

COUNTER FRAUD

Progress Report



November 2019

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Appendix 1 – Counter Fraud Plan 2019/20

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

Introduction

Key Messages

We are making good progress against our 2019/20 Counter Fraud Work Plan with several areas of proactive work ongoing and some completed. We are making headway in our review of data matches provided in the National Fraud Initiative exercise and have been successful in identifying several duplicate payments. We are also involved in providing data analysis for a wide ranging procurement review and have completed our annual review of the council's Fraud Risk Register.

There has also been a high demand for fraud investigation work between April and September 2019 with 15 fraud referrals made. 5 cases have been concluded but we currently have 11 live fraud cases ongoing (1 brought forward from 2018/19). This is a 15% increase on the same period in 2018/19.

2019/20 has seen significant success in terms of our contribution to recovery of fraud losses and fraud stopped.

£1.56m

Bank mandate fraud stopped

£21.6k

Overpayments identified from National Fraud Initiative exercise

£2.7k

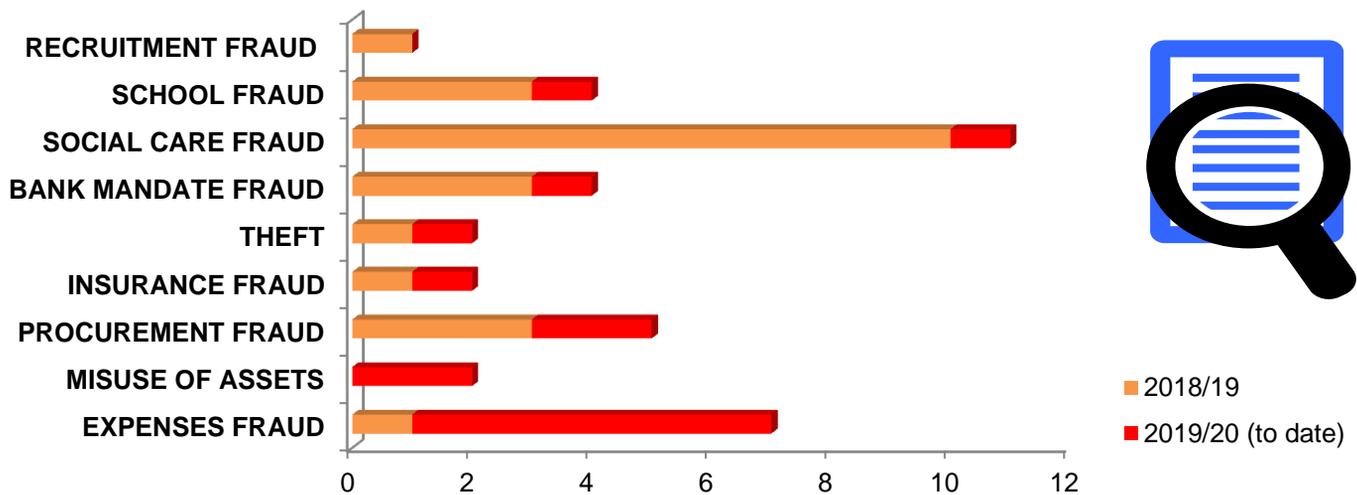
Overpayments identified from data analysis of payroll transactions

£30k

Recovery from case reported via whistleblowing

Fraud Referrals

We have received 15 fraud referrals in 2019/20 (6 months) so far in comparison to 23 reports in 2018/19 – this looks likely to continue the pattern identified in the previous year where there was a higher volume of cases although they were lower level and less complex to resolve. Please refer to the chart below.



2019/20 INVESTIGATION HEADLINES

We have done extensive work to raise awareness of bank mandate fraud in recent years. We have built up good lines of communication with service areas and Serco colleagues and in June 2019 a mandate fraud attempt was prevented by a vigilant member of staff – the value of the next payment due was £1.56m.

After a sharp increase in social care cases reported in 2018/19 we have seen a significant fall in this area with only 1 case referred in the year to date.

However, we have achieved a good result with a social care case reported in 2018/19. This relates to a deprivation of capital issue where a property ownership was not declared. We have liaised with Serco colleagues to recover £30k with a further £52k expected during 2019/20.

