

Appendix 1

SAFE WELL PROSPEROUS CONNECTED

Fraud six-month progress report



**North
Lincolnshire
Council**

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Introduction

This report highlights the work that has been carried out to minimise and mitigate the risks of fraud 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.

The council's anti-fraud and corruption strategy, updated and approved by the Audit Committee in July 2021, is strongly influenced by 'Fighting fraud and corruption locally - the local government counter fraud and corruption strategy 2020'.

In addition to the strategy, the Fraud Response Plan is also currently being reviewed in tandem with the council's Reporting a Concern (Whistleblowing) policy to ensure there is a consistent message to support those who wish to report fraud both internally or externally.

Further work to review the Bribery and Money Laundering policies will be undertaken in the second half of the year, to ensure they continue to provide clear guidance to protect the council from the risks of bribery, corruption and money laundering.

Acknowledging and understanding fraud risks

The COVID 19 pandemic created new opportunities for fraudsters to exploit individuals, businesses and central/local government. As a council we were quick to publicise these new dangers and to provide support to local businesses and communities through the various schemes we were tasked to deliver. It is testament to those services that delivered these schemes that this support was facilitated quickly, with a clear understanding of associated fraud risks taken into account from the outset.

However, as the country comes out of restrictions and we establish a new 'normal', fraudsters will continue to look to identify and exploit weaknesses. The Audit Team will therefore be reviewing any procedures that were revised or relaxed as a consequence of the pandemic, to ensure that processes that were put in place to prevent fraud are still appropriate and being followed.

Additionally, as the economy recovers, we will maintain a focus on areas such as local taxation and benefits to ensure that people are keeping the council updated on any change of circumstances. Particular focus will be placed on those support mechanisms that may have been utilised more during COVID and as the economy recovers, entitlements may have changed.

We have identified changes in the way that fraudsters are attempting to commit mandate fraud, whereby they mislead the council into changing a supplier's bank details to divert funds into their own accounts. Fraudsters are using technology to hack email addresses and spoof emails to make them look like genuine ones from suppliers. This type of fraud has also become more prevalent over the past few months, with numerous attempts reported by public authorities.

Whilst the council has procedures to mitigate such attempts, unfortunately it was subject to a successful attempt to defraud in August, causing an initial loss of £49K (subsequently £44k of which has been recovered).

As a result, we have taken the opportunity to review our procedures in relation to requests for changes to supplier information. A number of changes have been identified and are currently being implemented to provide additional security when updating such information.

Key to preventing further losses is understanding the risks associated with changes to supplier information and the methods fraudsters use to steal council money. In addition to the implementation of revised processes, we have delivered a fraud awareness session to those tasked with updating supplier information to raise awareness and we have also used fraud awareness tools provided by our banking partner to further increase knowledge and understanding of this fraud risk. Additionally, we have provided more information for services on mandate fraud in our fraud A-Z on TOPdesk and are in the process of issuing a council wide communication to emphasise the risks of mandate fraud.

The changes in how and where we work will change the way we deliver general fraud awareness training in future. It is clear that there will be less of an emphasis on office-based activity and therefore, new ways of providing (virtual) awareness sessions are being considered, including the use of a series of short fraud awareness videos.

In addition, when planning individual internal audit assignments, the controls relating to the prevention of fraud are subject to risk assessment and if appropriate the effectiveness of their operation will be tested.

Preventing and detecting fraud

One significant area of fraud risk is that of Council Tax single residency discounts (SRDs).

The council has approximately 76,000 Council Tax payers, of which about 25,000 receive a SRD entitling them to a 25% reduction in their Council Tax bill. If only 1% of those receiving a discount fail to tell us that they are no longer entitled to it, this could equate to around £87,000 per year in revenue the council is unable to collect.

To mitigate this risk, we have procured the services of a Credit Reference Agency to conduct monthly checks to identify households that may have more than one adult resident. Our first review took place in March and identified 2499 accounts that required a review.

All individuals were written to and asked to confirm their entitlement to the discount. As at 03.09.2021, we had received 2150 responses of which 250 have had their entitlement to a discount removed. Where a taxpayer has not confirmed their eligibility, accounts will be updated to remove the discount.

Below is a breakdown of the March review. Once the remaining accounts have been updated, a further £120,000 will be added to the total council tax income.

Summary	Values
Number of letters sent	2499
Number of reminders sent	683
Number returned	2150
Number returned with no change reported	1799
Number of changes reported	350
Number of SRD's removed as a result of change reported	250
Number of SRD's removed as customer failed to reply	0
Total number of SRD's removed	250
Charge generated	£88,869.82
Additional liability	£22,241.00

From July, we have commenced a monthly review to identify new households that may have more than one adult resident. The results of these monthly reviews will be included in future reports to the Audit Committee.

In addition to the review, a further eight Council Tax discount investigations have completed, identifying increases in liability totalling £1,076 with a further £4,364 in backdated liability available for collection. The number of Council Tax discount investigations completed has reduced from previous years as we have used this resource to undertake the Council Tax discount review exercise.

We continue to participate in the National Fraud Initiative data matching exercise to identify fraud and error across a number of council services.

A plan for proactive fraud work is being completed as part of the Internal Audit plan for 2021/22. The focus of the work within this plan will relate to the change in working practices that took place during 2020 and whether this has had an impact on controls relating to expenditure and authorisation.

Pursue - Being stronger in punishing fraud and recovering losses

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

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. However, at present we are unable to conduct interviews under caution due to restrictions in place on 3rd party access to council premises. This will impact on our ability to prosecute appropriate cases at present.

Protect

The actions outlined above provide a robust response to the risk 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.