



Public Sector Auditing Private Sector Thinking

Counter Fraud Annual Report 2014/2015



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Contact Details:
Lucy Pledge CMIIA
Head of Audit & Risk Management



County Offices, Newland, Lincoln, LN1 1YG
☎:01522 553692 ✉ lucy.pledge@lincolnshire.gov.uk

Introduction

1. The purpose of this report is to:
 - Review the delivery of our 2014/15 Counter Fraud Work Plan
 - Provide information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption

Background

2. There have been significant developments in counter fraud during 2014/15. Following the decision to transfer benefit fraud investigation staff to the Single Fraud Investigation Service, the Department of Communities and Local Government (DCLG) announced a £16m Counter Fraud Fund to ensure that councils could maintain their response to the threat of Corporate Fraud (i.e. non-benefit fraud). Bids for funding were encouraged to be innovative, collaborative and sustainable. We submitted two bids for funding and one of these was successful.
3. CIPFA launched its Counter Fraud Centre (CCFC) in July 2014. This body is the lead and co-ordinates the fight against fraud and corruption across the public services. The CCFC has close links to the Department of Communities and Local Government (DCLG), the National Crime Agency and the Cabinet Office and is the new 'home' for the Local Government Fraud Strategy known as 'Fighting Fraud Locally'. CCFC are dedicated to helping organisations save money through increasing their ability to detect, prevent and recover losses from fraud.
4. Since the formation of CCFC they have developed a Code of Practice on Managing the Risk of Fraud and Corruption. It is encouraging that Lincolnshire County Council already adhere to the 5 key principles identified within the code and has all fraud related policies recommended in place.
5. The final 'Protecting the Public Purse Report (2014)' from the Audit Commission was published in October 2014 – this body has now formally closed. In future, the document will be produced by the CIPFA Counter Fraud Centre. The 2014 report told us that the national estimate of the annual cost of fraud at £2.1 billion still applies. The report re-iterated the need for councils to focus upon non-benefit areas that carry high fraud risks – these include social care and procurement fraud. These are two areas where we have employed increased awareness and pro-active work designed to detect fraud during 2014/15. The report also suggests a correlation between the decrease in detected fraud in some areas with the fall in dedicated fraud resources available.
6. For our part, Lincolnshire County Council has maintained its dedicated counter fraud and investigative resource at the same level for several years. This

demonstrates the strong commitment of the council to reducing fraud and error and is supported by the savings and recoveries made over this time.

7. We have focused strongly on awareness and promotional work during 2014/15. Material publicising our counter fraud and whistleblowing arrangements was distributed across all areas of the council and to our partners and contractors. We have also reinforced the general counter fraud message with regular articles within bulletins and publications aimed at increasing awareness of fraud and further strengthening the anti-fraud culture.
8. We have also carried out targeted work in specific high risk fraud areas. For instance, we have now completed our programme of awareness sessions with Social Care and Safeguarding teams – these were aimed at improving their understanding of the potential for fraud in their area and encouraging officers to raise and discuss their concerns with us. As a direct result of the workshops the number of social care cases referred for follow up has increased significantly and we have recently had a successful prosecution and recovery. Closer links between officers have been established that allow potential issues to be discussed and advice provided – so far these are proving to be very effective.

We have embarked on similar awareness work on procurement fraud and have met with contract leads to discuss delivery of workshops to contract management teams across the Council. We have delivered a pilot session to officers within Children's Services – this was well received and will be rolled out to other contract teams in 2015/16.

Investigations into suspected fraud 2014/15

9. We received 23 new potential fraud referrals during 2014/15 – an increase on previous years and mainly due to the targeted awareness work with social care officers. The total estimated value of fraud associated with these cases was £43k. We found an increase in low level fraud e.g. mileage claims, abuse of assets and abuse of time where we were unable to estimate the loss. Similarly, we have 12 financial abuse cases which we are in the process of establishing the extent of the loss and will include in future progress reports.
10. Results during 2014/15:
 - A female was convicted of fraud by failing to disclose information. This related to Direct Payments from the Council made in respect of her father's care. The individual was in charge of his financial affairs and failed to disclose that he had passed away 12 months earlier. This allowed payments to continue which she used for her own benefit. The individual pleaded guilty to the offence and received a Community Service Order of 200 hours and was required to pay court fees of £85 and a victim surcharge of £60. They also repaid the stolen monies (£7,786). This case was a direct result of fraud awareness sessions with social care teams - a team manager raised the issue

at a workshop, we gathered the relevant information through our investigation, prepared a case file and referred the matter to Lincolnshire Police.

