

Counter Fraud Annual Report March 2024

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Position on Counter Fraud

Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Fraud is a risk to the public sector with the Government estimated that £50.2 billion of public spending was lost in 2022/2023*. Financial loss due to fraud can reduce a Council's ability to support public services and cause reputational damage.

Lincolnshire County Council (LCC) promotes a zero-tolerance culture to fraud and corruption:

We have a zero-tolerance stance to all forms of fraud, bribery, corruption and theft. This includes within the authority and from external sources. We recognise fraud can:

- *undermine the standards of public service that we are attempting to achieve;*
- *reduce the level of resources and services available for the residents of Lincolnshire;*
- *result in major consequences which reduce public confidence in us.*

We are committed to the highest possible standards of openness, probity, honesty, integrity and accountability.

The County Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption. Counter fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resources against assessed fraud risks in addition to new and emerging threats.

Role of Counter Fraud Team

LCC has an independent counter fraud team (CFT) delivering the provision of corporate fraud services to the Council which aims to prevent, detect, and deter fraud and related criminality. CFT consists of two qualified criminal investigators and two counter fraud colleagues. The team has a separate counter fraud manager who oversees the service and reports directly to the Head of Internal Audit. This arrangement supports the necessary independence for investigations and unfettered access to information across the council and this is actively supported by the corporate leadership team. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.

Raising awareness of fraud amongst Council staff and the public is an important function of the counter fraud team. We continue to provide support to officers and undertake periodic training with several directorates and staff groups. We have delivered two council wide staff briefing sessions this year outlining the work of the team and the proactive support available.

As a direct result of the briefing sessions, interactions, internal promotion and communications; the team has seen a positive impact on the number of employees completing the course. Between October 2023 and February 2024, 73 internal staff completed the training modules. This is an increase of 52 when compared to the number of completions between April and September 2023 (22).

The team have actively collaborated with the Community Safety Team to co-ordinate key messages relating to fraud and signpost concerns raised by employees and the general public.

A change to the Counter Fraud Manager in January 2024 resulted in improved engagement and team morale as well as an increased pace and delivery focus.

*(Source: Annual Fraud Indicator Report 2023)

Investigation Management

In the CF strategy, presented to the Audit Committee in July 2023, we set out the strategic aims to:

- *Deliver proactive fraud prevention and detection work across LCC whilst undertaking investigations in a timely and efficient manner.*
- *Develop effective communication with managers, keeping them appropriately informed of progress and areas of further review.*
- *Shift of focus from large investigations towards value added and enhancing work.*
- *Intelligence gathering and sharing of fraud risks to feed into audits and wider risk management.*

Progress against these plans has resulted in timely investigation and case duration with managers kept informed and updated as the investigation progressed. Work continues to embed in the movement away from large investigations in favour of focused work to enhance learning, improve policy and add value to the council. The benefits in disseminating gathered intelligence has started to materialise and will continue to progress and further developed.

Since April 2023 CFT have received 18 referrals of potential or suspected fraud. These relate to adult social care, parking badge misuse, dual employment, procurement card use (Pcards), data protection, medical retirement fraud and internal and third-party fraud which resulted in six investigations. Two investigations resulted in no fraud being identified with no further action taking place. Investigative work has resulted in one disciplinary hearing, where the individual was dismissed. Three members of staff have resigned prior to a disciplinary hearing taking place. There have been no referrals to the police this reporting year. At the time of drafting this report, CFT has four ongoing investigations.

No monetary value has been recovered from investigatory work. The courts or disciplinary panels have not imposed or pursued any financial recovery. Table 1 below shows summary investigation information.

	As at 1 March 2024
Amount of actual savings (quantifiable savings – e.g. repayment of loss) identified through fraud investigation.	£17,863.75
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions).	100%
	As of 1 March 2024
Number of referrals received	18
Number of cases under review (live)	4
Number of investigations completed	6
Number of investigations involving financial recovery.	0

Table 1

Proactive Management

Whilst the established process to reactive fraud assists the Council in responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, and detect, fraud risks.

Since January 2024, the team has commenced delivery of proactive work, with one review completed between January and March with the results and intelligence gathered, being used to inform the 2024/25 annual plan and further understand the culture in operation. Proactive activity is an integral part of understanding fraud risks.

In the CF strategy, presented to the Audit Committee in July 2023, we set out the strategic aims to:

- *Review of whistleblowing processes and how we capture information about referrals received.*
- *Review of investigation processes to assess whether steps can be streamlined for a quicker turnaround of investigations.*
- *Review of fraud risk register to shape planning for proactive counter fraud work and delivery accuracy in assessments.*

Progress against these plans continue to be developed with an initial review of both the investigation process and the whistleblowing process being completed. Further work is included in the 24/25 plan to ensure the foundation of these policies aligns with best and latest practice across the public sector.

Since the recruitment of a replacement CF Manager, the volume of proactive work has increased. Proactive control assignments have been designed and executed for a greater understanding of the internal fraud profile. This work included analysis of mileage claims, use of procurement cards and pay and expense claims. The results have informed the 2024/2025 CF Plan for education and awareness work, culture work and repeat fraud analysis.

