

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

COUNTER FRAUD POLICIES AND STANDARDS

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To provide the Audit Committee with an appropriate level of assurance that counter fraud arrangements are adequate.
- 1.2 To consider and approve the Counter Fraud Strategy.

2. BACKGROUND INFORMATION

- 2.1 The Counter Fraud Strategy sets out the council's determination to deter, prevent and detect fraud and safeguard its assets. The Strategy is revised periodically to reflect changes in legislation and recommended best practice guidance. This ensures that the council remains at the forefront of the prevention and detection of fraud and corruption.
- 2.2 The Strategy encompasses policies and procedures that collectively help drive down the risk of fraud and provide a framework to investigate instances of potential fraud. Year on year the Strategy has been significantly strengthened and reference is made throughout the document of the council's response to key publications that represent best practice. Supporting policies that underpin the strategy are updated as necessary. The Committee approved the updated Housing Benefit Prosecution Policy in June 2012 and Cabinet approved changes to the RIPA Policy (Regulation of Investigatory Powers Act 2000) in November. The Strategy also recognises the changing environment for the public sector including the transfer of public health services. Economic conditions increase the risk of fraud therefore it is vital the council's counter fraud arrangements remain strong. The updated strategy is attached as Appendix A.
- 2.3 The Audit Commissions annual report on fraud 'Protecting the Public Purse' was issued in November. Its main messages and the council's response are reported in a separate report elsewhere on this agenda.
- 2.4 Internal Audit continues to focus on the delivery of a programme of proactive counter fraud work, including development activity and

awareness-raising, as well as involvement in a significant number of reactive investigations. The volume of unforeseen and irregularity work is higher than last year – 202 days against the allocation set aside in the 2012/13 Audit Plan of 165 days. An update of the counter fraud plan is provided in appendix B.

Proactive work

- 2.5 The council fraud risk assessment and exposure profile have been reviewed and updated. Professional guidance and advice received from CIPFA and the National Fraud Authority (NFA) has been considered and high risk areas (such as social engineering i.e. the manipulation of employees to divulge sensitive information) will be incorporated into the audit plan. Other proactive counter fraud work has included income reviews of community meals; markets; and registrars. Reviews of Freshstart and building control are also planned.
- 2.6 The National Fraud Initiative (NFI) data matching exercise has identified savings in excess of £208k so far (£175k benefits related; £20k council tax single residents discount; and £13k duplicate payments). Of the savings identified £170k is being recovered. Internal audit also conducted internal data matches using interrogation software which identified £20k creditor overpayments. Given volume of matches (9,775 matches from the NFI exercise and 1,280 matches from the internal audit exercise) the level of overpayments is relatively low which suggests that internal controls are adequate to reduce the risk of fraud or overpayment.
- 2.7 A follow up audit of the council's response to the provisions of the Bribery Act has recently been completed to provide Members with assurance that adequate arrangements are in place. The audit confirmed that all relevant policies and procedures had been updated and awareness training had been provided across the council.
- 2.8 Promotional work on the council's counter fraud arrangements and warning bulletins issued via the council wide communication network of potential new or emerging risks of fraud help raise awareness of the council's determination to counter fraud. The counter fraud newsletter 'Fraud Focus' provides an important opportunity to remind staff of counter fraud policies and emerging risks. The latest edition (attached in appendix C) contains some topical articles designed to minimise the risk of retail fraud over the busy Christmas and New Year period.

Reactive work

- 2.9 In addition to ongoing investigations into cases started in 2011/12 Internal Audit has been made aware of 22 new cases of potential fraud and irregularity so far in 2012/13. These have been investigated by officers within the service or in conjunction with HR colleagues and/or the police. Key themes in the period are similar to the previous quarter and include the following:

- Inappropriate use of internet and mobile phone during working hours
- Inappropriate use of council assets
- Potential theft of stock
- Poor imprest/cash handling procedures
- Timesheet anomalies
- Misuse of council data.

2.10 A joint investigation with the police into card cloning fraud was recently concluded and resulted in 2 custodial sentences. The external fraudsters were using council systems to 'test' the cloned cards and the fraud was recognised by the number and pattern of cancelled transactions.

2.11 Referrals received via the Whistleblowers' hotline have increased steadily over the last few years:

Year	Referrals received
2008/09	194
2009/10	256*
2010/11	221
2011/12	373**
2012/13 (up to end of Dec)	255

(high number of spurious calls -67* 2009/10 & 78** 2011/12)

This would indicate that:

- The facility is properly promoted
- Users feel confident to use it.

2.12 **Housing Benefit Fraud Work**

The benefit fraud investigation team continue to successfully investigate and prosecute fraud in partnership with DWP. From April to December 2012 the team has successfully prosecuted 15 cases and issued 35 formal cautions and 16 Administrative Penalties.

3. **OPTIONS FOR CONSIDERATION**

3.1 The Committee is asked to consider whether the Counter Fraud Strategy will continue to provide sufficient assurance on the council's counter fraud arrangements in 2012/13 and 2013/14. Members are also asked to consider whether regular reports on proactive and reactive fraud work (similar to those shown in appendix B) will provide sufficient assurance on the adequacy of counter fraud arrangements during 2012/13 and 2013/14.