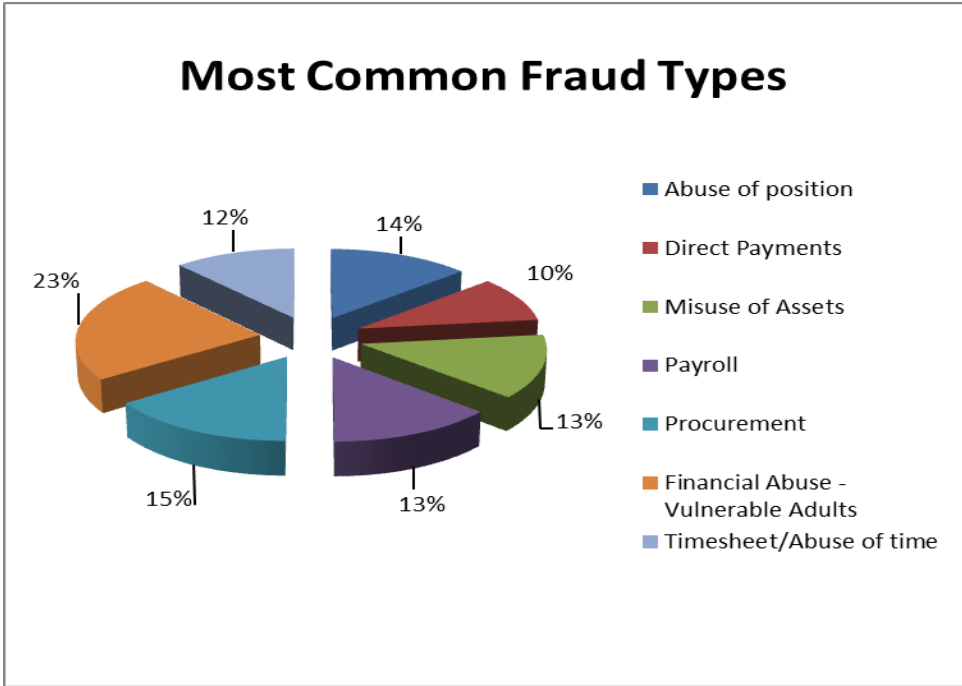
- An employee was found guilty of Taking a Vehicle Without Consent and received an 18 month Community Service Order and was required to pay costs of £85. The individual's driving licence was also endorsed with 6 penalty points. This case related to unauthorised use of a Council vehicle - we completed our own employment investigation and they were summarily dismissed.
- An employee was investigated following allegations they were using the council's time and facilities to conduct their own online business. In addition to this, they used the council's postage system for correspondence relating to the private business. The individual resigned before the disciplinary hearing.

11. The table below gives the Council's profile of fraud referrals over the last five years:

Fraud Type	No. of instances 2010/11	No. of instances 2011/12	No of instances 2012/13	No of instances 2013/14	No of instances 2014/15
Abuse of Position	3	2	2	-	
Bank Account / Creditor Payments	-	1	-	-	
Cheque Fraud	1	-	-	-	
VAT fraud	-	-	-	-	
Direct Payments	-	-	-	3	2
Expenses	1	1	-	1	
False Invoices	1	-	1	-	
False Claims	1	-	-	-	2
False Accounting	-	2	-	-	
Grants	1	2	-	-	
Insurance Fraud	1	3	-	-	
Imprest (Cash)	2	-	-	1	
Misuse of Assets	1	2	2	-	2
Payroll	3	2	2	-	
Pension	-	1	-	-	
Procurement	3	2	-	1	2
Recruitment Fraud			1	1	
School Fund /	-	-	-	2	

Fraud Type	No. of instances 2010/11	No. of instances 2011/12	No of instances 2012/13	No of instances 2013/14	No of instances 2014/15
Budget Share					
Financial Abuse – Vulnerable Adults	2	3	5	-	12
Timesheet / Abuse of Time	1	1	1	-	3
Benefit Fraud	-	-	-	1	

12. The chart below shows the most common types of fraud within the last five years. Latterly, the most prevalent type of fraud referred has been financial abuse of vulnerable adults – this increase is a likely result of the educational work we have delivered to social care and safeguarding teams.

