



# **Counter Fraud Progress Report**

# Contents

---

	<b>Page</b>
<b>Introduction</b>	<b>1</b>
<b>Key Messages</b>	<b>1-2</b>
<b>Proactive Counter Fraud work completed from April to October 2014</b>	<b>2-5</b>
<b>Investigations update</b>	<b>5-7</b>
<b>Progress against plan</b>	<b>7</b>
<b>Other Matters of Interest</b>	<b>7-9</b>
<b>Appendices - Counter Fraud Work Plan / status update</b>	<b>10-12</b>

Contact Details:  
Lucy Pledge CMIIA  
Head of Audit & Risk Management



County Offices, Newland, Lincoln, LN1 1YG  
☎:01522 553692    📧 [lucy.pledge@lincolnshire.gov.uk](mailto: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 2014/15

## Key Messages

---

### Pro-active Work

2. We are making good progress against our 2014/15 pro-active work plan, in particular:
  - 6 fraud awareness workshops with Adult Care practitioners
  - Meetings with the Office of Public Guardian and Court of Protection Team
  - Fraud awareness sessions with contract management leads (2 x directorate areas)

We aim to deliver targeted training sessions with contracting officers in each directorate area by the end of the year.

3. Our counter fraud and whistleblowing promotional material has been completed and distributed throughout the Authority, including schools. This has been supported by publications from the Council's Communication Team which is to be repeated throughout the year to ensure maximum coverage.
4. We have successfully validated and uploaded data from 8 of the Council's systems for the 2014/15 National Fraud Initiative – this is a significant mandatory data matching exercise designed to provide participating bodies with the information to identify and investigate potential fraudulent transactions. The data matches for Lincolnshire County Council will be received early next year. We have attached an Audit Commission slide pack (Appendix B) on the outcomes of the last NFI Exercise for 2012/13 – this provides some independent insight on the Council's activity and engagement with NFI.
5. A £16m funding pot (available over a two year period) has been made available to Local Authorities to develop their counter fraud arrangements. We have submitted two strong and viable bids and are hopeful of some success – further detail of these bids can be found at points 20 to 21 below.

### Investigations

6. We have received 7 suspected fraud referrals since April 2014:
  - 3 cases involved preliminary enquiries only (insufficient evidence to proceed)

- 1 case has been referred to the Police and the individual is due to attend a disciplinary hearing this month
  - 3 live cases – investigations so far suggested that referral to the Police is unlikely
7. One historic case (2012) – the perpetrators involved in a mandate fraud against the Council are expected to appear at Court in Liverpool. The case is being handled by Merseyside Police – the offences include money laundering and fraud by misrepresentation.
8. A female was prosecuted for fraud by failing to disclose information regarding the death of her father and using his direct payment funding for her own benefit. The individual pleaded guilty and was sentenced to a Community Services Order of 200 hours and ordered to pay court fees of £85. The perpetrator repaid the stolen monies in full.

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

---

### **Fraud Awareness**

9. We have completed fraud awareness sessions with all three Adult Care teams across the county. The sessions were initially aimed at General Managers and Principal Practitioners – these were well received and have now been extended to cover social workers within the three area teams. We have received referrals of suspected direct payment frauds and abuse of Power of Attorney responsibilities as a result of this awareness work.
10. We have delivered fraud awareness presentations to the Central Finance Team handling the Adult Care direct payments and are scheduled to hold similar sessions with the county's Adult Safeguarding teams.
11. We have, through these awareness sessions, identified scope to improve / assist in the investigation of adult financial abuse cases. Our counter fraud specialists are currently working with Adult Care Practitioners, Safeguarding Officers, Police, the Office of Public Guardianship (OPG) and Court of Protection Team to address some of the barriers to successful investigation and agree a protocol for joint working.
12. The latest 'Protecting the Public Purse' publication was issued by the Audit Commission in October 2014 – the report states that the number of detected cases of social care fraud has more than trebled since 2009/10 and in 2013/14 they totalled £6.2m. We believe this reinforces the importance of joint working with care professionals, safeguarding officers, finance teams and the Police to better tackle this fraud risk locally.
13. Our counter fraud specialists are in the process of meeting with contract management leads across the Council with a view to:
- delivering awareness sessions to contract officers

- distributing promotional material to Council providers
  - ensuring contracts are prescriptive about rights of access, reporting and investigation expectations in the event of a suspected fraud
  - highlighting contracts for our proactive work
14. We have, so far, received a positive response from all contract leads and hope to build on this over the remainder of the year, culminating in a proactive fraud exercise on selected contracts.
15. Our counter fraud promotional material was finalised and distributed across all Council and school establishments – we engaged the Council's Communication Team to assist with delivering the key messages through GEORGE, the daily news bulletins and the County News publication. We also have plans to repeat the counter fraud communications throughout the year to keep up the momentum and ensure maximum awareness coverage.

