

# Appendix A Counter Fraud

## Annual Report



## June 2023

# Contents

## Contents

---

Page 1

## Key messages 2022/23

---

Page 2-7

## Delivery of 2022/23 Counter Fraud work plan

---

Page 4-10

Fraud Landscape  
Resources Deployed  
Pro-active Work  
Whistleblowing referrals  
Investigations  
Lincolnshire Counter Fraud Partnership

## Appendices

---

Page 11-17

### Appendix B - Counter Fraud Plan 2022/23

**Claire Goodenough**- Head of Audit and Risk  
[Claire.goodenough@lincolnshire.gov.uk](mailto:Claire.goodenough@lincolnshire.gov.uk)

**Dianne Downs**- Internal Audit Team Manager  
[Dianne.downs2@lincolnshire.gov.uk](mailto:Dianne.downs2@lincolnshire.gov.uk)

---

This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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 audits engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.



## Key Messages

This report is provided for Audit Committee members. It provides information about arrangements in place to counter fraud and corruption and reports on delivery of the 2022/23 Counter Fraud Work Plan approved by the Committee in March 2022.

### Fraud Risks

It is important to understand what fraud risks the Council faces, so that proportionate action can be taken to protect the public purse.

The Council's fraud risk register was updated in 2022/23 and concluded that the inherent risk of fraud remains high; this is consistent with the national fraud landscape.

### Counter-Fraud Resource

The Council made provision for resources to be deployed to combat the frauds risks faced by the Council.

During 2022/23 resource availability was significantly reduced and this impacted the service's ability to deliver planned counter fraud activity.

We have **delivered 58% of work planned** for 2022/23.

This included 215 days spent on internal investigations. Full details of days delivered are set out in Appendix B.

### Fraud prevention

LCC has controls in place to prevent fraud as part of its normal operating processes. £1.048m of attempted mandate fraud was prevented by colleagues at LCC and our Serco partners.

The Counter fraud plan aimed to ensure Council arrangements were boosted further through raising awareness and pro-active work to detect fraud and error.

Time spent on pro-active counter fraud work was restricted in 2022/23 but did include submission of data sets as part of the National Fraud Initiative (NFI) data matching exercise. Data matches were returned for follow up and this is an area that requires further attention in 2023/24, alongside other pro-active work.

### Investigations

In 2022/23 we brought forward nine live investigations and received a further 18 new referrals. 20 were closed and seven cases were carried forward into 2023/24.





## Key Messages

This report is provided for Audit Committee members. It provides information about arrangements in place to counter fraud and corruption and reports on delivery of the 2022/23 Counter Fraud Work Plan.

## Investigation Outcomes

The 20 investigations closed during 2022/23 resulted in a range of outcomes. No fraud was proven in four instances, but all other cases resulted in some form of action being taken. This included Police referrals, internal disciplinary processes and recommendations for management actions to strengthen internal controls to prevent reoccurrence.

## Lincolnshire Counter Fraud Partnership

The LCC Counter Fraud Plan made provision for resource to support partnership arrangements with Lincolnshire Police and Crime Commissioners Office and District Councils in Lincolnshire.

Due to resourcing pressures, less partnership activity took place than in previous years. We did however continue to manage and triage the whistleblowing hotline for Lincolnshire local authorities.

## Whistleblowing reports

An analysis of referrals made to the hotline in 2022/23 identifies a total of 78 referrals were received (86 in 2021/22). 13 referrals (17%) related to Lincolnshire County Council (LCC), 59 (75%) to districts and six referrals (8%) relating to councils outside of Lincolnshire.

- Of the 13 LCC confidential referrals just one related to potential fraud, nine to officer conduct and three other concerns.
- Referrals about council tax and housing tenancy fraud remain high. This accounts for 65% of all referrals received in 2022/23.