3.2 The Committee may decide make further amendments to the Counter Fraud Strategy. The Committee may also decide that the system of regular update reports does not provide sufficient assurance on the

adequacy of counter fraud arrangements in place and may seek alternative arrangements.

4. ANALYSIS OF OPTIONS

- 4.1 The Counter Fraud Strategy complies with statutory requirements and professional guidance available and is designed to provide this Committee with the assurance required. Members should seek further clarification if required to ensure the Strategy and work programme provide sufficient assurance to fulfil their role as set out in the Committee's terms of reference.
- 4.2 The option set out in 3.2 represents an opportunity missed to receive an important source of assurance to assist the Committee to fulfil its role effectively.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 Costs of revising the Strategy, and implementing the counter fraud actions are met from the Internal Audit budget and have been incorporated into the 2012/13 Audit Plan. Minor costs associated with the telephone and publicity for the Hotline will continue to be maintained within the Finance Service budget. Savings should continue to accrue as a result of improved efficiency and the avoidance of loss.
- 5.2 There are no additional staffing implications, as the internal audit section will continue to operate the Whistleblowers' Hotline from within existing resources. Training of staff in revisions to the strategy and investigation procedures will be met from the training contingency included in the audit plan. Training of staff outside the audit team will be resourced from time set aside in the Audit plan to develop counter fraud arrangements.
- 5.3 An effective Counter Fraud Strategy demonstrates the council has appropriate arrangements in place to support the Annual Governance Statement and to promote good corporate governance.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)

- 6.1 The Chief Financial Officer has a statutory duty under the provisions of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs.

The council's arrangements to prevent, detect and deter fraud and corruption comply with relevant legislation such as, Public Interest

Disclosure Act 1998, Regulation of Investigatory Powers Act 2000, Money Laundering Regulations 2007, Bribery Act 2010. Fraud Act 2002 and Social Security (Administration) Act 1992.

6.2 The Diversity Impact Assessment tool has been applied to ensure that further consultation is not required.

7. **OUTCOMES OF CONSULTATION**

7.1 The Counter Fraud Strategy has been revised in consultation with relevant staff from Finance, Human Resources and Legal and Democratic Services to ensure compliance with relevant legislation and council procedures.

8. **RECOMMENDATIONS**

8.1 The Audit Committee notes the report and considers whether the counter fraud work programme delivers a sufficient level of assurance on the adequacy of counter fraud arrangements.

8.2 The Audit Committee approves the Counter Fraud Strategy.

DIRECTOR OF POLICY AND RESOURCES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB
Author: Carol Andrews
Date: 28/12/12

Background Papers used in the preparation of this report :

Managing the Risk of Fraud - CIPFA
Fighting Fraud Locally – National Fraud Authority
Protecting the Public Purse – Audit Commission



Counter Fraud Strategy



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Counter Fraud Strategy

1. Introduction

- 1.1 The public are entitled to expect the council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for and with it. They also expect that the council will safeguard public funds and ensure that they are available and used for their intended purpose that of providing services for the citizens and service users of North Lincolnshire Council.
- 1.2 The Counter Fraud Strategy ('the Strategy') outlines the council's commitment to meeting these expectations by creating a culture of zero tolerance of fraud, theft and corruption and maintaining high ethical standards in its administration of public funds. This strategy also contributes to the achievement of the council's vision of 'A dynamic, high performing, customer focused council, giving the best possible value for money and changing outcomes for all people living and working in the area.'
- 1.3 Specifically the council will ensure probity in local administration and governance by making sure that the opportunity for fraud, theft and corruption is reduced to the lowest possible risk with losses minimised and also taking positive action against all forms of fraud.

2. Purpose

- 2.1 As with other large organisations, the size and diverse nature of our services puts us at risk to loss due to fraud both from within the council and outside it. The public sector has experienced significant legislative, policy and environmental changes. These have resulted in changes to resources, structure, service delivery and responsibilities, for example the transfer of Public Health Services to local authorities from 1st April 2013. Fraud is estimated to cost the UK economy £73bn each year with £20.3bn being suffered by the public sector. It is also recognised that during periods of recession the risk of fraud is further increased.
- 2.2 This Strategy sets out the council's approach in preventing and deterring fraud and the underpinning policies demonstrate how fraud once suspected or detected is reported and investigated and the sanctions and recovery that can be applied.
- 2.3 The Strategy meets the legislative requirement to have effective arrangements for tackling fraud. The content conforms to professional guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Local Authority Risk Managers (ALARM)¹. It has also taken account of the National Fraud

¹ including - Managing the Risk of Fraud, Protecting the Public Purse, Code of Practice for Internal Audit in Local Government, Public Sector Internal Audit Standards.

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Authority's Fraud Strategy, and relevant legislation such as the Bribery Act 2010.

- 2.4 There are several definitions of fraud because of the many ways that it can be committed. However in the widest sense it is

'An intentional act to deceive or damage another for personal gain'.

- 2.5 There are many types of fraud that can be committed and fraud is ever evolving. Some examples are theft, collusion, bribery, money laundering, and false accounting, counterfeiting, and claiming benefits to which there is no entitlement.

- 2.6 It is also important to point out that fraud can also be committed in person, via correspondence such as emails or via the internet, highlighting how fraudsters can use other forms of media to carry out their deception and do not need face to face contact in order to do so.

