

**Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety**

Report to:	<b>Audit Committee</b>
Date:	<b>19 March 2012</b>
Subject:	<b>Progress Report - Counter Fraud 2011/12</b>

**Summary:**

This report provides an update on our fraud investigation activities and information on progress against our Counter Fraud Work Plan 2011/12.

**Recommendation(s):**

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

**Background**

This report includes an update on our investigations since our last report and information on progress against our 2011/12 work plan.

**Counter Fraud Arrangements**

- 1 We are pleased to report that we have recently appointed a senior investigator to the team – they will take up post on 1 April 2012 and will help to ensure we balance our investigation and proactive activities.

**Counter fraud pro-active work**

- 2 We have now completed our work on the 2010/11 National Fraud Initiative and can report that a total of £42.6k has so far been recovered:
  - 7 pension overpayments totalling £4,394
  - 4 recoveries relating to private care homes (deceased residents) £36,361
  - 2 duplicate payments (creditors) totalling £1,844

- 3 We have identified one further pension overpayment and we are currently awaiting confirmation of the recovery amount. There are also a further 5 suspected duplicate payments which may result in another £18k of recoveries.
- 4 Overall our NFI recoveries are down on the previous exercise – this is primarily due to fewer overpayments to care homes for deceased residents. We estimate that our final recovery figure could be in the region of £60k. We shall produce a more detailed report of our findings and recommendations in our Counter Fraud Annual Report.
- 5 Fieldwork is underway on a proactive fraud exercise in Adult Social Care – Direct Payments (personal budgets). With the expansion of personal budgets this has been highlighted nationally as an emerging fraud risk. Our coverage is incorporating the following fraud areas:
  - fraud by applicant on the Council - people falsely claiming they need care
  - fraud by carer on vulnerable person
  - fraud by an organisation or someone providing care to the person in needWe shall also review the arrangements for reporting potential financial abuse associated with personal budgets and the level of fraud awareness of staff involved in assessing care needs, facilitating personal budgets and administering direct payments.
- 6 We are also currently reviewing our Counter Fraud and Money Laundering policies to take into account legislative changes, the latest guidance and best practice. One area that does require attention is reference to the Bribery Act – we do not feel this requires a separate policy and intend to incorporate the key changes into our Counter Fraud Policy.
- 7 By the end of March 2012 we will have recovered a further £139k which will increase our total recoveries this year to £791k, excluding NFI.

#### **Fraud – National Picture / Guidance**

- 8 The National Fraud Authority launched its new initiative “Fighting Fraud Locally” in December 2011. The strategy document has yet to be published but the key messages are that by 2015:
  - local authorities will have a greater understanding of their fraud threat
  - there will be a radical realignment of the counter fraud response
  - new collaborative arrangements to combat cross boundary fraud
- 9 Local authorities will be expected to:

- complete a fraud risk assessment and develop a response plan
  - review key systems vulnerable to fraud
  - use data analytic tools to prevent and detect fraud
- 10 We understand that Central Government will be: reviewing how information can be more easily shared, examining how to incentivise local authority counter fraud work and looking at what powers are needed for council staff to investigate non-benefit fraud.
- 11 We have already implemented some of the proposals we will see in the “Fighting Fraud Locally” strategy. We already have:
- activities to embed a strong anti-fraud culture
  - links with local law enforcement (although not formal)
  - access to a specialist investigative resource
  - employ staff that are suitably qualified and trained to undertake investigations

This puts us in a strong position for any future national counter fraud developments.

## **Investigations**

- 12 We have received 2 new suspected fraud referrals since our last report – both relate to possible fraudulent business travel.
- 13 We are working with the Economic Crime Unit and our insurers to recover losses associated with two frauds which resulted in prosecution. We have been informed that there are insufficient assets to cover all the losses under the Proceeds of Crime Act but we anticipate recovering the shortfall via our fidelity guarantee insurance – this should also include a percentage of our investigation costs.
- 14 Internal investigations have concluded on one case and this has resulted in two dismissals – we are unable to provide more detail at this stage due to an ongoing Police enquiry. All other cases are either ongoing internally or are the subject of a Police investigation – we will report the outcomes when the investigations are complete and sanctions applied.

## **Conclusion**

- 29 We continue to make progress on our fraud investigations and have good results with our recovery of losses. We reported in our 2010/11 Annual Report that we had identified over £800k of recovery potential – our latest recovery figures show we have almost reached this target.

- 30 We are on track to achieve our planned proactive work and, now that we are fully resourced, are confident that we can build on our success. We are also in a good position to action the forthcoming recommendations from central government to reduce fraud locally.

## **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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