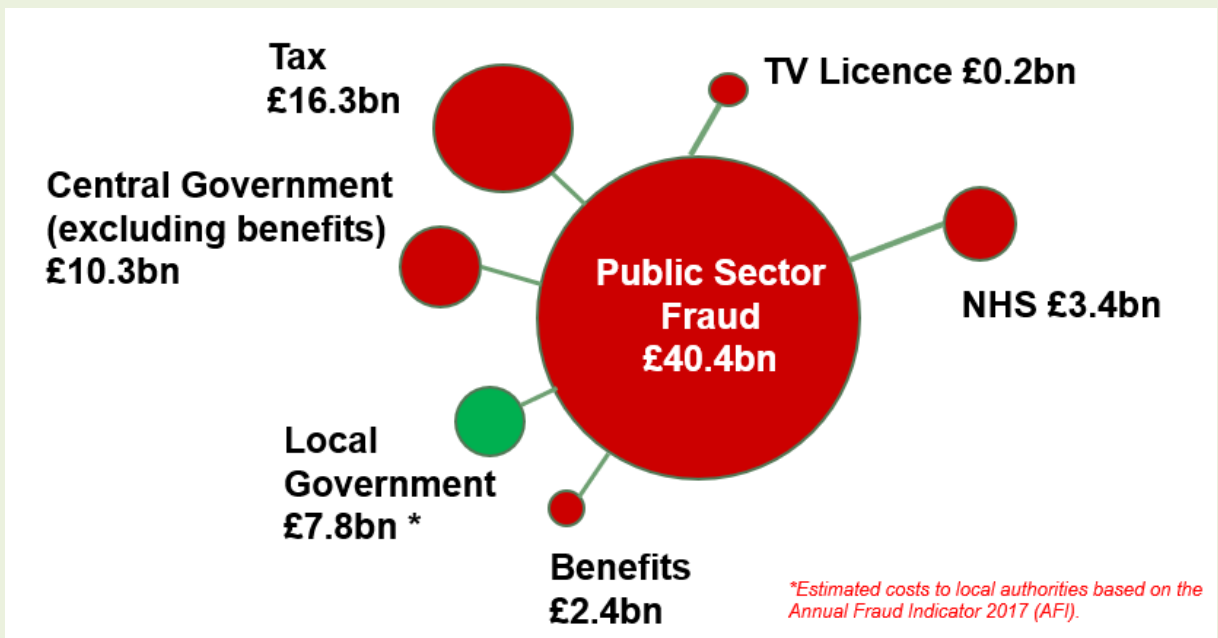


# Fraud Landscape

Fraud is an ever-present threat to all sectors across the world. The threat to public funding managed by Local Authorities is no exception.

It is hard to capture the true extent of fraud losses in the public sector. Analysis and estimates of the amount of fraud loss varies across official government and professional reports but reports consistently indicate that fraud risks are rising.

The Annual Fraud Indicator 2017 Report contains the last set of government sanctioned estimates for local authorities: It estimated annual public sector fraud losses at £40.3bn of which £7.3bn (18%) was lost in local authorities.



The Cabinet Office published a fraud landscape report for every year from 2017 to 2022. Fraud loss estimates have increased year on year. The latest Cabinet Office estimate, which was published in March 2023, reported that the public sector lost up to £58.8 billion to fraud and error in 2020-21, excluding schemes specific to COVID-19.

CIPFA also attempted to calculate Local Authority losses through an annual survey of Councils. Participation was voluntary and less than one third of County Councils responded to the last survey, so accurate benchmarking is not currently possible.

