

COUNTER FRAUD

2020 Annual Report



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Appendix 1 – Counter Fraud Plan 2019/20

Lucy Pledge - Head of Audit and Risk
Lucy.pledge@lincolnshire.gov.uk

Dianne Downs – Audit Team Leader
Dianne.downs@lincolnshire.gov.uk

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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

The purpose of the Annual Report is to provide assurance to the Audit Committee on the effectiveness of the Council's arrangements in countering fraud and corruption. The report also informs the committee of performance against the 2019/20 Counter Fraud Work Plan and the outcomes of proactive fraud work and investigations.

PERCENTAGE OF PLAN COMPLETE



We are pleased to have delivered 87% of the tasks included within the 2019/20 Counter Fraud Work Plan (see Appendix B). We have maintained a high level of delivery consistent with the previous 2 years.

£114k recovered in 2019/20

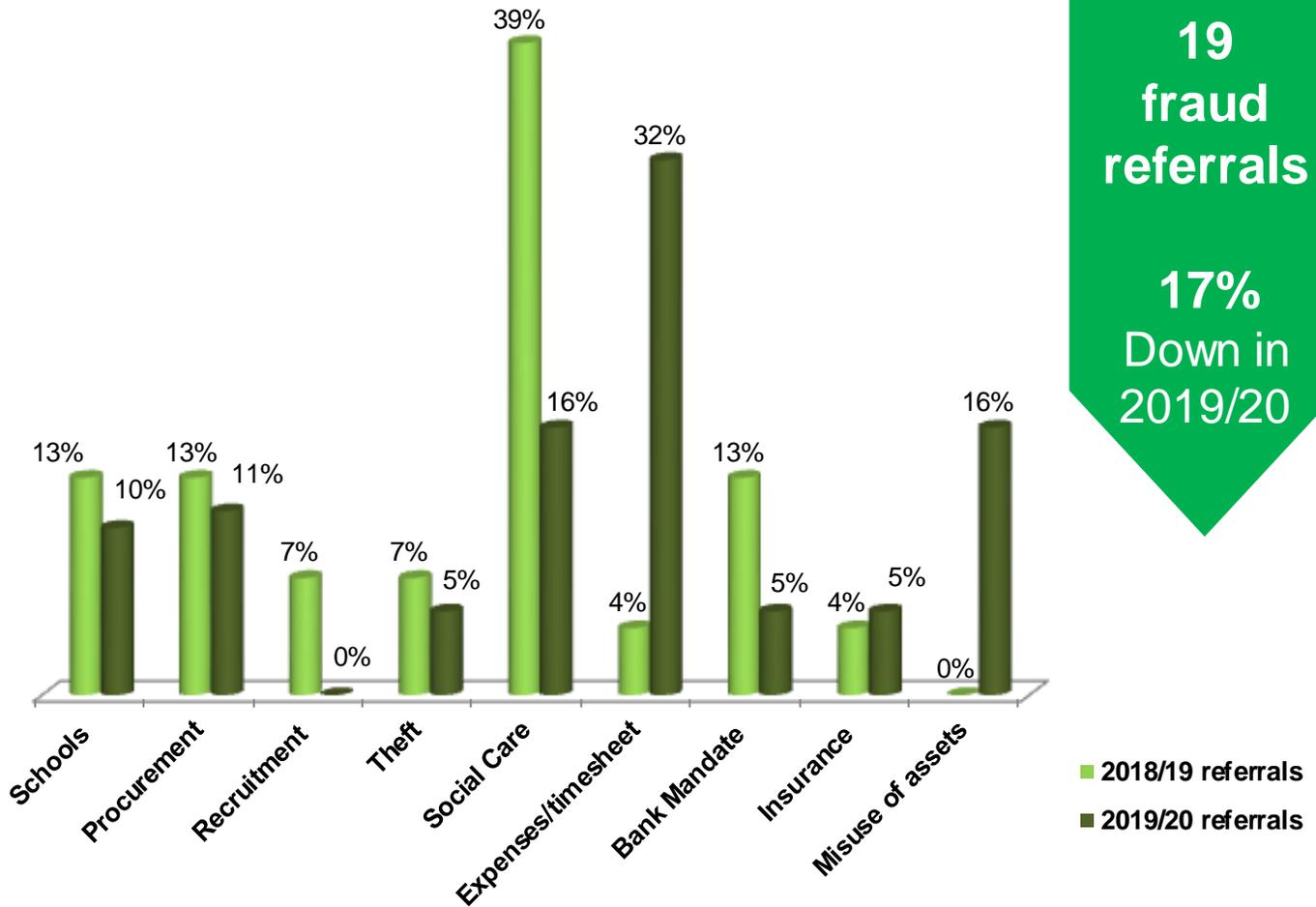


We were able to recover over £114k during 2019/20 from our proactive counter fraud work and investigations.

£1.56m attempted fraud stopped

We have done extensive work to raise awareness of bank mandate fraud in recent years and have built up good lines of communication with service areas and Serco colleagues. In June 2019 a significant fraud attempt was identified by a member of staff. Vigilance was key in preventing this fraud from being successful

Fraud Referrals



Time & expenses
28%

23%
Social Care

The most notable increase in 2019/20 related to timesheet and expenses frauds. These tend to be low level but we monitor trends and correlations and are working with specific director and service areas to address issues identified.

After a spike in social care related cases in 2018/19, the number of cases referred to us in 2019/20 stabilised to a more 'normal' level. We were able to conclude a long running social care investigation and were successful in securing a significant recovery

The chart also demonstrates that the proportion of frauds relating to procurement and schools have remained consistent in 2019/20. We have delivered extensive pro-active work in both areas in recent years.

Investigation - Headlines

We have achieved some significant results during 2019/20 from our investigation work.



During 2019/20 we concluded a case relating to deprivation of capital in which a property was not declared – therefore resulting in overpayment over a sustained period. In accordance with the zero tolerance approach in the Counter Fraud Policy, we referred this for criminal proceedings – this did not go ahead but we were able to recover £83k through civil means.



We were required to investigate allegations that an employee has been falsifying details within their timesheets submitted.

Our investigation resulted in the individual being dismissed from their role and the subsequent recovery of monies fraudulently obtained (£1.2k)