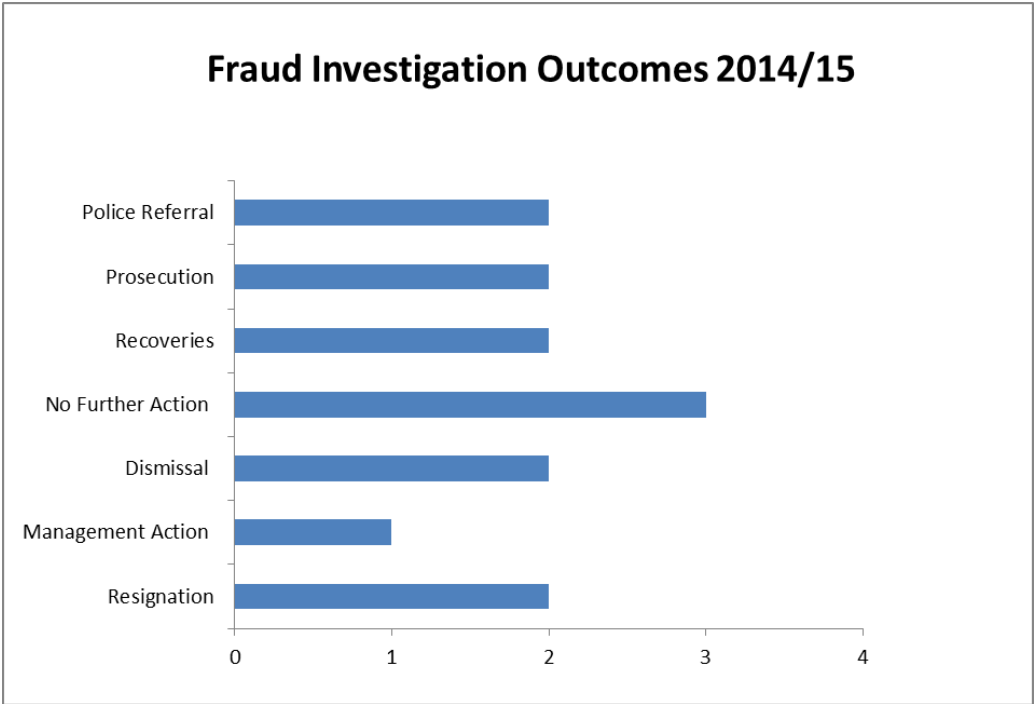


In 2014/15 we received two referrals relating to direct payments and a further 12 relating to potential financial abuse – these referrals were a direct result of increased awareness and liaison work we have undertaken with social care practitioners and Safeguarding teams. Whilst we have had financial abuse cases in previous years we are uncertain whether we were aware of the true extent of the problem.

The Protecting the Public Purse 2014 report identified that the number of social care cases detected in 2013/14 had increased by 119% on the previous year. This shows that fraud in this area remains a high risk for our safeguarding and social care teams and it is important that we continue to support where investigation is required.

13. We have analysed the results from each case completed in the year 2014/15 – this includes cases started in 2013/14. The table below highlights the Council's zero tolerance to fraud and shows that we continue to impose tough and proportionate sanctions and work hard to ensure we recover as much loss as possible.

14. Outcomes relating to fraud cases completed during 2014/15:



15. The previous two financial years (2012/13 and 2013/14) saw the Council achieve exceptional results in terms of recoveries made – over £1m. Understandably, we have not been able to sustain this high level in 2014/15 although we were successful in securing recovery of almost £8k in direct payments, £6k in contract recovery and £11,685 to date through our work on the 2014/15 National Fraud Initiative. We have identified a further estimated £28,830 recovery potential in the areas of direct payments, pensions and duplicate payments.

16. All of the cases identified relating to potential direct payments fraud and financial abuse involved individuals external to the council. Last year we said it was likely that referrals of this nature would increase from our programme of targeted fraud awareness in this area – this has proved to be the case.

17. For internal cases, action plans are produced following any investigation work - whether that involves preliminary enquiries only or where the case progresses to formal investigation. The aim is to reduce the risk of reoccurrence by understanding the issues and taking action to improve controls, where required.

Proactive Work

18. We have placed more emphasis on fraud awareness work in 2014/15 and a major part of this was new posters and leaflets for fraud and whistleblowing. These are now displayed or available in council offices and establishments throughout the county. We have also made arrangements for this material to be provided to our key partners. Our promotional material is now accessible on the updated Counter Fraud and Investigation Team internet & intranet pages.

