

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

COUNTER FRAUD PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform Members of key issues arising from counter fraud work.
- 1.2 Regular reporting on counter fraud issues is an important source of assurance for Members to fulfil their role and provides supporting evidence for the annual approval of the Governance Statement.

2. BACKGROUND INFORMATION

2.1. Counter Fraud Plan progress

Counter fraud work is an important feature in the audit plan. Resources have been identified in each of the audit plans for preventative work and a contingency for responsive work such as investigations. With the transfer of responsibility for Housing Benefit fraud investigation to the Department for Work & Pensions in November 2015, the opportunity has been taken to retain a fraud resource as part of the shared service arrangements with North East Lincolnshire Council to liaise with the DWP in their investigation of cases, and provide counter fraud work in conjunction with internal audit. A summary of the work is provided in appendix A.

2.2. Proactive work

The Cabinet Office (previously the Audit Commission) National Fraud Initiative (NFI) is an annual exercise with different data sets being submitted in a two year cycle. Previously in year 1, data was submitted for benefits, payroll, creditors and licences. In year 2, council tax discounts and electoral roll data is submitted. However since October 2015 council tax data is required annually. Matches are received in the following January for investigation. The 2014/16 year 1 exercise on the 7054 matches received in January 2015 is nearing completion. Further matches were received on council tax in January 2016.

2.3. In total £124k of savings have been made from the matches investigated, as follows

- approximately £50k of savings were identified from the benefits matches before the remaining open cases were transferred to the DWP.
- approximately £22k from the Internal audit matches all investigated.
- approximately £52k from council tax single residents discount matches so far, work is ongoing with these cases.

2.4. In partnership, the 3 Humber authorities were successful in securing DCLG funding for a data matching initiative and data hub. Data sharing agreements are currently being signed off and initial data sets for matching have been agreed. The intention of this matching is to identify potential fraud being committed cross boundary, covering both internal and external fraud.

2.5. In addition, the data hub will be used to conduct Council Tax discount reviews, including the facility to match suspect records against Credit Reference Agency data.

2.6. **Reactive work**

The following table shows the number of referrals received via the whistleblowers' hotline over the last few years.

Year	Referrals received
2010/11	187
2011/12	295
2012/13	297
2013/14	363
2014/15	359
2015/16	227
2016/17 (to May)	13

The reduction in calls was as a result of the change in responsibility for investigating benefits cases from November 2015. A joint hotline facility is being considered.

2.7. The number of other/internal investigations increased during 2015/16 (39 cases) compared to 2014/15 (30 cases). Some cases were led by HR or the service concerned and further analysis is provided in the Internal Audit Annual Report. Six new cases have been reported so far in April and May this year. Investigations are ongoing and mainly concern cash/income/invoicing anomalies, flexi/timesheet discrepancies, failure to safeguard assets and inappropriate use of internet and mobile phone during working hours

- 2.8. The majority of reactive fraud investigations currently being conducted by the corporate fraud team are into Council Tax Support fraud and Council Tax Discount fraud. However, the team are currently, investigating the first referral reported by adult social care and are reviewing a second referral to assess its suitability for investigation.
- 2.9. The CIPFA fraud and corruption tracker has been completed and submitted by the May deadline. Summary results will be collated and reported in the autumn. Details of the survey's results will be reported to the Committee when published.
- 2.10. **Benefit Fraud and Single Fraud Investigation Service (SFIS)**
- The successful transfer of ongoing Housing Benefit investigations & investigation staff took place on 1.11.15. All the Council's investigation staff opted to transfer to the DWP. The corporate fraud team has taken on responsibility for ongoing liaison with DWP investigator's ensuring that they have all relevant information to effectively pursue Housing Benefit fraud.
- 2.11. To 1.11.15, the benefit fraud investigation team completed investigations resulting in 111 successful outcomes, including 15 prosecutions, 4 cautions and 5 administrative penalties. There were £404k of identified overpayments.
- 2.12. **CIPFA Code of Practice Managing the Risk of Fraud and Corruption**
- In January Members were asked to approve the latest Counter Fraud Strategy. This report also included an assessment against CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and the toolkit results which showed that activities of the team to be broadly compliant against best practice.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether regular reports on proactive and reactive fraud work (similar to those shown in appendix A) will provide sufficient assurance on the adequacy of counter fraud arrangements during 2016/17. The Committee is invited to ask questions about the contents of the report and seek clarification as necessary.

