

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

ANNUAL FRAUD REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To demonstrate to the Public, Members, our staff and our partners the progress we have made during the year in developing an anti-fraud culture;
- 1.2 To publicise the actions we have taken when fraud or misconduct has been identified; and

2. BACKGROUND INFORMATION

- 2.1. The Council's framework to combat fraud, corruption and misappropriation was approved by Audit Committee in January 2016. The framework follows national guidance as laid out in the document "Fighting Fraud Locally", and is based upon three key principles:
 - Acknowledging and understanding fraud risks
 - Preventing and detecting fraud
 - Pursue - Being stronger in punishing fraud and recovering losses
- 2.2. The attached annual report highlights of the work which has been carried out by in each of these areas.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether annual fraud report provides sufficient assurance on the adequacy of counter fraud arrangements during 2016/17. 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 annual fraud report on the adequacy of counter fraud arrangements.

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Background Papers used in the preparation of this report: None



North Lincolnshire Council

Annual Fraud Report

2016/2017

Introduction

In November 2015, responsibility for Housing Benefit fraud investigation transferred to the Department for Work and Pensions (DWP). The Council has taken the opportunity to retain a small team of investigators (two investigators, one support officer and a manager) as part of its shared service arrangements with North East Lincolnshire Council reporting directly to the Head of Audit and Assurance.

This report highlights the work which has been carried out under the three key principles of:

- Acknowledging and understanding fraud risks
- Preventing and detecting fraud
- Pursue - Being stronger in punishing fraud and recovering losses.

Acknowledging and understanding fraud risks

All public bodies are at risk from fraud in one form or another, acknowledging this fact is vital in developing an effective anti-fraud response. Individual services need to understand where the risk of fraud lies and the consequences of those frauds (whether that be financial, reputation or other consequence) to enable them to develop an appropriate risk based response.

Key to this is an effective counter fraud culture that reinforces the Council's zero tolerance toward fraud. A culture that enables individuals to identify potential fraud and empowers them to report their concerns in a safe and secure manner to the appropriate people at the right time.

During 2016/17, work completed to acknowledge and understand fraud risk included:

- Carrying out an assessment against the CIPFA Fighting Fraud and Corruption Locally 2016-19 checklist. The conclusion of this work is that generally for the size of the authority our fraud response is adequate, but that the time is right for us to conduct a review of the risk of fraud and build this into the risk management process, whilst raising the awareness and understanding of fraud within services;
- Implementing the Council's fraud response plan; and
- Working with services to understand their fraud risk and to introduce robust procedures to prevent and detect fraud,

Preventing and detecting fraud

Although the detection and recovery of fraudulently obtained finances and assets is important, it is also costly and there is no guarantee that lost monies will be recovered. Therefore, it is imperative that we take all reasonable steps to prevent fraud from entering our systems in the first place.

The protection of assets is one of the five key items of an effective control environment, and thus plays a critical role in the work of internal audit. When determining the annual audit plan, as well as scoping the work programmes for individual assignments, the audit team consider those areas at risk of fraud and ensure that sufficient coverage is given to the identification and testing of anti – fraud controls within those services at risk of fraud in order to assess their effectiveness and where appropriate recommend improvements.

During 2016-17 work to prevent and detect fraud included the following:

- Participation in the National Fraud Initiative (NFI). The NFI is a Cabinet Office initiative matching data from a number of public and private organisations to identify potential fraud. From the 2014-16 exercise the Council have taken action as follows:

2014-16 NFI outcomes

6469	Number of matches reviewed
7	Number of frauds identified
95	Number of errors identified
£66k	Amount of Housing Benefit overpayments identified
£22k	Amount of Creditor overpayments identified
£52k	Value of Council Tax single residency discounts removed

Of the seven fraud cases identified, two people were prosecuted, one received an Administrative Penalty and another received a Simple Caution.

The top three Housing Benefit overpayments by value were failure to declare student income, local government pensions & central government pensions.

Work has now commenced on the 2016-18 NFI exercise, with data being submitted and 5276 matches being returned for potential investigation.

