0	Not recorded	Not recorded	Not recorded	Not recorded
Housing Related						
Cases of tenancy subletting ¹	Not recorded	Not quantified	0	0	0	0
Other tenancy fraud ²	0	0	1	Not quantified	1	Not quantified

¹ These are cases where, after investigation, it was believed that a tenant has let all or part of their council owned property to someone else against the terms of their agreement.

² Examples of other tenancy fraud include fraudulent housing applications, fraudulent succession arrangements (where the property is passed on to another after death or on quitting the property) or dual tenancies where more than one tenancy is in place across the participating authorities.

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	2011/12		2012/13		2013/14	
	Number	Value (£)	Number	Value (£)	Number	Value (£)
Payroll / Employee Payments / Recruitment Fraud						
Payroll contract fulfillment fraud ³	Not recorded	Not recorded	5	Not recorded	9	Not recorded
Employee expenses fraud	Not recorded	Not recorded	1	Not recorded	0	0
Abuse of position for personal gain ⁴	2	£17,000	1	Not recorded	1	Not recorded
Manipulation of financial or other data ⁵	0	Not required	1	Not required	1	Not recorded
Other Frauds						
Procurement Fraud	Not recorded	Not quantified	3	£246 ⁶	0	0
Social services fraud ⁷	Not recorded	Not recorded	Not recorded	Not recorded	Not recorded	Not recorded
Economic / 3rd sector support fraud ⁸	1	<£1000	0	0	0	0
Disabled parking concessions fraud (blue badge fraud)	27	£13,500	0	0	1	Not recorded
General Information						
Number of cases of individual fraud over £10,000 (these have to be reported separately to the external auditor)	12		9		12	

6.2 There were 12 cases of fraud over £10,000 that were reported separately to the Audit Commission and external auditors in 2013/14. These were all benefits fraud cases.

6.3 Unusually for most local authorities, the fraud survey return for Doncaster Council lists the value of council tax single persons discount fraud as being 0 or not recorded. Whilst the Council does review any single persons discount matches produced by the NFI, it classes these as error rather than fraud. In these cases the discount is cancelled and

³ This includes, but is not limited to: the creation of non-existent employees; unauthorised incremental increases; the redirection or manipulation of payments; false sick claims; not working required hours; or not undertaking required duties.

⁴ Put simply this is someone fraudulently taking advantage of their job or position of authority to make a gain for themselves or a related party. This can include abuse of position to employ a family member or to make a financial gain by using information that they gain during the course of their employment for their own ends.

⁵ This includes, but is not limited to: the falsifying of statistics or manipulating accounts or financial information

⁶ These were small value fraudulent transactions by 3rd parties that were identified on the Council's credit cards

⁷ This is any fraud linked to social services provision including: false payments to contractors for house modifications; personalised budgets for the purchase of care; failing to declare capital and assets; false care provision by in-house or external contractors.

⁸ This is any fraud that involves the false payment or claims of grants, loans or any financial support to any private individual or company, charity or non-governmental organisation.

backdated and a recovery made of the discounts applied. This reporting approach has been agreed with the Audit Commission.

- 6.4 For many of the fraud types identified in the table, it is difficult to quantify the value of any fraud. The payroll category, with the exception of expenses fraud, is difficult to quantify in cases where there was no obvious financial benefit. In these cases it is possible to quantify costs in terms of staff time lost, however these calculations are highly subjective. This is also the case with blue badge and housing tenancy fraud which would also have to be estimated (unlike benefit based frauds). It is for these reasons that the value is listed as “not recorded”
- 6.5 Blue Badge Fraud - In 2011/12, an exercise was undertaken by the Parking Enforcement Team to compare any blue badges that had been used to claim a parking concession to a database of deceased persons. This resulted in 27 prosecutions. An audit of blue badge enforcement is due to be carried out 2014/15 to examine practices in this area.
- 6.6 There were 3 referrals made during the year via the Council’s whistleblowing arrangements. These were investigated and no issues found that required formal action.

7 THE COUNCIL’S ARRANGEMENTS FOR MANAGING THE RISK OF FRAUD AND CORRUPTION

- 7.1 The Council has recently updated and simplified its Anti-Fraud Bribery and Corruption Framework and has published this as part of the Council’s governance arrangements.
- 7.2 In 2014/15 we will:
- Continue to investigate matches generated by the National Fraud Initiative as they are released and prepare for the 2015/16 data submission
 - Oversee the implementation of the remaining agreed management actions arising from the self-assessments re the Bribery Act, Protecting the Public Purse and Managing the risk of Fraud.
 - Continue to deliver anti-fraud and corruption reviews in key risk areas of the council as identified through our Fraud and Bribery Risk Registers
 - Escalate a programme of fraud risk training via an E-learning training course

and fraud risk self-assessment tool for employees/managers.

- Promote the consequences of committing fraud e.g. dismissal, prosecution etc via suitable media sources.
- Continue development of the Fraud and Bribery Risk Register
- Assess the impact of the Single Fraud Investigation Service on the Council's ability to investigate fraud, corruption and error and make recommendations for any gaps identified as a result of the changes.

As part of our on-going commitment we will continue to monitor and report upon the outcomes of our anti-fraud and corruption work.

REPORTING YOUR CONCERNS

8.1 If you do have any concerns, please report your suspicions as quickly as possible together with all relevant details. You can report any concerns to the Internal Audit fraud hotline on 01302 862940. Other available contacts are the Council's Monitoring Officer, the Director of Finance and Corporate Services or the Chief Executive. Concerns can also be reported to the council's external auditors.

8.2 Alternatively you may prefer to put your concerns in writing to the: -

Head of Internal Audit
Internal Audit Services,
Floor 4 Colonnades House,
Duke Street
Doncaster,
DN1 1ER

Please mark the envelope — *“CONFIDENTIAL — TO BE OPENED BY THE ADDRESSEE ONLY”*.

8.3 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.

8.4 If you wish to report any suspicions in relation to Benefit Fraud please contact the

team on their benefits fraud hotline on 01302 735343 or complete the online form

—Report a Benefit Cheatll. This can be found on the Council's website:

www.doncaster.gov.uk/sections/advicebenefitsandcounciltax/enforcement/Report_a_Benefit_cheat.aspx