

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**ANNUAL FRAUD REPORT 2019-20**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To demonstrate to the public, members, staff and partners the progress made during 2019/20 in developing an anti-fraud culture;
- 1.2 To publicise the actions taken when fraud or misconduct has been identified.

**2. BACKGROUND INFORMATION**

2.1 The Council's framework to combat fraud, corruption and misappropriation was approved by Audit Committee in April 2018. The framework follows national guidance as laid out in the document 'Fighting Fraud and Corruption Locally -The local government counter fraud and corruption strategy 2016-2019', published by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre and is based upon three key principles:

- Acknowledging and understanding fraud risks
- Preventing and detecting fraud
- Pursue - Being stronger in punishing fraud and recovering losses

2.2 The attached annual report highlights the work carried out in each of these areas, and demonstrates the Council's continuing commitment to minimise the risk of fraud.

**3. OPTIONS FOR CONSIDERATION**

- 3.1 The Committee is asked to consider whether the Annual Fraud Report provides sufficient assurance on the adequacy of counter fraud arrangements during 2019/20. 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 report is designed to provide the Committee with the assurance required to fulfil its role effectively.

**5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**

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 met from the Financial Services budget.

**6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

6.1 Decisions arising from this report have no implications on crime and disorder pursuant to section 17 of the Crime & Disorder Act 1998.

6.2 There are no equalities issues arising from this report in relation to the Equalities Act 2010.

6.3 The actions taken and proposed in this report seek to minimise the risk of fraudulent losses, enabling council funds to be used in support of the council's priorities.

6.4 There are no environmental implications or significant risks arising from this report.

**7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 An Integrated Impact Assessment is not required.

**8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 This report has not been subject to consultation.

**9. RECOMMENDATIONS**

9.1 That the Audit Committee considers the assurance provided by the Annual Fraud Report on the adequacy of counter fraud arrangements.

**DIRECTOR: GOVERNANCE AND PARTNERSHIPS**

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**Background Papers used in the preparation of this report – None**

SAFE WELL PROSPEROUS CONNECTED

# Annual Fraud report 2019-2020



**North  
Lincolnshire  
Council**  
[www.northlincs.gov.uk](http://www.northlincs.gov.uk)

## Introduction

As part of its shared service arrangements with North East Lincolnshire Council, the Council has a team of investigators (three investigators (two full time equivalent), one support officer and a manager) reporting directly to the Head of Audit and Assurance.

This report highlights the work which has been carried out under the three key principles of:

- Acknowledging and understanding fraud risks
- Preventing and detecting fraud
- Pursue - Being stronger in punishing fraud and recovering losses.

## Acknowledging and understanding fraud risks

All public bodies are at risk from fraud in one form or another. Acknowledging this fact is vital in developing an effective anti-fraud response. Individual services need to understand where the risk of fraud lies and the consequences of those frauds (whether that be financial, reputational or other) to enable them to develop an appropriate risk based response.

Key to this is an effective counter fraud culture that reinforces the Council's zero tolerance toward fraud; a culture that enables individuals to identify potential fraud and empowers them to report their concerns in a safe and secure manner to the appropriate people at the right time.

During 2019/20 the following actions have been undertaken:

- An A-Z of fraud has been created and published on TOPdesk for employees to access. The aim of the A-Z is to provide an easy to access compendium of fraud risks for employees to access, that will increase their awareness of those risks. It provides a brief description of the different types of fraud risks that both the Council and individuals may be exposed to ranging from the Abuse of a position of trust to the Council's Zero tolerance policy.

There are also a number of real life examples of frauds conducted against local authorities and other public bodies to demonstrate that these are real risks. The A-Z has been publicised through the Council's weekly internal communication bulletin.