# Resources deployed

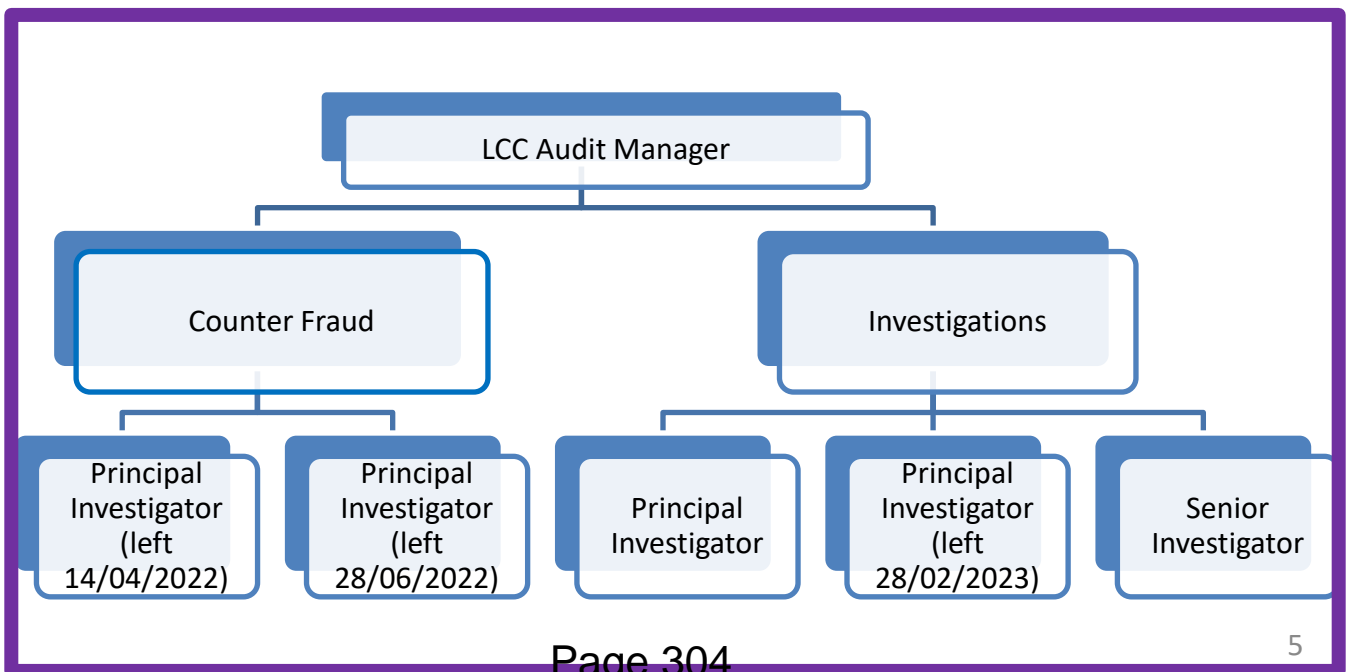
The 2022/23 Annual Counter Fraud plan of 523 days was based on estimates of counter fraud resources available to Corporate Audit and Risk Management (CARM) as at March 2022. This compared to 745 days in the 2021/22 Counter Fraud Plan.

During 2022/23 this resource availability was significantly reduced and on impacted the service's ability to deliver all planned counter fraud activity. Recruitment and retention of specialist counter fraud and investigations staff has been challenging post-pandemic. This reflects the national picture of public sector professional and specialist recruitment.

Three experienced counter fraud and investigations team members left CARM in 2022/23. One investigator left through planned retirement and two counter fraud specialists left to start new career paths in the private sector.

This was compounded by the long-term sickness absence of one post holder and diversion of some dedicated counter fraud resource to support delivery of internal audit plans and investigations for external clients.

The reduction in available resources meant less work was delivered against the Counter Fraud Plan for 2022/23. 58% (304/523 days) of the Counter Fraud and Investigations Plan for 2022/23 was delivered. A further 4% of counter fraud resources (20/523 planned days) were used to deliver unscheduled audit work for District Council clients.



