



Counter Fraud Progress Report



Date: April 2013

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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

The results of our data analytics work piloted on creditor payments will be reported following the last stage of the project, planned for April 2013.

This data analytics work has enhanced our capability to handle large volumes of data to identify potential fraud but also provides linkages to and assurances on compliance matters which is part of our due diligence responsibilities.

The team have begun their work on reviewing the data matches on the latest National Fraud Initiative – we will report results as they are known throughout the year.

3. Investigations

We currently have 5 live investigations, with three new cases since from January 2013. There are 3 ongoing cases with the Police.

Pro-active work

4. The final phase of the data analytics project is to be completed in April 2013 – we are still following up the results / validation work on the creditor payments data – the outcomes from this work will be reported following the final phase of the project. This analytical approach will be applied to other Council systems during 2013/14, e.g. expenses.

5. New counter fraud and whistleblowing posters and leaflets were not ready to launch before the end of this financial year – these actions will now be carried forward into our 2013/14 fraud awareness campaign.

6. Work has started on the 2012/13 National Fraud Initiative (NFI) data matches. We have just over 19,000 matches with creditors and concessionary travel the two biggest areas for us to review and/or investigate:

- Creditors – 8019 matches
- Concessionary Travel – 8401 matches
- Blue Badges – 1430 matches

- Payroll – 1055 matches
- Private Residential Care – 302 matches
- Insurance Claimants – 21 matches

Investigations and recoveries take some time – we shall therefore be reporting our results throughout the year.

7. The NFI process is resource intensive but mandatory, occurring every two years. We recovered £60k of overpayments in the 2010/11 exercise and £113k in 2008/09 exercise.

Investigations

8. We currently have 5 live internal investigations:

- Bias in the award of contracts / abuse of position
- Misuse of resources / abuse of time / timesheet fraud
- Recruitment fraud
- False representation
- Misuse of council property

9. Investigations have concluded in two cases since January – one resulted in management action and we recovered £675 in a case which involved an invoicing scam – the company have been referred to the Police and NFA's Action Fraud organisation. Our team have issued a fraud warning to reduce the risk of re-occurrence.

10. The on-going Police investigations are in the following areas:

- contractor fraud x 2
- mandate fraud / payments

11. Results since January 2013:

- We have so far recovered £47.8k from the Proceeds of Crime process, our insurers and pension confiscation (£21.4k). Our insurers have also recently confirmed approval of our claim relating to the fraud within a Lincolnshire school in 2010 to the sum of £111.7k including part recovery of our investigation costs – the payment is imminent.

Progress Against Plan

12. See Counter Fraud Work Plan for information on progress against plan – there are four areas where work will continue into 2013/14: review of money laundering policy, final phase of data analytics project, poster & fraud awareness campaign and update of the Council's fraud risk profile. We have allocated resources in the

213/14 Work Plan to complete this work. Our fraud investigations continue to be our most resource intensive activity.

Other Matters of Interest

No updates since January 2013.

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	Final phase c/f to April 2013
Midland Counties Fraud Group		Attend quarterly meetings to share intelligence, best practice and develop training opportunities	April 2012	March 2013	Complete
Lincolnshire Authorities Fraud Forum		Lead, organise & attend meetings, share local intelligence, best practice & work on joint initiatives	April 2012	March 2013	Not progressed
CF Champion Liaison		Focus on awareness, progress against plan & emerging themes & fraud risks within Lincolnshire			Complete
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 more planned for 2013/14
Website maintenance – updates		Warnings of emerging fraud risks, case summaries on proven cases, prevention information	April 2012	March 2013	Complete
Fraud bulletins		Communications via daily news	April	March	Complete, where

Area	Days	Indicative Scope	Start Date	End Date	Status
		bulletins, Audit Lincolnshire website etc	2012	2013	appropriate
Poster campaign		Joint county / district initiative	April 2012		Designs being finalised – launch to c/f to 2013/14 plan
Annual Reports 11/12 – Counter Fraud and Whistleblowing		Submission to Audit Committee	April 2012	June 2012	Complete
Sub Total	60				
Deterring Fraud					
Publicising successful prosecutions, outcomes and key developments		Echo, County News, News Lincs, Audit Lincolnshire website	April 2012	March 2013	Complete
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 2013/14
Recommendations tracker		Agree and follow up management action plans arising out of investigations and proactive fraud exercises	April 2012	March 2013	
Internal Audit and Risk Management liaison		Intelligence sharing – attendance at team meetings			
Sub Total	20				
Detecting Fraud					
Revisit fraud risk assessment		Assess within all directorates via liaison arrangements	April 2012	June 2012	Deferred - updated risk profile c/f to 2013/14

Area	Days	Indicative Scope	Start Date	End Date	Status
Continuous fraud testing (fraud & error)		Linked with due diligence quarterly testing	July 2012	March 2013	Complete
Proactive fraud exercises		Based on national and local emerging risk areas	July 2012	March 2013	Direct Payments – fieldwork completed
National Fraud Initiative 2012/13		Preparation for data upload and initial work on LCC matches 2013	Sept 2012	March 2013	Data upload successful – review of data matches on-going
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 pursued
Fraud Investigation		In line with investigation manual and recommended best practice	April 2012	March 2013	
Sub Total	300				
Sanctions & Redress					
Pursue civil, disciplinary and/or criminal sanctions		Picked up during investigation process	April 2012	March 2013	
Identify and recover all losses		Identified during investigation process and recovery action sought through POCA, Insurance and legal means.	April 2012	March 2013	£159.5k total recovery
Contingency	65	To enable flexibility in the plan to address emerging risks and/or investigative demand	April 2012	March 2013	Transferred to meet investigative demand
Total Work Plan for 2012/13	650				