



COUNTER FRAUD  
*Services*

## **Lincolnshire County Council** **Counter Fraud Progress Report**

21 November 2016





## **What we do best ....**

Innovative assurance services

**Specialists at internal audit**

**Comprehensive risk management**

**Experts in countering fraud**

## **..... And what sets us apart**

**Unrivalled best value to our customers**

**Existing strong regional public sector partnership**

**Auditors with the knowledge and expertise to get the job done**

**Already working extensively with the not-for-profit and third sector**



## Contents

The contacts at Assurance Lincolnshire for this report are:

Lucy Pledge  
Audit and Risk Manager  
01522 553692  
[Lucy.pledge@lincolnshire.gov.uk](mailto:Lucy.pledge@lincolnshire.gov.uk)

Matt Drury  
Principal Investigator  
01522 553690  
[matt.drury@lincolnshire.gov.uk](mailto:matt.drury@lincolnshire.gov.uk)

Key Messages	4-5
Counter Fraud Proactive work	6-7
Lincolnshire Counter Fraud Partnership	7-8
Investigations	8-9
Other Matters of Interest	9
Progress against Counter Fraud Work Plan	10-16

This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be issues that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed counter fraud plan.





## Key Messages

### Proactive work

1. We are making progress against our 2016/17 Counter Fraud Work Plan. Areas where particular headway has been made include:
  - Further awareness sessions with teams involved in procurement and contract management
  - The Council's assessment of fraud risks is currently being updated – this will guide future counter fraud planning and priorities
  - A significant amount of work has been completed to prepare and provide datasets to the Cabinet Office for the National Fraud Initiative 2016/17 exercise
  - Our policy documents are currently under review to ensure they reflect current legislation and practice
2. The counter fraud tasks completed so far in 2016/17 should be considered against the background of the team's continued involvement in Agresso reviews during Summer 2016. The sharp increase in investigations activity during the year to date (please refer to paragraph 5 and 6) has also impacted on the resources available to deliver our planned proactive caseload.
3. The Lincolnshire Counter Fraud Partnership also continues to make progress against its own Work Plan overseeing projects on Council Tax Reduction and Business Rates – these are aimed at delivering

savings to the partners involved (further to the £680k reported to this committee in July 2016 in the 2015/16 Counter Fraud Annual Report).

4. The partnership is also involved in raising awareness of fraud and plays a key role in improving governance arrangements across Lincolnshire authorities.



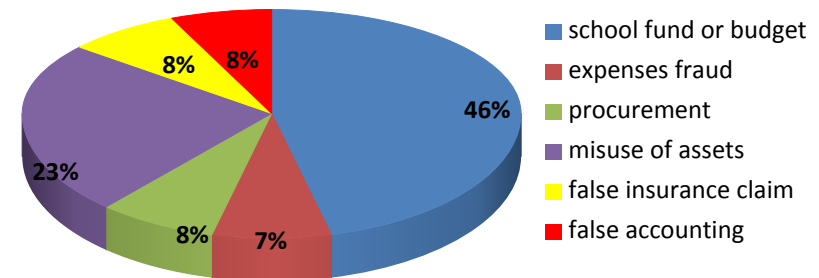


## Investigations

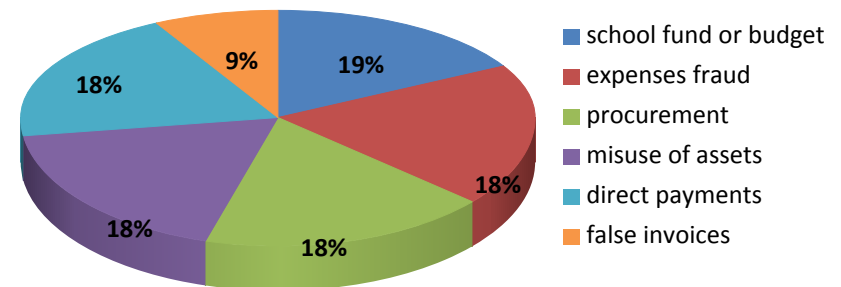
5. We have received 13 suspected fraud referrals since April 2016:
- 10 current live cases
  - 3 cases have been closed during 2016/17 – 2 of these required no further action and a further case was resolved through management action
6. This represents a marked increase in the level of fraud referrals received at the same stage in 2015/16 when 6 cases were under investigation. We have identified a clear increase in school cases being investigated - 6 of the cases referred (46%) in 2016/17 involve schools. However, analysis has found no clear pattern of common issues.
7. The Counter Fraud and Investigation Team investigate all fraud referrals – reinforcing the Council's zero tolerance approach to fraud. While several of the cases reported do not involve large amounts and may not result in sanctions being taken, 4 cases have been referred, or are likely to be referred, to Lincolnshire Police for potential criminal proceedings.

