

SAFE WELL PROSPEROUS CONNECTED

# Annual Fraud Report 2023-24

**North  
Lincolnshire  
Council**

[www.northlincs.gov.uk](http://www.northlincs.gov.uk)

## Introduction

The North Lincolnshire Council Anti-fraud and corruption strategy sets out our approach to minimising the risk of fraud and corruption occurring, detecting its possible occurrence and the actions we will take when fraudulent activity is suspected and identified.

Our approach to delivering the strategy is led by the Audit & Assurance team, in which the Counter Fraud and Audit functions work collaboratively to deliver the response.

This report highlights the work which has been carried out across the council during 2023-24 under the key principles of:

- Govern
- Acknowledge and understand
- Prevent and detect
- Pursue
- Protect

## Govern

The council has a robust framework of procedures and controls to minimise the risk of losses due to fraud. Our anti-fraud and corruption strategy makes it absolutely clear that fraud and corruption will not be tolerated. The strategy is strongly influenced by 'Fighting fraud and corruption locally (FFCL)- the local government counter fraud and corruption strategy 2020' and provides the basis for our anti-fraud activities.

As part of the continuous review of our fraud related policies and procedures, both the anti-fraud and corruption strategy and fraud response plan were reviewed in November 2023 and approved at the Audit Committee meeting on 23<sup>rd</sup> November 2023. The review and approval of these documents re-affirms our commitment to fighting fraud, makes it clear the cost of failing to tackle fraud and provides a clear pathway for reporting concerns and process for dealing with those concerns.

To provide independent assurance that our fraud response is appropriate and meets the needs of the council, Lincolnshire County Council we invited to conduct a 'peer review' of our arrangements against the checklist in the FFCL strategy. This provided satisfactory assurance on the effectiveness of the control environment in relation to fraud. In coming to this conclusion, the review made a number of recommendations that we have considered to improve our fraud response, including carrying out an updated fraud risk assessment.

The fraud risk assessment will initially take the form of a self assessment questionnaire for services to complete. The methodology for selecting services for assessment is currently being reviewed to ensure that all major areas of fraud risk are captured. It is anticipated that the questionnaires will have been issued by the time this report is issued.

## Acknowledge and understand

The past few years have seen changes on a massive scale. COVID has transformed the way we work as council, with home and hybrid working now the norm. The rise in the cost of living and conflict in Ukraine are also placing strains on finances both public and personal.

At the same time, it is reported that fraud is now the most prevalent crime<sup>1</sup> and latest estimates of fraud losses within Local Government have increased from £7.8bn in 2017 to £8.8bn in 2023<sup>2</sup>. It is clear that fraud is and will remain a significant risk.

We cannot afford to lose money to fraud. We all have a responsibility to understand what fraud looks like, what to do when we suspect it and how to report it. Advice and guidance is available on the council wiki pages and a suite of fraud awareness e-learning modules, specifically developed to raise awareness of fraud are also available on the LearningLincs platform. The more employees understand what fraud is, how their service might be targeted by fraudsters and how to respond to instances of fraud, the harder we make it for fraudsters to steal public money.

But, having the tools to prevent fraud is only effective if those tools are used and understood. Therefore, we have undertaken a short staff survey, not only to assess the level of knowledge and understanding of fraud but also to assess our employees' confidence in using those tools (such as the reporting a concern (whistleblowing) policy).