3. Scope

- 3.1 This Strategy applies to all cases of suspected or detected instances fraud both internally and externally. It also defines preventative measures taken to mitigate the risk of fraud occurring.

- 3.2 The scope of the Strategy extends to:

- Staff and elected members
- Contractors, agencies and suppliers
- Partners and other third parties including the voluntary sector who receive funding or support from, or deliver services on behalf of, the council
- Service users
- Staff and committee members of organisations funded by the council.

4. Linkages with other policies and procedures

- 4.1 This Strategy is supported by more detailed policies standards and procedures. These include:

- Whistleblowers' Charter
- Fraud Response Plan
- Internal Investigation and Prosecution policy
- Surveillance Policy
- Housing Benefit Fraud Prosecution Policy
- Anti Money Laundering Policy
- Bribery Act Reporting Policy.

Counter Fraud Strategy

4.2 The counter fraud framework consists of strategies, policies and functions that enable the council to have effective counter fraud arrangements. Some of the key ones are:

- Code of Corporate Governance
- The Constitution including Contract Procedure Rules and Financial Regulations
- Finance Manual, and Procurement Manual
- Human Resources policies, particularly recruitment and selection, disciplinary induction and training
- Codes of conduct for councillors and officers, incorporating registers of interests and a Gift and Hospitality Code of Practice
- Risk Management Strategy
- IT Security Policy.

5. Managing the risk of fraud

5.1 Everyone has an important role to play in managing the risk of fraud. All Members and employees of the council are expected to

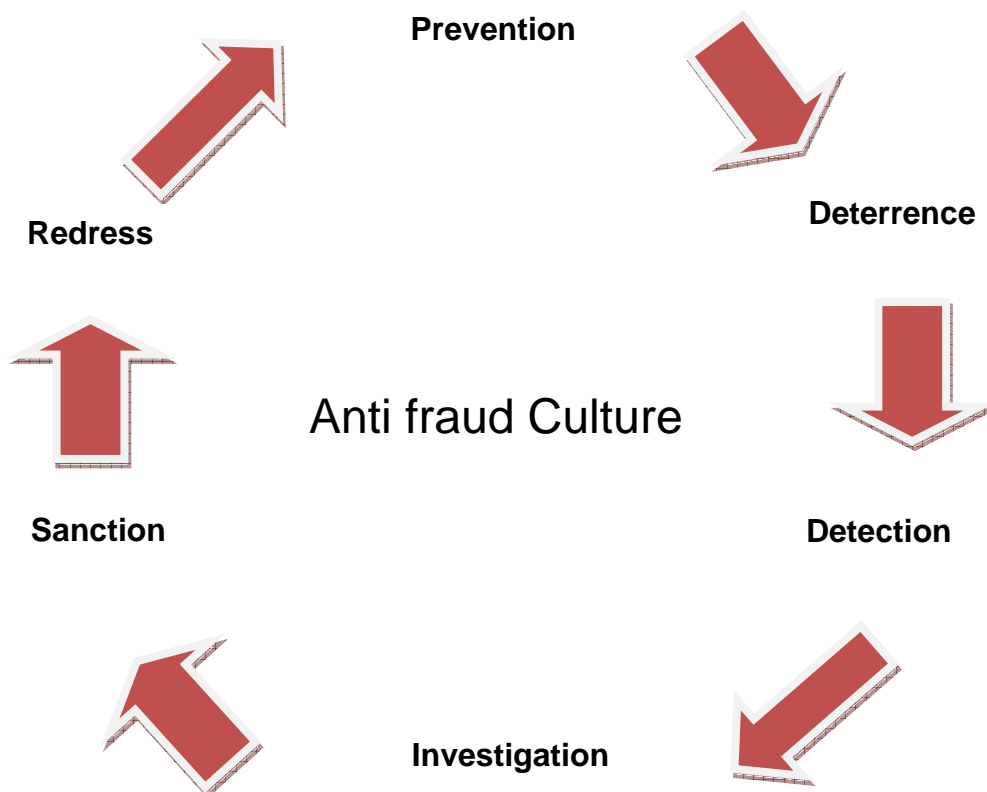
- Abide by relevant codes of conduct, council policies and procedures; including declaration and registration of relevant interests or offer of gifts or hospitality.
- Lead by example to ensure the council's zero tolerance approach to fraud is achieved.
- Report any suspicion of fraud.

All suspicions of fraud should be reported using the mechanisms described in the Whistleblowers' Charter. This includes a fraud hotline (01724 296666) and email Hotline@northlincs.gov.uk and online form for the confidential reporting by staff or members of the public of irregularities. The council also has a benefit fraud hotline (01724 296137/8), to allow members of the public to report concerns about individuals who are suspected of abusing the benefits system.

5.2 The Audit Committee are responsible for ensuring the risk of fraud is adequately managed. This includes approving this Strategy, receiving regular reports from Internal Audit on counter fraud activities, and reports from External Audit. These sources provide assurance to the Audit Committee that the risk of fraud is being minimised.

5.3 The council is determined to create an anti fraud culture and is achieved by adopting the approach shown in the diagram overleaf.

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5.4 The risk of fraud is reduced by:

- **Identifying high risk areas**

Internal Audit maintains a fraud risk assessment and exposure profile which informs the audit plan of reviews each year. Professional guidance on new or emerging risks is also considered.