- A programme of rolling reviews of Council Tax single residency discounts has been introduced using credit reference agency data to identify cases where a discount may no longer be appropriate. Reviews are conducted on a bi-monthly basis with all single residency discounts being subject to review within a 12 month period. The first bi-monthly review has identified the following:

Single residency discount review month one

3662	Number of single residency discounts reviewed
774	Number of awards identified as requiring further action
657	Review forms returned
63	Number of changes affecting single residency discount reported
98	Single residency discounts removed due to no response
£38k	Increase in amount of Council Tax available for collection

- 14 internal allegations have been reported during 2016/17. Investigations have been conducted by HR and service areas with specialist support from Internal Audit where appropriate.

Internal investigations 2016-17

14	Number of allegations of fraud/financial misconduct reported
3	Number referred to other agencies (eg Police)
8	Number of investigations completed
2	Resigned/Dismissed
4	Other action taken (including management advice, warnings)
2	No issue identified
3	Investigations ongoing

The main concerns raised were in relation to inappropriate use of Council internet, alleged false recording of flexible working hours/breaks and alleged false claims for travel/overtime.

- Development of enhanced declarations for parents applying for school places to deter fraudulent applications and provide permission for other Council records to be checked to verify the information provided. Where a school is oversubscribed, details have been checked against those held on Council Tax records and the school admissions team advised to enable them to undertake further enquiries as necessary. Five cases have been referred back to the fraud team to investigate. Enquiries are currently ongoing.

School admissions

8	Number of schools oversubscribed
1477	Applications checked
44	Number of discrepancies identified
5	Number of applications that may be declined as a result of enquiries

- Reactive investigations into areas including Council Tax Support, Council Tax Discounts and Adult Social Care payments have been undertaken based on allegations received from a variety of sources, including public, internal teams and the Department for Work and Pensions (DWP).

Reactive investigations

23	Number of Council Tax Support investigations completed
£5k	Reduction in the amount of Council Tax Support
£1.5k	Amount of overpaid Council Tax Support
13	Number of Council Tax discount investigations completed
£4k	Increase in amount of Council Tax available for collection
£6k	Adult Social Care invoice identified

Evidence obtained as part of Council Tax Support investigations has also resulted in £4k of Housing Benefit overpayments being identified.

- The fraud team also have an important role to play in assisting other enforcement agencies to prevent and detect crime and protect the public purse. The team are the single point of contact for the Department for Work and Pensions (DWP) fraud investigation team, who have responsibility for investigating allegations of Housing Benefit Fraud and also for other enforcement agencies including the Police, UK Border Agency and other Local Authorities.

Information requests*

1177	Number of DWP requests for information
526	Number of Police requests for information
280	Number of 'other' enforcement agency enquiries

* number based on total number of requests across Northern Lincolnshire Business Connect.

Pursue- Being stronger in punishing fraud and recovering losses

Where fraud is discovered the full range of sanctions will be used by the Council including civil, disciplinary and criminal action.

During 2016-17 action has included:

- Internal investigations resulting in the resignation of 2 officers and a further 8 (4 from investigations starting prior to 1.4.16) receiving written warnings, sanction awards or management counselling;
- As a matter of routine, all overpaid monies are considered for recovery where appropriate. Increases in Council tax liability due to the removal of

single person discounts are pursued through increases to the individual Council Tax bill and collected as part of normal Council tax collection processes.

Future developments

The assessment undertaken against the CIPFA Fighting Fraud and Corruption Locally 2016-19 checklist has highlighted opportunities to improve the Council's risk based approach to fraud and increase general awareness of fraud related issues.

Further work will be taken to ensure that the potential loss of revenue due to the inappropriate award of Council Tax discounts is minimised. Work is underway with the Local Taxation & Benefits team to review the process of discount reviews, to ensure the system is as efficient as possible. The potential to use data matching to provide 'real time' indicators of when changes may have occurred will also be pursued as well as considering the potential to review other discounts such as the student exemption.