Our last staff survey in relation to fraud awareness was conducted in 2018/2019. During a four month period in 2023, a refreshed survey was made available to employees to complete. A variety of methods were used to promote the completion of the survey, including the weekly corporate communication to staff and through senior leadership team. At the end of the survey period in August 2023, 72 responses had been received. Some of the key findings are shown as follows:

<b>72%</b>	of respondents are aware of the fraud awareness modules
<b>83%</b>	of respondents agreed that the council had made clear its commitment to fight fraud and corruption (7% in 2019)
<b>94%</b>	of respondents are aware of their personal responsibilities and conduct in respect of fighting fraud and corruption (89% in 2019)
<b>72%</b>	of respondents are aware of the councils fraud and corruption strategy (50% in 2019)
<b>98%</b>	of respondents understood their responsibilities under the Bribery Act (84% in 2019)
<b>73%</b>	of respondents are aware of the register of gifts and hospitality and that periodic reminders are issued

<sup>1</sup> Crime in England and Wales: year ending March 2023

<sup>2</sup> Annual Fraud Indicator 2023

Of the 15 questions asked in the survey, 12 showed improvements on the 2018/19 responses and indicates that in general the level of fraud awareness has improved, although there are areas where more can be done to raise awareness or confidence further including:

- Improving awareness of internal controls such as segregation of duties and how they are effective in preventing fraud and corruption.
- Improving awareness of the arrangements in place to deal with allegations of money laundering.
- Awareness of the register of interests.
- Awareness of how the Council's disciplinary procedures provide an effective deterrent to fraud and corruption; (25% answered 'Don't know' to this question).

We continue to identify and monitor risk through alerts issued by law enforcement agencies and the National Anti-Fraud Network (NAFN). These risks are disseminated to the relevant services including local taxation & benefits, electoral services, blue badge administration and finance teams as appropriate. The value of receiving such alerts is clear and is another line in our defence against fraudulent activity.

## Preventing and detecting fraud

Although the detection and recovery of fraudulently obtained finance 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 elements 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 and where appropriate, carrying out substantive testing to establish the effectiveness of the controls and identify any unusual transactions. Improvements are recommended to be made to controls to mitigate any risks identified.

During 2023/24, proactive work has also been completed in relation to expenses, members allowances, community grants, duplicate payments and mandate fraud.

From the sample tested to date, no issues relating to fraud have been identified. Where appropriate, actions to improve the existing controls have been highlighted to the relevant departments.

## Council Tax single residency review

Council Tax single residency discounts (SRDs) are a significant area of risk to fraud and error.

The council has approximately 77,000 Council Tax payers, of which about 26,000 receive a SRD entitling them to a 25% reduction in their Council Tax bill. Evidence suggests that without intervention, the number of SRD's increases due to the failure of a small number of Council Tax payers to report when they are no longer entitled to the discount. This in turn reduces the income available to collect and use on council priorities.

Having implemented the monthly review of SRD entitlements in 2021/22 this work has been ongoing throughout the year. We continue to monitor every council tax liability that receives a SRD on a monthly basis, in order to quickly amend liabilities, thus ensuring that the maximum amount of Council Tax is available for collection. Figures for the first two full years' exercises show that over 500 discounts were removed as a result of the review, increasing the amount of Council Tax available for collection by almost £200k.

Summary	Values
2021/2022 Number of SRD's removed	406
2021/2022 Value of discounts removed	£143,762
2022/2023 Number of SRD's removed	136
2022/2023 Value of discounts removed	£51,935

For the current year, we have taken the following action as of the 5<sup>th</sup> February 2024. The full year results will be reported in the Counter Fraud Progress Report later in the year:

Summary	Values
Number of review letters sent	349
Number of reminders sent	110
Number returned	283
Number returned with no change reported	216
Number of changes reported	84
Number of single residency discounts removed	58
Value of discounts removed	£21,902

It is worth noting that an additional 47 SRD’s have been removed and replaced with student exemption discounts. Whilst this does not increase the amount of Council Tax available for collection, the student exemption is not an indefinite award and will stop once an individual ceases full time education at which point a full charge will be applied.

### 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 which takes place on a cyclical basis.

The council received 5,240 matches in 43 separate reports. 2,463 of these matches have been cleared and no fraud or error has been identified as a result. 10 matches have been referred to DWP to investigate and a further seven are the subject of ongoing investigations by our own investigation team. Of the remaining matches, no further action was taken as it was established that the match posed little or no risk of fraud or incorrectness. For example, a match of duplicate creditors identified by address was deemed to be low risk as the finance system was cleansed as part of the transfer of data to the new finance system.

