COUNTER FRAUD
Progress Report

November 2021

Assurance
LINCOLNSHIRE
For all your assurance needs

Lincolnshire
COUNTY COUNCIL
Working for a better future

Contents

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

Matthew Waller – Audit Team Leader
Matthew.Waller@lincolnshire.gov.uk

Introduction

Key Messages

Despite the gradual easing of Covid-19 restrictions during 2021/22, the fraud landscape continues to be dominated by the pandemic and the changes it has brought about. The inherent risks of fraud remain high and we continue to promote vigilance on how fraud can occur and how the ongoing circumstances can change the methods by which fraudsters can seek to exploit weaknesses to commit wrongdoing.

Between April and September 2021, we have seen less referrals than in recent years – 5 cases have been referred to us. This compares to 11 fraud referrals at the same stage last year.

We are actively working on 8 cases currently, some of which are complex and take significant resources to gather evidence to prepare files to take forward for further sanctions including prosecution. During 2021/22 to date, we have also been able to close 10 cases – 7 that were brought forward from previous years and a further 3 referrals from the current year.

The reduced referral activity should be viewed in the context that whistleblowing cases, both locally and nationally, have fallen since the pandemic – this is a key route by which fraud cases are identified so could contribute to the decrease in fraud referrals passed to us.

However, we continue to work on some complex cases of significant value alongside Lincolnshire Police and other law enforcement agencies – these should lead to prosecutions and hopefully also some considerable recoveries.

We have continued our awareness work in 2021/22 to promote knowledge and understanding of fraud and have made progress with several new areas being developed to ensure our methods of raising awareness remain interesting and informative.

We have also updated our counter fraud policies and strategies to reflect current legislation and best practice – these are currently being finalised and will be presented to the Audit Committee at a later date.
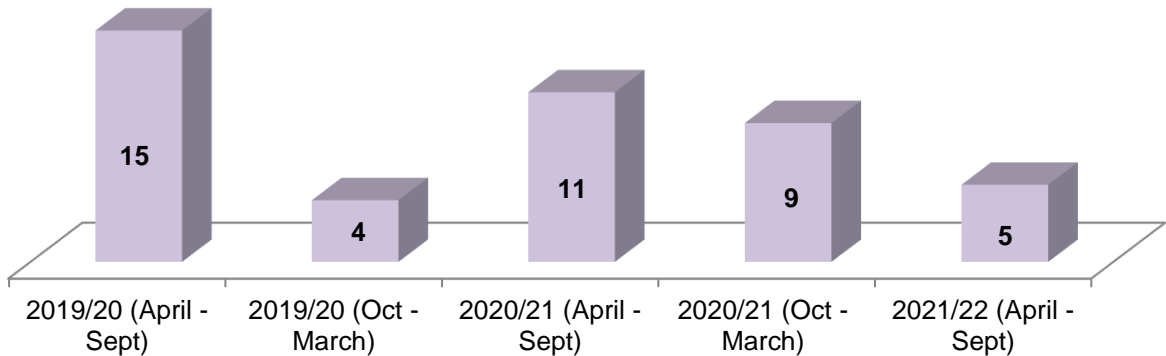
5

Fraud referrals received
in 2021/22

8

Active cases

10

Cases closed in
2021/22

Fraud Referrals

The fall in new referrals continues a general downwards trend noted in the last few years and also reinforces a recent pattern that although less fraud cases are being referred to us, they are tending to be larger and more complex cases.

Period	Referrals
2019/20 (April - Sept)	15
2019/20 (Oct - March)	4
2020/21 (April - Sept)	11
2020/21 (Oct - March)	9
2021/22 (April - Sept)	5

Of the 5 referrals made, 4 relate to fraudulent claims for time or expenses. This is often a prevalent area – although generally low value so it is no surprise that cases of this nature tend to occur and be reported. Management oversight is key in preventing and identifying this type of fraud.

The remaining case relates to a grant fraud – the case is still ongoing but outcomes will be reported at a future meeting of the committee once finalised. Since the Covid-19 pandemic started, local authorities have been required to operate numerous grant schemes – again, there was an increased risk that some claims for grants will be fraudulent – especially in view of the requirements that it was necessary to issue grants promptly to ensure recipients received the financial support they required.

We have investigated and closed a case during 2021/22 where an employee claimed that they were attending out of work commitments (college) during work time. Our investigation identified that they were not attending as required and therefore this represented a misuse of work time.