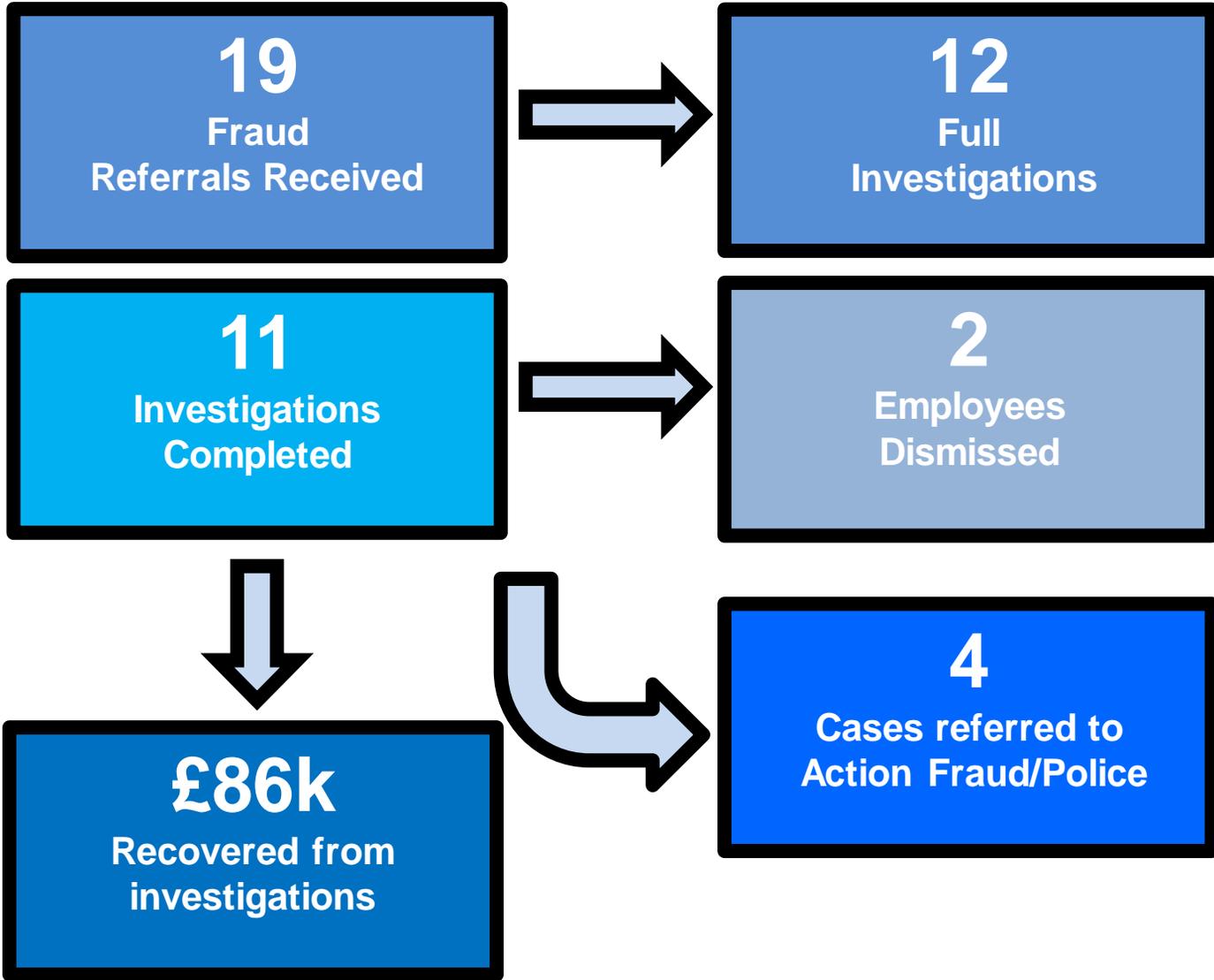
We continue to investigate a case relating to a significant suspected purchasing card fraud.

The individual has been dismissed from their role and we are currently gathering details and evidence in liaison with Lincolnshire Police and the Crown Prosecution Service.

Fraud Recoveries

Whilst recoveries are not the only measure of success or effectiveness, we are pleased to have recovered £114k through a variety of routes during 2019/20. Any amounts recovered can be ploughed back into providing vital services for those most in need of them.

Investigation - Outcomes



SANCTION

In accordance with our Counter Fraud Policy and zero tolerance approach to fraud we seek to take sanctions against those who commit fraud at or against the Council – this is shown by the dismissal of 2 employees following disciplinary procedures. Where we find sufficient evidence of a fraud taking place, we try to ensure maximum sanction via Action Fraud or Police. In 2019/20 we referred 4 cases to law enforcement authorities. 3 cases led to no further action but one significant case continues to be investigated by Lincolnshire Police.

REDRESS

Another key element of the Counter Fraud Policy is Redress – this requires us to be rigorous in our pursuit to recover money lost through fraud. In 2019/20 we were able to recover over £86k from 3 investigations conducted.

This demonstrates our commitment to using various routes to claw back amounts lost and ensuring this money can be reinvested into providing key services for the people of Lincolnshire.

Proactive Work

A proactive approach is a key factor in any counter fraud efforts. This reinforces the aims of our service laid out within our Counter Fraud Policy. We protect our resources through our proactive principles of **Deterrence, Prevention and Detection**.