Although there are outstanding cases under investigation, to date there has been no instances of fraud or error highlighted as a result of this data matching process. This continues to provide assurance that the quality of the council’s data and processes remains high minimising the risk of losses.

### School admissions

The process for checking school admission applications to deter fraudulent applications is now fully embedded in the admissions process. For the September 2023 intake, there were two oversubscribed schools. Applications for these schools were checked against Council Tax data to identify discrepancies in the information provided.

<b>1713</b>	Applications checked
<b>74</b>	Required further investigation
<b>9</b>	Number of school places affected

As always, the vast majority of the school applications received were correct applications requiring no further validation. However, data-matching identified 74 applications where further enquiries were made to ensure the application was correct. The result of these investigations stopped nine school places being awarded to students incorrectly. More importantly, it enabled those places to be allocated to students who had a legitimate application to attend those schools.

Following allocation day there were no reports of fraudulent addresses being used and no offers of a school place were withdrawn as a result of conducting the checks prior to allocation.

Although the numbers involved are small, feedback from parent and carers is that this approach makes a big difference to them. It also provides the public with assurance that the council takes appropriate action to ensure that school places are allocated correctly.

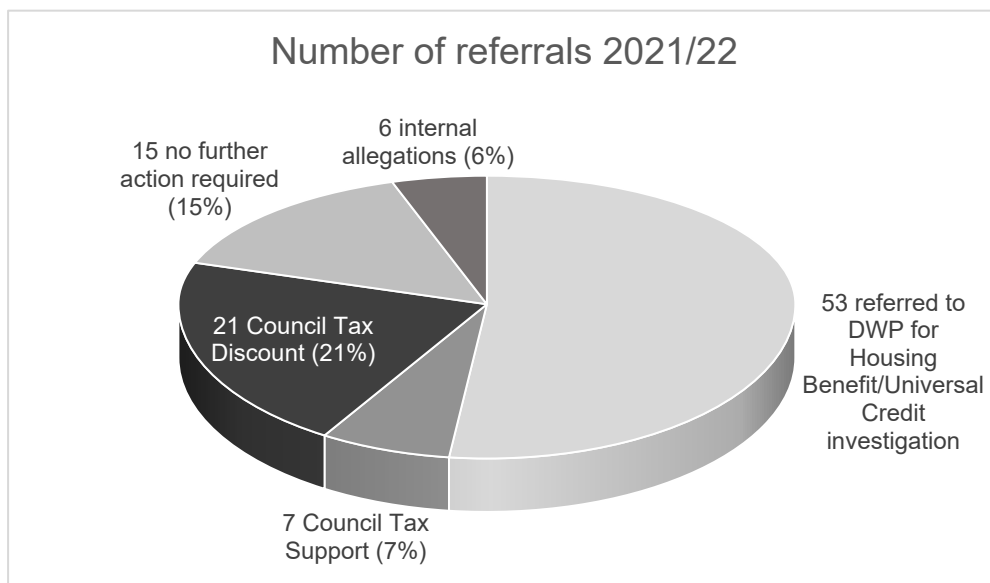
## Reactive investigations

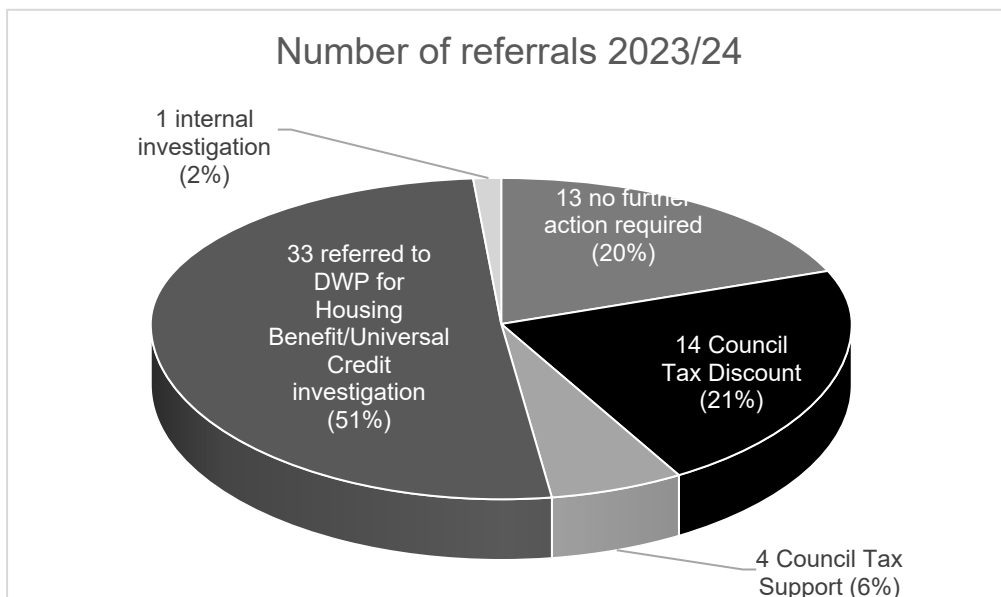
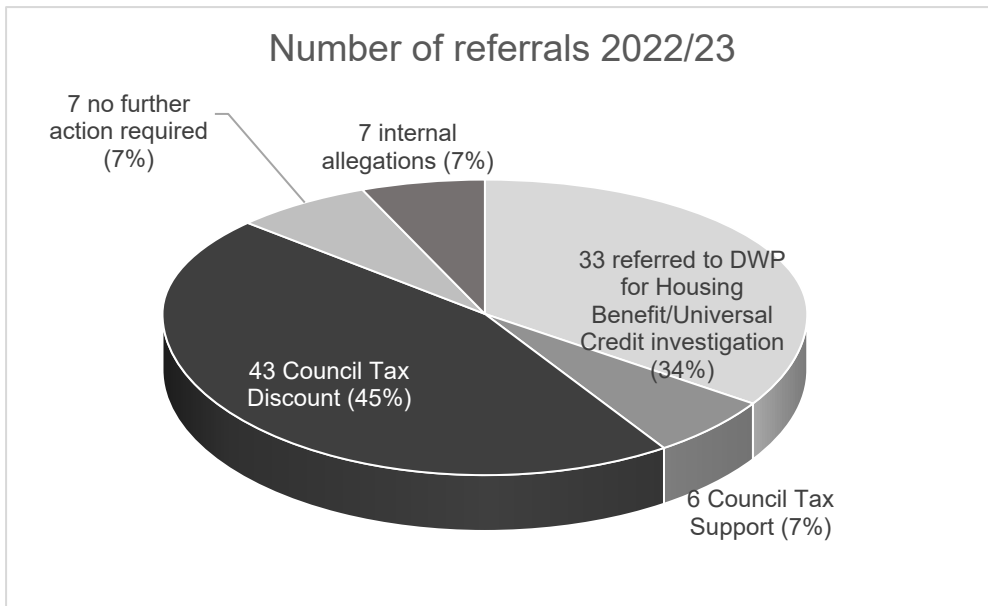
Allegations are received from a variety of sources, including members of the public, internal council teams, the Police, the NFI exercise and the Department for Work and Pensions (DWP).

In 2023/24, the council received 65 referrals relating to allegations of fraud or financial misconduct (to 9 Feb 2024).

13 referrals were identified as requiring no further action, mainly as a result of there being no offence, or no benefits/discounts in payment.

A further 33 have been sent to the Department for Work and Pensions (DWP) to consider investigation for Housing Benefit or Universal Credit offences.





