

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**COUNTER FRAUD PROGRESS REPORT**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

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

**2. BACKGROUND INFORMATION**

- 2.1. The Council's fraud resource is part of the Audit & Assurance Shared Service.
- 2.2. This report is intended to keep Members informed of the team/s anti-fraud and corruption activities, and highlights the actions taken in the period to 31st August 2017, covering the three central anti-fraud and corruption themes laid out in the anti-fraud and corruption strategy and the team plan of:
  - Acknowledge - acknowledging and understanding fraud risks
  - Prevent - preventing and detecting fraud
  - Pursue - punishing fraudsters and recovering losses
- 2.3. The Committee is asked to consider the report and whether it provides sufficient information to allow them to discharge its responsibilities for seeking assurances on the Council's approach to anti-fraud and corruption.

**3. OPTIONS FOR CONSIDERATION**

- 3.1. This section provides a commentary on the work undertaken under the three themes.

## **Acknowledging and understanding fraud risks**

- 3.2. A revised Counter Fraud Strategy and Fraud Response Plan are in draft form and it is anticipated the final versions will be presented to this committee in January 2018. The strategy builds on work already undertaken since the creation of a dedicated counter fraud resource in November 2015.
- 3.3. Key to acknowledging and understanding the risk of fraud is raising awareness. To this end, topical fraud risks are now incorporated into the long established 'risk round up' newsletter and includes additional guidance on how these frauds can be mitigated and what to do if discovered. Additionally, regular intelligence reports are received via the National Anti-Fraud Network (NAFN) to which the Council is a subscriber. These alerts are then disseminated to relevant services dependent on the type of fraud ensuring that services are not bombarded with information that is not relevant to them.
- 3.4. An on-line 'e-learning' package is being developed to assist employees in understanding the risks of fraud, what to do when they have a suspicion and how to report fraud.
- 3.5. In parallel, the Council's Whistleblowing Policy is under review. This is being co-ordinated with the 'Safe Organisation' agenda to ensure that the full range of whistleblowing policies and reporting mechanisms are easily accessible with clear guidance on the appropriate reporting route, whether the concerns are of fraud or safeguarding.
- 3.6. In addition, when planning individual internal audit assignments, the controls relating to the prevention of fraud are subject to risk assessment and if appropriate tested for effectiveness.
- 3.7. Other actions programmed for 2017/18 include:
  - updating of associated anti-fraud and corruption policies including the Bribery Policy and Anti-money Laundering Policy;
  - carrying out fraud risk assessments to identify those areas with inherent risk of fraud and corruption, working with the strategic lead for risk
  - working with the insurance team to identify and then mitigate the risk of fraudulent claims; and
  - Undertaking a staff fraud and corruption awareness survey.

## **Preventing and detecting fraud**

- 3.8. The team has carried out a number of activities in 2017/18 to prevent and detect fraud as shown below:

- undertaking a risk based review of Council Tax single residency discounts which is almost complete. Two ‘campaigns’ have been run for North Lincolnshire each covering 1/6<sup>th</sup> of the discounts in force. The pilot has demonstrated its value in terms of additional Council Tax that is available for collection as the following table shows. The Department for Communities and Local Government (DCLG) funding for this exercise has now ended, but options are being explored to ensure a regular review of discounts continues.

	Number data matched	Number of reviews issued	Changes reported	Changes affecting discount	Discount removed as no reply	Amount of increased liability
Campaign 1	3662	774	146	64	60	£39k
Campaign 2 <sup>1</sup>	3090	596	72	41	53	£31k

- continuing to participate in the National Fraud Initiative (the exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud) and is currently working through the 2016/17 matches;
- carrying out a programme of proactive work within the internal audit plan in relation to areas of potential internal fraud- this work is ongoing and any issues arising from it will be reported in the Annual Fraud Report.; and
- carrying out internal investigations into allegations of fraud or financial misconduct – up to 31 August 2017 three investigations have been carried out with one resulting in an officer being reminded of security requirements after theft of a laptop and the other two investigations are ongoing

### **Pursuing fraud and recovering losses**

- 3.9. All losses identified (including those identified from reviews of single residency discounts) are pursued in line with the Council’s debt recovery strategy.
- 3.10. All appropriate cases are considered for prosecution in line with the Council’s policy on prosecution, taking into consideration both the evidential and public interest tests in the Code for Crown Prosecutors.

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<sup>1</sup> Campaign 2 – not all changes have yet to be actioned as a 5.9.17

3.11. In addition we consider other appropriate action as highlighted below in relation to outstanding activities referred to in the 2016/17 annual fraud report

- an outstanding investigation from 2016/17 was concluded in 2017/18 resulting disciplinary action for abuse of travel expenses; and
- of the five investigations into potential cases of abuse of the school admissions scheme three applications were subsequently refused in 2017/18, (including two where the applicants appealed but both the appeals were dismissed based on the evidence provided by the investigation) thus enabling eligible children to take up their places at their first choice school.

#### **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 Audit and Assurance 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: GOVERNANCE AND PARTNERSHIPS**

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**Background Papers used in the preparation of this report:** None