4. ANALYSIS OF OPTIONS

- 4.1 The progress report is designed to provide this Committee with the assurance required to fulfil its role effectively.

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

- 5.1 Regular reviews of counter fraud arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources. Minor costs associated with the telephone and publicity for the Hotline will continue to be maintained within the Finance Service budget.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

- 8.1 That the Audit Committee considers the assurance provided by the progress report on the adequacy of counter fraud arrangements, and:
- 8.2 That the Audit Committee considers whether the counter fraud work programme delivers a sufficient level of assurance on the adequacy of counter fraud arrangements.

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Background Papers used in the preparation of this report: None

Counter Fraud plan 2016/17

Appendix A

Area	Scope	Planned Days	Progress
Creating an anti-fraud culture			
Counter Fraud Strategy/risk assessments	Review strategies at both Councils and look to align where appropriate	15	Both councils have a current Strategy and they have been refreshed and approved at the appropriate Audit Committee, going forward work will seek to bring these into one strategy which sets out the approach to counter fraud by the team in conjunction with audit.
Publicity	Development of shared internal communication on fraud issues	5	Initial discussions are required to agree format of joint communications (and whether it should include wider governance issues)
Acknowledging & understanding the fraud risk			
Assist services to identify the specific fraud risks in their area	Interact with services to design/improve processes – raise awareness of potential for fraud	40	NLC – Adult Social Care. Agreement to provide fraud awareness training to admin staff based on actual cases they have. Meetings held to discuss specific cases & one investigation is currently under way.
Fraud Newsletter and Council Wide Communications	Publication of internal communications to raise general awareness	5	At NLC council wide communications and a Fraud Focus magazines have been published. However format and contact and cross council approach is yet to be considered.
Preventing & Detecting Fraud			
Data Matching – National Fraud Initiative (NFI)	Provide data sets to cabinet office, action appropriate matches when 2016 exercise commences	80 (25 fraud/55 audit)	2014 exercise almost complete at both councils. December 2015 CT matches delayed awaiting data hub issues. Once resolved these matches will be addressed by matching to internal records & CRA data. Resources have been set aside in both audit plans) to meet fair processing requirements, extract and submit data and start to address the matches expected in January 2017. The wider use of data analytics in the identification of fraud is being considered 10 days have been set aside to upskill in this area
Data Hub	To identify cross-boundary fraud through data matching	10	Data matching protocols now agreed – awaiting S151 sign off. Initial data sets to be matched agreed.
Council Tax discount fraud	Proactive CT discount exercise to be undertaken using the data hub to match against CRA data Develop rolling programme of checking	Rolling basis	Delayed due to concerns over data sharing between authorities. This has now been resolved. Awaiting system access to the Hub. Awaiting access to data hub software.

	discounts		
Reactive fraud investigation	Majority of investigations will centre around Council Tax Reduction/ Council Tax discount fraud. Other investigations will be examined on a case by case basis.	150	Current investigations (other than CTR/CT discount) include adult social care. Internal Audit plans each include a contingency to investigate potential fraud, in liaison with the counter fraud team ,
Provision of professionally trained investigation staff	Ensure all staff have the required skills & qualifications to investigate allegations of fraud	25	Hannerle Watson currently undergoing 3 rd week of corporate fraud investigation training. On successful completion she will be an accredited investigation officer.
Proactive – misuse of council funds audits	Rolling programme of audits of potential misuse of council funds.	63	Both approved audit plans have set aside time to assess the risk of fraud and conduct a series of audits in high risk areas identified
Pursue - sanction & recovery			
Review of Council Tax civil penalties	To consider whether the imposition of Council Tax penalties for failure to report changes could alter behaviour	5	Yet to start.
Publication of results of successful fraud investigations	Provide a deterrent to others who may consider attempting to defraud the Councils either internally/externally	Ad hoc	
Provide disclosure to other law enforcement agencies	Consider requests for personal information held by the councils LT&B service to assist other agencies (ie. DWP, Police, UKBA etc) to effectively tackle other criminal activity	As required	Ongoing. Currently seeking to fill vacant fraud support officer post to fulfil this role.