- In addition to the A-Z, a series of six fraud awareness slides have been completed and will be shown on the large screens in Church Square and Hewson House over the coming months. Prominently displaying these fraud messages throughout our main buildings will increase our employee's exposure to the risks of fraud and provide practical advice on how and where to report concerns. The slides will highlight key fraud messages around;

- The cost of fraud
  - An employee's duty to protect Council funds from fraud
  - Reporting a concern (whistleblowing)
  - Money Laundering
  - Bribery and Corruption
- The Council's Reporting 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. We have worked with our HR colleagues to raise awareness around when to refer concerns around fraud and financial misconduct to us. This will ensure that all cases are recorded and that the most appropriate action can be taken, not only to investigate the allegation, but also to enable internal audit to consider whether there are weaknesses in the control environment.
  - To promote awareness across the Council, we continue to deliver fraud awareness sessions to services; tailored to their specific needs and/or risks to enable them to correctly identify potential frauds and take appropriate action. Employees' also have access to an online 'e-learning' tool.
  - Current and emerging risks are identified from a number of sources including the National Anti-Fraud Network (NAFN) and other law enforcement agencies. These are disseminated to relevant Council teams to raise awareness. We also continue to include topical fraud risks in the 'risk round up' newsletter available to all employees. Guidance on how these frauds can be mitigated and what to do if discovered is also included to increase understanding of these risks.
  - We continue to publicise specific fraud threats that are targeted at our residents to help keep them safe from fraudsters purporting to be from the Council. The most recent scam includes offering residents a refund on their Council Tax that they are required to 'claim' via a bogus .GOV.UK website. A warning was sent to all staff, publicised on the website and through our various social media outlets.

## Preventing and detecting fraud

Although the detection and recovery of fraudulently obtained finance and assets is important, it is also costly and there is no guarantee that lost monies will be recovered. Therefore, it is imperative that we take all reasonable steps to prevent fraud from entering our systems in the first place.

The protection of assets is one of the five key elements of an effective control environment, and thus plays a critical role in the work of internal audit. When determining the Annual Audit Plan, as well as scoping the work programmes for individual assignments, the audit team consider those areas at risk of fraud and ensure that sufficient coverage is given to the identification and testing of anti – fraud controls within those services in order to assess their effectiveness and where appropriate recommend improvements.

During 2019/20, proactive work has also been completed in relation to car loans for foster carers, councillor's allowances, refunds and card transactions. Spot checks have also been completed on a sample of establishments who receive cash income and also on a sample of imprest accounts.

From the sample tested to date, no issues relating to fraud have been identified. Where appropriate, actions to improve the existing controls have been highlighted to the relevant departments.

The audit team has also completed a review of creditors payments in order to identify potential duplicate payments. Any queries have been passed to the Finance Service Desk for investigation. Other data matching exercises using Council Tax, NDR and Licensing information has also been undertaken. The Strategic Lead for Fraud is currently reviewing the results of these matches.

### Participation in the National Fraud Initiative (NFI)

The NFI is a Cabinet Office initiative matching data from a number of public and private organisations to identify potential fraud which takes place on a cyclical basis.

The most recent NFI exercise (2018/19) has identified over 7,000 in 68 separate reports each categorised by NFI as high, medium or low risk. Each report has then been risk assessed with actions taken based on the quality of data, the risk identified and other actions taken.

Based on this information, a number of reports have been closed on the basis that we are satisfied that no further action is required. In total, 2890 matches have been identified as not requiring further review in this way, all in respect of duplicate creditor matches.

Of the remaining matches, the following action has been taken:

4332	Total number of matches remaining
1833	Number of individual matches reviewed
1106	Closed – no issue identified
663	Closed – information in match was already known
17	Closed – match relates to Housing Benefit – referred to DWP
36	Investigations are ongoing
0	Number of frauds identified
10	Number of errors identified

4332	Total number of matches remaining
£14,092.85	Amount of overpayments identified
49 (72%)	Number of reports where the review have been completed
16 (24%)	Number of reports where reviews are ongoing

The level of fraud/error that has been identified as a result of this exercise continues to be minimal. Less than 1% of matches have been found to be fraudulent or erroneous. This provides assurance that the Council has good data quality and processes in place to identify potential fraud issues.