# Proactive counter fraud work and raising fraud awareness

The Counter Fraud Plan for 2022/23 (Appendix B) set out detail of pro-active work due to be delivered during the year, following five principals:

- A. Acknowledge responsibility
- B. Identify Risks
- C. Develop a strategy
- D. Provide Resources
- E. Take action – both pro-active Counter fraud delivery and reactive investigations

Some of the planned activity was delivered, and notable achievements included:

- Submission of datasets as part of the National Fraud Initiative (NFI) data matching exercise
- Work started to process to NFI matches, but with further input required and work carried forward into 2023/24
- Work started to develop a Counter Fraud Hub to consolidate Counter Fraud information and make it easier and clearer to signpost staff to relevant information
- Engagement with national and regional groups
- Update of the fraud risk register
- Input to the combined assurance mapping process
- Refresh of schools eLearning materials and promotion
- Management of the confidential reporting line



The indicative scope in the 2022/23 Counter Fraud Plan also set out the intent to deliver pro-active counter fraud activity to target higher fraud risk areas. This was to be linked to fraud risk assessments.

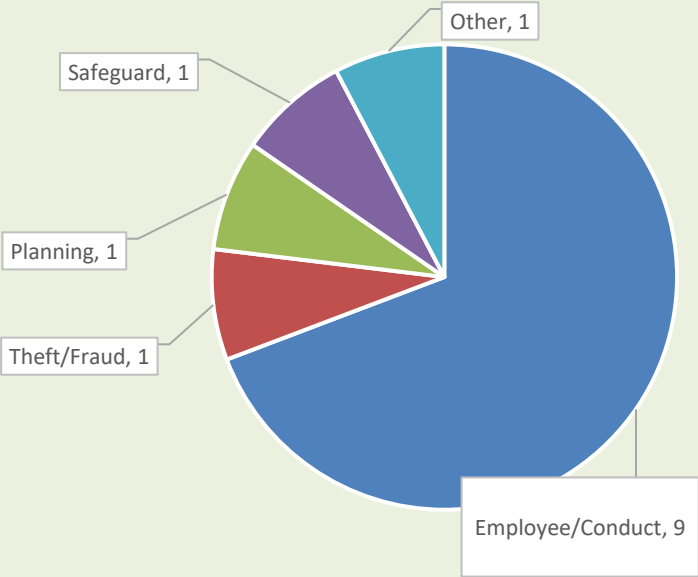
The reduction in resources during 2022/23 meant that it was not possible to deliver all this planned work. The amount of time that was dedicated to pro-active reviews was much less than in previous years and is something to be addressed in 2023/24.



# Confidential reporting about Lincolnshire County Council

There has been a fall in the number of reports received that related to Lincolnshire County Council. In 2022/23 there were 13 calls compared to 15 in 2021/22, and 20 in 2020/21.

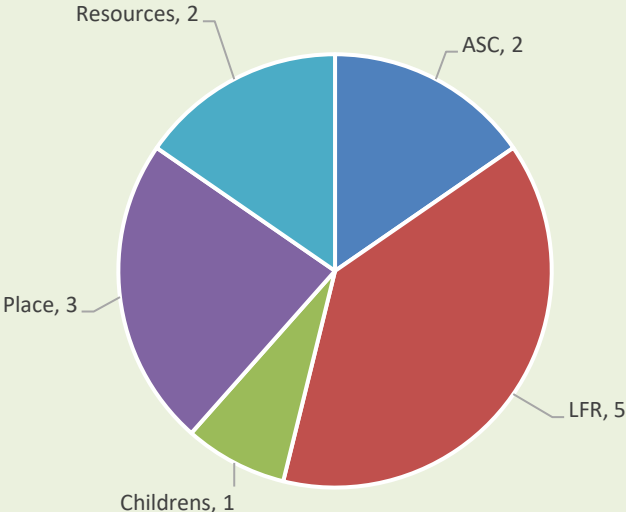
LCC Whistleblowing by type



In 2022/23, just one confidential referral led to formal fraud investigations.

Nine related to employee conduct and were referred on to management for processing through the Council’s HR grievance or disciplinary policies. This included multiple reports of the same concern.

LCC Whistleblowing by Directorate



The remainder of contacts made to the confidential reporting line about LCC were related to safeguarding concerns, planning matters, and contractor vetting processes.