## Referrals

2016/17 fraud referrals (to date)



2015/16 fraud referrals





## Counter Fraud Proactive Work

### Fraud Awareness

8. In conjunction with the Lincolnshire Counter Fraud Partnership we have continued to promote fraud awareness across all areas. This is a key factor in embedding an anti-fraud culture where all stakeholders are actively involved. The aim of such promotion is to improve understanding of fraud issues and to publicise the methods by which fraud concerns can be reported.
9. The Counter Fraud & Investigation Team liaise with the Council's communications team on a regular basis to ensure the anti-fraud message is communicated to a wide audience:
  - We frequently respond to fraud alerts and potential scams by disseminating the details to relevant teams
  - We are nearing completion in developing a fraud e-learning package aimed at improving fraud knowledge among Council employees
  - We now issue regular press releases to various media outlets and have developed our use of social media platforms in recent months to improve awareness of fraud threats
10. We continue to promote understanding of fraud risks within priority areas. Procurement has been highlighted as the single largest area of fraud loss within local government. To combat this risk we are liaising with teams involved in procuring goods and services and contract management. Initial engagement is now being followed by further, more detailed pro-active work in this area.
11. We are currently working with the Lincolnshire Counter Fraud Partnership to arrange a 'Fraud Week' within the Council - this will be

aimed at improving awareness of fraud, the impact it can have on individuals and communities and the arrangements at Lincolnshire County Council for tackling the threat. A key element is to promote reporting options to ensure knowledge of whistleblowing procedures.

### National Fraud Initiative

12. Our review of the data matches produced from the 2014/15 National Fraud Initiative is now complete. We were able to identify and instigate the recovery of over £38k. This is an increase on the previous 2012/13 exercise where £16k was recovered.
13. Most of the recoveries related to payments continuing after the recipient's death (pensions, personal budgets and payments made to residential care homes). In one case, the recipient was residing and died in France. Through joint working with the Council's partners at West Yorkshire Pension Fund the individual's family were traced and overpaid monies reimbursed (£8k) – this demonstrates the robust arrangements we have in place to detect fraud, error and overpayment.
14. We recently submitted data to the Cabinet Office for the purposes of the National Fraud Initiative 2016/17. This required substantial efforts and co-ordination to produce over 553,000 individual records to be provided across 8 datasets – these include payroll, creditors history, insurance etc. We will receive the data matches in January 2017 and will commence our review in priority areas where we expect recoveries are most likely. It is also necessary to comply with Fair Processing requirements to ensure individuals are aware that we submit key personal data. To ensure awareness, we promoted the exercise through payslips, employee bulletins and social media platforms among other methods.



## Targeted Pro-active Exercises

15. Procurement fraud – to build upon awareness our focus now is to undertake more detailed review including data analysis and working with teams to identify areas within processes and systems that are vulnerable to fraud. We also plan to promote our whistleblowing arrangements with contractors to ensure understanding of reporting options.
16. Further pro-active work is planned in Quarter 4 of 2016/17 around fraud risks in Schools and Adult Care. The pressure on resources created by the increase in investigation activity may impact on delivery although we hope to minimise any disruption to plans as these remain priority fraud risks to local authorities. This position will be monitored but it may be necessary to defer some pro-active areas into the 2017/18 Counter Fraud Work Plan.

## Lincolnshire Counter Fraud Partnership

17. The LCFP is making good progress against the agreed Work Plan to raise fraud awareness, share intelligence and strengthen governance arrangements. We are also helping to implement effective 'fraud-proofing' actions across all Lincolnshire local authorities. Key areas include:
  - Raising fraud awareness  
Fraud e-learning is being developed for roll out to Lincolnshire authorities in early December 2016. The partnership continues to deliver awareness sessions – we have met with Lincolnshire County Council's Audit Committee, Trading Standards, Lincolnshire Police and the Anti-Social Behaviour Team. Development of relationships in these key areas should allow a

more effective response to fraud. We have also re-established liaison sessions with the Council's Counter Fraud Champion.

