



# Counter Fraud Progress Report



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## Introduction

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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 2015/16

## Key Messages

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### Pro-active Work

2. We are making good progress against our 2015/16 pro-active work plan, in particular:

- We have met with contract management leads and are currently undertaking a programme of fraud awareness sessions with Procurement Lincolnshire officers and devolved contract teams – these are aimed at addressing procurement fraud risks
- Update of the Council's fraud risk profile is at an advanced stage
- We have continued to promote fraud awareness and counter fraud activity through various media channels

3. We have made significant progress on 2 of the 3 areas carried forward from the 2014/15 Counter Fraud Work Plan – work is currently ongoing to update the Council's fraud risk profile and the pro-active counter fraud review of procurement and contracts has commenced.

4. We have almost completed our analysis of the data matches arising from the 2014/15 National Fraud Initiative and have already made recoveries across several areas. Our work on this exercise has also highlighted some system weaknesses and we have been able to liaise with the relevant teams to improve data quality and to ensure controls are in place to mitigate risks. We are also conducting ongoing enquiries into several further overpayments.

5. The Lincolnshire Counter Fraud Partnership (consisting of Lincolnshire County Council and all seven district councils) has been fully operational since May 2015. The priorities of the Principal Investigator appointed to oversee and deliver the project are guided by the comprehensive work plan in place. The projects agreed have already realised some significant savings and further bids have been invited. Work is ongoing to update risk profiles of the partner authorities involved and arrangements are being made to hold a joint training event on procurement fraud for relevant officers across all partners.

### Investigations

6. We have received 6 suspected fraud referrals since April 2015:

- 2 cases involved preliminary enquiries only (insufficient evidence of fraud to proceed)
  - 2 cases have been referred to our Blue Badge Team to assess whether individuals have been using the scheme legitimately
  - 2 live cases – one of these may be referred to the Police once more evidence has been gathered
7. There has been progress in a case from 2012 involving a bank mandate fraud against the Council. The trial of the defendants involved is due to commence on 16<sup>th</sup> November at Liverpool Crown Court. The alleged offences to be heard include money laundering and fraud by misrepresentation.

## **Counter Fraud Pro-active Work**

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### **Fraud Awareness**

8. In conjunction with the Lincolnshire Counter Fraud Partnership we have recently succeeded in achieving considerable coverage across local media. The main focus of the campaign has been around our aim to provide a county wide anti-fraud response and to improve understanding of how fraud issues and concerns can be reported. We have issued press releases directed at both internal and external stakeholders to promote fraud awareness.
9. We have used various media channels to promote an anti-fraud culture with stakeholders. For employees and partners, we have issued regular bulletins and press releases on both general and targeted fraud themes – these are designed to reach all Council staff including schools. We are working closely with teams where there are known fraud threats. For example, the Serco Masterdata team now notify us if they become aware of any attempts to falsely change bank account details (mandate fraud) – we then share this intelligence with District Councils to maximise awareness.
10. To build understanding with a wider audience across Lincolnshire we have promoted our drive to prevent and detect fraud through interviews on local radio stations and social media platforms. We are aware that our recent article in County News prompted a significant response through the increased amount of calls to our Whistleblowing line.
11. The annual cost of procurement fraud to local government continues to be estimated at £876m – it is thought this equates to 1% of procurement spend. With this in mind, we have been increasing our efforts to identify and prevent procurement fraud at the Council. The initial stage of our pro-active exercise in this area has been to engage contract leads to understand the particular fraud risks in the procurement and contracts that they deal with. This has enabled us to tailor fraud awareness sessions to the various teams. We have delivered several presentations of this nature and plan to cover all devolved teams and Procurement Lincolnshire during 2015/16.

12. We are also liaising with Procurement Lincolnshire and the devolved contract teams to ensure our anti-fraud and whistleblowing promotional material (including posters and leaflets) are distributed to contractors.
13. The Lincolnshire Counter Fraud Partnership is leading on awareness and promotional work across the county, over the coming months – this will include 'pop-up' displays in reception areas and implementing a flexible fraud e-learning module for Council employees. This will link to the Audit Lincolnshire microsite which will be developed as a central point for fraud information. We are also finalising arrangements for a county wide training event on procurement fraud involving participants from district councils, Council commissioning teams and schools.

