



**Public Sector Auditing ..... Private Sector Thinking**

# **Counter Fraud Progress Report**



**Date: March 2015**

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## Introduction

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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

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### Pro-active Work

2. We have made good progress against our 2014/15 pro-active work plan since our last report, in particular:

- An additional fraud awareness workshop with the Adult Safeguarding teams
- Targeted training session with contracting officers within Children's Services

3. To enhance fraud awareness we have liaised with the Council's Communication Team to produce regular publications and articles to support and reinforce our counter fraud messages and ensure maximum coverage.

4. The National Fraud Initiative data matches for Lincolnshire County Council were received in February 2015 and we have commenced investigation of these – 2 potential overpayments have already been identified.

5. One of our bids to the Department of Communities and Local Government's Counter Fraud Fund was successful and we received £200k to set up a Lincolnshire Counter Fraud Partnership (comprising Lincolnshire County Council and all district councils within the county). The main aims of the partnership will be to develop joint proactive counter fraud exercises, deliver an effective and co-ordinated fraud awareness programme and ensure that counter fraud intelligence, expertise and best practice are shared across partners.

### Investigations

6. We have received 8 suspected fraud referrals since November 2014:

- 1 case was referred to the Police and the individual received an 18 month Community Service Order and were required to pay costs. They were also summarily dismissed at a disciplinary hearing
- 2 cases where the individuals involved have resigned (one disciplinary hearing is scheduled to take place the other case is now closed)
- 8 live cases – two of these are currently being investigated by the Police with the Court of Protection dealing with one case. We continue to make enquiries into the remaining five cases

7. One historic case (2012) – 3 perpetrators involved in a mandate fraud against the Council are scheduled to appear at Liverpool Crown Court in the summer. This case is being handled by Merseyside Police and the offences include money laundering and fraud by false representation.

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

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### **Fraud Awareness**

8. In addition to the fraud awareness sessions delivered to Adult Care and Central Finance Teams we have now also made presentations to the Council's Adult Safeguarding team. These have again been well received and we continue to receive regular referrals as well as requests for advice around potential fraud and financial abuse.
9. The financial abuse cases tend to relate to the behaviour of individuals overseeing financial affairs on behalf of Vulnerable Adults – these may be family members or other individuals holding a Power of Attorney. The Direct Payments cases we are currently handling involve potential exaggeration of disabilities with a view to obtaining increased direct payments or care provision.
10. From our improved liaison with Adult Care and Safeguarding teams we believe there is clear scope to improve and assist in the investigation of adult financial abuse cases. The Counter Fraud & Investigation Team continues to work with Adult Care Practitioners, Safeguarding Officers, Police, the Office of Public Guardianship (OPG) and Court of Protection Team – this has seen increased and regular referrals.
11. Financial abuse cases can be difficult to prove and involve numerous barriers. We continue to explore avenues that will help obtain information and allow successful investigation of cases. The emphasis on our work with Adult Care and Safeguarding teams has been around joint working to identify and investigate fraud – we are in the process of developing a protocol that will facilitate and control this.
12. The Audit Commission's 'Protecting the Public Purse 2014' publication reiterated the threat of procurement fraud to all organisations. The annual cost to the public sector in this area is estimated at £876m. We have met with contract management leads across the Council with a view to improving our response to procurement fraud.
13. Contract officers within Children's Services engaged well in a fraud awareness session – they were keen on the joint working approach and have helped to distribute promotional material to the Council's providers.
14. Similar sessions are planned for contract officers across all areas of the council. We aim to ensure that contracts are prescriptive about rights of access, reporting and investigation expectations in the event of a suspected fraud. Using

intelligence gained from contract officers we plan to highlight selected contracts for analysis as part of a proactive fraud exercise in 2015/16.

15. Further to the recent distribution of counter fraud promotional material to all Council and school establishments, we have now updated our GEORGE page to ensure all material and policies are current and easily accessible. We have also targeted and distributed relevant material to specific areas in response to fraud risks that may affect them.

