

COUNTER FRAUD

Appendix A

2020 Annual Report



Appendix A

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The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Introduction

Key Messages

The purpose of the Annual Report is to provide assurance to the Audit Committee on the effectiveness of the Council's arrangements in countering fraud and corruption. The report also informs the committee of performance against the 2019/20 Counter Fraud Work Plan and the Counter Fraud Strategy and the outcomes of proactive fraud work and investigations.

	Fraud Cases 19/20	Comments 2019/20 12 months
Council Tax Support	1	CTR reductions as a result of a HB investigation - £1,298.35
Council Tax SPD (Single Person Discount)		Next exercise being planned - 566 SPD removals previous exercise
Business rates Small Business rates relief fraud detection		Ongoing avoidance work Ongoing work to prevent and detect multiple claims for small business rate relief
Housing benefit	4	For 2019/20 the total number of referrals to SFIS was 36. There were 3 administrative penalty issued totalling £11,034.52 and 1 case prosecuted totalling £3,501.30 in overpayments
Housing sub letting cases	1	5 cases investigated
Housing other	12	Notice to quite including two trespass cases
Other		

Introduction

KEY Messages:

ColC specific priorities for 19/20 and progress

- ✓ **Tenancy Fraud** – work is underway with Housing to complete a review of matches – partly delayed due to COVID
- ✓ **National Fraud Initiative** – (NFI) – working with teams to complete matches (see NFI section) – completed as far as possible. New data will be submitted in 2020.
- ✓ **Fraud training** (residual and new staff members) – in progress; defer to 21/22
- ✓ **Scam busters** / friends against scams – ongoing publicity
- ✓ **Update Counter Fraud risk register** – completed
- ✓ **Fraud policy updates** – anti-bribery / whistleblowing - completed Both updated but Whistleblowing was delayed to Sept 20 for approval due to COVID
- ✓ **Whistleblowing/fraud reporting best practice** and publicity to complete 20/21
- ✓ **CIPFA fraud return** - completed
- ✓ **Data matching service for Small Business rates relief** –commenced 20/21 – now in place
- ✓ **Lincolnshire Resilience Forum/MHCLG Cyber Resilience Group** and related exercises

Areas still to complete:

- ❖ **Fraud training (residual staff)**
- ❖ **Identity fraud** – work with teams on best practice – to complete 20/21
- ⬆ **Matchmaking service for Small Business rates relief** – 20/21

CIPFA fraud report

Key Messages

For **local authorities in the UK**, the total value of estimated fraud detected or prevented in 2018/19 is 253m, averaging roughly £3,600 per fraud case.

Councils reported that approximately 71,000 instances of fraud had been detected or prevented in 2018/19.

Council tax fraud represents 78% of these identified instances of fraud with an estimated value of £30.6m followed by disabled parking concession (Blue Badge scheme) and housing frauds representing 10% and 5% of the total cases of UK public sector fraud, respectively.

Business rates were 2% and other types of fraud were 4.2%.

Other types of fraud. Fraud covers a substantial number of areas and within organisations these can vary in importance. These include the following fraud types adult social care, insurance, procurement, no recourse to public funds/welfare assistance, payroll, recruitment, expenses and pension, economic and voluntary sector support and debt, mandate fraud and manipulation of data.

**£253 Million fraud
detected or
prevented**



**71,000 instances
of fraud**

**Council Tax fraud
78% of instances**

**Housing 10% of
fraud instances**

Housing Benefit and CTR

We have achieved some significant results during 2019/20 from our pro-active and investigation work.

**HB
CTR**

For 2019/20 the total number of referrals to SFIS (Single Fraud Investigation Service – DWP) was 36. There were 3 administrative penalty issued totalling £11,034.52 and 1 case prosecuted totalling £3,501.30 in overpayments. CTR reductions as a result of a housing benefit investigation was £1,298.35 (1 case).

There has been a reduction in referrals which is due to more pro-active work – around NFI (national Fraud Initiative) and verification of earnings and Pensions (VEP) – see below. SFIS investigation thresholds are also now higher, more caseload is going to universal credit.

The Benefit/CTS fraud, sanctions and prosecutions policy was reviewed and agreed by Executive (CoLC and NKDC) in July 2018.