19. To build upon the message from our promotional material we have worked with the Council's Communication Team to produce regular articles in County News, daily news bulletins and our updated GEORGE page. These updates have been around both general fraud awareness and more specific fraud risks.

20. Our awareness work over the year included:

- Children's Services Contract Team
- Social Care managers and practitioners
- Central Finance Team (handling Direct Payments and Financial Assessments)
- Adult Safeguarding Team

21. This has led to improved communication and links and has resulted in the referral of 12 adult financial abuse cases that we are currently analysing. Many of the cases involve potential abuse by family members or those with Power of Attorney responsibilities. They can be sensitive and difficult to progress to prosecution but we hope to improve this by working with:

- Safeguarding officers
- Police
- Office of the Public Guardian (OPG)
- SERCO Court of Protection Team

22. Procurement and contract fraud is one of the highest fraud risks costing Local Government an estimated £876m each year – actual fraud detected in 2013/14, according to the latest Protecting the Public Purse Report was £4.4m. It is also one of the most difficult types of fraud to identify and investigate. The best source for identifying potential fraud within contracts is the contract leads, hence our awareness work. This intelligence will inform our contract fraud pro-active exercise planned for 2015/16.

23. In October 2014 we submitted data for the 2014/15 National Fraud Initiative (NFI) data matching exercise. The Audit Commission returned our data matches in February 2015 and our work on the high priority matches is still ongoing. Most priority areas (those of highest risk) are now complete. These are:

- personal budgets (direct payments)

- payments for residents in private care homes
- pensions.

24. To date we have identified and recovered £11,865 and have identified several cases for further investigation and follow up. The cases identified so far can be broken down as:

- *Private Residential Care Homes*
2 amounts recovered totalling £10,523. Both cases relate to payments continuing to the home after the residents have died. There is no evidence of fraud in either case.
- *Personal Budgets (direct payments)*
1 case of value £1,161 has been identified and recovered. A further case estimated at £10.9k is currently under investigation. Payments were made after death but there is currently no evidence of fraud.
- *Pensions*
We are currently following up 4 cases (value - £12,830). These relate to individuals receiving pension after death. The Pensions Team are investigating and calculating the value of the overpayment.

We are working on other data matches on payroll, creditors, insurance, blue badges and concessionary travel passes. So far we have found 2 duplicate payments totalling £5.1k which we are investigating.

25. There has been a decline in the amount of NFI recoveries since 2008/09 – this is to be expected as systems are strengthened to prevent further overpayments. In 2012/13 we recovered £16k in total – based on results so far in 2014/15, we expect a slight increase on this figure.

26. Our pro-active review on the Council's payroll focused on expenses and allowances, honoraria and other ad hoc payments. We found no significant issues from this work which confirms controls in this area have been generally effective. A similar approach is used on a regular basis as part of our Due Diligence audit work in analysing expenses and mileage claims – in 2014/15 we have not found significant errors/concern.

27. We now have payroll data for two consecutive years (2013/14 and 2014/15). We intend to use the scripts we have developed to provide a longer term analysis to identify patterns or trends which we can combine with future Agresso data to inform our pro-active work in the coming years.

28. We continue to lead the Midland County Fraud Group – meetings take place on a six monthly basis. This continues to provide valuable fraud and investigation intelligence and also allows best practice to be shared and communicated among members. We have now developed a shared intranet site that allows group members to log policies and procedures, relevant fraud bulletins and case summaries.

29. We are currently also considering LAIOG (Local Authority Investigation Officers Group) membership – this would allow us to obtain further intelligence of fraud cases, establish contacts and seek to extend potential training opportunities.

Lincolnshire Counter Fraud Partnership

30. In 2014, the Department for Communities and Local Government (DCLG) made a £16m Counter Fraud Fund available to help councils maintain a response to the threat of corporate fraud (i.e. non benefit fraud). Councils were invited to submit bids for funding. Bidding criteria required a level of innovation, collaboration and sustainability to allow future counter fraud efforts to continue. Our bid to create the Lincolnshire Counter Fraud Partnership was successful and secured £200k of funding for the County.

