



**AUDIT COMMITTEE**

**COUNTER FRAUD REPORT FOR FIRST SIX MONTHS OF 2018/19 (APRIL TO SEPTEMBER)**

**REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

**A. PURPOSE OF REPORT**

To inform the Audit Committee of the performance and activities of the Counter Fraud Team for the six months from 1 April 2018 to 30 September 2018.

**B. RECOMMENDATION**

It is recommended that the Audit Committee notes the performance and activities undertaken by the Counter Fraud Team during the first six months of financial year 2018/19.

**C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Fraud investigations are undertaken in accordance with the council's Anti-Fraud and Corruption Policy.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	Effective counter fraud arrangements are an essential component of effective performance management.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	None.

## D. TERMS OF REPORT

### D.1 Background

The Counter Fraud Plan 2018/19 was approved by the Audit Committee on 19 March 2018. The main activities of the Counter Fraud Team involve conducting investigations into allegations of fraud and irregularity, working in partnership with Police Scotland, administering the biennial National Fraud Initiative (NFI) data matching exercise, providing counter fraud advice, provision of fraud training and advice to services, and maintaining the council's whistleblowing process.

### D.2 Counter Fraud Team Investigations 2018/19 (April 2018 to September 2018)

The Counter Fraud Team maintain the whistleblowing hotline (01506 282002), whistleblowing mailbox ([WhistleBlowing@westlothian.gov.uk](mailto:WhistleBlowing@westlothian.gov.uk)) and the online whistleblowing e-form.

The Counter Fraud Team consider all referrals in accordance with the council's Whistleblowing Policy. The Counter Fraud Team also receive fraud referrals directly from management when potential concerns are identified during the course of their duties. These referrals are dealt with in line with the Anti-Fraud and Corruption Policy and are therefore classified as 'anti-fraud' referrals.

The Counter Fraud Team aims to risk assess all referrals and make a decision to either accept or reject the referral within three working days of receipt. Between 1 April 2018 and 30 September 2018, a total of 35 referrals were received: eight whistleblowing referrals and 27 anti-fraud referrals. A total of 30 referrals were accepted by the Counter Fraud Team and investigations were undertaken. 13 investigations were in progress and carried forward from 2017/18.

The table below summarises the referrals received by the Counter Fraud Team during the first six months of 2018/19:

Referrals to Counter Fraud Team (Apr to Sep)	Number
Whistleblowing Referrals Accepted	5
Whistleblowing Referrals Rejected	3
Anti-Fraud Referrals Accepted	25
Anti-Fraud Referrals Rejected	2
<b>Total Number of Referrals</b>	<b>35</b>
<b>Total Number of Accepted Referrals</b>	<b>30</b>
<i>Investigations Carried Forward from 2017/18</i>	<i>13</i>

### Rejected Referrals 2018/19 (April to September)

During the period from 1 April 2018 to 30 September 2018, three whistleblowing and two anti-fraud referrals were rejected. These referrals were rejected on the basis that the concerns raised (e.g. alcohol use during work, data protection breaches, mobile phone use while driving) required to be dealt with under other council policies and were passed to HR Services to progress.

### Investigation Outcomes 2018/19 (April to September)

During the period from 1 April 2018 and 30 September 2018, 30 referrals were accepted and 13 investigations were carried forward from 2017/18, giving a total of 43 investigations to be progressed by the Counter Fraud Team. The table below summarises the outcomes of the investigations at the time of this report:

<b>Outcome of Counter Fraud Team Investigations</b>	<b>Number</b>
Complete – No Fraud/Irregularity Established	14
Complete – Fraud/Irregularity Established	7
In Progress (as at 30 September 2018)	22
<b>Total</b>	<b>43</b>

- 14 investigations carried out by the Counter Fraud Team identified no evidence of fraud or irregularity. These investigations covered a variety of allegations such as sickness absence frauds, false application frauds, drug use/dealing, and material/equipment thefts.
- seven investigations by the Counter Fraud Team established that a fraud or irregularity had taken place. These investigations substantiated allegations such as identity fraud, undeclared conflicts of interest, cash theft, equipment theft, drug use/dealing and sickness absence frauds. Where relevant, an action plan was agreed with the service to help improve internal controls in these areas. Summary details of the cases where fraud and irregularity was established are provided in Appendix 1.
- 22 investigations were still in progress as at 30 September 2018.

