



Counter Fraud Progress Report

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Introduction

1. The purpose of this report is to:

- Provide an update on our fraud investigation activities
- Report on progress against our Counter Fraud Work Plan 2012/13

Key Messages

2. Counter Fraud Pro-active Work

We have made good progress with our data analytics work and have developed scripts for repeatable analytical reporting, improved our knowledge of our data interrogation software and have run a series of reports highlighting unusual patterns and anomalies for further investigation. We are in the process of following up / investigating these exceptions and will report the outcome of our work at the end of the year.

This data analytics work enhances our capability to identify potential fraud but also enables us to focus on compliance issues (part of our due diligence audit work).

3. Investigations

We currently have 7 live investigations, with two new cases since September 2012. There are 5 ongoing cases with the Police, 3 other cases have recently been closed and are not being pursued further.

Pro-active work

4. As reported above we have been working on improving our data analytics capabilities which will give us the ability to identify unusual trends, outliers and transactions for possible investigation. We have started our analytics work on the creditor payments data but have also made links with the Council's payroll standing data to flag up any matches between Council staff and suppliers. We have created repeatable scripts for the data interrogation software and have produce reports which we are validating and refining to inform our investigations.
5. We shall report the results of this phase of our data analytics work at the end of the year – we plan to apply this analytical approach to other Council systems where fraud and error can exist, for example, Payroll and Expenses.
6. We have also recently been working on new counter fraud and whistleblowing posters and leaflets – we are in the process of finalising designs and expect to begin an awareness campaign in February 2013. The National Fraud Authority, under the “Fighting Fraud Locally” strategy, has issued a free e-learning tool to all

Local Authorities to help improve fraud awareness throughout the country. We aim to explore the possibility of adding this to the Council's set of e-learning modules on Lincs2Learn.

7. Council data for the 2012/13 National Fraud Initiative (NFI) was successfully uploaded in October 2012 for the next public sector data matching exercise. This covers a range of systems including creditors, payroll, pensions, blue badges, concessionary travel, insurance and private care homes / supported residents. The results of this national data matching are expected late January 2013 – we will then filter the matches and focus our resources on the high priority results.
8. The NFI process is resource intensive but is mandatory, occurring every two years. We have found this to be a worthwhile exercise recovering £60k over overpayments in the 2010/11 exercise and £113k in 2008/09 exercise.
9. We are finalising the fieldwork on a pro-active exercise on direct payments and will present the results in our report to the next Audit Committee. During the course of this exercise we have delivered fraud awareness training to principal practitioners in the East of the county who head up teams of social workers – the key messages have been filtered down throughout the teams. We aim to deliver this training to practitioners in other areas of the county. We have already received three referrals since delivering this training and our enquiries are currently at the preliminary stage.

Investigations

10. We currently have 5 live internal investigations:
 - Funding irregularities / misuse of resources / bias in the award of contracts – estimated value £175
 - Bias in the award of contracts – estimated value £13k
 - Misuse of resources / abuse of time
 - Abuse of position (new case)
 - False representation (new case)
11. Internal investigations have concluded in two cases since we last reported and three individuals have been dismissed. Two further individuals have received disciplinary sanctions and management action taken in a third case.
12. We have recently received two referrals of suspected fraud (one internal / one external) and we are currently undertaking preliminary enquiries to establish the facts/evidence on these cases.
13. Three of the eight investigations which were ongoing with the Police have now been closed. In all three cases the investigating officer and/or Crown Prosecution Service (CPS) have concluded that there was insufficient evidence to provide a realistic prospect of conviction. The Council has already taken appropriate action in relation to these cases – all three cases are therefore closed.

14. The ongoing Police investigations are in the following areas:

- 1 x insurance
- 2 x contractor fraud
- 1 x payments
- 1 x financial abuse (vulnerable adult)

15. Results since September 2012:

- Two managers of a former LCC provider have been charged with multiple counts of fraud amounting to over £500k. These charges relate to offences against vulnerable adults (service users) and fraud associated with the Council's contract with the provider. The suspects have yet to enter their plea – a hearing has been set for March 2013 for committal to Crown Court. We shall provide more details at the conclusion of the criminal case.
- We have so far recovered £26.4k from both the Proceeds of Crime process and our insurers – we are also expecting a further £133k from our insurers and a pension confiscation before the year end.

Progress Against Plan

16. See Counter Fraud Work Plan for information on progress against plan – there are four areas currently behind plan: website updates, review of money laundering policy, poster campaign and the review of the Council's Fraud Risk Assessment. These have been rescheduled to quarter four and we plan to complete these tasks by the end of the March 2013. Our fraud investigations continue to be our most resource intensive activity.

Other Matters of Interest

17. The National Fraud Authority (NFA) have been collaborating with local authorities to develop a toolkit to help raise fraud awareness – these toolkits include a range of materials: briefings, posters, leaflets, a training pack and presentation slides, intranet advice, senior staff bulletins and newsletter text. The toolkits will be available to local authorities, free of charge, from early 2013 and we shall allocate resources in our 2013/14 Work Plan to review and utilise these tools.