### Internal allegations

Five internal allegations have been reported during 2019/20 of which three constitute whistleblowing allegations. This indicates that the Reporting a concern (whistleblowing) policy is known to employees with reports being made.

The number of internal allegations has decreased slightly on the six allegations received in both 2017/18 and 2018/19. The forthcoming fraud awareness campaign that includes how to report a concern and the improved liaison with HR, will encourage employees to report all concerns.

Of the allegations received, the following action has been taken:

5	Number of allegations of fraud/financial misconduct reported
1	Number referred to other agencies (e.g. Police)
3	Number of investigations completed (including 1 from previous year)
1	Resigned/Dismissed
0	Other action taken (including management advice, warnings)
2	No issue identified
2	Investigations ongoing



Of the three investigations completed two established that there was no wrongdoing. The third investigation established an intent to avoid paying for a Council service for which there was a charge, by falsifying records. A disciplinary hearing found the individual guilty of gross misconduct and they were dismissed. An appeal was also subsequently dismissed. Evidence obtained and presented by the fraud team was instrumental in this case.

### School admissions

The process for checking school admission applications to deter fraudulent applications is now fully embedded in the admissions process. In 2019/20, we have further refined the process by using data matching software to undertake four matches between school admissions data and Council Tax data to identify discrepancies in the information provided.

The data matching software has decreased the length of time required to undertake the matches and has not only identified cases where the information provided to school admissions may be incorrect, but also where the information is inconsistent with that held for Council tax purposes, for example where a parent completes a school admissions form and provides their address, but Council Tax records show another adult liable at that property claiming they are the only adult resident. These cases are then investigated by the fraud team.

<b>15</b>	Number of schools oversubscribed
<b>1881</b>	Applications checked
<b>348</b>	Number of discrepancies identified
<b>49</b>	Cases requiring further investigation
<b>10</b>	Number of applications where an alternative address was used
<b>4</b>	Number of school places affected
<b>4</b>	Cases taken to appeal
<b>0</b>	Appeals upheld

This level of cross checking provides assurance to the public in general and in particular to the families looking to place their children in schools that the Council is taking all reasonable steps to ensure that school places are allocated correctly. The fact that all four cases taken to appeal were dismissed provides assurance that our investigation and decision making is robust. Additionally, no school places were withdrawn after being offered, removing the upset this can cause to the families concerned.

## Reactive investigations

Allegations are received from a variety of sources, including members of the public, internal council teams, the Police, the NFI exercise and the Department for Work and Pensions (DWP).

In 2019/20, the Council received 141 referrals relating to allegations of fraud or financial misconduct (to 12 March 2020).