### **D.3 National Fraud Initiative (NFI)**

The Counter Fraud Team administers the National Fraud Initiative (NFI) biennial data matching exercise. The 2016/17 NFI exercise identified 7,966 matches of which 2,101 were recommended matches. These are matches which, in the opinion of the NFI administrators, are more likely to result in fraud or error being identified.

Our progress in relation to the NFI was previously reported to the Committee on 8 October 2018 in our covering report on Audit Scotland's report on the NFI in Scotland. As at 29 August 2018, 100% of the recommended matches were processed and closed on the NFI system.

#### **D.4 Fraud Prevention and Working in Partnership**

The Counter Fraud Team are committed to the prevention, as well as detection, of fraud, theft and wrongdoings against West Lothian Council. The Counter Fraud Team provides ongoing advice to services and work closely on joint fraud initiatives with the council's external auditors (Ernst and Young), Police Scotland, NHS Scotland Counter Fraud Services and other local authorities.

During 2018/19 the Counter Fraud Team have continued to work in close partnership with Police Scotland. In line with the Data Protection Act (DPA) 2018, the Counter Fraud Team have responded to over 180 DPA requests from Police Scotland for personal information to assist with the prevention or detection of crime and the apprehension or prosecution of offenders.

#### **D.5 Counter Fraud Team Performance Indicators**

Details of performance in 2018/19 for a selection of Counter Fraud Team performance indicators are provided below. An extract of all Counter Fraud Team performance indicators is provided in Appendix 2 of this report.

##### IA039 6b.5 - Percentage of fraud referrals assessed and decided within three days

The Counter Fraud Team aim to risk assess all referrals and make a decision to either accept or reject the referral within three working days of receipt. The Counter Fraud Team received 35 referrals from 1 April 2018 to 30 September 2018 and 31 (88.6%) were assessed within three days. In line with the Internal Audit and Counter Fraud Strategy, the target for 2018/19 has been set at 95%.

##### IA043 9b.1a - Average length of time (in weeks) to commence fraud investigations

The Counter Fraud Team aims to commence all accepted fraud referrals within two weeks. Calculated using a rolling average, the average length of time to commence fraud investigations over the previous 12 months was 2.4 weeks. Due to staff vacancies and recruitment, as well as other work being prioritised in line with Counter Fraud Team resources, some investigations commenced after the two week target.

##### IA040 9b.1a - Average length of time to issue draft fraud reports.

In line with Audit and Counter Fraud Strategy, the Counter Fraud Team aim to complete an investigation and issue a draft report within 17 weeks from the start date of the investigation. Calculated using a rolling average, 27 counter fraud reports have been issued in the last 12 months, taking an average of 18.1 weeks to issue. This level of performance is due to the complexity of the cases and the completion of higher priority investigations which meant a high number of low priority cases were not completed within the 17 week target.

##### IA037 6a.7 - Percentage of customers who rated the overall quality as good or excellent.

The Counter Fraud Team invite feedback from customers at the conclusion of investigations. Performance for 2018/19 to 30 September was 100%. Seven surveys were received and seven customers rated the overall quality of the Counter Fraud Team service as either good or excellent. The target for 2018/19 remains at 100%.

## **D.6 CIPFA Counter Fraud Accreditation**

On 11 May 2018, Roberta Irvine (Counter Fraud and Compliance Officer) completed the CIPFA Accredited Counter Fraud Specialist qualification. Achieved over a period of four months, the accreditation specialises in the processes of protecting the public purse through all stages of fraud prevention, fraud detection and fraud recovery action.

## **E. CONCLUSION**

This report highlights the performance and activities of the Counter Fraud Team during the six months to 30 September 2018. The work of the Counter Fraud Team is carried out in accordance with the council's Anti-Fraud and Corruption Policy and Whistleblowing Policy, and in accordance with the council's zero tolerance approach to fraud.

## **F. BACKGROUND REFERENCES**

Report to the Audit Committee on 19 March 2018: Counter Fraud Plan 2018/19

Report to the Audit Committee 8 October 2018: Audit Scotland Report: The National Fraud Initiative in Scotland

### Appendices/Attachments:

Appendix 1 – Summary of Fraud/Irregularity Established in 2018/19

Appendix 2 – Counter Fraud Team Performance Indicators – April 2018 to September 2018

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**Kenneth Ribbons**

**Audit, Risk and Counter Fraud Manager**

Date of meeting: 14 January 2019