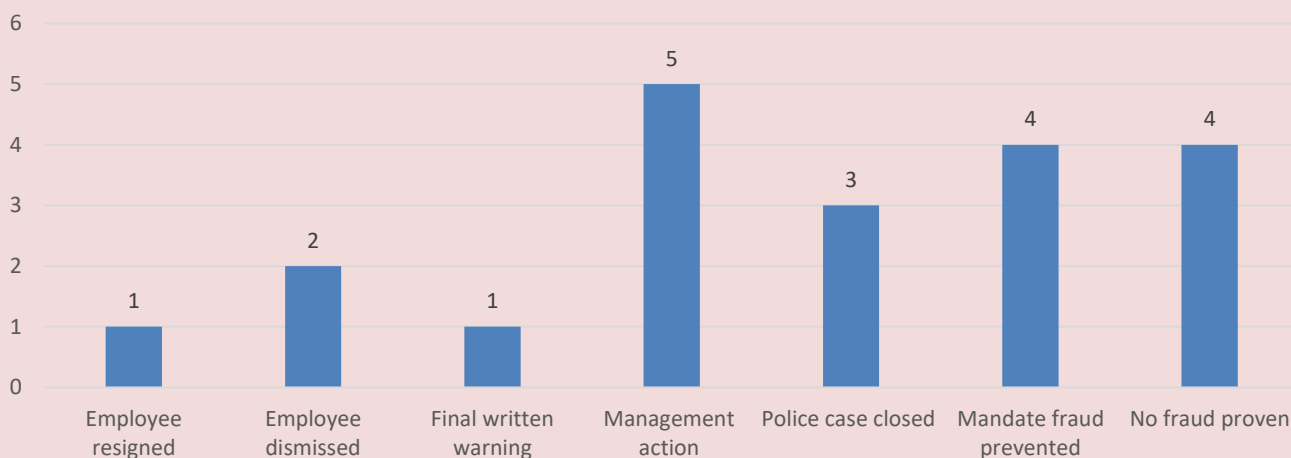
# Investigations

## Fraud investigations:

- Nine investigations were brought forward as work in progress from 2021/22
- 18 new investigations were opened
- of these 27 cases: 20 were closed and seven cases were carried forward to 2023/24

Lincolnshire County Council has a strong stance against fraud and seeks to take appropriate action. Fraud reports are investigated and when fraud is proven sanctions and redress are sought. The 20 closed cases resulted in a variety of outcomes :

Investigation outcomes



The majority of new investigations were opened following referrals by management with concerns about suspicious activity in their area.

## **£1.048 Mandate Frauds stopped**

Good internal control is essential in fraud prevention and detection. Strong processes meant that four attempted mandate fraud against the Council were stopped. If these attempts been successful, the Council would have lost £1.048m, but this was prevented. Our internal investigations gathered information about each of the attempts and this was passed to the Police for further action.

# Lincolnshire Counter Fraud Partnership

Lincolnshire County Council is the lead partner and co-ordinator for the Lincolnshire Counter Fraud Partnership (LCFP). The partnership comprises; Lincolnshire County Council, Lincolnshire Police and Crime Commissioners Office, and all seven district councils in Lincolnshire.

LCFP provides a broad framework for a County-wide anti-fraud approach and sharing of fraud intelligence, best practice and expertise and provides a single point of contact for staff and the public to raise concerns or whistleblow on wrong-doing in Lincolnshire authorities.

In 2022/23 resource pressures in Internal Audit and Counter Fraud have meant that partnership delivery was significantly restricted, and was limited to maintaining the confidential reporting facility.

The pause in delivery provided an opportunity to review and reset partnership arrangements. The new approach will maintain the benefits of partnership working through a core offer for all LCFP partners, and allow for a more bespoke, local option tailored to individual partner's requirements.