40% of referrals received in the current year relate to expenses or timesheet fraud. This represents a significant increase on the previous period. We regularly analyse payroll and expenses data as part of our proactive counter fraud work. We will also be collaborating with HR to issue communications regarding this type of fraud.

Investigation Outcomes

In accordance with our Counter Fraud Policy we treat all fraud referrals seriously and apply a zero tolerance approach. We seek to ensure maximum sanctions against perpetrators of fraud.

Action Fraud is the UK's national reporting centre for fraud and we submit all cases to them or the Police where we identify evidence of fraud.

However, often the value of loss or insufficient evidence will be a barrier to further action being taken.

ZERO TOLERANCE



15

fraud referrals in 2019/20

FRAUD INVESTIGATION SUMMARY

3

Cases referred to Action Fraud in 2019/20

6

'live' cases at preliminary stage

5

Full investigations ongoing*

2

No Further Action

* 1 case from 2018/19

Proactive Work

We have made good progress with our pro-active counter fraud work during 2019/20 to date. There are several key elements within the annual Counter Fraud Work Plan where we have continued to achieve some success these. The key developments are noted within the table below.

Fraud Risk Register

We have completed our annual update of the Fraud Risk Register and presented the results to Audit Committee. The updated information provides an accurate 'snapshot' of our risks and will be used to plan our work against priority areas.

National Fraud Initiative 2018/19

We submitted over 3/4m data records for this exercise in October 2018. We have now cleared several key data matching reports. However, through our data analysis work we have confirmed almost £21.6k in duplicate payments and highlighted a further £16.1k of possible pension overpayments. We are working with Finance and Serco colleagues to investigate and recover these.

Cyber Fraud

We work closely with the Head of Information Assurance on the threat of cyber fraud. He has delivered 25 presentations to over 500 staff – to raise awareness of key messages around cyber fraud and cyber crime. Phishing and malware activity is closely monitored and trends identified and acted upon. Key information is shared between regional and national cyber security teams. This allows us to build our knowledge of the cyber fraud threat.

Pro-active exercises

We are currently involved in working with the Commercial Team in a major review of procurement and contracts. Part of this will be a review of procurement card use – a key area of fraud risk. We will also continue to review payroll and expenses data to identify potential fraud and overpayments.

Data Analytics

We are extending our use of data analysis and it is helping to review vast amounts of records to identify trends etc. We have used it to identify duplicate payments and we also analyse payroll transactions on a regular basis - this allowed us to identify £2.7k in overpayments in our most recent exercise.

Fraud Awareness

Fraud awareness is a key area in the fight against fraud. We have delivered awareness work across numerous areas in 2019/20 to date and have several other priorities planned for the remainder of the year.

Fraud Awareness work delivered

Following the high value bank mandate fraud attempt against the council, we promoted this issue through internal and local media channels. This was designed to help raise fraud awareness and demonstrate the robust controls operated to prevent fraud.

Snap survey developed on image styles for new Counter Fraud promotional items – high level of responses

Delivery of fraud awareness sessions to Registrars and Business Support staff – targeted at relevant fraud risk areas

Development of new Counter Fraud leaflets and posters

Media release relating to Single Person Discount review

Fraud Awareness E-Learning and supporting communications to encourage take up (particularly with schools)

Counter Fraud information included within School Finance presentations

Counter Fraud messages incorporated within release of Blue Badges

Information sharing on awareness with Midland Fraud Group colleagues

Cyber fraud liaison to build up awareness of this area of risk

Fraud Awareness work due

Enhancement of communicating learning points from investigations – this strengthens fraud prevention and detection

Awareness session being developed for Corporate Audit team

Communication campaign to support International Fraud Awareness Week

Continue to promote awareness of E-Learning

Presentation to be made at Cabinet Office Counter Fraud Conference in February 2020

Publication of counter fraud article within ALARM newsletters

Continued work with Serious and Organised Crime Sub Group to raise awareness of scams on Vulnerable Adults

Lincolnshire Counter Fraud Partnership

2018/19 Single Person Discount review has concluded....



£1.3m of Council Tax being claimed incorrectly or fraudulently

3441 Single Person Discounts removed

The Partnership continues to.....



improve fraud resilience and fraud proofing across Lincolnshire

improving fraud intelligence

co-ordinating targeted fraud awareness campaigns

sharing fraud intelligence, best practice and expertise

Key focus for 2019/20.....