- **Implementing systems of internal control**

Managers are responsible for implementing and maintaining effective controls in the systems for which they are responsible, and for deterring, preventing and detecting fraud. They must also monitor compliance with any policies and procedures for which they are responsible.

5.5 Internal Audit is responsible for providing assurance to managers and the council on the effectiveness of control systems and will provide advice and support in the design of new systems and procedures. Audit work is planned to ensure controls over areas identified at a high risk of fraud are effective and auditors will be alert to the risk of fraud in their work. A programme of proactive anti-fraud work will also be undertaken in each year including:

- Maintaining a current fraud risk assessment and exposure profile and carrying out associated audits of high risk areas to mitigate the risk.
- Evaluating policies and procedures in place to counter fraud and assist others in raising awareness of fraud and irregularity when it occurs.
- Advice on new and changing systems to 'design out' any potential for fraud and irregularity.

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- Council wide communications advising on risks encountered and regular newsletters highlighting issues for staff and the citizens of North Lincolnshire and reminding everyone to be vigilant to the risk of fraud.

5.6 Publicity and awareness are an integral part of creating an anti fraud culture, as well as effective prevention and deterrent tools. As such the council is committed to ensuring that awareness levels are as high as they can be across the council. The Strategy is widely available on both the intralinc and the internet, and summary materials are provided in the form of council wide communications. A survey approach is used to determine levels of awareness and issue further publicity material when required. In addition the outcomes of specific risks and investigations are publicised where appropriate to further enhance the deterrent effect and reduce the risk of further fraud occurring.

6. Prevention and deterrence

6.1 Fraud can be costly to any organisation, both in terms of reputational risk and financial losses. The council is determined to prevent fraud from occurring wherever possible through effective systems of internal control and combining with others to prevent and combat fraud.

Internal Control Systems

6.2 The Director of Policy and Resources has a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure proper arrangements are made for the council's financial affairs. In addition, under the Accounts and Audit Regulations 2011, as the 'responsible financial officer' he is required to determine the accounting control systems which shall include:

"measures to enable the prevention and detection of inaccuracies and fraud,"

"identification of the duties of officers dealing with financial transactions and the division of responsibilities of those officers in relation to significant transactions."

6.3 The council has well established policies, procedures and processes which incorporate efficient and effective internal controls to safeguard the council's resources. Managers are responsible for ensuring there is adequate and effective internal control to reduce the risk of fraud e.g. accurate records are kept and preserved, a management/audit trail is maintained, appropriate segregation of duties and management checks. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the council's Internal Audit Service and reviewed by the Director Policy and Resources.

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- 6.4 Specific policies such as the Anti Money Laundering Policy are designed to prevent fraudsters laundering the proceeds of crime through the council by placing limits on the amounts of cash that will be accepted and specifying the checks that will be made when high cash values are received.
- 6.5 A key preventative measure against fraud, theft and corruption is at the recruitment stage by establishing, as far as possible, the previous record of potential employees, in terms of their propriety and integrity. In this regard, temporary employees and casual workers should be treated in the same manner as permanent employees, and all recruitment carried out in accordance with council policy.

Combining with others to prevent fraud

- 6.6 Successfully working with other agencies to combat fraud is a key trigger to the development of the National Fraud Authority (NFA) and is emphasised in their national strategy 'Fighting Fraud Together' and public sector guidance 'Fighting Fraud Locally'.
- 6.7 The council is committed to co-operating with other organisations, including the police, to prevent fraud. There are a variety of arrangements in place, which facilitate the regular exchange of information between the council and other organisations for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators such as internal auditors, trading standards officers, housing benefits investigators etc.
- 6.8 The council is a member of the National Anti-Fraud Network (NAFN) which facilitates intelligence gathering, collation and dissemination on fraud and corruption issues. Professional advice provided through CIPFA membership is also utilised.
- 6.9 The council widely publicises its zero tolerance approach to fraud e.g. statements in contracts, on claim forms, and in publicity literature to deter fraud. Action taken against proven fraudsters is also publicised whenever possible to demonstrate the council's determination to take decisive action, seek full recovery and serve as a deterrent to others.

7. Detecting and investigating fraud

- 7.1 It is the responsibility of, the Council Management Team (CMT), Directors, senior officers and managers to maintain good control systems and ensure that all employees comply with these systems. These controls should allow for the prompt detection of anomalies which, if fraudulent, would be referred to Internal Audit to investigate.
- 7.2 Internal Audit has a planned programme to undertake a cyclical programme of audits to test the adequacy of counter fraud measures,

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based on a risk assessment model that is updated periodically. Data matching and analytical review techniques are also undertaken. This is recognised as an important tool in the prevention and detection of fraud, and is used by many other public bodies. The council participates in the National Fraud Initiative (NFI), which is a national data matching exercise between systems and across a range of bodies to detect and correct any consequential under or over payments to the public purse. Internal Audit also matches data between council systems as part of their counter fraud work.

7.3 Despite the best efforts of managers and auditors to detect fraud through the operation and review of internal controls, some frauds are discovered by chance or "tip off", either through the alertness of staff or from a member of the public. In such cases there is a requirement within the council's Financial Regulations for staff to:

- Report actual or suspected instances of fraud or money laundering to Internal Audit.
- Report findings to the police **only** when advised to do so by Internal Audit.