18. The NFA are still developing a range of guides to assist authorities in the fight against fraud – the most recent of these was issued at the end of last year "Slipping Through the Net" which advises authorities how to protect themselves against fraud committed by employees – 'insider fraud'.

19. One NFA work stream is reviewing local authority powers of access to information or premises to investigate non-benefit fraud without Police intervention – these are currently very limited. We hope to hear the outcome of this review over the

next year. We also understand that the Compendium of Powers and Penalties is to be updated and re-issued in 2013.

20. A key area of interest for us is procurement fraud – this is seen as the second highest fraud risk in Local Government. The NFA set up a project group in November 2012 on procurement fraud – we understand the first of three workshops has already been held.

21. During 2013 the NFA will be:

- Issuing fraud awareness toolkits
- Adding good practice guides to the “Good Practice Bank”
- Running a whistleblowing helpline pilot
- Developing regional hubs to encourage local authority collaboration to tackle fraud
- Carrying our projects and pilot work on new emerging fraud risks
- Working more closely with the private sector

Counter Fraud Work Plan 2012/13

Area	Days	Indicative Scope	Start Date	End Date	Status
Counter Fraud Arrangements					
CF Data analytics – development		To better target proactive resource	October 2012	March 2013	Fieldwork underway
Midland Counties Fraud Group		Attend quarterly meetings to share intelligence, best practice and develop training opportunities	April 2012	March 2013	Ongoing
Lincolnshire Authorities Fraud Forum		Lead, organise & attend meetings, share local intelligence, best practice & work on joint initiatives	April 2012	March 2013	Forum to be re-instigated
CF Champion Liaison		Focus on awareness, progress against plan & emerging themes & fraud risks within Lincolnshire			Ongoing
Sub Total	40				
Anti Fraud Culture					
Raising awareness – engagement and liaison		Members, managers, staff, key partners	July 2012	Sept 2012	Awareness sessions completed with ASC staff
Website maintenance – updates		Warnings of emerging fraud risks, case summaries on proven cases, prevention information	April 2012	March 2013	Ongoing
Fraud bulletins		Communications via daily news bulletins, Audit Lincolnshire	April 2012	March 2013	Ongoing

Area	Days	Indicative Scope	Start Date	End Date	Status
		website etc			
Poster campaign		Joint county / district initiative	April 2012		Designs being finalised – launch February 2013
Annual Reports 11/12 – Counter Fraud and Whistleblowing		Submission to Audit Committee	April 2012	June 2012	Completed
Sub Total	60				
Deterring Fraud					
Publicising successful prosecutions, outcomes and key developments		Echo, County News, News Lincs, Audit Lincolnshire website	April 2012	March 2013	Ongoing
Sub Total	5				
Preventing Fraud					
Review & re-launch Counter Fraud & Money Laundering Policies		Link with work on further developing anti-fraud culture	April 2012	June 2012	Fraud Policy completed Money Laundering Policy (low priority) – rescheduled to Q4
Recommendations tracker		Agree and follow up management action plans arising out of investigations and proactive fraud exercises	April 2012	March 2013	Ongoing
Internal Audit and Risk Management liaison		Intelligence sharing – attendance at team meetings			Information sharing ongoing
Sub Total	20				
Detecting Fraud					
Revisit fraud risk assessment		Assess within all directorates via liaison arrangements	April 2012	June 2012	Approach agreed – Manager to attend DMT meetings to facilitate risk assessment
Continuous fraud testing (fraud &		Linked with due diligence	July	March	Quarter 1 and Quarter

Area	Days	Indicative Scope	Start Date	End Date	Status
error)		quarterly testing	2012	2013	2 complete
Proactive fraud exercises		Based on national and local emerging risk areas	July 2012	March 2013	Direct Payments ongoing
National Fraud Initiative 2012/13		Preparation for data upload and initial work on LCC matches 2013	Sept 2012	March 2013	Data upload successful – investigation to begin February 2013
Sub Total	160				
Investigating Fraud					
Memorandum of Understanding with Police		Arrangements with Economic Crime Unit contact soon to end – need for formal agreement.	April 2012	June 2012	Not yet pursued
Fraud Investigation		In line with investigation manual and recommended best practice	April 2012	March 2013	Ongoing – 7 new referrals involving 11 individuals
Sub Total	300				
Sanctions & Redress					
Pursue civil, disciplinary and/or criminal sanctions		Picked up during investigation process	April 2012	March 2013	Ongoing
Identify and recover all losses		Identified during investigation process and recovery action sought through POCA, Insurance and legal means.	April 2012	March 2013	£26.4k recovered £113k expected by year end
Contingency	65	To enable flexibility in the plan to address emerging risks and/or investigative demand	April 2012	March 2013	
Total Work Plan for 2012/13	650				