The employee was summarily dismissed. This demonstrates a theme within the Counter Fraud Policy – that sanctions will be sought against those committing fraud.
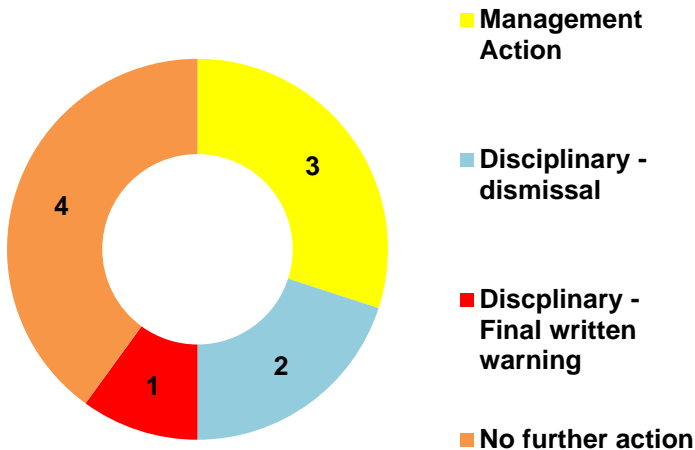
5

We have 5 cases currently with Lincolnshire Police with a view to taking criminal proceedings. All of these are high value cases and we hope will result in prosecution and recoveries of losses.

This further demonstrates our zero tolerance approach and desire to ensure that perpetrators of fraud receive the appropriate sanctions.

Investigation Outcomes

Case Outcomes - 2021/22

- **Management Action**
- **Disciplinary - dismissal**
- **Disciplinary - Final written warning**
- **No further action**

(Chart values: 3, 4, 1, 2)

Management Action
3 cases resulted in management action being taken – in one of the cases, the employee subsequently resigned when the disciplinary process was completed

Dismissals
2 of the cases finalised in 2021/22 led to dismissals being made – 1 involved an external employee who attempted to defraud the council. We referred the matter to their employer (a contractor) who duly dismissed them. The other case involved a council employee that was dismissed following an investigation into time abuse.

4 of our cases recently resulted in **No Further Action** – these all related to referrals regarding the actions of external providers of services. In most of the cases, we were unable to substantiate the allegations made following our enquiries. In a further case we established evidence and passed the file to the police for consideration of criminal proceedings – however, it was deemed there was insufficient evidence for the level of proof required.

Recovery of Losses
We have not been able to make any recoveries of fraud losses so far in 2021/22. However, it is difficult to influence the timing of when recoveries are made – this is due to the many variable factors that can be involved in both disciplinary and criminal cases. However, we have several ongoing cases that are progressing well and likely to result in recoveries of monies to the Council (potentially up to £160k). This is a key strand of our Counter Fraud Policy and we seek to make these recoveries through several routes available to us.

Proactive Work

Our proactive work has been impacted by the pandemic as the service has had to align its resources to respond to critical areas. This has required us to review and re-prioritise our work plan across the service for 2021/22 and reduce time devoted to counter fraud – please see Appendix B. We have been able to deliver our continuous testing reviews of high risk transactional areas (purchasing cards and payroll claims) although much of our focus has been around Covid-19 grants work and developing fraud awareness and communications.

Fraud Risk Register

We continue to gather fraud intelligence and information to ensure details against our fraud risk categories are maintained up to date.

The review of the Fraud Risk Register has been removed from the current year's work plan – rescheduled to 2022.

National Fraud Initiative

We have now completed much of our review of the data matches provided by Cabinet Office. We have identified no duplicate, over payments or frauds that have required investigation – this provides assurance these areas are operating well.

Midland Fraud Group

We continue to lead on this group of fraud professionals and recently hosted another virtual meeting. This is a very useful forum for intelligence sharing on fraud trends and cases.

Small Business Grants

We have been heavily involved in designing fraud controls and undertaking pre-payment checks for the council's scheme to provide Business Recovery Grants. We used data analytic skills to identify potentially fraudulent applications – this directly led to the rejection of 15 grant applications. Our work also identified multiple applications that are now the subject of a criminal investigation. We are due to commence post grant payment checks to identify if businesses that were able to obtain grant funding have not used them for the correct specified purposes.

Fraud Awareness

E-Learning

Our in house fraud e-learning training has been developed to be launched in October 2021. It includes a 'tone from the top' video message from the Chief Executive which promotes our anti-fraud culture and zero tolerance approach to fraud.

Whistleblowing

The key theme of our recent communications has been to signpost the whistleblowing arrangements and encourage referrals. This is in response to the downward trend in whistleblowing contacts received since the pandemic started.

Further awareness work currently being developed includes communication plans to support International Fraud Awareness Week (14 – 21 November 2021) and a regular fraud newsletter to be issued to staff. We are also developing a Counter Fraud 'hub' that will consolidate fraud information and allow easier access to fraud materials. We are also in the early stages of forming fraud communications to be released in conjunction with the updated fraud policies in 2022.

Lincolnshire Counter Fraud Partnership

The Partnership continues to improve fraud resilience and fraud proofing across Lincolnshire by:

Improving fraud intelligence	**Raising fraud awareness**
Sharing fraud intelligence, best practice and expertise	**Provides a single point of contact across Lincolnshire for the Confidential Reporting Line**

2021/22 highlights include:

The final SPD bulk review is coming to a close in October 2021. The review is currently estimated to generate £1.2m additional council tax revenue with 3270 SPD removals. The final figures will be confirmed in December 2022.