- Strengthening governance arrangements  
Progress continues with establishing fraud risk registers for Lincolnshire County Council and the districts. Work has started on LCC's Fraud assessment to compare current arrangements against the local government counter fraud and corruption strategy (2016–2019) and CIPFA Code on Managing the Risk of Fraud and Corruption. An initial review suggests that further work is required with CMB to raise awareness of fraud.
  - Sharing intelligence and best practice  
Arrangements are working effectively to share fraud intelligence – scams and alerts are being disseminated across Lincolnshire responsively and consistently
18. The national view of fraud risks is shaping our pro-active planning. A data analytic exercise is planned for housing tenancy fraud to identify the potential exposure across Lincolnshire.  
  
The partnership continues to deliver fraud and error savings and is currently supporting two projects, with potential savings of £174k identified so far: £24k from the Council Tax Reduction project (Boston Borough Council) and a projected £150k from Business Rates/CTR work (City of Lincoln Council). We are also exploring alternative approaches for dealing with fraud and error to maximise savings and provide a more effective response – focus is on Council Tax Single Person Discount.
  19. The Partnership is funded until March 2017 – Lincolnshire Finance Officers Group extended its operation from November to March 2017. Results achieved and savings made since the formation of



the partnership in May 2015 demonstrate the value in joint working across partner authorities. The delivered savings provide potential for long term sustainability of the partnership and options are being developed. A paper will be presented to the Finance Officers Group to consider arrangements for continuation of the partnership into 2017/18.

## Investigations

20. The Council currently has 2 fraud cases with the Police:

- 1 x potential Fraud by Abuse of Position (value estimated at £30k)

The matter was reported to us in August 2016 and the allegations being investigated relate to possible fraudulent diversion of funds and failure to declare interests

- 1 x theft of monies at a school (£50)

Although the amount involved in this case is not significant, there is sufficient evidence to allow investigation of the circumstances around this matter. The investigation stage is nearing its conclusion and evidence obtained passed to Lincolnshire Police for consideration of criminal proceedings against the alleged perpetrator.

21. From the 13 suspected fraud referrals received since April 2016, 3 cases have been closed following preliminary enquiries only:

- Misappropriation of items at a school – enquiries were made after several items belonging to staff were suspected as missing. Lack of evidence did not allow further investigation and the

suspected perpetrator has since left the school. Outcome – no further action

- Allegations of staff taking paid leave during term time – Legal and Human Resources support have been given to the school following our preliminary enquiries. Outcome – no further action
- Potential recruitment fraud at a school – our preliminary enquiries identified procedures had not been followed correctly although no evidence of fraud. Outcome – advice provided and subsequent management action
- A further case was brought forward from 2015/16 – this resulted in a first written warning for the individual involved.

22. We are currently working on 10 further live fraud cases. These include investigations into:

- Fraudulent insurance claim
- Employee mileage claim irregularities
- Potential procurement card issues
- Possible contract irregularities
- Theft at a school
- Suspected fraudulent diversion of funds (x2)
- Member of staff employed by council partner convicted on fraud charges
- Inappropriate management of funding
- Allegation of potentially fraudulent behaviour

23. We continue to make enquiries into several cases involving adult social care. These mainly relate to direct payments and reports of potential financial abuse against individuals. As noted in previous





reports these cases are complex and can involve lengthy investigations.

24. We have recently recruited 3 Sessional Investigators to support investigation of complex conduct cases.

## Progress against plan

25. The Counter Fraud Work Plan at Appendix A provides summary information on progress against planned work – much of this is ongoing. Progress has been affected by continued requirements to complete Agresso related reviews and the increased level of investigations incoming – please see pages 10 to 16.

## Other matters of interest

### Fighting Fraud and Corruption Locally

26. This updated local government fraud strategy is designed to act as the blueprint for a tougher response to fraud. The strategy places an emphasis on Council leaders and managers to provide local leadership to take action in protecting the public purse through implementing and adopting the strategy.
27. A key area within the strategy is the need to embed a counter fraud culture in all areas of the authority. Furthermore, Fighting Fraud and Corruption Locally recommends that councils should employ a risk based approach in identifying fraud and promote sanctions imposed where investigations are successful as a deterrent factor.
28. It is pleasing to note that the council already comply with many

areas of good practice identified within the strategy e.g. collaboration, recovery of losses, enhancing controls – however, we are comparing and refreshing our current risk assessment approach against the strategy to ensure it remains relevant and to reinforce our arrangements further.

