

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

COUNTER FRAUD PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform Members of key issues arising from counter fraud work.
- 1.2 Regular reporting on counter fraud issues is an important source of assurance for Members to fulfil their role and provides supporting evidence for the annual approval of the Governance Statement.

2. BACKGROUND INFORMATION

Counter Fraud Plan progress

- 2.1 Counter fraud work is an important feature in the audit plan. Resources have been identified for preventative work and a contingency for responsive work such as investigations. During 2014/2015 the emphasis remains high on counter fraud work in response to CIPFA and Audit Commission guidance and the increased risk of fraud across the public sector as a result of the economic conditions. A summary of the work is provided in appendix A.

Proactive work

- 2.2 The Audit Commission's National Fraud Initiative (NFI) is an annual exercise with different data sets being submitted in a two year cycle. In year 1, data is submitted for benefits, payroll, creditors and licences. In year 2, council tax discounts and electoral roll data is submitted. Matches are received in the following January for investigation. The 2012/14 year 1 exercise is nearing completion and of the 57 reports containing 7,079 matches, all internal audit matches (5,368) have been investigated and closed generating savings of £4k. The remaining benefits and council tax matches are still being investigated and have so far generated savings of £94k.
- 2.3 In February 2014 the year 2 council tax data and electoral roll data was submitted. As the service now operates in real-time mode the matches

were received the same day. Revised data was received in May and two reports containing 1,071 matches were received. Work to filter mismatches has already started in audit and an approach agreed with LT&B shared service managers.

- 2.4 In March we took up the NFI offer of two free pilot exercises to match student loans to benefits and personal budgets to deceased registers. Matches were received where students appear to be incorrectly claiming benefits (58 cases) these are being investigated by the Housing Benefits Investigation Team. No matches were received on personal budgets.

Reactive work

- 2.5 Referrals received via the Whistleblowers' hotline continue to increase steadily:

Year	Calls/emails received
2009/2010	189
2010/2011	221
2011/2012	295
2012/2013	297
2013/2014	363
2014/15 (April)	38

An increasing number of calls not relating to fraud or for other departments have been received, specifically local taxation since the hotline number was printed on the bills. (67 in 2009/10, 78 in 2011/12, 81 in 2012/13 and 282 in 2013/14)

This would indicate that:

- The facility is properly promoted
- Users feel confident to use it.

- 2.6 There was a similar number of investigations during 2013/14 (35 cases) compared to 2012/13 (36 cases). Some cases were led by HR or the service concerned and further analysis is provided in the Internal Audit Annual Report. Three new cases have been reported so far in April this year. Investigations are on going and mainly concern cash/income anomalies, flexi/timesheet discrepancies, failure to safeguard assets and opportunist theft.

- 2.7 The Audit Commission's fraud survey has been completed and submitted by the May deadline, summary results will be collated nationally and reported in the next publication of Protecting the Public Purse which is due in the autumn. Details of the survey's results will be reported to the Committee when published.

Benefit Fraud Investigation Team

- 2.8 The final outturn for the last financial year was 25 successful prosecutions, 22 Administrative Penalties and 26 Formal Cautions this

performance compares very favourably with neighbouring authorities. The team also identified £600k of overpaid benefit. Since April the team have delivered 7 prosecutions and sanctions, 9 prosecution cases were listed at court for May and June. Three of the prosecution cases listed for June 2014 are members of the same family who made false claims to North Lincolnshire Council, the DWP and North East Lincolnshire Council. We worked closely with the DWP to investigate all the offences. The total fraud against the three organisations amounts to £45k and involves undeclared property and false tenancies.

2.9 A successful prosecution was reported in the Scunthorpe Telegraph in April following a joint investigation with DWP which for the first time also included Tax Credit Offences. The CPS prosecuted on behalf of the Council, DWP and HMRC and the defendant was sentenced to 15 weeks imprisonment for a total fraud of just over £20k.