The Lincolnshire Counter Fraud Partnership continues to support the districts in raising fraud awareness.

Examples include:

- a tailored fraud newsletter
- sharing our updated Counter Fraud Policies
- developing a tailored version of the fraud awareness e-learning
- on-going sharing of fraud intelligence.

Developing a business case to maximise our council tax approach across Lincolnshire and minimise loss through counter fraud and error. The Lincolnshire Finance Officers approved the business case for a Single Person Discount (SPD) Rolling Review and targeted referrals with delivery from May 2022.

The project is estimated to deliver revenue of £7m gross over a 5 year period, **£2m net more** over the same period compared to the current biennial approach. LCC's net revenue return is estimated at £4.5m.

The project is a collaboration between Lincolnshire County Council, the Lincolnshire districts and the Office of the Police and Crime Commissioner. It will strengthen the anti-fraud culture, proactively manage fraud risk and improve fraud resilience across Lincolnshire by keeping the council tax records accurate and up to date throughout the year.

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle A : Acknowledge Responsibility		
A1 - Acknowledge the threat of fraud and corruption **A2 - Acknowledge the importance of a culture that is resilient to the threats of fraud and corruption** **A3 - Governing Body acknowledges its responsibility for the management of its fraud and corruption risks** **A4 - Governing Body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption**	Member Training and Audit Committee Support Counter Fraud Annual Plan and Progress Reports to Audit Committee Lincolnshire Counter Fraud Partnership Plan and Reports for Lincolnshire Finance Officers Group	Outstanding Part Completed Ongoing
20 Days (3%)		

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle B : Identify Risks		
B1 - Fraud risks are routinely considered as part of risk management arrangements	Horizon Scanning & Annual Self-assessment against Fighting Fraud and Corruption Locally.	Outstanding
	Benchmarking Activity – CFACT Tracker (annual survey), peer groups and trend analysis of LCC investigations	Postponed
B2 - The organisation identifies the risks of fraud and corruption	Collaboration in assurance mapping process - Counter Fraud and Investigations, Audit and Risk teams	Ongoing
B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk exposures	Update of Fraud Risk Registers	Ongoing
	Fraud Risk Register – present report to Audit Committee	Deferred to 2022/23
B4 – The organisation evaluates the harm to its aims and objectives	Identify priority service areas for awareness training	Ongoing
20 Days (3%)		

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
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	Annual Counter Fraud Work Plan	Completed
	Strategy and Policy review/refresh	Ongoing
	Update investigation practice notes	Ongoing
C2 - Strategy includes the organisation's use of joint working or partnership approaches	Refresh Communications Strategy	Ongoing
	Feasibility study for establishment of a County wide data hub	Postponed
C3 - The strategy includes both proactive and responsive approaches:		

10 Days (1%)

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle C : Develop a Strategy		
Proactive action: • **Develop counter fraud culture** • **Prevent fraud through implementation of robust internal controls** • **Use of techniques such as data matching** • **Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters** **Responsive action:** • **Detecting fraud through data and intelligence analysis** • **Implementing effective whistleblowing arrangements** • **Investigating fraud referrals** • **Applying sanctions and seeking redress**		

10 Days (1%)

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
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 **D2 - The organisation utilises an appropriate mix of experienced and skilled staff** **D3 - The organisation grants counter fraud staff unhindered access to its employees** **D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing**	Lincolnshire Counter Fraud Partnership resource	Ongoing
	Whistleblowing facility – logging reports, referrals and follow up action	Ongoing
	LCC – Support and advice	Ongoing
	Engagement with national and regional best practice groups (including Midland Fraud Group) – sharing intelligence, CIPFA Standards and Fighting Fraud and Corruption Locally.	Ongoing
	Enhance data analytic training and capability	Postponed
	E-Learning	Ongoing
70 Days (9%)		

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
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 **E2 - Plans and operations are aligned to the strategy** **E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or intelligence sharing** **E4 - Providing for independent assurance over fraud risk management, strategy and activities** **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**	Completion of work in progress from 2020/21 Counter Fraud Plan National Fraud Initiative–Processing & Reporting Promotion and Delivery of Communications Plan, targeted fraud awareness sessions and Fraud Clinics (Virtual delivery) Pro-active reviews on higher risk areas – linked to fraud risk assessment. Key priorities for 2021/22 are currently: • Covid grants and support schemes • Procurement and contracts • Adult Social Care • Support for Internal Audit due diligence and key control testing. (Payroll & employees/ payments & creditors) • Liaison and intelligence sharing meetings with Information Assurance Teams (Cyber risks)	Completed Part Completed Outstanding Part Completed Ongoing Deferred to 2022/23 Ongoing Ongoing

170 Days (23%)

290 Days (39%) - Total against Key Principals A – E

365 days for investigations (49%)

Additional work	Nature of Work and Indicative Scope
Contingency	Other emerging risks and expansion of planned work

90 Days (12%)

TOTAL – 745 Days