



Counter Fraud Progress Report



Date: January 2014

Contents

	Page
Introduction	1
Key Messages	1
Proactive Counter Fraud work completed from September to December 2013	1-2
Investigations update	2-3
Progress against plan	3
Other Matters of Interest	3-4
Appendices - Counter Fraud Work Plan / status update	5-7

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:
 - Provide an update on our fraud investigation activities
 - Report on progress against our Counter Fraud Work Plan 2013/14

Key Messages

Counter Fraud Pro-active Work

2. Since our last report to the Committee we have developed our data analytics capabilities on a joint fraud proactive / due diligence exercise on expenses and member allowances – the detailed testing arising from this work is now complete and we are currently preparing a report of our findings. We can, however, provide assurances that the outliers and potential anomalies identified through our detailed analytical work all proved to be legitimate claims. Common themes were:

- bulk submission of claims – anywhere up to a year at one time
- incorrect claim categorisation on the on-lines expenses system for staff (which distorts monitoring reports but had no monetary impact)
- need for policy updates

Key controls to check and authorise expenses were found to be generally operating well.

3. We have now incorporated the analytical scripts in our quarterly due diligence / compliance testing on expenses and claims – this has resulted in the swift identification of errors and overpayments.
4. We have also developed scripts to enhance our quarterly payroll testing – our analytical work has been extended to highlight potential fraud indicators or overpayments – anomalies, outliers and trends are now routinely examined as part of our quarterly due diligence tests.
5. There has been some slippage on our counter fraud awareness campaign - this is due to investigative demands, due diligence commitments and the need to coordinate our promotional work with the developments of our e-learning tool and website updates. Our counter fraud and whistleblowing posters and leaflets have now been finalised and we will complete our first round of awareness activity by the end of the financial year.
6. Our work on the National Fraud Initiative is now complete and our final recovery figure stands at £15.6k with no issues of a fraudulent nature. The last remaining area which we need to upload to the NFI system relates to Blue Badges – our Business Support Team have validated the matches in this area and the results are to be posted shortly.

7. Due to investigation commitments in quarter 3 we have carried forward our work on the Council's counter fraud risk assessment to quarter 4. As highlighted in previous Committee reports, we already have a good understanding of where our key fraud risks lie – we will be validating this intelligence and identifying emerging risks with directorates over the coming month. This will feed into our draft 2014/15 counter fraud proactive plan which we shall present to the Committee in March.

Investigations

8. We currently have 2 fraud investigations with the Police:

- 1 x contractor fraud (pending court trial scheduled for 10 February 2014)

During November / December 2013 we provided additional information to the Police to support the prosecution. Council staff will be providing evidence during the trial around the contract irregularities. This case includes a significant fraud against the service users as well as fraud against the Council.

- 1 x mandate fraud (prosecution file with the Crown Prosecution Service)

No further update available.

9. We have investigated three cases since we last reported to the Committee – these cases are now closed:

- Allegations of corruption against a School Business Manager

We found insufficient evidence to support the allegations – we did identify policy issues and compliance concerns and these have been reported to the Council's Head of Finance (Children's Services) and the School's Chair of Governors, for action.

- Financial mismanagement of a School Fund

We carried out preliminary enquiries and instigated a full internal audit of the accounting records. We found evidence of poor accounting practice and inadequate audit trails but no evidence of fraud – we were eventually able to trace all income and validate the expenditure. We issued an audit report of our findings and agreed an action plan with the school to improve controls and procedures.

- Theft of income from a directorate office (£150)

We carried out joint enquiries with the Police following reports of cash thefts of income collected by staff and held within a locked drawer. Following our

interviews with staff and given the weak access controls and poor security arrangements the Police decided it was not in the public interest to pursue.

Managers have raised staff awareness and security arrangements have been strengthened.

10. We are currently investigating five cases of suspected fraud:

- 3 direct payment cases – one involving payments made to a deceased service user and two cases involving potential misuse of funds. These were referred by practitioners within social care teams.
- Recruitment fraud plus other potential financial irregularities – school environment. The potential fraud matters were identified during our investigation into other non-related matters (whistleblowing case).
- Contract fraud – potential concerns raised by our partners surrounding irregularities following a tender exercise. We evaluated the tender submission and subsequent developments around a particular aspect of the tender. The contractor's representative provided suspected false documentation, we believe, in an attempt to increase the value of the contract.

The matter was referred to the managing director of the business – the individual concerned was immediately removed from the contract and assurances provided that the company will stand by the original contract offer. The contractor is carrying out a full investigation and will provide feedback on the outcome and detail on further action – value of attempted fraud approximately £100k.

This is illustrative of the strong counter fraud environment and the awareness and commitment of staff to take appropriate action where fraud is suspected.

Progress Against Plan

11. The Counter Fraud Work Plan at Appendix A provides information on progress against plan – much of our work is on-going and we shall be reporting our outcomes in the Counter Fraud Annual Report.