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

16. In October 2014 we submitted large volumes of Council data in 8 key areas of business for the purposes of the National Fraud Initiative:

17. The Audit Commission have now returned the data matches (over 16000) and we have commenced work on the reports containing the highest fraud risks:

- **Personal Budgets** – this area is included within the National Fraud Initiative for the first time. We are liaising with the Central Finance Team and have identified 2 cases where the direct payment recipient has died yet payments have continued – a combined estimated loss of £12k. Payments have now ceased but Failure to Disclose Information is a fraud offence and we are considering the circumstances to ascertain if any fraud is involved. We are also reviewing reports with a view to identifying whether correct information has been provided for financial assessments
- **Private Residential Care Homes** – this area has previously resulted in recoveries and has been given priority over other areas. Processes have, however, improved in recent years and overpayments tend to be recovered quicker
- **Pensions** – we have had several recoveries against these reports in previous exercises although overpayments have reduced in recent years as the Council employs a tracing agency

18. Once review of these priority reports is complete we plan to work alongside other teams to review reports and investigate potential cases where fraud, error or overpayment may have occurred.

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

19. The team are nearing the end of a proactive fraud exercise on the Council's payroll transactions. This focused on honoraria, overtime and other ad-hoc payments. The Counter Fraud and Investigation Team have used data analysis to identify outliers, unusual patterns or individual transactions for validation and/or investigation – this is now at draft report stage.

20. A planned proactive exercise on Contracts will now take place in 2015/16 – investigation demand and increased due diligence commitments, especially around the Agresso project has caused this slippage.

## Lincolnshire Counter Fraud Partnership

21. The Department for Communities and Local Government recently announced that they had made £16m available to Local Authorities to help tackle corporate fraud over a two year period. Councils were invited to submit bids in order to receive a share of the Counter Fraud Fund.
22. We were notified in November 2014 that we had successfully secured £200k to create a Lincolnshire Counter Fraud Partnership.
23. Our successful bid recognised the DCLG's desire for Local Authorities to work in collaboration to fight fraud. Our aim is a partnership that comprises counter fraud specialists working with subject area experts across Lincolnshire County Council and seven district councils. The main objectives of the partnership are:
  - 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
24. We received the first tranche of funding (£50k) in December 2014 and are currently working on governance arrangements for the partnership. A Project Group has been created to oversee and monitor the work of the partnership. This group has produced a Counter Fraud work plan to guide and monitor priorities, a data sharing agreement and a project risk register.
25. The project will be overseen/delivered by a Principal Investigator – the recruitment is ongoing and interviews are due to be held on 25<sup>th</sup> March 2015. This role is designed to help set up, co-ordinate and deliver the activities of the Lincolnshire Counter Fraud Partnership. The secondment opportunity covers an 18 month period – after which we expect the arrangements to be self-funding through savings and cash recoveries identified.
26. Bids for funding are being invited from Lincolnshire's Councils and we have developed an evaluation which is designed to achieve maximum recovery potential and wider partnership benefits.
27. We are required to submit our first progress report to DCLG by 23<sup>rd</sup> March 2015 – this will include an update on project spend and outcomes to date. We will include periodic updates to the Audit Committee over the coming year.

## Investigations

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28. The Council has referred to 2 cases to the Police involving service users subject to potential financial abuse. These cases have been identified as a result of our increased fraud awareness work with Adult Care and Safeguarding teams. One case relates to potential misappropriation of a service user's assets by a family member and the other case involves potential financial abuse of a service user by

a party unknown – a mobile telephone bill has been received in the service user's name that they have no knowledge of. In liaison with the relevant social work teams we have facilitated approaches to the Police and will provide information analysis and support when required.

29. We have received 8 suspected fraud referrals since our last report – 1 of which required preliminary enquiries only:

- 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 – insufficient evidence to prove fraud.

Outcome – preliminary enquiries confirmed discrepancies but no evidence of fraud. Negotiations agreed repayment of overcharged amount and action plan to be issued recommending improvements to the provider's systems and processes

30. We currently have 8 live cases – 2 of which are currently with the Police. It is unlikely that the remaining 6 cases will result in a Police referral:

- 1 x Service user suspected of exaggerating disabilities to obtain Direct Payments

Adult Care have reassessed and ceased payments to the service user. Counter Fraud & Investigation Team are working with Adult Care to establish whether invoices submitted are fraudulent. Adult Care intend to recover overpayments (estimated at £5.5k) from the service user

- 1 x Service user suspected of exaggerating disabilities to obtain care provision

A care provider has reported suspicious behaviour by service user that suggests they may be exaggerating the extent of their condition. The service user does not receive Direct Payments from the Council although the Authority does meet the costs of providing care. Counter Fraud & Investigation Team are liaising with Adult Care to agree a way forward (estimated cost has not yet been quantified)

- 1 x Service user subject to financial abuse by an appointee

Report received from Safeguarding Team that a service user's finances are being abused by the individual assigned as Power of Attorney. Mouchel Court of Protection Team are currently working on this case in conjunction with the Office of the Public Guardian. The Counter Fraud and Investigation Team is liaising with both parties to achieve an appropriate outcome. Calculations are still being made to quantify the potential value of fraud involved.

