

Open Report on behalf of Executive Director, Pete Moore

Report to:	Audit Committee
Date:	21 March 2011
Subject:	Progress Report - Counter Fraud Work Plan 2010/11

Summary:

This report provides an update on progress against our Counter Fraud Work Plan 2010/11 agreed by the Audit Committee in March 2010.

Recommendation(s):

To note the outcomes of our counter fraud work to date and identify any actions it requires.

Background

This report provides a summary of:

- the counter fraud arrangements
- our counter fraud pro-active work
- investigations

Counter fraud arrangements

- 1 We have recently received confirmation that our business case to strengthen the counter fraud arrangements has been approved. The planned implementation date is July 2011, following the conclusion of the workforce change process.
- 2 Although we will not feel the full affect of the changes in year one, the realignment of resources and increased capacity will enable the team to focus on its fraud pro-active and due diligence work as well as responding to the investigative demand. More information can be found in the draft counter fraud work plan for 2011/12.

Counter fraud pro-active work

- 3 The main focus for the team since we last reported to the Committee has been on investigations. However, we have been working on two pro-active

exercises one of which has resulted in the detection of an internal fraud. This is at the early stages of investigation and to reveal any more information at this time may prejudice the employment investigations and any criminal action.

- 4 We have completed the fieldwork on fraud proofing the Council's contracts, service level agreements and key policies. We have liaised with Council contracting and procurement officers and have reviewed contracts, application forms (e.g. grants) and other documents in use across different service areas. We have identified scope to improve the anti-fraud arrangements between LCC and its key partners, contractors, providers etc. The next stage is to provide standard contractual clauses and declarations and help implementation throughout the Council. We will report the results of this work to the next Committee.
- 5 In November 2010 we updated the Lincolnshire Audit Committee Forum on the latest counter fraud information, emerging fraud risks, fraud headlines (nationally and locally) and activities to combat fraud in Lincolnshire. We provided the forum with information on how Audit Committees can gain assurances that their counter fraud arrangements are effective and ways they can help in the fight against fraud.
- 6 We have received Lincolnshire's data matches for the National Fraud Initiative 2010/11 and although the overall number of matches has gone up by 1000 (to 15000), the number of high risk matches recommended for follow up is down by 36% from 2500 to 1600.
- 7 More than 50% of the total matches are on one creditor report – the data quality in this area is such that the process throws up queries which are not necessarily anomalies and are generally easily explained e.g. budget share payments to schools (paid in 12 instalments).
- 8 An interesting new report of matches is payroll to creditors – this flags up payments made to employees and suppliers with the same bank account details. We have a total of 222 matches with 99 recommended for follow up action.
- 9 The good news is that the number of matches for blue badges, private care homes and pensions are all down on the 08/09 NFI exercise. This may be due, in part, to our investigation and recovery action during the last exercise. We have started our NFI validation work and will report on progress throughout the coming year.

Investigations

- 10 We have had 2 successful criminal prosecutions since our last report to the Committee:
 - Former administrator at Welbourn Primary School admitted theft, attempted theft and 3 counts of forgery and was convicted in October

2010. She received a 2 year community order. We are seeking recovery of the sums lost (£33k) with the help of the Police under the Proceeds of Crime Act and through our insurers.

- In September 2010 a former care home manager admitted 19 charges of theft from vulnerable adults. She was sentenced in October 2010 to 5 months imprisonment. The home owners have since repaid the residents' lost savings (£10k plus interest).
- 11 The Police are still pursuing the two complex and high value fraud investigations we completed in 2010. We are not yet in a position to discuss these two cases, but we can confirm that we have pursued action through both the civil and disciplinary routes. All necessary disciplinary action was concluded last year and senior finance officers are currently in the process of negotiating the recovery of the losses identified by our investigation. On the other case the Police have 'frozen' the assets of those involved to increase the chances of recovery at a later stage. We have also logged both cases with the Council's insurers.
- 12 We have 8 ongoing fraud & irregularity investigations with a combined estimated loss of £117k in the following areas
- Financial abuse – service user monies (external)
 - False invoice
 - Abuse – theft of service user property
 - Payroll
 - False travel claims / forgery
 - Misuse of school fund
 - Insurance fraud
 - Cash irregularities
- 13 We have also assisted one of our District Council partners in a fraud investigation which resulted in a successful prosecution.
- 14 We continue to receive disclosures through the Council's whistleblowing mechanism – fraud & corruption related referrals received since the last Committee include:
- Payroll (x2)
 - Procurement irregularities (x2)
 - Mileage and abuse of time
 - Potential misuse of grant monies

Two of the above disclosures are very recent and we are in the process of making preliminary enquiries. We have referred two other cases to the relevant outside agencies for investigation – our role is to oversee progress and ensure satisfactory resolution.

We have looked into one of the procurement issues and ensured the Council has taken the necessary actions to protect the public money, maintain due diligence and to put things right.

Conclusion

We shall provide more detailed information on the achievements during 2010/11 in our Counter Fraud Annual Report which will be presented to the next Committee.

Although our fraud proactive work has been limited over the last two quarters due to investigation demands, our activities in this area have been effective. We have identified savings opportunities and have also detected an internal fraud matter.

We are aware that the nature of our investigations prevents us from more detailed discussion around our work in this public session of the meeting. If the Committee requires more information and insight into the Council's fraud risks and investigations we can provide this for the next meeting in a confidential paper.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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