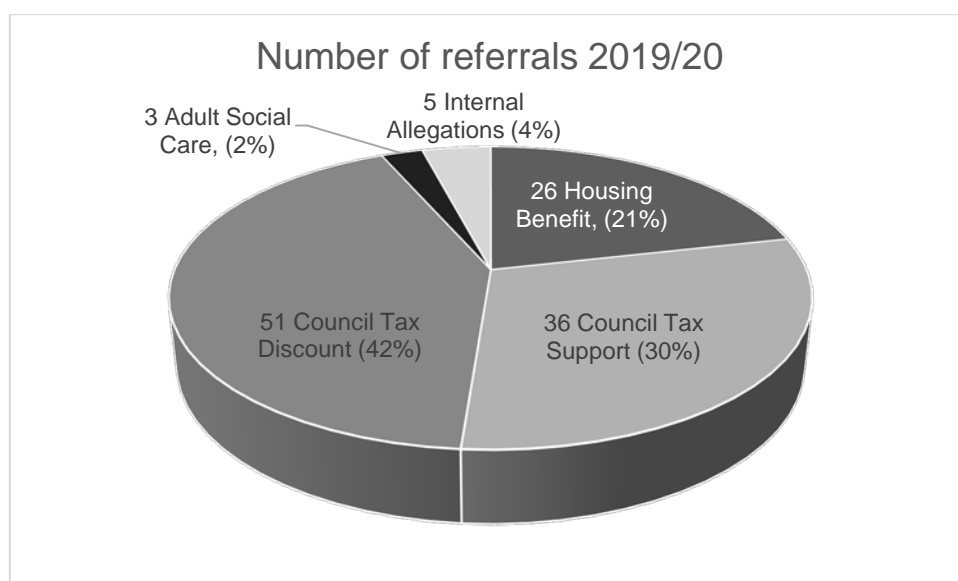
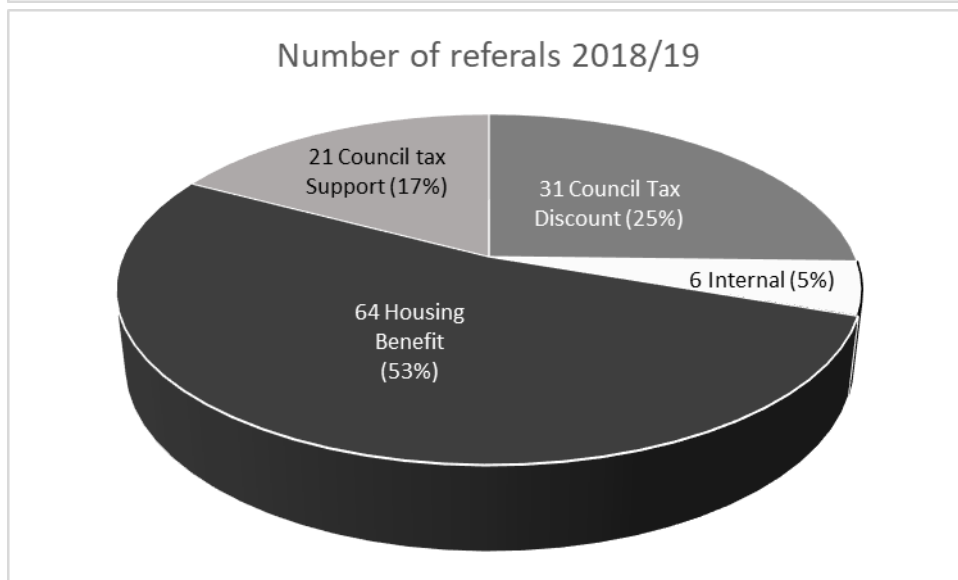
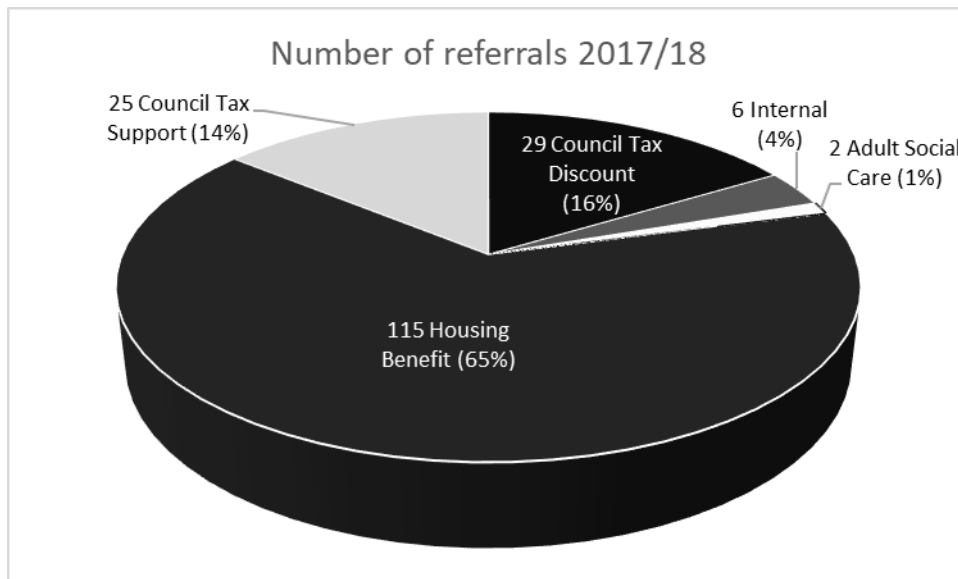
20 referrals were identified as requiring no further action, mainly as a result of there being no offence, or no benefits/discounts in payment.