7.4 The council's confidential reporting procedure (Whistleblowers' Charter) provides a clear path for individuals to raise concerns of malpractice in any aspects of the council's work, without the fear of recrimination or victimisation. The Charter is intended to encourage and enable staff to raise serious concerns. Employees reporting concerns in this way are afforded certain rights through legislation (Public Interest Disclosure Act 1998). The action to be taken when there is suspicion of fraud, bribery or money laundering is set out in the Fraud Response Plan, the Anti Money Laundering Policy and Bribery Act Reporting Policy.

7.5 Reporting suspected irregularities is essential and ensures:

- Consistent treatment of information regarding fraud and corruption,
- The Fraud Response plan is carried out properly,
- Investigation by an independent and experienced audit team, and engagement of all relevant parties,
- The interests of the council are protected, and
- Internal control implications are considered.

7.6 The Head of Audit, Risk and Insurance will work with Service Directors and specifically the Director of Policy and Resources to decide on the type and course of the investigation. This will include referring cases to the police where necessary and in consultation with the Head of Audit, Risk and Insurance. Internal Audit has developed a protocol, which covers when referrals are to be made, how they will be managed and the role the two parties will play in the investigation. All investigations will be carried out in accordance with the Fraud Response Plan and in conjunction with Human Resources and Legal as appropriate. Cases of

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benefit fraud are covered by the Benefit Fraud Prosecution Policy. The council will ensure management action is always taken and may prosecute offenders, after carrying out disciplinary procedures where appropriate. Any internal proceedings do not prejudice a criminal case.

7.7 Internal Audit has experienced staff, to undertake fraud investigations. All allegations of fraudulent activity are reviewed and subject to a risk assessment. In all cases control issues will be reviewed and weaknesses identified. Some cases are followed up with a full investigation, in line with the Investigation and Prosecution Policy others are better dealt with as management issues. Where appropriate departments shall:

- Report allegations swiftly
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Secure all evidence collected
- Where appropriate, contact other agencies, e.g. police (via Internal Audit), DWP
- Report to senior management, and where appropriate, support the council's disciplinary procedures

7.8 Where surveillance is required as part of an investigation appropriate authorisation is required. The Surveillance Policy signposts to the relevant legislation under which the surveillance should be documented and authorised. Applications for surveillance in potentially criminal cases are made in accordance with the Regulation of Investigatory Powers Act as set out in the council's RIPA Policy and are now subject to approval by the Magistrates Court.

7.9 The council's external auditors also have powers to independently investigate fraud and corruption.

8 Sanction and recovery action

8.1 In all cases of proven fraud or corruption appropriate disciplinary, prosecution and recovery action will be taken. Application of sanctions promotes the council's 'zero tolerance' of fraud, and also acts as a deterrent to others to commit fraud.

8.2 Where allegations are substantiated an employee will be subject to the council's disciplinary procedures. These could range from management counseling and warnings to dismissal in the most serious cases. Referral to the police will not necessarily prohibit action under the disciplinary procedure. In most cases disciplinary action will be concluded prior to referral to the police.

8.3 Cases that are referred to the police could result in cautions, prohibition orders and ultimately custodial sentences for the most serious offences. Criminal prosecution may be sought for serious housing

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benefits cases and other sanctions of cautions and administrative penalties may also be applied.

9. Training

- 9.1 The council recognises that the success and credibility of its Counter Fraud Strategy will depend largely on how effectively it is communicated throughout the organisation and beyond. To this end, details of the Strategy have been provided to all Members and all employees and have been included on induction programmes. A booklet has been designed for this purpose.
- 9.2 The council will provide relevant training to managers with responsibility for internal control systems, and encourages managers to contact Internal Audit when changes to systems and procedures which could affect internal controls are proposed. Breaches of procedure and misconduct will be dealt with seriously. If appropriate, disciplinary action may be taken.
- 9.3 Officers who are involved in investigating fraud and corruption will be provided with suitable training.
- 9.4 Internal Audit raises fraud awareness, both in relation to this Strategy and to give guidance on fraud prevention and detection. Fraud related issues will be publicised periodically with details of the outcomes of some of its investigations. These newsletters are also displayed on the Intranet.
- 9.5 It is the responsibility of Directors and service managers to communicate the Counter Fraud Strategy to their staff and to promote a greater awareness of fraud within their departments.

10 Review and monitoring effectiveness

- 10.1 The current version of this Strategy can be found on intralinc and the council website along with supporting information and procedures. The Strategy and all supporting procedures will be reviewed as it is deemed appropriate but less frequently than every 12 months.
- 10.2 Counter fraud arrangements will be evaluated through the implementation of the Strategy and through the outcome of audit work identified in the counter fraud audit plan. Progress will be monitored by the Audit Committee and be reported as part of the Annual Governance Statement.