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

16. The next National Fraud Initiative exercise has begun – we have submitted large volumes of Council data in the following areas:
- Payroll
  - Pensions
  - Creditors
  - Insurance Claimants
  - Private Residential Care Homes
  - Blue Badges
  - Concessionary Travel Passes
  - Personal Budgets

We were required to carry out pre-submission data quality checks which involved reasonableness, validity and completeness tests, the removal of duplicate records and control total tests. We have recently received confirmation that all data submissions have been successfully uploaded to the secure site. We also ensured compliance with the NFI Fair Processing and Security Policy requirements. We expect to receive the Council's data matches in January 2015 and work is scheduled to begin in February 2015 and will continue into the next financial year.

17. In the last three NFI exercises, the Council's overpayments/recoveries have reduced:
- 2008/09 £115k
  - 2010/11 £60k
  - 2012/13 £16k

We believe this is a positive outcome – system controls have improved in those areas where we have in the past found the largest recovery potential:

**Pensions** – the Pensions Team have been using a tracing agency since 2009/10 which increases the likelihood of identifying and reducing the overpayment of pensions.

**Private Residential Care Homes** – an improved interface between the Adults Care Management System and the Council's payments system results in a speedier identification of death or service user transfer. Any overpayment to a provider is then promptly recovered.

**Duplicate Payments** – Mouchel's payments team routinely run reports of potential duplicate supplier payments. The combination of checking exception reports (which flags possible duplicates prior to payment) and the work on the duplicate payment reports has successfully reduced the number of genuine data matches identified through NFI.

18. The Audit Commission has recently released a slide pack (Appendix B) for elected members and decision makers on the outcomes from the 2012/13 National Fraud Initiative. This provides some independent insight into the initiative and the outcomes for the Council – it also suggests ways of obtaining assurances that the Council is engaging with NFI and getting the best possible outcomes.

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

19. The team are nearing the end of a proactive fraud exercise on the Council's payroll transactions, focusing on honoraria, overtime and other ad-hoc payments. Our specialists used their data analytics expertise to identify outliers, unusual patterns or individual transactions for validation and/or investigation – the results of this work will be reported to the next Committee.

#### **Funding Bids for Counter Fraud Development**

20. The Department for Communities and Local Government (DCLG) have made £16m available to Local Authorities to tackle fraud for a two year period. Councils were invited to submit bids in order to receive a share of this fund – we submitted two bids:

- Bid Number 1 – Prosecution Handling – total grant request £70k

The Council would like to improve the potential for successful prosecutions by developing the capacity, expertise and governance framework to handle some or all of its fraud prosecution cases. This would not only strengthen the anti-fraud culture (by creating a powerful deterrent), but also speed up outcomes and improve the opportunities for loss recovery which can be affected by a failure to prosecute.

- Bid Number 2 – Lincolnshire Fraud Partnership – total grant request £200k

This bid recognises DCLG's desire for Local Authorities to working jointly in the fight against fraud. We aim to create a Lincolnshire Fraud Partnership comprising counter fraud specialists and subject area experts from Lincolnshire County Council and seven district councils with the aim of:

- delivering joint fraud proactive exercises across Lincolnshire
- developing and delivering an effective co-ordinated fraud awareness programme
- sharing intelligence, investigative resource, expertise and best practice

Accountable to the Chief Finance Officers, the group would ensure a strong, effective and sustained response to the threat of fraud within Lincolnshire local authorities.

21. Councils whose bids are successful are expected to be notified in November – the funding expectations are such that a proportion of the funding must be spent in 2014/15 with the remainder in 2015/16 (one third / two thirds respectively). It is unlikely that similar funding will be available to councils in the future. We believe we have submitted two strong, viable proposals and are hopeful of some success with one or both bids.