To develop the business proposal to generate additional Council Tax revenue by tackling fraud and error on Single Person Discounts on a rolling basis – the revised arrangements could deliver additional council tax revenue of £5.2m over a 5 year period.

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Progress
CIPFA Code of Practice – Key Principle A : Acknowledge Responsibility			
A1 - Acknowledge the threat of fraud and corruption	Audit Committee reporting	Annual and progress reports of counter fraud activity to Audit Committee:	Annual and progress reports completed as scheduled
A2 - Acknowledge the importance of a culture that is resilient to the threats of fraud and corruption	Engagement, training and fraud awareness	<ul style="list-style-type: none"> Annual Report on delivery of 2018/19 Counter Fraud Work Plan 	Annual Report presented
A3 - Governing Body acknowledges its responsibility for the management of its fraud and corruption risks	Engagement with Public Sector Partners in Lincolnshire	<ul style="list-style-type: none"> Fraud Risk Assessment – 2019 update Counter Fraud Progress report 2019-20 	Assessment updated Presented as scheduled
A4 - Governing Body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption		<ul style="list-style-type: none"> Annual Whistle-blowing Report Annual Counter Fraud Work Plan <p>Briefing sessions – training for members and senior management</p> <p>Continued development of fraud resilience through the Lincolnshire Counter Fraud Partnership (LCFP). Delivery of reports to Lincolnshire Finance Officers Group</p> <p>Participation in Safer Lincolnshire Partnership's (SLP) Serious and Organised Crime – Fraud Group (current focus on vulnerable adults)</p>	Presented as scheduled 2020/21 Plan Under development Outstanding Ongoing – interim report to be presented in January 2020 Meetings attended

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Progress
CIPFA Code of Practice – Key Principle B : Identify Risks			
B1 - Fraud risks are routinely considered as part of risk management arrangements	Research and intelligence gathering to highlight emerging risks	Participation in: <ul style="list-style-type: none"> Midlands Fraud Group work with FFCL Board (Fighting Fraud & Corruption Locally) CIPFA Counter Fraud Centre follow up of NAFN alerts and horizon scanning for relevant legislative changes 	Ongoing
B2 - The organisation identifies the risks of fraud and corruption	Benchmarking activity		
B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk exposures	Update fraud risk profile	Annual review and update of the Council's Fraud Risk register	Updated
B4 – The organisation evaluates the harm to its aims and objectives	Analysis and publication of fraud losses	Participation in CIPFA Fraud and Corruption Tracker (CFaCT) Annual Survey	Survey submitted
		Audit Committee reporting	Reports submitted
		Monitoring and review of: <ul style="list-style-type: none"> Investigations Whistleblowing reports CFaCT annual report National picture to identify trends and feed into Fraud Risk Assessment 	Ongoing
		Data analysis and Risk assessment: <ul style="list-style-type: none"> Used to prioritise and facilitate counter fraud proactive exercises To support audit key control and continuous testing 	Data analysis being used where required

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Progress
CIPFA Code of Practice – Key Principle C : Develop a Strategy			
C1 - Governing Body formally adopts a counter fraud and corruption strategy to address identified risks	Counter Fraud Strategy	Refresh & Promote Counter Fraud Strategy	Outstanding
C2 - Strategy includes the organisation's use of joint working or partnership approaches	Review and refresh policy documents	Review and updates of Policies including: <ul style="list-style-type: none"> • Counter Fraud / Bribery & Corruption Policy 	Outstanding
C3 - The strategy includes both proactive and responsive approaches:		<ul style="list-style-type: none"> • Fraud Response Plan 	Outstanding
		<ul style="list-style-type: none"> • Fraud Communication Strategy 	Outstanding
		<ul style="list-style-type: none"> • Money Laundering Policy (ML) 	Draft produced and under consultation

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Progress
CIPFA Code of Practice – Key Principle C : Develop a Strategy			
<p>Proactive action:</p> <p>Develop counter fraud culture</p> <p>Prevent fraud through implementation of robust internal controls</p> <p>Use of techniques such as data matching</p> <p>Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters</p> <p>Responsive action:</p> <p>Detecting fraud through data and intelligence analysis</p> <p>Implementing effective whistleblowing arrangements</p> <p>Investigating fraud referrals</p> <p>Applying sanctions and seeking redress</p>		<p>Activity planning of proactive counter fraud work - response to risk assessment and data analytics</p> <p>Review of Lincolnshire Counter Fraud Partnership's Terms of Reference</p> <p>Forward Planning for 2020-21 Counter Fraud Strategy and Work Plan</p>	<p>Ongoing</p> <p>Completed</p> <p>Ongoing</p>