Proactive Work - Achievements in 2019/20

National Fraud Initiative	We have almost completed our review of the data matches identified in the 2018/19 exercise. We were able to enhance our review using data analysis techniques – this contributed to another successful process with over £25k in overpayments DETECTED and recovered. We are now making preparations for the 2020/21 exercise.
Fraud Awareness	Our fraud awareness e-learning package has continued its success in 2019/20 with 1555 employees now completing it. We have also rolled it to school employees. We have also continued to enhance fraud awareness on numerous fronts with general and targeted awareness campaigns. It was pleasing that our Business Support colleagues were able to directly PREVENT a major bank mandate fraud attempt in June 2019 through vigilance derived from our fraud awareness work.
Fraud Risk Register	We updated the Fraud Risk Register in 2019/20. We gather intelligence throughout the year to inform this and it allows us to focus on our DETERRENT proactive work priorities. We will be using this process to guide our post Coronavirus virus counter fraud efforts.
Proactive exercises	We have been involved in a joint proactive review of Contract Management with the Council's Commercial Team in 2019/20. We have also continued our regular reviews of payroll transactions – this DETECTED overpayments of £2.7k. We have also worked closely with our Information Assurance Team to enhance knowledge of cyber fraud threats.
Data Analysis	We have continued to enhance our data analysis capabilities and used it effectively to DETECT amounts recovered and data trends. We have also transferred our analytic knowledge to the audit and risk teams within our wider service.
Midland Fraud Group	We lead this regional group of counter fraud professionals and organise regular meetings to share intelligence. Knowledge sharing during the Coronavirus has proved invaluable in formulating an urgent response to DETERRING the increased threats facing local authorities.

Fraud Risk Register

LIKELIHOOD	4 ALMOST CERTAIN		Social Care – Financial Abuse		
	3 PROBABLE	Schools & establishments Payroll & employees	Contract Management Procurement Social Care – Overstated Care Needs	Cyber Fraud Council Tax	
	2 POSSIBLE	Pensions Income Collection Payments/ Creditors BACS & Cheque False accounting Blue Badge Identity Insurance Electoral	Social Care – Financial Assessments	Corruption (including bribery)	
	1 HARDLY EVER	Debt Management Petty Cash & Imprest accounts	Property, land & equipment Grants	Money Laundering Investment Serious & Organised Crime	
	1 NEGLIGABLE	2 MINOR	3 MAJOR	4 CRITICAL	
IMPACT					

We updated the Fraud Risk Register in 2019/20. Fraud risk identification is essential to understanding our exposure to the fraud threats we face. We continually update the information and intelligence so we have an accurate picture of the current status of each risk area. We were pleased to agree a downgrade in the rating of Cyber Fraud – moved to Amber from Red in view of improvements in the response to this threat.

Fraudsters will seek to exploit the uncertainty created by major and unexpected events – the current Coronavirus issue is no exception. We have used this process to log all known information on the prevalent fraud risks raised by this situation. This has helped formulate our prompt response to warn and inform employees and the public of fraud and scams. It will also help guide our proactive efforts to detect potential fraud against the Council.

Lincolnshire Counter Fraud Partnership

Key Outcomes in 2019/20

Revenue Generation

- ✓ £1.65m revenue savings for LCC since 2015 (Council Tax related and business rates)
- ✓ Business case developed for an Invest to Save project – this highlights scope to deliver Council Tax recoveries of £10.5m

Fraud Awareness

- ✓ Tailored fraud awareness sessions delivered to members
- ✓ Improved fraud Awareness e-learning platform delivered

Fraud resilience and fraud proofing

- Regular liaison and sharing of information on:
- ✓ Scams
 - ✓ Alerts
 - ✓ Fraud cases

2019/20 saw the LCFP develop a business case that sets out a revenue proposal taking a proactive approach to council tax fraud and error. Changing the approach to Council Tax Single Person Discounts (SPDs), delivered in partnership with all District Councils in Lincolnshire will have potential to deliver revenue of over £10m (gross) over a 5 year period. This will contribute to more money for local service delivery.