A further 26 have been sent to the Department for Work and Pensions (DWP) to consider investigation for Housing Benefit offences. The number of referrals to DWP continues to fall as a result of the ongoing rollout of Universal Credit.

There were 87 referrals in relation to Council Tax fraud and this figure continues to rise year on year, indicating that there is an awareness both externally and internally to report abuse of the Council Tax system.

New referrals in respect of Adult Social Care fraud have also increased in the last quarter and indicate that fraud interaction with the financial assessments team is having an impact on the referral rate as awareness is increased.

The charts below provide details of the types of referral received and show the changes in fraud reporting trends over the past three years.



From these referrals the following outcomes have been achieved:

32	Number of Council Tax Support investigations completed
£6.5k	Reduction in the amount of Council Tax Support
43	Number of Council Tax discount investigations completed
£10k	Increase in amount of Council Tax available for collection
£32k	Amount of adult social care overpayments identified (and recovered)

### Information requests

The fraud team continue to play an important role in assisting other enforcement agencies to prevent and detect crime and protect the public purse. The team are the Single Point of Contact in the Council for the Department for Work and Pensions (DWP) fraud investigation team, who have responsibility for investigating allegations of Housing Benefit Fraud; and also for other enforcement agencies including the Police, UK Border Agency and other Local Authorities.

354	Number of DWP requests for information
353	Number of Police requests for information
126	Number of 'other' enforcement agency enquiries

### Pursue- Being stronger in punishing fraud and recovering losses

As a matter of routine, all overpaid monies are considered for recovery. The Council has a robust debt recovery strategy to maximise the recovery of such debts.

Increases in Council Tax liability due to the removal of single person discounts are pursued through adjustment of the individual Council Tax bill and collected as part of normal council tax collection processes.

The Council will always consider prosecution of offenders where there is sufficient evidence and it is in the public interest to do so. It will also consider the use of alternative penalties in certain circumstances for less serious offences, including the offer of an administrative penalty or simple caution.

### Future developments

For 2020/21, we will review our current Anti-Fraud and Corruption Strategy and accompanying Fraud Response Plan against the forthcoming revised local authority counter-fraud strategy, Fighting Fraud and Corruption Locally, due to be published by

the Chartered Institute of Public Finance & Accountancy (CIPFA) on 26<sup>th</sup> March 2020. This will ensure that our strategy continues to reflect best practice within local government and provide the best defence against the risks of fraud.

We will continue to update and enhance the fraud A-Z with further examples of real frauds, to make clear that the risk of fraud is a real risk that must be taken seriously. We will also produce a further set of fraud awareness slides for use on the large screens within offices to provide further insight into the specific types of fraud that the Council may be subject to.

A policy, procedures to protect the Council from the corporate offence failure to prevent the criminal facilitation of tax evasion, will be produced and brought before the Audit Committee for approval in 2020.

The Audit and Assurance Team will continue to develop internal data matching exercises on sets of data not currently reviewed by the National Fraud Initiative. Additionally, there is an ongoing tender exercise to facilitate data matching of Council Tax single residency discounts against credit reference data. This will enable the Council to review all its single residency discounts and remove those that are no longer appropriate. It is anticipated that this will be operational by June 2020.

A planning exercise for the proactive fraud work for 2020 – 2021 has also been completed and is ready to be allocated to the audit team.