### **National Fraud Initiative (NFI)**

14. Our review of the data matching reports provided as part of the National Fraud Initiative (NFI) 2014/15 is almost complete with only ongoing queries remaining to be addressed. To date we have recovered over £18.5k. There is further recovery potential of up to £35k on the outstanding cases that we continue to pursue. This is an increase on the amount recovered (£16k) in the previous exercise in 2012/13.
15. Our approach to the NFI matches is to prioritise those reports where we have achieved the highest recoveries in past exercises. This has again proved to be successful although we have also made recoveries in areas included in the initiative for the first time e.g. Personal Budgets. So far we have made the following recoveries:
  - Pensions – in one case we have recovered £2.3k relating to payments made after a pensioner's death. We are pursuing a further 3 potential cases totalling £9.4k
  - Private Residential Care Homes – 2 cases where payments continued after the resident's death. Over £10.5k was recovered from the residential home
  - Personal Budgets (Direct Payments) – £1.1k where a recipient had died but payments continued to be made. We are currently pursuing a further case where overpayments were made – as the representative has failed to provide evidence of use, a debtor invoice of £25.9k has been issued
  - Creditor payments – duplicate payment £4.2k

We have not identified any evidence of fraud in respect of the cases noted above.

16. We have also been able to instigate system improvements to help prevent further fraud, error or overpayment occurring in future. For example:
  - a pensioner's occupational pension payments ceased after their death was reported – yet the incremental pension payment (administered by another team) continued. Both teams now share death / change of circumstance data to reduce the risk of future overpayments.

- when reviewing Personal Budget against Housing Benefit we noted that some financial assessments were out of date – the administrative team now ensure all financial assessments are current

### **Targeted Pro-active Fraud Work**

17. Payroll – we used data analysis techniques on 2014/15 payroll data to identify outliers, unusual patterns or individual transactions for validation and/or investigation. We found no evidence of fraudulent activity. We are currently reviewing honoraria payments made during this period. Due to the introduction of Agresso, we have so far been unable to analyse the payroll data for 2015/16 – we intend to deliver this work in Quarter 4.
18. Procurement – work is currently underway in this area, based on recent guidance issued by CIPFA "Managing the Risk of Procurement Fraud".
19. To complement the programme of sessions to develop awareness within contract teams, we are also using data analytical techniques to identify contracts for further review. We have also identified key areas of fraud risk through discussion with contract leads – this intelligence has helped focus our efforts and resources. We also plan to liaise with contract teams to gain access to supplier records to help strengthen our response to procurement fraud.

### **Lincolnshire Counter Fraud Partnership**

20. Progress is being made in key areas of the partnership's Work Plan. These include:
  - Establishment of fraud networks – this work is helping develop a greater understanding of fraud risks facing the partner authorities, sharing of best practice and transfer of fraud intelligence across Lincolnshire
  - Developing an overarching Communications Plan. The initial communications since the Partnership was created have included press releases, radio interviews and articles. County wide publicity is generating an increased response to the Lincolnshire Authorities Fraud hotline – issues reported include Housing and Blue Badge Fraud
  - A county wide fraud risk register is also being developed. The outcomes from this risk assessment work will help prioritise areas for future pro-active counter fraud work. Fraud risk workshops are currently being held with district councils to establish registers specific to each partner
  - Fraud 'health checks' using the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Our initial assessment suggests further work is required within all partner authorities to strengthen arrangements.
21. Current projects designed to detect fraud and error include:
  - Council Tax Single Person Discount (SPD) – at 30<sup>th</sup> October 2015 this project has generated net 'savings' of £564k. In addition, 342 penalties have been imposed and 2253 discounts have been removed

- A pilot to address Council Tax reduction fraud within partner authorities has so far realised £37k in savings and identified 22 cases where fixed penalties have been imposed

22. These projects were approved, funded and implemented through the Partnership. We believe the initial results are encouraging and demonstrate the value in joint working across partner authorities and the potential for long term sustainability of the partnership.