Internal Audit Plan 2012/13 Counter Fraud Summary

Area	Scope	Planned Days	Progress
Creating and maintaining the anti fraud culture			
Publicity	Continued development of system, promotional and awareness raising activities, refresh to risk assessments, and strategy	5	An eLearning package and desktop campaign is being designed. However the National Fraud Authority (NFA) has indicated that an eLearning package will be made available to all councils in the near future. This will be used instead of or incorporated into our campaign. The NFA training on 'What's new in fraud' has been disseminated to all audit staff; used to refresh fraud risk assessments and new areas of risk have been included in the 2012/13 audit plan.
Counter Fraud Strategy/risk assessments	Keeping the strategy current, and ensuring risk assessments are up to date	5	The Housing Benefits Prosecution Policy was updated in June and a revised RIPA Policy was approved by Cabinet in November. The NFA are developing a central repository of good practice, when available, the Counter Fraud Strategy will be assessed against information available. In the meantime the strategy has been aligned against the NFA publication 'Fighting Fraud Locally' and along with the Audit Commission's report - Protecting the Public Purse - have been used to update the council's exposure profile, and will inform Internal Audit's planning. The NFA's online toolkit shows that our counter fraud arrangements are in the 71 st percentile of all public bodies that have used the toolkit. The results indicate our arrangements are effective and also identify areas for improvement, which have been built into our counter fraud plan. Meetings will be held with key service contacts update the fraud risk assessment – high risk areas such as social services fraud (such as direct payments and personal budgets) have already been considered. Recent training on social engineering fraud risks has been incorporated into the risk assessment.
Joint reporting	Ensure co-operation across all departments to be able to accurately assess fraud risk for the council	5	Joint working protocols are in place with HR and the police and are working well. Information sharing is in place with other councils via the Unitary Authority Groups. Joint working with other public sector organisations such as North Lincolnshire Homes (NLH) has been raised. This is encouraged by the NFA especially to tackle tenancy fraud. A meeting has been held with senior finance staff at NLH and joint information sharing opportunities and awareness raising campaigns are being considered.
Prevention			
Designing out fraud	Advice in areas where changes to systems are proposed	10	Audit have supported the revenues BACS refund project currently on hold. A review of the new e-Income system has been completed. Audit provide support and advice

			as part of system changes and the wider worksmart project on an ad hoc basis. This year, arrangements in place to manage the transfer of the council's main bank account provider have been reviewed. Advice on the transition arrangements for the upgrade of the CareFirst system has been provided. Counter Fraud arrangements in new risk areas such as localised council tax benefit and welfare payments are also being considered.
Deterrence			
Fraud Newsletter and Council Wide Communications	Publication of a quarterly newsletter and issue of alerts and council wide communications	5	The newsletter is now a regular item with articles covering current national and local counter fraud topics. Other departments across the council such as Benefits, Trading Standards and Insurance have provided articles. The police have also provided an article on local frauds. North Lincolnshire Homes have indicated that they would like to utilise the publication to joint benefit, a recent article covers working together to tackle tenancy fraud. The latest edition includes a summary of the main messages from the Protecting the Public publication together with a notice to staff that the Counter Fraud Strategy is being refreshed.
Detection			
Data Matching – National Fraud Initiative (NFI)	Audit assistance in the annual exercise of data matching. In 2010/11 council tax matches and data submission for 2011/12 full exercise	30	The 2010/11 exercise has been significant with extra match reports being added throughout the year. Savings to date are in excess of £208k. The council tax and electoral registration data was submitted in December and results were received in February 2012. These matches are being investigated in conjunction with the current Experian data matching exercise taking place in Local Taxation. Controls in place to prevent benefit payments being made to individuals who are not the registered tenant in NLH properties have been evaluated. Tenancy checks have now been included in the NFI exercise. The Audit Commission indicated recently that a real time service will be offered in the future to carry out point of access checks, and also ad hoc matching in currently unsupported areas. The new service is currently being piloted and the benefits and costs to the council will be considered when further details are available. Data for the 2012/13 exercise was submitted in October and matches are expected back in January.
Hotline	Audit response to allegations received via the hotline	30	There continues to be good use of Whistleblowers facilities (an average of 20-30 calls a month are received), The hotline and email facility is continually publicised via the Fraud Focus newsletter.
Money Laundering	Provision of the system set up client identification checks with services	0	The council wide eLearning package will include a summary of the council's anti money laundering arrangements. Targeted eLearning training for those staff in high risk areas is also being developed.
Investigation			
Proactive – misuse of	Rolling programme of audits of potential misuse	15	Internet use is now monitored via exception reports, followed up by further investigation if

council funds audits	of council funds.		necessary. An audit on compliant use of Social Media has been planned for this year
Proactive – investigation of high risk income collection areas	Income based audits (5 sites)	50	Areas for audits this year include, Freshstart, Community Meals*, Markets*, Building Control and Registrars* (* indicates in progress).
Proactive – development of IDEA software	To identify areas where software can be used to detect and investigate fraud	10	An annual review using IDEA has been introduced to identify duplicate payments. Savings in 2011/12 (which looked at invoices over two years) were in excess of £12k. To date the 2012/13 exercise (which covered 2011/12 invoices) has identified over £8k in duplicate payments.
Reactive Investigations		As required	

fraud focus

North Lincolnshire Council's counter-fraud newsletter **No. 9** Winter 2012/13



Shop sharks
Lethal lenders **p2**



Online buying
Click with
confidence **p4**


**NORTH
LINCOLNSHIRE
COUNCIL**
www.northlincs.gov.uk

Be vigilant and stay safe

Christmas is a very busy time of the year for everyone - including fraudsters!