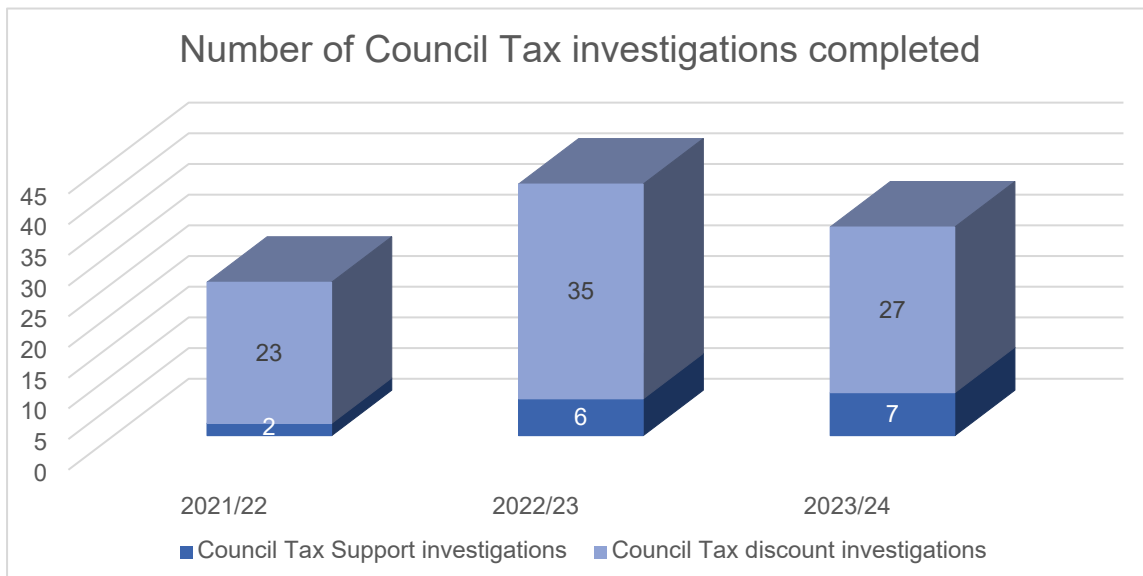
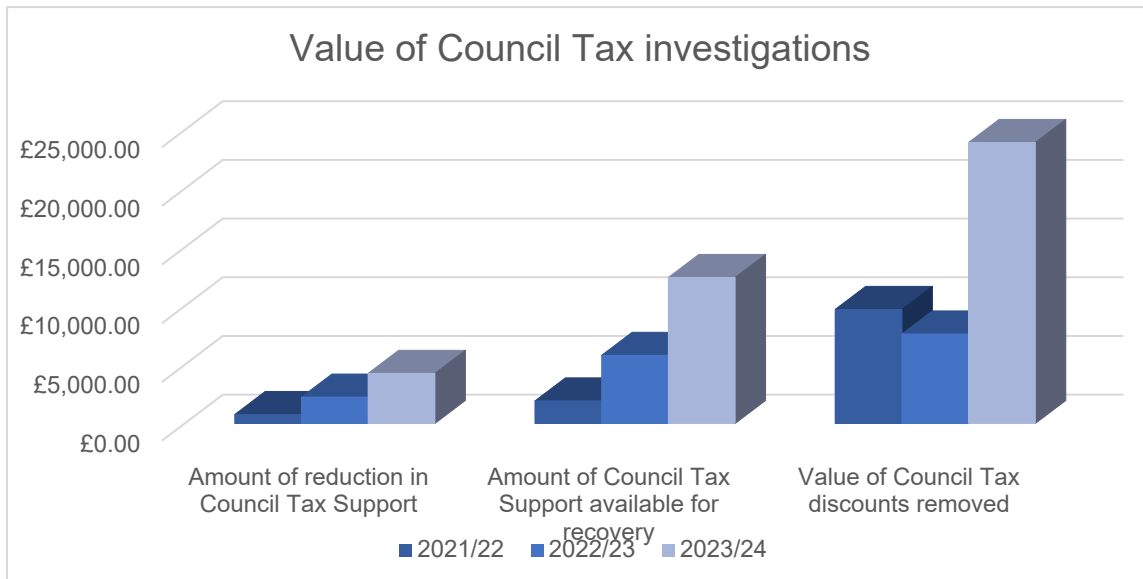
## Council Tax investigations

The number of allegations of Council Tax fraud we receive continue to fluctuate and although are lower than the previous year, this reflects the fact that we currently have a temporary vacancy for an investigation officer at this time.