Lincolnshire Finance Officers have also agreed to consider a longer term funding commitment (3-5 years) for LCFP. This will provide better medium term planning and allow LCFP to identify and support cross-cutting counter fraud related projects that would benefit all partners and explore more cost effective delivery models to deliver partnership

Effectiveness

Value for Money

The annual cost of the Counter Fraud & Investigation Team is calculated at £237k.

There are tangible benefits delivered by the team that demonstrates how effective our work is. Fraud recoveries are probably the clearest indicator – the level of recoveries (£114k) in 2019/20 was very encouraging and shows we are effective in ensuring redress is taken where we identify fraud. We also recovered amounts through both our investigation and counter fraud work and across several cases and approaches - this provides more evidence of effectiveness. However, recoveries can be subject to many factors including timing and nature of cases so cannot be the only comparison.

We were able to prevent a sizeable fraud from taking place in 2019/20 when a Business Support employee showed awareness to recognise fraud red flags when supposedly contacted by a contractor. We have delivered regular work with this team and this directly helped prevent this fraud happening – again showing the tangible benefits our work brings.

There are also areas where benefits cannot be measured. The volume and range of our fraud prevention work and our promotion of it acts a deterrent - therefore stops fraud attempts from occurring at Lincolnshire County Council. We cannot place a value on this but the amount of losses would be much higher without the team's contribution to countering fraud.

We publicise the range of work we undertake and the successes we deliver – this is designed to make potential fraudsters reluctant to target the Council as they believe that attempts will be identified and strong action taken.

We maintain regular contact with our Midland Fraud Group colleagues and undertake basic benchmarking activity with them – this provides valuable insight and our results always compare favourably with other teams across the region.

Annual cost of team

£237k

2019/20 Recoveries

£114k

Large fraud stopped

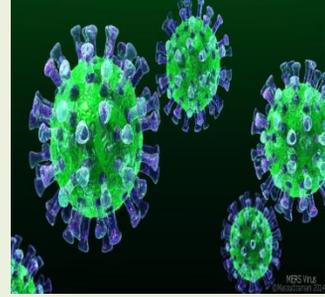
£1.56m

Many other frauds stopped before they happen

We also participate in the annual CIPFA Fraud and Corruption Tracker survey – the 2019 results estimated that £253m of fraud was detected and prevented by local authorities. The report provides valuable insight into trends and statistics on fraud activity across similar councils. This enables us us to align our work to ensure we are aware and responding in the correct areas.

These factors demonstrate that the team provides a proportionate approach to mitigate fraud risks and delivers a Value for Money service.

Moving Forward.....



Coronavirus

The unprecedented crisis created by the COVID-19 outbreak crisis has brought many challenges. It is a fast changing and developing situation that has required a rapid yet coherent response.

Unfortunately, fraudsters seek to take advantage of such major issues – they exploit confusion and vulnerability where individual decision making may be affected. We were able to ensure a prompt and joined up response to ensure employees, our partners and the wider public were aware of the raised threat of fraud – messages were mainly around the current risks of supplier fraud and cyber attacks such as phishing scams.

Moving forward, we have been gathering intelligence and information (from national and local sources) regarding potential fraud risks relating to the changed scenario in which the Council finds itself. This information is acting as a guide to those specific service areas and transactions most vulnerable to fraud at this time and we are revising our plans accordingly to ensure our response remains effective.



Recognition

Following our team's success in the Government Counter Fraud Awards 2019 for our fraud awareness for schools campaign, we have been invited to make presentations at national conferences to provide insight into our work.

We were invited to present at several events including the Cabinet Office Counter Fraud Conference in February 2020 and the Inside Government Conference in June 2019. This demonstrates how Lincolnshire County Council has become established as a nationally respected authority in the counter fraud community.

Fighting Fraud and Corruption Locally 2020...