# Appendix B : Counter Fraud Plan 2022/23

Specific step (From CIPFA Code of Practice)	Nature of work and Indicative Scope			
CIPFA Code of Practice – Key Principle <u>A</u> : Acknowledge Responsibility		Planned Days	Delivered	Percent achieved
A1 - Acknowledge the threat of fraud and <u>corruption</u>	Member Training and Audit Committee Support	1	3	33%
	Counter Fraud Annual Plan and Progress Reports to Audit Committee	10	11	91%
A2 - Acknowledge the importance of a culture that is resilient to the threats of fraud and <u>corruption</u>	Lincolnshire Counter Fraud Partnership Plan and Reports for Lincolnshire Finance Officers Group	0	0	n/a
A3 - Governing Body acknowledges its responsibility for the management of its fraud and corruption <u>risks</u>				
A4 - Governing Body sets a specific goal of ensuring and maintaining its resilience to fraud and <u>corruption</u>				
<b>14 Days (3%)</b>		<b>11</b>	<b>14</b>	<b>79%</b>

# Appendix B :

## Counter Fraud Plan 2022/23

Specific step (From CIPFA Code of Practice)	Nature of work and Indicative Scope			
CIPFA Code of Practice – Key Principle <u>B</u> : Identify Risks		Delivered days	Planned days	Percent achieved
B1 - Fraud risks are routinely considered as part of risk management <u>arrangements</u>	Horizon Scanning & Annual Self-assessment against Fighting Fraud and Corruption Locally.	0	3	0%
	Benchmarking Activity – CFACT Tracker (annual survey), peer groups and trend analysis of LCC investigations	0	2	0%
B2 - The organisation identifies the risks of fraud and <u>corruption</u>	Update and presentation of Fraud Risk Registers	3	3	100%
	Fraud Risk Register – present report to Audit Committee	1	2	50%
B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk <u>exposures</u>	Identify priority service areas for awareness <u>training</u>	1	3	33%
	Collaboration in assurance mapping process - Counter Fraud and Investigations, Audit and Risk teams	2	2	100%
B4 – The organisation evaluates the harm to its aims and objectives				
<b>15 Days (3%)</b>		<b>7</b>	<b>15</b>	<b>47%</b>

# Appendix B :

## Counter Fraud Plan 2022/23

Specific step (From CIPFA Code of Practice)	Nature of work and Indicative Scope			
CIPFA Code of Practice – Key Principle <u>C</u> : Develop a Strategy		Days delivered	Planned days	Percent achieved
C1 - Governing Body formally adopts a counter fraud and corruption strategy to address identified <u>risks</u>	Annual Counter Fraud Work Plan 23/24	1	2.5	40%
	Strategy and Policy review	1	1	100%
	Update investigation practice notes	0	1	0%
	Fraud Communications Strategy	0	2	0%
	Launch of new Counter Fraud Hub and Fraud E-Learning (Q1/2022)	1	4	25%
C2 - Strategy includes the organisation's use of joint working or partnership <u>approaches</u>	Use of Data Analysis process in identifying Fraud Risk.	5	11	45%
	Publication of LCC Whistleblowing arrangements			
C3 - The strategy includes both proactive and responsive approaches:  <b>Proactive action:</b> <ul style="list-style-type: none"> <li>• Develop counter fraud <u>culture</u></li> <li>• Launching of new Counter Fraud Hub &amp; Fraud E- Learning</li> <li>• Prevent fraud through implementati on of robust internal <u>controls</u></li> <li>• Use of techniques</li> </ul>				

# Appendix B :

## Counter Fraud Plan 2022/23

Specific step (From CIPFA Code of Practice)	Nature of work and Indicative Scope			
<p>such as data matching</p> <ul style="list-style-type: none"> <li>• Deterring fraud attempts by <u>publicising</u> the <u>organisation's</u> anti-fraud and corruption stance and the actions it takes against <u>fraudsters</u></li> </ul> <p>Responsive action:</p> <ul style="list-style-type: none"> <li>• Detecting fraud through data and intelligence analysis</li> <li>• Implementing effective whistleblowing arrangements</li> <li>• Investigating fraud referrals</li> </ul> <p>Applying sanctions and seeking redress</p>				
<b>21.5 Days (4%)</b>		<b>8</b>	<b>21.5</b>	<b>37%</b>