Referrals to DWP have remained constant and with the rollout of Universal Credit well advanced, we can anticipate similar numbers being referred on in future.

Whilst the number of referrals received has reduced, the actual value of the investigations completed has increased significantly on previous years. This demonstrates the value of conducting intelligence led investigations to ensure that any abuse of the Council Tax system is stopped and to identify money that the council can seek to recover.





## Internal allegations

One allegation of fraud or financial misconduct has been reported during 2023/24. The council received no whistleblowing allegations.

Of the allegations received (including those carried over from 2022/23), the following action has been taken:

1	Number of allegations of fraud/financial misconduct reported
0	Number referred to other agencies (e.g., Police)
4	Number of investigations completed (including 3 from previous year)
0	Resigned/Dismissed
3	Other action taken (including management advice, warnings)
1	No issue identified
0	Investigations ongoing

Of the four investigations completed, one individual received a final written warning and requirement to repay monies they were not entitled to. A further investigation established that there was no wrongdoing. Of the two remaining investigations, whilst no wrongdoing by the individuals was established, recommendations were made and accepted to tighten up controls in one case and the other led to a separate Council Tax investigation that resulted in a single residency discount being removed and the recipient being required to repay £1,316.13 incorrectly claimed.

The actions taken demonstrate that the council have robust procedures in place for dealing with internal allegations of fraud and financial misconduct and use these appropriately as necessary to reinforce the council's zero tolerance policy.

The number of internal reports of fraud and financial misconduct has reduced from seven in 2023 to only one in this period. We would be foolish to believe that this is due to there being no fraud. Therefore, we will undertake a piece of work in 2024/25 to establish whether there is any cause for concern in this drop in internal referrals. We will take appropriate action to provide assurance that the referral process is working properly and that all appropriate reports of concern are fully reported.

### Information requests

The investigation team continue to support other enforcement agencies in their efforts to prevent and detect crime and protect the public purse, acting as a single point of contact in the Council 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.

50	Number of DWP requests for information
347	Number of Police requests for information
135	Number of 'other' enforcement agency enquiries

DWP requests have fallen sharply from the previous year. This may be attributable to changes to DWP priorities regarding investigation. Requests from the Police and other enforcement agencies have remained constant at 482 this year compared with 470 in the previous year.

## Pursue

All losses identified (including those identified from reviews of single residency discounts) are pursued in line with the Council's debt recovery strategy.

The Council will always consider prosecution of offenders where there is sufficient evidence and it is in the public interest to do so. It will also consider the use of alternative penalties for less serious offences, including the offer of an administrative penalty or simple caution, where appropriate.

## Protect

The actions outlined above provide a robust response to the risks of fraud occurring, its detection and investigation. They enable the council to protect itself from fraud and the harm fraud can cause, both to the council and to the residents of North Lincolnshire.

## Future developments

The fraud risk assessments will be assessed to ensure that services understand and appropriately mitigate fraud risk (including the risk of bribery). We will work with services where appropriate to strengthen their risk assessments to minimise the risks of fraud occurring.

We will focus on the results of the staff survey and take actions to improve the understanding and awareness of our anti-fraud and corruption policies and procedures.

We will continue to develop and produce online fraud awareness packages, including the development of a Money laundering e-learning package.

A draft plan for proactive counter fraud work to be completed by Audit in 2024/25 is also in the process of being developed as part of the audit planning process.