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Progress
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	Lincolnshire Counter Fraud Partnership	Development and delivery of annual counter fraud work plan	Ongoing
D2 - The organisation utilises an appropriate mix of experienced and skilled staff	Midlands Fraud Group	Fraud advice across LCC services areas and to strategic partners	Ongoing
D3 - The organisation grants counter fraud staff unhindered access to its employees	Collaboration with and support to Internal Auditors at Assurance Lincolnshire	Management of Lincolnshire Authorities Whistleblowing Facility	Ongoing
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing	Manage pool of Conduct Investigators	Ongoing participation with SLP Serious Organised Crime - Fraud Group	Ongoing
	Website updates	Engagement with national and regional best practice groups including co-ordination and Chairing of 2 x Midland Fraud Group Meetings	Meetings arranged and delivered

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Progress
CIPFA Code of Practice – Key Principle D : Provide Resources			
		<p>Use of pooled funding contributions from Lincolnshire's District Councils and Lincolnshire Police for provision of support to the Lincolnshire Counter Fraud Partnership, including:</p> <ul style="list-style-type: none"> • Delivery of 3 Lincolnshire Counter Fraud Partnership meetings • Support for Lincolnshire Districts Councils to reduce fraud losses in Council Tax and Business Rate collection • Joint awareness activity • Support for eLearning module <p>Continuing professional Development and training for Counter Fraud & Investigations Team</p>	<p>Ongoing</p> <p>1 delivered but approach being revisited</p> <p>Outstanding</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Progress
CIPFA Code of Practice – Key Principle E : Take Action			
E1 - The organisation has put in place a policy framework which supports the implementation of the Counter Fraud Strategy	<ul style="list-style-type: none"> • National Fraud Initiative 2018/19 • Proactive counter fraud exercises • Data analysis 	<p>Completion of ongoing data analysis exercise and investigation of payroll outliers</p> <p>Follow up and investigation of data matches identified through National Fraud Initiative 2018/19</p>	<p>Ongoing</p> <p>Ongoing and successful in identifying duplicate payments</p>
E2 - Plans and operations are aligned to the strategy	<ul style="list-style-type: none"> • Investigations - whistleblowing referrals 		
E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or intelligence sharing	<ul style="list-style-type: none"> • Investigations - fraud • Applications of sanctions 	<p>Delivery of Communications Plan promotion and publicity through various publications and media channels including internal communications of:</p>	<p>Ongoing</p>
E4 - Providing for independent assurance over fraud risk management, strategy and activities	<ul style="list-style-type: none"> • Seeking redress • Advice • Promotion of counter fraud activity 	<ul style="list-style-type: none"> • fraud prevention measures • fraud awareness – updates, risk, red flags, scams etc. • investigation outcomes • policy and expectations 	
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	<ul style="list-style-type: none"> • Organisational learning • Reports to Audit Committee 	<p>Proactive procurement fraud exercises and use of data analytics:</p> <ul style="list-style-type: none"> • off contract purchasing • purchasing card (P-Card) transactions 	<p>Ongoing</p>
* Note also Specific Step – C3		<p>Pro-active work – research & scoping for contract monitoring practice audits and preparation for 'Deeper-dive' exercise in 2020/21</p>	<p>Ongoing</p>

CIPFA Code of Practice – Key Principle E : Take Action

		Quarterly liaison meetings with Information Governance Teams – pro-active cyber security review	Ongoing – meetings arranged and delivered
		Risk review and activity planning - fraud in Adult Social care	Outstanding
		Investigations arising from whistleblowing reports and frauds identified	Ongoing
		Production of management reports and action plans to aid organisational learning – learning points	Ongoing
		Applications of sanctions – civil, disciplinary and criminal	Ongoing
		Seeking redress where successful prosecutions are achieved	Ongoing
		Provision of advice on fraud risks and mitigating controls	Ongoing