For some, it's the perfect time to try and exploit the increased opportunity to commit fraud and it's important therefore to

remain vigilant to this threat. In this edition of Fraud Focus there are a number of articles that provide useful reminders and tips to prevent retail fraud and scams to steal cash.

Don't let fraudsters spoil your

Christmas - use this simple advice and enjoy the holiday period.

Wishing you a fraud-free and happy Christmas and New Year.

Carol Andrews, Head of Audit Risk and Insurance

Christmas shopping tips

Buying Christmas presents can be fraught with problems. However North Lincolnshire Trading Standards have come up with a few tips to ensure everything goes a little more smoothly over the festive period:

1. Always keep your receipt as it is the best form of proof of purchase.
2. Always check a trader's returns policy. Most shops allow unwanted goods to be returned as a goodwill gesture. Check if there is a time limit on returns and whether money will be refunded or a credit note given.
3. If you pay by switch or credit card remember the refund will be credited directly to your card. You will not be refunded in cash.
4. When buying toys always look for a CE Mark and consider the suitability of the toy for the age of the child.
5. Do not buy counterfeit goods - you will only be disappointed with the quality.

6. Always keep manufacturers' guarantees safe in case you need them in the future.
7. If goods are faulty on purchase, you can reject them and ask for a full refund.
8. The Consumer Credit Act gives you additional rights when buying goods over £100 with a credit card. The credit card company is as responsible to you as the retailer.
9. Always return faulty goods as soon as possible.
10. When buying goods by mail order, always allow sufficient time for the goods to arrive. Remember, you also have cancellation rights on most goods when ordered by post, telephone or on the internet.
11. If goods are faulty and cause damage to other items, you may be entitled to compensation to cover the cost of a replacement.

Remember, for advice on any consumer issue contact the Citizen Advice helpline: 08454 040506 or via www.consumerdirect.gov.uk

Shop a loan shark

Christmas and New Year is an expensive time for everyone.

To make ends meet many people will have taken out loans to pay for presents and the new year celebrations.

Now is the time for paying off the loans. Most people can afford to do this having borrowed money from regulated and reputable financial institutions at a fair rate of interest.

A significant minority of people do not have access to banks or building societies and cannot even open a bank account.

These people are driven often by necessity into the shady world of unlicensed money lenders commonly known as loan sharks.

The loan sharks do not provide written agreement showing such things as:

- The amount borrowed
- The total amount i.e. payable
- The rate of interest, the APR

The rates of interest charged by these loan sharks are often in the 1000s of percent and are extortionate. As a security for the loan they illegally take possession of welfare benefit books, the only means of

financial support these borrowers have.

Trading Standards wish to find out what is going on in this murky financial area. They want your help to identify loan sharks in North Lincolnshire.

A Hotline has been set up. Ring (01724) 297711. All calls will be treated in strictest confidence.

We may also be able to save you money. Loans made by unlicensed traders are not usually legally enforceable and are never enforceable if the financial details are not in a written document and signed by both parties.

Police warning about online scam

Harrow Police are warning people about a computer scam which attempts to extort money from members of the public by impersonating the Metropolitan Police's e-Crime Unit. In the UK to date the police have received 1,100 reports of this and on 36 occasions people have paid money and each lost £100. The malicious software works by infecting personal computers after users have accessed certain websites.

The virus causes the PC to freeze and lock with a message claiming to be from the e-Crime Unit advising users they are required to pay a fine to unlock the computer. Police advise that no payment is made as no genuine enforcement agency would contact members of the public in this way. If you have been affected please contact your bank card issuer and the police on non emergency number 101.

Cash claw fraud

Cash Claw fraud is where ATM cash point machines are fitted with a claw by fraudsters which stops the money of victims being dispensed from the machine. The machine would then go out of service allowing the fraudster to return and collect the device and trapped money.

In May 250 complaints had been received across the country but a sharp increase in August showed over 2,500 complaints in London alone, according to figures provided by the London Dedicated Cheque and Plastic Crime Unit (DCPCU). Customers are reminded to report any undelivered money to the bank immediately.



Protecting the public purse

Every May the council submits its figures of fraud detected during the previous financial year to the Audit Commission via its annual survey. The commission collates and provides a summary of the results and estimates of the annual cost of fraud experienced by the public sector each year, in the form of the Protecting the Public Purse report.

We have recently received the report which would indicate:

- All sectors and individuals lose over £73 billion to fraud each year
- Fraud against public sector organisations costs £20.3 billion and fraud against councils costs more than £2.2 billion a year.
- Detected fraud in 2011/12 amounting to £179m (a small decrease of 3% compared with 2010/11); and

- 124,000 individual fraud cases (a small increase of 3% compared to 2010/11).

The report highlights high risk areas and new and emerging fraud issues:

- Housing tenancy fraud – an estimated 98,000 homes are subject to tenancy fraud, 1,800 with a rebuild cost of £264million were recovered last year
- Fraudulent claims for council tax discounts – more than £21 million of false claims for student and single person council tax discounts was detected by councils
- 187 cases of procurement fraud identified by councils amounted to £8million.
- Housing and council tax benefits fraud losses account for half of the total fraud

losses detected by councils, an estimated £117million

- Counter fraud experts highlight abuse of personal budgets in adult social care as an emerging risk area, along with social fund and welfare assistance payments and business and local taxation discounts and exemptions.