The team has also introduced a counter fraud representative group with the purpose of sharing information, best practice, developing controls and informing areas for analysis or further development. The meetings are structured and, to date, have received positive feedback.

Two council wide presentations have helped to raise the awareness of and interaction with the CFT. These sessions covered the support, guidance and advice services available from the team as well as outlining whistleblowing and investigative services.

An interactive session with Assistant Directors and above was jointly delivered by the CFT and our risk colleagues. The session utilised a combination of practical exercises and learning points (informed by real events from within the public sector). The session provoked quality dialogue and discussion relating to controls and their application. The feedback received was unanimously positive.

Multi Agency Delivery – NFI & DWP

The National Fraud Initiative (NFI) is a large-scale data matching exercise involving all councils and several other public sector bodies across the UK. From a total of 17,110 data matches, the team have reviewed 10,895 of these to date, the results of which are in table 2 below. Areas where further information is required to inform recommendations or next steps, are passed to the relevant area for internal investigation. During 2023/24 6,215 rows of data relating to blue badges and concessionary travel were referred for further investigation and action.

Comparison of fraud figures between the NFI work in 2023 with the results seen in 2021 helps to identify control area success and areas where further strengthening may be required to reduce losses.

Sharing NFI data is valuable in aiding the effectiveness of operating fraud controls and supports the assessment of fraud risks and their mitigative actions. The team remain committed to continuing these improvements.

Area:	Activity	Estimated Value
Blue Badge Misuse	595 live blue badge matches which were closed (35%). 6 data reports for blue badges holders were shared with officers. 1 completed following an investigation by blue badge team of 1684 data matches. 4 closed as errors.	£386,750.00 (savings based on cabinet office figure of £650 average saving per badge)
Pension Top-up Payments: Teachers	23 overpayments made. Budget holder decided not to recover.	£24, 891.20
Duplicate Invoices	10,055 rows of data reviewed relating to potential duplicates. 10 actual duplicates and followed up with relevant departments.	£3,451.30 (2 confirmed match recovered) £4,431.60 – (5 matches written off due to dissolved suppliers). £2,885.93 (equates to 3 matches still in query for potential recovery).
VAT	482 matches reviewed. 18 errors identified and resolved by Finance Team.	£2,456.68 (recovered)
Total		£424,866.71

Table 2 . NFI Matches

Blue badge misuse value has decreased from £465,750 in 2021 to £386,750 indicating that controls are effective. Pension top-up payments have increased from £6,102 in 2021 to £24,891 in the latest figures. There is further work to complete in these areas and the team will be undertaking proactive control assignments to develop control and detection work.

The Council supports the Department for Work and Pensions (DWP) with information sharing to facilitate their investigation of housing benefit and council tax fraud within Lincolnshire district councils. 11 referrals have been made within this fiscal year, arising from direct contact from communities.

The CFT are developing this facility from 2024/25 with enhanced reporting, intelligence sharing, counter fraud education workshops and fraud risk assessments for district partners who purchase the counter fraud service. The aim of this work is to improve and empower district councils in their ownership for development and reduce potential losses across the county.

Fraud Risk Information

The CFT are responsible for understanding and assessing the level of risk the council faces from internal control procedures, the application and efficiency of these controls and adherence to policies and procedures.

Appendix B shows the results from the fraud risk assessment work undertaken in 2023/24. This register is a live document, which is continually being updated and amended through the work undertaken with colleagues across the council.

The risk assessment process highlights several areas where controls can be strengthened, and enforcement improved to better inform the success of prevention strategies and financial savings.

Counter Fraud Networks and National Picture

The CF team actively work with partners at local, regional, and national levels to enhance, develop and collaborate to identify best practice. This supports the team in having a focus on performance and outcomes, as well as build deeper and broader services to support directorates to reduce the impact of fraud.

On a national level the team has attended the Counter Fraud 2024 Conference. From February 2024 we have started working with the Public Sector Fraud Authority (PSFA) to become members of the organisation. We have aligned our practices and knowledge to the PSFA Counter Fraud Framework. This will assist in developing professional standards within the team and improve quality and efficient delivery of the service. The team are seeking to enrol staff on the PSFA Fraud Risk Assessment Programme.

We work with and use both CIFAS (the UK's leading fraud prevention service) and the National Anti Fraud Network (NAFN) to keep up to date with emerging counter fraud risks and best practices.

Regionally we are hoping to participate in the Midlands Counties Fraud Forum, allowing us to collaborate and share intelligence with our counterparts across the region. Locally we work in partnership with Lincolnshire Police and attend their Multi Agency Intelligence Network meetings. This provides us with an opportunity to work alongside the various agencies in attendance to discuss issues around Serious and Organised Crime groups and the offences they commit, who operate within our region.

Internally we have set up a Counter Fraud Representation Group, to raise awareness of fraud risks within the Council and foster information sharing relationships across directorates. We hope this will develop a robust counter-fraud culture through development of fraud prevention initiatives and improved systems of control. The group is open to all directorates and services.