The DWP have recently introduced another fraud prevention initiative which should further reduce fraud and inaccuracy in the system. Officers will be working on that from September 2020. Verification of Earnings and Pensions (VEP)

Verification of Earnings and Pensions (VEP). VEP replaced the Right Benefit Initiative (RBI) 2018/19. Under this initiative Authorities are asked to focus purely on changes to earnings and Pensions that occur on a daily basis. Information is fed through to the system via a link with HMRC. There are 1.5 staff working across the shared service in this area.



**Fraud/Error
Recoveries**

Housing Tenancy

We have achieved some significant results during 2019/20 from our investigation work.

TENANCY FRAUD



Tenancy fraud covers several areas including unlawful sub-letting or assignment, non – occupation, key selling, application deception, right to buy fraud

For 2018/19 there was 1 sub-letting case and 17 notices to quit (including non-occupation/abandonment). (Abandoned = 11; Non-occupation = 6)

For 2019/20 there were 5 sub-letting cases investigated with one case substantiated. There were 10 notices to quit (NTQ's including non-occupation/abandonment) and another two NTQs have been served for unauthorised occupation of a Council dwelling “trespassing”.

The current work on the tenancy verification service project will inform both the fraud risk assessment and the tenancy fraud policy refresh.

Tenancy fraud – tenancy verification service

The data matching exercise across the Council’s housing stock has been completed and officers are starting to work through reported matches. The service aims to identify housing fraud such as sub-letting.

As well as potential fraud the data matching has highlighted some data errors and these are being corrected.



Fraud/Error Recoveries

National Fraud Initiative

We have achieved some significant results during 2019/20 from our investigation work.

NFI



The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, housing, and licences, insurance.

The purpose of the data matching is to highlight “potential” fraud and error cases which require investigation. Matches are assessed in terms of their potential quality.

The matching results are (as at August 2020):

1950 matches to review
1289 processed,

1 fraud, 61 errors with a value of £103,481 – recovering £102,526; this relates to £63,561 CTR and £39,920 HB



This is a higher total value of fraud and error than in previous years. Previous exercise was 1 fraud and 40 errors, recovering £26,250.51 (all HB/CTS)

Not every match is reviewed and testing is on a risk and sample basis.

There were no issues relating to creditors, tenancy and payroll (from samples taken)

Fraud/Error Recoveries

Grants and other areas

We have processed a significant number of government COVID related business grants.

BUSINESS GRANTS

(on behalf of Government)



During 20-21 the Council has processed 1165 Small business and 532 Retail, Hospitality and Leisure grants paying either £10K or £25K depending on the rateable value. This totalled £11,650,000.00 and £9,420,500.00 respectively It has also processed 125 discretionary grants with a value of £1,149,500

There were a number of control checks undertaken on applications and before payment in line with government guidance. There were a very small number of fraud cases, or fraud attempts.

Some further post payment grant assurance work, on a sample basis, will be undertaken and further details will be provided in the 6 month fraud and error report – December 2020)

Further detail on grants can be found in the shared revenues and benefits report 10th September - business rates update



Fraud Recoveries

Proactive Work

A proactive approach is a key factor in any counter fraud efforts. This reinforces the aims of our service laid out within our Counter Fraud Policy. We protect our resources through our proactive principles of **Deterrence, Prevention and Detection**.

Proactive Work - 2019/20

Housing Tenancy	Tenancy fraud – tenancy verification service. The data matching exercise across the Council’s housing stock has been completed and officers are starting to work through reported matches. The service aims to identify housing fraud such as sub-letting. As well as potential fraud the data matching has highlighted some data errors and these are being corrected.
NNDR and SBRR	<p>The NDR team continue with proactive checks on planning lists and utilising the Visiting Officer capacity within the team. There are regular reviews of reliefs including Small Business Rate relief, Charity relief, Other discretionary relief.</p> <p>For 20/21, we review Small Business Rates Relief (SBRR) – through a third party, and are able to cross check against other authorities whether a business is in receipt of SBRR. SBRR regulations allow for small single businesses, not multiple. This is going well, and has stopped giving SBRR from the outset rather than clawback. Officers were involved in one National case where the company made claims all over the country that they had occupied properties on 1.2.2020 and that they were entitled to small business rate relief.</p>
Council Tax -SPD	The next bulk review was April – August 2020 and then a rolling review from October 2020 onwards (pending successful tender process). However due to COVID the SPD bulk review has been postponed. Revenues Managers have recommended for this to be pushed back to start April 2021 to August 2021, with the rolling review starting October 2021 (post tender process). A report is being taken to Lincolnshire Finance Officers for approval. The last review saw 566 SPD’s removed.
Fraud Awareness	Our fraud awareness e-learning had a very successful start and this will be continued during 20-21
Fraud Risk Register	We updated the Fraud Risk Register in 2019/20. We gather intelligence throughout the year to inform this and it allows us to focus on our DETERRENT proactive work priorities.