## **Investigations**

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23. The Council has 2 fraud cases with the Police:

- 1 x mandate fraud (£291k)

This case arose in 2012 – Merseyside Police are leading this case which includes fraud and money laundering. Three individuals have been charged and the latest information indicates that the case is due to be heard at Liverpool Crown Court from 16<sup>th</sup> November.

- 1 x Abuse of Power of Attorney responsibilities (estimated £119k)

This case was referred in 2014/15 following our awareness campaign around the risks of social care fraud. The Council's Adult Safeguarding Team expressed concerns that an individual was being financially abused by the individual acting as Power of Attorney. We worked with Serco's Court of Protection Team and the Office of the Public Guardian (OPG) to ensure progress. The case has been referred by Lincolnshire Police to the Crown Prosecution Service for consideration of criminal charges against the alleged perpetrator.

24. We have received 6 suspected fraud referrals since April this year – 2 of which required preliminary enquiries only:

- Misappropriation of monies at a Council establishment – the evidence is insufficient for a criminal prosecution due to the standard of cash receipting records and poor security arrangements. We recommended these issues be addressed as a matter of priority and have escalated it to the Council's Finance Team for action. Outcome – management action.
- Alleged fraud by service provider – a parent of a service user raised concerns that a provider was committing fraud against the Council by not supplying the required level of service. Our enquiries found no evidence to support the allegation but we did find administrative errors in the billing arrangements – these have since been rectified by the provider.

25. We currently have 4 live cases – we intend to refer one of these to the Police and the DWP are currently actively investigating another case:

- Employee mileage claim irregularities

This matter is being investigated under the Council's disciplinary process. The investigation report has been completed and is due to be presented to a disciplinary hearing in November. There is insufficient evidence to be able to pursue a criminal prosecution in this matter

- School – suspected financial mismanagement

This case has been investigated under the disciplinary process. The main financial issues included: potential misuse of school assets, misappropriation of income and irregularities regarding staff appointments, pay and expenses. The evidence is not sufficient to meet the requirements for a criminal case. A disciplinary hearing is pending.

- Direct payment – suspected provision of false information to secure ongoing payments

This case involves a direct payment recipient that has supplied information that we believe may be false. The individual has now moved from Lincolnshire therefore payments have ceased – we have issued a debtor account to recover the monies. We also plan to make a police referral following the receipt of more information.

- Suspected exaggeration of health condition to secure care from the Council

This case was referred as a result of our fraud awareness work in 2014/15 with social care teams. A team manager raised concern that a service user may be falsely representing the extent of their health condition – consequently they may be receiving a higher level of care than is necessary. No payments are involved in this case but there is the financial impact as the Council is providing the care. We are currently liaising with the Department of Work and Pensions (DWP) as they suspect a similar fraud may have been committed against them

26. We continue to receive and make enquiries into several cases relating to potential financial abuse against individuals (social care). These cases tend to involve several stakeholders and can be highly complex in terms of obtaining information. However, we continue to work with the relevant Social Care and Safeguarding teams to ensure progression of cases where appropriate.



## **Progress Against Plan**

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27. The Counter Fraud Work Plan at Appendix A provides summary information on progress against plan – much of our work is on-going. We are, however, making good progress and our achievements to date are detailed in points 8 to 23 above.

## **Other Matters of Interest**

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### **CIPFA Counter Fraud Centre**

28. The CIPFA Counter Fraud Centre (CCFC) was launched in July 2014 with the aim of leading and co-ordinating the fight against fraud and corruption across the public services. In recent months we have seen the CCFC become more prominent issuing guidance, training opportunities and tools to aid counter fraud specialists.

29. In response to the high risks posed by Procurement Fraud to the public sector, guidance entitled 'Managing the Risk of Procurement Fraud' was issued in June 2015. Previously, there has been little guidance in this area – this document is aimed at procurement managers, counter fraud specialists and finance managers and covers the main fraud risk areas as well as the controls expected to mitigate such risks. We have distributed the document to Procurement Lincolnshire and the devolved teams within the Council responsible for contract management. We have also used the guidance as a basis for our pro-active work and awareness sessions with these teams.