### CIPFA Fraud and Corruption Tracker

29. In June 2016 we participated in the annual survey overseen by CIPFA. The survey requires local authorities to provide data on its counter fraud activity and priorities. Results emerging from the survey identified that procurement fraud showed the largest area of growth and that business rates continue to be an area of concern. LCC and LCFP have prioritised both areas in 2016/17 in their counter fraud planning.

### TEICCAF membership

30. We have recently begun subscribing to TEICCAF (The European Institute for Combatting Corruption and Fraud). We believe this could be a useful source of intelligence on fraud cases and best practice in responding to the threat of fraud. We have attended several workshops hosted by TEICCAF and have found them useful in supporting our pro-active counter fraud work.

### Midlands Fraud Group

31. In October 2016 we hosted and led a meeting of the Midland Counties Fraud Group. This was attended by counter fraud representatives from 16 local authorities across the region. This group continues to be a valuable source of information, knowledge and benchmarking for own local arrangements.



Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Status	Days
<b>CIPFA Code of Practice – Key Principle A : Acknowledge Responsibility</b>				
<p>A1 - Acknowledge the threat of fraud and corruption</p> <p>A2 - Acknowledge the importance of a culture that is resilient to the threats of fraud and corruption</p> <p>A3 - Governing Body acknowledges its responsibility for the management of its fraud and corruption risks</p> <p>A4 - Governing Body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption</p>	<ul style="list-style-type: none"> <li>Engagement and training</li> <li>Fraud awareness</li> <li>Website development and maintenance</li> <li>Development of e-learning package (in conjunction with Lincolnshire Counter Fraud Partnership)</li> </ul>	<p>Briefing sessions – training for members, management and staff (general and specific fraud areas)</p> <p>Engagement with Corporate Management Board</p> <p>Engagement with relevant groups e.g. Risk &amp; Safety Group</p> <p>Updates, risks, results and information (various publications and channels)</p> <p>Develop e-learning platform and link to Assurance Lincolnshire website</p> <p>Development of a fraud newsletter to raise awareness</p>	<p>To be arranged for Quarter 3 &amp; 4</p> <p>To be arranged for Quarter 3 &amp; 4</p> <p>To be arranged for Quarter 3 &amp; 4</p> <p>Ongoing</p> <p>Currently in progress</p> <p>To be arranged for Quarter 3 &amp; 4</p>	
				<b>40</b>



### CIPFA Code of Practice – Key Principle B : Identify Risks

B1 - Fraud risks are routinely considered as part of risk management arrangements	<ul style="list-style-type: none"><li>• Update fraud risk profile</li><li>• Analysis and publication of fraud losses</li></ul>	Completion of the council's Fraud Risk assessment	Currently in progress	
B2 - The organisation identifies the risks of fraud and corruption		Annual and progress reports of counter fraud activity to Audit Committee	Annual report presented – July 2016	
B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk exposures		Develop fraud loss profile	Progress report scheduled – November 2016	
B4 – The organisation evaluates the harm to its aims and objectives		Fraud awareness sessions and activity in areas identified at high risk to fraud	Ongoing	
				25



## CIPFA Code of Practice – Key Principle C : Develop a Strategy

<p>C1 - Governing Body formally adopts a counter fraud and corruption strategy to address identified risks</p> <p>C2 - Strategy includes the organisation's use of joint working or partnership approaches</p> <p>C3 - The strategy includes both proactive and responsive approaches:</p> <p>Proactive action:</p> <ul style="list-style-type: none"> <li>• Develop counter fraud culture</li> <li>• Prevent fraud through implementation of robust internal controls</li> <li>• Use of techniques such as data matching</li> <li>• Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters</li> </ul> <p>Responsive action:</p> <ul style="list-style-type: none"> <li>• Detecting fraud through data and intelligence analysis</li> <li>• Implementing effective whistleblowing arrangements</li> <li>• Investigating fraud referrals</li> <li>• Applying sanctions</li> <li>• Seeking redress</li> </ul>	<ul style="list-style-type: none"> <li>• Counter Fraud Strategy</li> <li>• Review and refresh policy documents</li> </ul>	<p>Continue to develop Counter Fraud Strategy</p> <p>Review and updates of Policies including:</p> <ul style="list-style-type: none"> <li>• Counter Fraud Policy</li> <li>• Fraud Response Plan</li> <li>• Whistleblowing Policy</li> <li>• Money Laundering Policy</li> </ul>	<p>Currently in progress</p> <p>Currently in progress</p>	
				25