All these areas were recognised and are included in our audit plan. Evaluation of the recommendations for councils and use of the questionnaire in the report show that the council is in a strong position and we will continue to review our arrangements to ensure that we maintain this position. Further detail of the evaluation will be included as part of reports to the Audit Committee in January 2013

Hoax email from PDS (Parcel Delivery Service)

Action Fraud is reminding everyone on their website. www.ActionFraud.police.uk that a chain email is circulating about a postal scam that could leave you £315 out of pocket. This was also the subject of a recent councilwide communication. The hoax email reads:

'Can you circulate this around as Xmas is fast approaching – it has been confirmed by Royal Mail. The Trading Standards office are making people aware of the following scam.

A card is posted through your door from a company called PDS suggesting they were unable to deliver a parcel and that you need to contact them on

09066611911 (a premium rate number)

DO NOT call this number, as this is a mail scam originating from Belize. If you call this number and you started to hear a recorded message you will already have been billed £315 for the phone call.

If you do receive an email with these details, then please contact Royal Mail Fraud on 02072396655'

The email itself is the scam and you should simply delete and not forward it on.

If you receive a card through the post and you do not believe it is genuine then you can call PhonepayPlus 0800500212 a free number for further guidance.

Cyber shopping

Monday 3 December was 'Cyber Monday' apparently the busiest day of the year for UK online retailers where it was estimated so 115 million visits were made to their websites, a 36% increase on last year. During the first two weeks in December it was forecast that £4.6 billion would be spent online.

Action Fraud and the City of London Police are warning shoppers to look out for fraudsters when shopping on line and to think about security especially when using unfamiliar websites offering deals that appear too good to be true. Christmas and the sales period after are a prime opportunity for fraudsters but following these simple tips should keep fraudsters at bay:

1. Trust your instincts, if an offer looks too good to be true then there is usually a catch. Legitimate popular technology and designer items are rarely significantly discounted
2. Check the URL in the web browser - don't be fooled by spoof websites where fraudsters have slightly changed the address
3. Ensure the website begins 'https' at the payment stage – this indicates a secure payment
4. Don't access links in unsolicited emails – always type in the website address or use a search engine to find a site
5. Only deal with reputable sellers – only use sites you know or ones that have been recommended to you
6. Avoid paying by money transfers- they aren't secure - use an online payment option such as Paypal, which helps to protect you
7. Watch out for pop ups appearing asking you to confirm your card details before you are at the payment stage. Never enter your PIN on line
8. If you bid for an online auction item is unsuccessful, don't be tempted to trade off site - if another seller



approaches you with a similar item. This is likely to be a scam and you won't be covered

9. Keep security software and firewalls up-to-date. Regularly update your internet browser when a new patch is released
10. Keep receipts and check these against your statements – if you spot a transaction you did not authorise speak to your card company immediately. If you are the innocent victim of any type of fraud you will not suffer any financial loss.

Counter Fraud Strategy

Internal Audit reviews the council's Counter Fraud Strategy annually to ensure it meets best practice. This has been completed recently in light of the Audit Commission's Annual Fraud Survey which results in the Protecting the Public Purse

report that was published in November and is reported in this edition.

The Strategy is approved annually by the Audit Committee in January and shortly after, the updated

document will be published on both Intralinc and the council's internet pages. Employees are strongly encouraged to read the strategy and an eLearning package is being developed to ensure that all employees are aware of its contents.

Local news

The Humberside Police website www.humberside.police.co.uk is an excellent source of local news and the website is well worth a visit.

In the crime reduction area of the site there is useful guidance on the following:

- Staying safe at home, which covers such topics as burglary, rogue traders, garden security and identity theft;
- Socialising and personal safety, which covers bank and credit card security as well as personal safety;
- Staying safe online;
- Shop and business safety;
- Vehicle security: this covers how to leave your vehicle safely and reduce the risk of theft of it or from it, also security of caravans and how to reduce the risk of fuel theft;
- Bicycle safety;
- Travelling safely;
- Seasonal awareness.

In the My Neighbourhood area of the site you can see local policing in your area, who your local officers are and sign up for email updates.

The news/media area of the site



gives local press coverage and includes some useful articles, for example, seeking assistance of witnesses in incidents.

More general articles include the police's reminder to people to be careful what they post on social media sites and also what pages they set up.

Nationally there has been an increase in the number of cases where police have investigated messages, postings, and images placed on Twitter and Facebook. These have in a number of cases been deemed to be offensive towards others and have at times had the potential to hinder ongoing investigations.

With this in mind police in Humberside are asking people not to set up Facebook groups with the sole or potential aim of causing offence to others and not use the power of social media to verbally abuse others as you may find yourself the subject of a criminal investigation. We need people to call police if they have information on a potential incident rather than post it on Facebook and Twitter'

All staff are also reminded that the council has a social media policy that employees should abide by when using such sites.

Debbie Baker

01724 296103

Helen Asher

01724 296046

Caroline Wilson

01724 296050

Hotline

01724 296666

If you have any comments or suggestions on this newsletter, please email

Debbie.baker@northlincs.gov.uk