30. Further developments include:

- Fraud and Corruption Survey – we were required to submit details for this process in July 2015. The data provided by participants in the survey will be released shortly by the CCFC
- A Code of Practice on Managing the Risk of Fraud and Corruption was previously developed and published by the CCFC (this was noted in previous progress reports). This document identified key principles and actions. The Centre has now issued an Assessment Tool to help authorities measure themselves against the Code. This is also designed to link into the Annual Governance Statement and will aid future benchmarking. We are confident that we comply with many of the key areas within the Code.

We are currently considering subscribing to the CIPFA Counter Fraud Centre – this will allow us access to further counter fraud tools, alerts and case studies to help guide our counter fraud response.

### **Midlands Fraud Group**

31. We continue to lead the Midland County Fraud Group. This group is a useful network that allows members to share fraud and investigation intelligence and case studies, not only at our six monthly meetings but also as issues arise.

END OF REPORT

Counter Fraud Work Plan 2015/16

Appendix A

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
<b>Anti Fraud Culture</b>					
Raising Awareness	Briefings sessions  Training for members, management, staff, key partners (general and specific fraud areas)		April 2015	March 2016	Briefing sessions focused on procurement fraud. Procurement Fraud training arranged for February 2016.
Engagement and Training	Updates – risks, results and information  Newsletter - awareness		April 2015	March 2016	Regular updates across media channels – press releases, County News, daily staff bulletins
Website development and maintenance	Develop e-learning and microsite (Audit Lincolnshire)		April 2015	March 2016	Microsite currently being updated
<b>Sub Total</b>		<b>30</b>			
<b>Deterrence</b>					
Promotion of counter Fraud Activity	Investigation outcomes and learning points		April 2015	March 2016	Action plans produced following all

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	Publicising key issues and fraud prevention measures				investigations Ongoing – regular promotion aimed at deterring fraud
<b>Sub Total</b>		<b>10</b>			
<b>Prevention</b>					
Organisational learning	Reports and action plans		April 2015	March 2016	Ongoing – action plans produced following all investigations
Use of data analytics	Use of data analysis within pro-active counter fraud exercises		April 2015	March 2016	Data analysis used on a regular basis – payroll, honoraria and procurement
Advice	Enhancing fraud controls and process – new and existing systems		April 2015	March 2016	Ongoing - provided when required
<b>Sub Total</b>		<b>40</b>			
<b>Detection</b>					
Update Fraud Risk Profile	Fraud risk assessment work		April 2015	June 2015	Ongoing – main areas of risk now identified

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Pro-active counter fraud exercises	Review of contracts and procurement using data analysis, intelligence and liaison with contract teams		July 2015	September 2015	Ongoing – met with contract leads to identify potential fraud risks. Awareness sessions delivered to devolved teams (with others arranged)  Data analysis to identify contracts for closer scrutiny
National Fraud Initiative 2014/15	Review and analysis of matches identified in NFI process (prioritising areas where recoveries can be made or where higher risk)		April 2015	June 2015	Work almost completed with enquiries ongoing into several outstanding cases. Over £18k recovered to date – additional £35k recovery potential
Lincolnshire Counter Fraud Partnership	Co-ordination of the joint group devised from DCLG funding – oversight and development		April 2015	March 2016	Work ongoing against Work Plan

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Midlands Fraud Group	Hosting and co-ordination of Midlands Fraud Group meetings		July 2015	July 2015	Meeting hosted in July 2015
			January 2016	January 2016	Further meeting to be held in January 2016
<b>Sub Total</b>		<b>170</b>			
<b>Investigation</b>					
Whistleblowing and Fraud Investigation	In line with investigation manual and recommended best practice		April 2015	March 2016	On-going
<b>Sub Total</b>		<b>300</b>			
<b>Sanctions and Redress</b>					
Pursue civil, disciplinary and/or criminal sanctions	Action taken during investigation process		April 2015	March 2016	On-going
<b>Sub Total</b>		<b>5</b>			
<b>Contingency</b>					
<b>Sub Total</b>		<b>65</b>			
<b>Grand Total</b>		<b>650</b>			