2.10 In 2010, as part of its welfare reform agenda, the government announced the creation of a single fraud service which would bring together staff from DWP, HMRC and Local Authorities. Over the last three years the DWP has run several pilot exercises to decide how the new service should run and earlier this year announced that Local Authorities would cease to be responsible for benefit fraud investigation and the work, and staff, would transfer to DWP over the next two years. In March 2014 it was confirmed that the rollout of the new service would commence from October 2014 and each month between that date and March 2016 Local Authorities would transfer their benefit fraud work and staff to DWP. Earlier this month DWP wrote to the Chief Executive to advise that North Lincolnshire Council's benefit fraud function would transfer to DWP in November 2015.

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether regular reports on proactive and reactive fraud work (similar to those shown in appendix A) will provide sufficient assurance on the adequacy of counter fraud arrangements during 2014/15. The Committee is invited to ask questions about the contents of the report and seek clarification as necessary.

4. ANALYSIS OF OPTIONS

4.1 The progress report is designed to provide this Committee with the assurance required to fulfil its role effectively.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 Regular reviews of counter fraud arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources. Minor costs associated with the telephone and publicity for the Hotline will continue to be maintained within the Finance Service budget.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

- 8.1 That the Audit Committee considers the assurance provided by the progress report on the adequacy of counter fraud arrangements, and:
- 8.2 That the Audit Committee considers whether the counter fraud work programme delivers a sufficient level of assurance on the adequacy of counter fraud arrangements.

DIRECTOR OF POLICY AND RESOURCES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Debbie Baker/ C Andrews
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Background Papers used in the preparation of this report: None

Internal Audit Plan 2014/15 Counter Fraud Summary

Area	Scope	Planned Days	Progress
Creating and maintaining the anti fraud culture			
Counter Fraud Strategy/risk assessments	Keeping the strategy current, and ensuring risk assessments are up to date	5	The revised Strategy was approved at the January Audit Committee meeting. Staff have been made aware through a council wide communication and an article will be included in the next Fraud Focus and a desk top campaign has been provisionally booked for mid August. Other sources of best practice will be considered such as the National Fraud Investigation Bureau who have replaced the NFA, and training events attended.
Publicity	Continued development of system, promotional and awareness raising activities, refresh to risk assessments, and strategy	5	The NFA eLearning package will be adapted to train council staff via the eLearning system.
Prevention			
Designing out fraud	Advice in areas where changes to systems are proposed	18	Welfare Reform changes particularly the administration of localised council tax support and community grants funds was reviewed as part of the 2013/14 plan
Deterrence			
Fraud Newsletter and Council Wide Communications	Publication of a quarterly newsletter and issue of alerts and council wide communications	5	The newsletter is now a regular item with articles covering current national and local counter fraud topics. Other departments across the council such as Benefits, Trading Standards and Insurance have provided articles. The police also provide updates as appropriate.
Detection			
Data Matching – National Fraud Initiative (NFI)	Audit assistance in the annual exercise of data matching. In 2010/11 council tax matches and data submission for 2011/12 full exercise	10	The 2012/14 exercise is now completed, resulting in fraud/savings of £98k to date. Council tax/electoral roll matches were received in February and updated in May - work is ongoing to address these. We provided data for the real time service pilot exercises on benefits to student loans and personal budgets to deceased lists, investigations are taking place on matches received. Data specifications for the 2014/16 exercise have been received but submissions are not due until October 2014 however ground work to comply with the fair processing of data is being considered.
Hotline	Audit response to allegations received via the hotline	30	There has been an increase in calls in 2013/14 continues to be an increase in calls, an average of 30 calls a month this trend continues into 2014/15, received and the hotline is continually publicised via the Fraud Focus newsletter and on the council website.
Money Laundering	Provision of the system set up client identification checks with services	5	The council wide eLearning package will include a summary of the council's anti money laundering arrangements. Targeted eLearning training for those staff in high risk areas is also being developed.
Investigation			
Proactive – misuse of council funds audits	Rolling programme of audits of potential misuse of council funds.	10	Areas included in the 2014/15 Audit plan include Debit Card Audits.
Proactive – investigation of income collection areas	Income based audits	60	Areas for audits this year include, Leisure Facilities, the Handyman Service, Music Support, Golf Clubs, Bereavement Services and Markets.
Reactive Investigations		As required	