# Appendix B :

## Counter Fraud Plan 2022/23

Specific step (From CIPFA Code of Practice)	Nature of work and Indicative Scope			
CIPFA Code of Practice – Key Principle <u>D</u> - Provide Resources		Days delivered	Planned days	Percent achieved
D1 - Annual assessment whether level of resource invested to countering fraud and corruption is proportionate to the level of <u>risk</u>	Lincolnshire Counter Fraud Partnership resource	0	0	n/a
	Whistleblowing facility – logging reports, referrals and follow up <u>action</u>	14	14	100%
	LCC – Support and advice	10	12	83%
	Engagement with national and regional best practice groups (including Multi Agency Intelligence Network (MAIN Lincs Police) & Midland Fraud Group) – sharing intelligence, CIPFA Standards and Fighting Fraud and Corruption Locally.	5	11.5	43%
D2 - The organisation utilises an appropriate mix of experienced and skilled <u>staff</u>	Annual Self-assessment	0	4	0%
D3 - The organisation grants counter fraud staff unhindered access to its <u>employees</u>	Enhance data analytic training and <u>capability</u>	0	1	0%
	Schools E-Learning (development and promotion	6	6	100%
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence <u>sharing</u>	Fraud Awareness E learning LCC	1	1	100%
	Launch of new Counter Fraud Hub	0.5	0.5	100%
	NSDC Fraud Risk workshop	3	3	100%
<b>53 Days (10%)</b>		<b>39.5</b>	<b>53</b>	<b>75%</b>



# Appendix B :

## Counter Fraud Plan 2022/23

Specific step (From CIPFA Code of Practice)	Nature of work and Indicative Scope			
CIPFA Code of Practice – Key Principle <u>E</u> : Take Action		Days delivered	Planned days	Percent achieved
E1 - The organisation has put in place a policy framework which supports the implementation of the Counter Fraud Strategy	Completion of work in progress <u>from</u> <u>2022/23</u> Counter Fraud Plan	3	3	100%
	National Fraud Initiative—Processing & Reporting for 2022/23	13	16	81%
	Promotion and Delivery of Communications Plan, targeted fraud awareness sessions and Fraud Clinics (Virtual delivery)	4	11	36%
	Pro-active reviews on higher risk areas – linked to fraud risk assessment. Key priorities for 2022/23 are currently:			
E2 - Plans and operations are aligned to the <u>strategy</u>	<ul style="list-style-type: none"> <li>• Procurement Card Review (across all Services)</li> <li>• Adult Social Care</li> <li>• Support for Internal Audit due diligence and key control testing. (Payroll &amp; employees/ payments &amp; creditors)</li> </ul>	1	7	14%
		1	7	14%
		2	4	50%
E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or intelligence <u>sharing</u>				
E4 - Providing for independent assurance over fraud risk management, strategy and <u>activities</u>				

# Appendix B :

## Counter Fraud Plan 2022/23

Specific step (From CIPFA Code of Practice)	Nature of work and Indicative Scope			
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 <a href="#">report</a>				
<b>48 Days (9%)</b>		<b>24</b>	<b>48</b>	<b>50%</b>
<b>290 days for Investigations (55%)</b>		<b>215</b>	<b>290</b>	<b>74%</b>

Additional work	Nature of work and Indicative Scope	Days delivered	Planned days	Percent achieved
Contingency	Other - emerging risks / expansion of planned work.		81.5	25%
	Used for unplanned work to support external clients	20		
<b><u>81.5 Days (16%)</u></b>				
<b>TOTAL – 523 DAYS</b>		<b>324.5</b>	<b>523</b>	<b>62%</b>

This page is intentionally left blank