31. The partnership consists of Lincolnshire County Council and all seven district councils. The aim of the partnership is to develop working arrangements between counter fraud specialists and subject area experts with a view to:

- Delivering joint pro-active fraud exercises across the county
- Developing and delivering a co-ordinated fraud awareness programme
- Sharing of intelligence, investigation resource, expertise and best practice

32. Governance arrangements have been agreed, a Project Group established and a Principal Investigator appointed to oversee and deliver the project. Two county-wide projects have so far been approved and the Principal Investigator has developed a comprehensive work plan to deliver over the next 18 months. This is an exciting initiative and the benefits of joint working are potentially significant. Progress reports will be provided to this committee over the coming year.

Conclusion and Next Steps

33. The Counter Fraud and Investigations team have achieved 90% of the counter fraud work plan for 2014/15 – we have carried forward 3 areas to the 2015/16 work plan: revisiting the Council's fraud risk assessment, pro-active counter fraud review of contracts and development of a fraud e-learning tool. We intend to develop these collaboratively through the Lincolnshire Counter Fraud Partnership in the coming few months.

34. We believe our counter fraud activities remain effective – we have successfully delivered fraud awareness work (both general and targeted) throughout 2014/15 by working with teams to address high fraud risks that can be categorised as traditionally 'difficult to reach' e.g. social care, procurement and contract fraud. This awareness work has already resulted in more referrals of potential fraud and this is something we expect to continue over the next year.

Counter Fraud Work Plan 2014/15

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Culture					
Engagement and training	Briefings sessions / training for members, management, staff, key partners		April 2014	March 2015	Complete
Website maintenance	Updates / warnings of emerging fraud risks, case summaries, results and prevention information		September 2014	December 2014	GEORGE updated and Audit Lincolnshire website update in progress
Awareness Campaign	Posters, leaflets, e-learning tool to rejuvenate staff awareness		April 2014	June 2014	Fraud and whistleblowing awareness material produced and distributed and articles published. E-learning tool under development
Sub Total		40			
Deterrence					
Promotion of counter fraud activity	Communications covering: <ul style="list-style-type: none"> ▪ Counter fraud team ▪ Investigation outcomes / 		April 2014	March 2015	<ul style="list-style-type: none"> • Successful outcomes publicised

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	prosecutions ■ Advice on fraud prevention measures				through local press and internal media and publications. • Results periodically published in GEORGE
Sub Total		10			
Prevention					
Organisational learning	Supplementary reports and actions plans arising out of investigation work		April 2014	March 2015	Completed at conclusion of investigations, where necessary
Data analytics	Further development / use of data analytics within regular key control testing programme – particularly around payroll and expenses		April 2014	March 2015	Completed
Advice	Enhancing fraud controls and process – new and existing systems		April 2014	March 2015	Completed – specific advice on fraud controls around Agresso and contract management arrangements

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Sub Total		40			
Detection					
Update Fraud Risk Profile	Incorporating emerging risk issues and results from local risk assessment	Revised target	December 2014	March 2015	C/f to 2015/16 – to work jointly via the Lincolnshire Counter Fraud Partnership
Proactive fraud exercises	<ul style="list-style-type: none"> • Payroll • Contracts 		September 2014	March 2015	Fieldwork completed. Further analysis planned to identify longer term patterns & trends.
			December 2014	January 2015	Delayed until 2015/16 Counter Fraud Plan – joint partnership exercise
National Fraud Initiative 2014/15	<ul style="list-style-type: none"> • Data preparation for 2014/15 upload and matching exercise • Initial analysis, sampling and 		September 2014	October 2014	Completed
			February 2015	March 2015	3 cases of overpayment –

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	testing of LCC data matches				£11.6k recovered. Further cases identified for follow up (£28.8k).
Sub Total		140			
Investigation					
Whistleblowing and fraud Investigation	In line with investigation manual and recommended best practice		April 2014	March 2015	<ul style="list-style-type: none"> • 19 whistleblowing referrals • 23 investigation referrals
Sub Total		350			
Sanctions and Redress					
Pursue civil, disciplinary and/or criminal sanctions	Action taken during investigation process		April 2014	March 2015	<ul style="list-style-type: none"> • 1 x prosecution • 2 x dismissal • 2 x resignations
Identify and recover losses	Identified during investigation – recovery action through Proceeds of Crime Act, Insurance and legal means		April 2014	March 2015	<ul style="list-style-type: none"> • £11,685 recovered via NFI • £7,786 recovered from fraud prosecution • £6k contract

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
					recovery <ul style="list-style-type: none"> A further £28.8k recovery potential
Sub Total		5			
Contingency					
Advice & Liaison			April 2014	March 2015	Completed
Sub Total		65			
Grand Total		650			

