

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. The Council's fraud resource forms part of the Audit & Assurance team under the shared service arrangements with North East Lincolnshire Council.
- 2.2. This report highlights the actions taken by the Audit and Assurance section in the period to 30th September 2019, around the three central anti-fraud and corruption themes of:
 - Acknowledge - acknowledging and understanding fraud risks
 - Prevent - preventing and detecting fraud
 - Pursue - punishing fraudsters and recovering losses

Acknowledging and understanding fraud risks

- 2.3. Key to acknowledging and understanding the risk of fraud is raising awareness. To this end a fraud awareness campaign is planned, using the large screens in Church Square and Hewson House to highlight key fraud messages to staff including;
 - The costs of fraud
 - Protecting the Council's money
 - The duty of staff to 'speak up' and whistleblowing
 - The Councils Money laundering policies
 - Reporting Bribery and corruption

- 2.4. An A-Z of fraud is being developed for publication on Topdesk. A further series of messages at the beginning of 2020 will cover more specific fraud risks including:
- Procurement fraud
 - Grant fraud
 - Expenses claims
 - Council Tax discounts
- 2.5. The Council's Raising a Concern (Whistleblowing) Policy has been reviewed and is available to staff via Topdesk and is also published on the Council's website enabling staff to safely report allegations of wrongdoing.
- 2.6. These measures will enable staff to correctly identify potential frauds, take action to prevent those frauds occurring where possible and to effectively and confidently report concerns
- 2.7. The team continues to include topical fraud risks in the 'risk round up' newsletter, including guidance on how these frauds can be mitigated and what to do if discovered.
- 2.8. Regular intelligence reports are received via the National Anti-Fraud Network (NAFN). These alerts are disseminated to relevant services. Bank mandate fraud remains an ongoing threat that is reported through to our finance team to ensure they remain vigilant to this risk.
- 2.9. In addition when planning individual internal audit assignments the controls relating to the prevention of fraud are subject to risk assessment and if appropriate the effectiveness of their operation will be tested.
- 2.10. Further actions for 2019/20 include:
- Review of the Council Anti-Fraud Strategy
 - Provide awareness training to HR staff with focus on the process for recording and referring whistleblowing concerns
 - Deliver targeted fraud awareness training to areas with specific fraud risks.

Preventing and detecting fraud

- 2.11. The annual work plan includes supporting the National Fraud Initiative (NFI).

The 2018/19 matches have identified just over 7,000 potential discrepancies in 68 different reports.

Each category is assessed on the basis of the potential risk of fraud and error. On this risk based assessment the team will either conclude no individual checking is necessary, conduct a sample check based on the highest risk matches or conduct a full check on all matching records. To date, only 6 errors have been identified. The low number of errors identified provide some assurance that the Council's data is up to date and accurate and that its fraud risks in these areas are being adequately managed. Below is a breakdown of the work completed so far:

7187	Total number of matches
1753	Number of individual matches reviewed
1090	Closed – no issue identified
643	Closed – information in match was already known
13	Closed – match relates to Housing Benefit – referred to DWP
34	Investigations are ongoing
0	Number of frauds identified
6	Number of errors identified
£11,599	Amount of overpayments identified
47 (69%)	Number of reports where reviews are complete
17 (25%)	Number of reports where reviews are ongoing

- 2.12. Of the 34 cases that are currently being investigated, these relate to duplicate creditor records, Adult Social Care capital and property ownership matches and Council Tax Reduction to HMRC earnings.
- 2.13. There have been two internal referrals made to Internal Audit in relation to alleged abuse of position by a member(s) of staff. One investigation has been completed and concluded that the individual named in the allegation was not a Council employee. The second allegation is currently ongoing.

- 2.14. A review of the main financial assistance claim forms used within Adult Social Care has been done, which identified changes to the form to make it more difficult for an individual to provide incorrect information in support of their application either knowingly or in error. This work has centred on the use of more robust customer declarations, particularly prior to completion of the form to make it clear to applicants that they are required to provide accurate information.
- 2.15. Questions have been re-worded in some instances and in all cases the form now requires a positive 'yes' or 'no' answer, reducing the opportunity for the customer to ignore a question. Additional training will be provided to enable the key information on the application to be correctly interpreted. This will further prevent fraud and error from entering the system at the application stage. This work has been conducted in tandem with Internal Audit as part of ongoing work around capital deprivation.
- 2.16. The correct use of information gathering powers is crucial to the investigation and potential prosecution of fraudsters. New legislation has changed the way in which Councils must now request certain data regarding communications. The Audit and Assurance team has taken the lead in understanding how these changes will affect the Council, the new opportunities now available to use communications data and the risks of failing to apply the correct legislation.
- 2.17. This is not just relevant in the detection and investigation of fraud, but in in the wider enforcement community. Therefore, the information has been disseminated to both Legal Services and Trading Standards at a workshop event in September.
- 2.18. The service is procuring functionality to enable wider data matching to support the detection of fraudulent or erroneous Council Tax single residency discounts

Being stronger in punishing fraud and recovering losses

- 2.19. All losses identified (including those identified from reviews of single residency discounts) are pursued in line with the Council's debt recovery strategy.
- 2.20. All appropriate cases are considered for prosecution in line with the Council's policy on prosecution, taking into consideration both the evidential and public interest tests in the Code for Crown Prosecutors.

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether regular reports on proactive and reactive fraud work will provide sufficient assurance on the adequacy of counter fraud arrangements during 2018/19. 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. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 Regular reviews of counter fraud arrangements should minimise the risk of fraudulent attacks on Council finances and services.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (if required)

7.1 There is no impact assessment required for this report

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 There are no conflicts of interests to declare.

9. RECOMMENDATIONS

9.1 That the Audit Committee considers the assurance provided by the progress report on the adequacy of counter fraud arrangements, and:

9.2 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