..is the Local Government Counter Fraud Strategy and is aimed specifically towards councils and their fraud fighting efforts. The FFCL sets the approach local authorities should take to transform counter fraud and corruption performance as well as offering major recommendations for local authorities and other stakeholders - it looks at current issues, risks and good practice

The Strategy is due for renewal in 2020 and Lincolnshire County Council have been approached by CIFAS to deliver the guidance aimed at schools to help them to prevent fraud. We have vast experience in dealing with school fraud and this represents a good opportunity to share knowledge with other local authorities and establish our position as an exemplar authority. Our current plans are aligned to FFCL 2016-19 and we report against its 5 core principles. We will continue to reflect the national strategy priorities when we review our own policies later in 2020 to ensure they remain compatible. We will report back on progress to the Committee in November 2020.

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 	Completed
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 	Completed
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 	Completed
		Briefing sessions – training for members and senior management	Outstanding
		Continued development of fraud resilience through the Lincolnshire Counter Fraud Partnership (LCFP). Delivery of reports to Lincolnshire Finance Officers Group	Completed – report presented in January 2020
		Participation in Safer Lincolnshire Partnership's (SLP) Serious and Organised Crime – Fraud Group (current focus on vulnerable adults)	Completed

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) 	Completed
B2 - The organisation identifies the risks of fraud and corruption	Benchmarking activity	<ul style="list-style-type: none"> CIPFA Counter Fraud Centre follow up of NAFN alerts and horizon scanning for relevant legislative changes 	
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	Completed
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	Completed - Survey submitted
		Audit Committee reporting	Completed - Reports presented
		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 	Completed
		Data analysis and Risk assessment: <ul style="list-style-type: none"> Used to prioritise and facilitate counter fraud proactive exercises 	Completed - 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 	Completed
		<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
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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	Completed
D2 - The organisation utilises an appropriate mix of experienced and skilled staff	Midlands Fraud Group Collaboration with and support to Internal Auditors at Assurance Lincolnshire	Fraud advice across LCC services areas and to strategic partners Management of Lincolnshire Authorities Whistleblowing Facility	Completed
D3 - The organisation grants counter fraud staff unhindered access to its employees	Manage pool of Conduct Investigators	Ongoing participation with SLP Serious Organised Crime - Fraud Group	Completed
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing	Website updates	Engagement with national and regional best practice groups including co-ordination and Chairing of 2 x Midland Fraud Group Meetings	Completed - Meetings arranged and delivered

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>Completed</p> <p>Completed - 1 delivered but approach being revisited</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>
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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>	Completed
E2 - Plans and operations are aligned to the strategy	<ul style="list-style-type: none"> • Investigations - whistleblowing referrals 	<p>Follow up and investigation of data matches identified through National Fraud Initiative 2018/19</p>	Completed
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>	Completed
E4 - Providing for independent assurance over fraud risk management, strategy and activities	<ul style="list-style-type: none"> • Seeking redress • Advice 	<ul style="list-style-type: none"> • fraud prevention measures • fraud awareness – updates, risk, red flags, scams etc. 	
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"> • Promotion of counter fraud activity • Organisational learning • Reports to Audit Committee 	<ul style="list-style-type: none"> • investigation outcomes • policy and expectations 	
* Note also Specific Step – C3		<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 	Completed
		<p>Pro-active work – research & scoping for contract monitoring practice audits and</p>	Completed

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Progress
CIPFA Code of Practice – Key Principle E : Take Action			
		Quarterly liaison meetings with Information Governance Teams – pro-active cyber security review	Completed
		Risk review and activity planning - fraud in Adult Social care	Outstanding
		Investigations arising from whistleblowing reports and frauds identified	Completed
		Production of management reports and action plans to aid organisational learning – learning points	Completed
		Applications of sanctions – civil, disciplinary and criminal	Completed
		Seeking redress where successful prosecutions are achieved	Completed
		Provision of advice on fraud risks and mitigating controls	Completed