## **Investigations**

---

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

- 1 x mandate fraud (£291k)

This is a case from 2012 – mandate fraud is when a fraudster gets an individual or organisation to change a direct debit, standing order or bank transfer mandate, by purporting to be a supplier you make regular payments to. Public sector bodies have been targeted by fraudsters usually posing as a construction company as payments tend to be higher in value. Our payments team alerted us to the above fraud and our swift action with the receiving bank enabled a block on the account, recovery of funds and made it easier for the Police to trace the perpetrator(s).

Merseyside Police are handling this case – it involves the main subject and two accomplices who reside in different parts of the country. The individuals have been summonsed for offences of money laundering relating to the LCC fraud plus historic fraud by misrepresentation which is unrelated to our case. All three perpetrators will appear at Court in Liverpool and we will be notified when their appearance dates are listed.

- 1 x unauthorised use of council assets

The employee is currently suspended – we have referred the matter to the Police, completed an employment investigation and the individual is due to attend a disciplinary hearing this month.

23. We have received 7 suspected fraud referrals since April this year – 3 of which required preliminary enquiries only:

- Suspected misuse of hire car –insufficient evidence to prove fraud. Outcome – management action.
- Whistleblowing disclosure – alleged irregularities involving paternity leave. Our enquiries found the leave was valid although we did identify some process issues and recommendations were made to address these.
- Colleagues within the Midland Counties Fraud Group flagged up a potential scam involving a supplier of sporting facilities. We made enquiries within Lincolnshire and found a number of our schools were considering using this provider.

Outcome – we established that the supplier was in fact trading lawfully but using a dubious sales tactic. This could have placed the schools in a vulnerable position due to funding uncertainties and would also have resulted in a breach of their contract regulations (procurement rules).

We issued a bulletin to schools with recommendations to protect their interests, achieve best value and ensure compliance with the procurement rules. The supplier in this particular case agreed to revisit their sales approach.

24. We currently have 3 live cases – from investigations to date, it is unlikely that these will result in a Police referral:

- Employee misuse of time and Council assets to run own business

This matter is being investigated under the Council's disciplinary process and is nearing completion – the outcome will be reported to the next Audit Committee

- Employee suspected mileage irregularities and working when on sick leave

These concerns are also being investigated under the Council's disciplinary process – we have completed our investigation and the outcome report is being finalised.

- Adult Care provider – suspected contract irregularities (non-delivery of hours)

A manager within Adult Care referred suspicions that a provider was not delivering the required number of hours to service users but were invoicing the Council for the full contracted hours. Our preliminary enquiries so far have confirmed significant discrepancies – the investigation is ongoing.



25. Since our last progress report one case has been closed with a successful outcome:

In July 2014 a female was charged with fraud by failing to disclose information regarding the death of her father and retaining/using direct payments to the value of £7,786. The perpetrator pleaded guilty and repaid the full amount to the Council – she was given a Community Service Order of 200 hours, ordered to pay court fees of £85 and a victim surcharge of £60.

## **Progress Against Plan**

---

26. 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 4 to 16 above.

## **Other Matters of Interest**

---

### **Audit Commission – Protecting the Public Purse – October 2014**

27. This is the last report in the Protecting the Public Purse series from the Audit Commission before it closes in March 2015. The key messages include:

- Scale of fraud against local government is large but difficult to quantify with precision – they do believe the last national estimate (2013) of £2.1 billion is probably an underestimate.
- Fewer cases of detected fraud were reported in 2013/14 compared with the previous year but the value has increased by 6%
- Councils will need to focus on non-benefit frauds that present the highest risk of loss, some example given were:
  - Council tax fraud
  - Right to buy
  - Social care fraud
  - Insurance fraud
- Detection rates for some frauds have fallen, specifically business rates and procurement fraud. They suggest the fall in detected fraud may be due to the fall in dedicated fraud officers.
- Detection rates in other areas has risen, such as schools (increase of 6% - £2.3m) and housing tenancy.

28. The Commission's counter-fraud activities will transfer to new organisations from April 2015 – the National Fraud Initiative will transfer to the Cabinet Office and the *Protecting the Public Purse* series and fraud briefings will transfer to the Counter Fraud Centre run by CIPFA.