CIPFA Code of Practice – Key Principle D : Provide Resources				
D1 - Annual assessment whether level of resource invested to countering fraud and corruption is proportionate to the level of risk	<ul style="list-style-type: none"><li>Lincolnshire Counter Fraud Partnership</li><li>Midlands Fraud Group</li></ul>	Provision of support to Lincolnshire Counter Fraud Partnership where required	Ongoing	
D2 - The organisation utilises an appropriate mix of experienced and skilled staff		Lincolnshire Counter Fraud Partnership – develop: <ul style="list-style-type: none"><li>resource plans and schedules</li><li>training and development plans</li></ul>	Ongoing	
D3 - The organisation grants counter fraud staff unhindered access to its employees		Development of protocols with: <ul style="list-style-type: none"><li>partners within Lincolnshire Counter Fraud Partnership</li><li>other public bodies and law enforcement agencies where possible (e.g. DWP, Police)</li></ul>	Ongoing	
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing		Co-ordination and hosting of Midland Fraud Group meetings and initiatives	Meeting held – October 2016	
				30



### CIPFA Code of Practice – Key Principle E : Take Action

<p>E1 - The organisation has put in place a policy framework which supports the implementation of the Counter Fraud Strategy</p> <p>E2 - Plans and operations are aligned to the strategy</p> <p>E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or intelligence sharing</p> <p>E4 - Providing for independent assurance over fraud risk management, strategy and activities</p> <p>E5 - Report to the Governing Body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy. Conclusions are featured within the Annual Governance report</p> <p>*Please also refer to Specific Step – C3</p>	<ul style="list-style-type: none"> <li>• National Fraud Initiative 2016/17</li> <li>• Proactive counter fraud exercises</li> <li>• Data analysis</li> <li>• Investigations – whistleblowing referrals</li> <li>• Investigations – fraud</li> <li>• Applications of sanctions</li> <li>• Seeking redress</li> <li>• Advice</li> <li>• Promotion of counter fraud activity</li> <li>• Organisational learning</li> <li>• Reports to Audit Committee</li> </ul>	<p>Submission of data for National Fraud Initiative 2016/17 data matching exercise (and application of Fair Processing requirements)</p> <p>Analysis of data matches identified through National Fraud Initiative 2016/17</p> <p>Proactive counter fraud exercises:</p> <ul style="list-style-type: none"> <li>• Procurement fraud (specific areas)</li> <li>• Schools</li> </ul> <p>Data analysis:</p> <ul style="list-style-type: none"> <li>• in counter fraud proactive exercises</li> <li>• to support key control and continuous testing</li> </ul> <p>Investigations arising from whistleblowing reports and frauds identified</p> <p>Applications of sanctions – civil, disciplinary and criminal</p>	<p>Completed – October 2016</p> <p>Scheduled for Quarter 4</p> <p>Scheduled for Quarters 3 &amp; 4</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	
---	--	---	---	--



### CIPFA Code of Practice – Key Principle E : Take Action

		Seeking redress where successful prosecutions are achieved	Ongoing	
		Promotion and publicity work through various media channels including production of a new fraud awareness leaflet for distribution	Ongoing	
		Provision of advice on fraud risks and mitigating controls	Ongoing	
		Promotion of fraud prevention measures	Ongoing	
		Production of reports and action plans to aid organisational learning – investigation outcomes and learning points	Ongoing	
		Production of progress and annual counter fraud and whistleblowing reports to the Audit Committee	Annual report presented in July 2016  Progress and Whistleblowing Reports scheduled for November 2016	



## Counter Fraud Plan 2016/17

Days (including 255 for Investigations)		370
TOTAL DAYS ALLOCATED		490
CONTINGENCY		50
TOTAL PLANNED DAYS – COUNTER FRAUD		540