- 1 x employee suspected of Data Protection offences and fraudulent misuse of working time

Employee accessed confidential information and spent excessive time in doing this. This is a disciplinary investigation and a draft report has been produced.

- 1 x employee suspected of submitting incorrect mileage claims

Preliminary enquiries have been completed and an investigation has been commissioned – the estimated loss/overpayment has not yet been calculated

- Suspected misuse of a library card (also potential copyright offences)

Preliminary enquiries are ongoing

- 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 the investigation and the outcome report is being finalised.

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

In December 2014 a former employee was charged with Taking a Vehicle without Consent and Driving without Insurance. This case involved unauthorised use of a council vehicle. They pleaded guilty and received an 18 month Community Service Order, 6 penalty points against their driving licence and ordered to pay court fees of £85.

## **Progress Against Plan**

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32. 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 8 to 20 above.

## **Other Matters of Interest**

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### **CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**

33. The new CIPFA Counter Fraud Centre will lead and co-ordinate the fight against fraud & corruption across public services. They have recently published a new Code of Practice that replaces the previous guidance included in the 'Red Book' publication.



34. The Code of Practice includes 5 key principles. These expand upon the themes of the Local Government Fraud Strategy (Fighting Fraud Locally) that was previously published in 2011. The key principles are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption

35. The Code reinforces the responsibility of public bodies to embed effective standards to counter fraud and corruption in their organisations. This should support a framework of good governance and demonstrate effective and robust public financial management. It is encouraging that many of the measures identified within the code have already been implemented by the Council.

36. The Code also states that where organisations are making a statement in their Annual Governance report, they should assess and report upon their level of conformance with the Code.

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<br><br>E-learning tool 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 – <ul style="list-style-type: none"> <li>• successful outcomes have been publicised through local press and internal media &amp; publications</li> </ul> |

| Area                    | Indicative Scope  | Planned Days | Start Date | End Date   | Status   |
|-------------------------|---|--------------|------------|------------|--|
|                         |   |              |            |            | <ul style="list-style-type: none"> <li>Counter Fraud GEORGE page updated</li> </ul>                  |
| <b>Sub Total</b>        |   | <b>10</b>    |            |            |  |
| <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 – transactions where increased fraud risk are highlighted and followed up on a regular basis |
| 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>        |   |              |            |            |  |

| Area                              | Indicative Scope  | Planned Days | Start Date                          | End Date                       | Status  |
|-----------------------------------|---|--------------|-------------------------------------|--------------------------------|---|
| Update Fraud Risk Profile         | Incorporating emerging risk issues and results from local risk assessment   |              | December 2014                       | January 2015                   | Ongoing   |
| Proactive fraud exercises         | <ul style="list-style-type: none"> <li>Payroll (overtime / honoraria / allowances)</li> <li>Contracts</li> </ul>  |              | September 2014<br><br>December 2014 | March 2015<br><br>January 2015 | Fieldwork complete and draft report being finalised<br><br>Delayed until 2015/16 Counter Fraud Work Plan                                |
| National Fraud Initiative 2014/15 | <ul style="list-style-type: none"> <li>Data preparation for 2014/15 upload and matching exercise</li> <li>Initial analysis, sampling and testing of LCC data matches</li> </ul> |              | September 2014<br><br>February 2015 | October 2014<br><br>March 2015 | Complete – uploads successful<br><br>Priority reports identified and testing commenced – 2 possible cases highlighted for investigation |
| <b>Sub Total</b>                  |   | <b>140</b>   |                                     |                                |   |
| <b>Investigation</b>              |   |              |                                     |                                |   |

| Area   | Indicative Scope   | Planned Days | Start Date | End Date   | Status   |
|--|--|--------------|------------|------------|----------|
| 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>   |            |            |          |

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