29. The report recommends that councils should:

- use the Commission's checklist to review their counter fraud arrangements
- adopt a corporate approach to fighting fraud
- actively pursue potential frauds identified in the National Fraud Initiative
- assess themselves against CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption
- engage fully with the new CIPFA Counter Fraud Centre

The full publication can be found on the Audit Commission website at: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

### **CIPFA Counter Fraud Centre**

30. The new CIPFA Counter Fraud Centre will lead and co-ordinate the fight against fraud & corruption across public services. They will be working closely with the DCLG, the National Crime Agency and the Cabinet Office and all Local Authorities are encouraged to engage with the Centre.

31. They have recently published a new Code of Practice which includes key principles and lists key actions which includes a policy framework – the Council already has all recommended fraud related policies with the exception of the Cyber Security Policy – we feel this is covered adequately in our existing IT Security Policies.

32. The CIPFA Counter Fraud Centre are offering some usual services which the counter Fraud Team will utilise, for example:

- training, including a new set of qualifications
- a subscription service (providing access to Counter Fraud tools, guidance and fraud alerts)
- good practice bank (including case studies)
- working groups to consider and develop guidance to tackle key fraud risk areas

### **Local Government Transparency Code 2014**

33. This Code has recently been amended and there are now additional mandatory reporting requirements for Local Authorities. The first set of annual data must be published no later than 2 February 2015 and thereafter not less than annually. The new mandatory elements relating to counter fraud work are:

- number of occasions powers used under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201432, or similar powers (*not applicable to County Council*)
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated

34. These reporting requirements are not too onerous as we periodically report on most of this information.

END OF REPORT

**Counter Fraud Work Plan 2014/15**

**Appendix A**

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
<b>Culture</b>					
Engagement and training	Briefings sessions / training for members, management, staff, key partners		April 2014	March 2015	On track
Website maintenance	Updates / warnings of emerging fraud risks, case summaries, results and prevention information		September 2014	December 2014	Content update in progress
Awareness Campaign	Posters, leaflets, e-learning tool to rejuvenate staff awareness		April 2014	June 2014	Awareness material complete  E-learning tool still at development stage
<b>Sub Total</b>		<b>40</b>			
<b>Deterrence</b>					
Promotion of counter Fraud Activity	Communications covering: <ul style="list-style-type: none"> <li>▪ Counter fraud team</li> <li>▪ Investigation outcomes / prosecutions</li> <li>▪ Advice on fraud prevention measures</li> </ul>		April 2014	March 2015	Ongoing
<b>Sub Total</b>		<b>10</b>			

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
<b>Prevention</b>					
Organisational learning	Supplementary reports and actions plans arising out of investigation work		April 2014	March 2015	Ongoing
Data analytics	Further development / use of data analytics: <ul style="list-style-type: none"> <li>▪ Quarterly testing – specific fraud tests</li> </ul>		April 2014	March 2015	Ongoing
Advice	Enhancing fraud controls and process – new and existing systems		April 2014	March 2015	Ongoing – new finance system & contract management
<b>Sub Total</b>		<b>40</b>			
<b>Detection</b>					
Update Fraud Risk Profile	Incorporating emerging risk issues and results from local risk assessment		December 2014	January 2015	
Proactive fraud exercises	<ul style="list-style-type: none"> <li>• Payroll (overtime / honoraria / allowances)</li> <li>• Contracts</li> </ul>		September 2014 December 2014	October 2015 January 2015	Fieldwork complete
National Fraud Initiative 2014/15	<ul style="list-style-type: none"> <li>• Data preparation for 2014/15 upload and matching exercise</li> </ul>		September 2014	October 2014	Complete – uploads successful

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	<ul style="list-style-type: none"> <li>Initial analysis, sampling and testing of LCC data matches</li> </ul>		February 2015	March 2015	
<b>Sub Total</b>		<b>140</b>			
<b>Investigation</b>					
Whistleblowing and Fraud Investigation	In line with investigation manual and recommended best practice		April 2014	March 2015	On-going
<b>Sub Total</b>		<b>350</b>			
<b>Sanctions and Redress</b>					
Pursue civil, disciplinary and/or criminal sanctions	Action taken during investigation process		April 2014	March 2015	On-going
Identify and recover losses	Identified during investigation – recovery action through Proceeds of Crime Act, Insurance and legal means		April 2014	March 2015	On-going
<b>Sub Total</b>		<b>5</b>			
<b>Contingency</b>					
Advice & Liaison			April 2013	March 2014	On-going
<b>Sub Total</b>		<b>65</b>			
<b>Grand Total</b>		<b>650</b>			