Other Matters of Interest

The Whistleblowing Commission – Report on the effectiveness of existing arrangements for workplace whistleblowing in the UK – November 2013

12. There is now widespread recognition in government and public, private and voluntary organisations of the important role that whistleblowing plays in achieving effective governance and an open culture. A culture where people are

encouraged to speak out, confident that they can do so without adverse repercussions, confident that they will be listened to, and confident that appropriate action will be taken.

13. It is now 20 years since the whistleblowing charity – Public Concern at Work was established and 15 years since the Public Interest Disclosure Act, designed to protect whistleblowers, was put in place. The Whistleblowing Commission (set up in February 2013) has examined the effectiveness of existing arrangements for workplace whistleblowing in the UK and make recommendations for change. The Government's consultation – Whistleblowing framework: call for evidence is currently being evaluated. They have agreed to take into account the Whistleblowing Commission findings in its National Action Plan for Open Government.

Possible considerations for the Governance & Audit Committee:

- Include review of the effectiveness of the Councils whistleblowing arrangements as part of its 2014/15 work plan.

The full report can be found at: www.pcaw.org.uk

National Fraud Authority – Closure

14. In December the Home Office announced the closure of the National Fraud Authority from 31 March 2014. The Authority's responsibilities are to be realigned to reflect the creation of the National Crime Agency which became operational in October 2013. This decision was made to concentrate all effort into law enforcement bodies and improve the fraud reporting and analysis service.
15. The National Crime Agency works in partnership with law enforcement bodies, regulators, private industry, the voluntary sector and public sector bodies, including Local and National Government. It tackles a wide range of serious and organised crime, including fraud – the Agency's Economic Crime Command, leads on the fight against fraud.
16. The National Fraud authority's functions are to be transferred:
- Strategic development and threat analysis – National Crime Agency
 - Action Fraud (the reporting & analysis centre) – City of London Police
 - Fraud awareness – Home Office
 - Counter Fraud Checking Service – Cabinet Office

£16.6m new funding to tackle non-benefit fraud

17. It was announced in the Autumn Statement that new funding would be made available to councils to tackle non-benefit fraud. We understand that ministers have yet to decide how this two year funding will be distributed – if shared equally across all councils it will mean an additional £25k per year.

Counter Fraud Work Plan 2013/14

Appendix A

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Culture					
Engagement and training	Briefings sessions / training for members, management, staff, key partners		October 2013	March 2014	Awareness sessions ongoing with social workers
Website maintenance	Updates / warnings of emerging fraud risks, case summaries, results and prevention information		November 2013	March 2013	Ongoing
Awareness Campaign	Posters, leaflets, e-learning tool to rejuvenate staff awareness		September 2014	January 2014	Slipped due to investigation demand – new target for delivery
Sub Total		60			
Deterrence					
Publicity on counter fraud activities	Linked to awareness campaign – programme of internal/external communications covering: <ul style="list-style-type: none"> ▪ Counter fraud team ▪ Proactive work, including NFI ▪ Investigation outcomes / prosecutions 		April 2013	March 2014	Ongoing

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	<ul style="list-style-type: none"> ▪ Fraud prevention measures ▪ Counter fraud responsibilities 				
Sub Total		20			
Prevention					
Organisational learning	Supplementary reports and actions plans arising out of investigation work		April 2013	March 2014	Ongoing
Data analytics	Further development / use of data analytics: <ul style="list-style-type: none"> ▪ Creditors / Procurement ▪ Payroll ▪ Expenses, including members allowances 		April 2013 October 2014	June 2013 January 2014	Complete Ongoing – quarterly testing Draft Report
Advice	Enhancing fraud controls and process – new and existing systems				Ongoing
Sub Total		40			
Detection					
Update Fraud Risk Profile	Incorporating emerging risk issues and results from local risk assessment	Revised target	January 2014	February 2014	To inform 2014/15 proactive work plan

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Proactive fraud exercises	Expenses Direct Payments		April 2013	March 2014	Complete 3 investigations ongoing
National Fraud Initiative 2012/13	Review and investigation of Council matches / responding to data requests from other public sector bodies		April 2013	March 2014	Complete – Blue Badge results to be uploaded. £15.6k recovery
Sub Total		160			
Investigation					
Fraud Investigation	In line with investigation manual and recommended best practice		April 2013	March 2014	On-going
Sub Total		300			
Sanctions and Redress					
Pursue civil, disciplinary and/or criminal sanctions	Action taken during investigation process		April 2013	March 2014	On-going
Identify and recover losses	Identified during investigation – recovery action through Proceeds of Crime Act, Insurance and legal means		April 2013	March 2014	On-going
Sub Total		5			
Contingency					
Advice & Liaison			April 2013	March 2014	On-going
Sub Total		65			
Grand Total		650			

This page is intentionally left blank