Proactive Work



Proactive Work - 2019/20

The City of Lincoln Council is a “friends against scams” organisation (www.friendsagainstscams.org.uk) to help protect the city’s residents and staff from becoming victims of scams.

Two “scamchampions” have been nominated so far. Here are some key facts about scams in the UK:

Scams cost the UK economy £5-£10 Billion a year

Scams are a crime

- 53% of people over 65 have been targeted by scams
- Only 5% of scams are reported
- Statistics indicate that the average scam victim has lost over £3,000

The partnership with a National Trading Standards body, involves encouraging staff and others to take part in scam awareness and advice training.

The Council already has a high level of awareness regarding scams, particularly where it may impact on our customers, and this initiative further helps with awareness across our staff and stakeholders.

We have included a scam awareness section on the Council’s website and monitor scam incidents with other partners. Where appropriate we communicate externally through social media and with partners

Cyber Crime and Cyber Security

Online fraud, also known as cyber crime, covers all crimes that:

- take place online
- are committed using computers, or
- are assisted by online technology



The Council continues to place high importance on cyber security. Security measures are applied, kept under review and audited regularly. The Authority is also subject to Central Government compliance initiatives.

The Council faces multiple attacks each day which are prevented, detected and neutralised by systems and software. An anti-malware internal audit was completed in 2019/20; this provided substantial assurance. IT Disaster recovery is still a significant issue on the AGS (Annual Governance Statement) and this is being monitored through the Audit Committee

Reminders to staff are sent periodically around cyber fraud and cyber-crime. Phishing and malware activity is closely monitored and trends identified and acted upon. Information is shared between regional and national cyber security teams. This allows us to build our knowledge of the cyber fraud threat. Our “Scambusters” partnership also helps to inform the public and partners in relation to cyber crime and scams.

CoLC is now part of an LRF (Lincolnshire Resilience Forum/MHCLG) Cyber Resilience Group. The LRF/MHCLG have developed a cyber-resilience plan and the Council has access to a range of resources including training materials and documentation. CoLC is planning on developing cyber resilience plans.

Fraud Risk Register

LIKELIHOOD	4 ALMOST CERTAIN				
	3 PROBABLE		Council Tax		
	2 POSSIBLE		HB/CTR Housing/ Scams		Cyber fraud/IT/ Data
	1 HARDLY EVER	BACS/ Cheques Payroll/ employees Theft/asset misuse Refund fraud	Contracts Income Debt Money laundering Grants False accounting Insurance Business rates Planning Identity Fraud act	Procurement Payments Treasury Property Elections Bribery and Corruption	
		1 NEGLIGABLE	2 MINOR	3 MAJOR	4 CRITICAL
IMPACT					

We updated the Fraud Risk Register in 2019/20. Fraud risk identification is essential to understanding our exposure to the fraud threats we face. We update the information and intelligence at least annually so we have an accurate picture of the current status of each risk area.

Fraudsters will seek to exploit the uncertainty created by major and unexpected events – the current Coronavirus issue is no exception. We have used this process to log all known information on the prevalent fraud risks raised by this situation. This has helped formulate our prompt response to warn and inform employees and the public of fraud and scams. It will also help guide our proactive efforts to detect potential fraud against the Council.

Fraud Strategy and Policy Review

A revised Money Laundering Policy was updated in December 2018. The Counter Fraud Policy / Strategy was also updated, taking account of new CIPFA and DCLG Government guidance and again was reviewed in December 2018. The strategy will be reviewed again in 2020 or 2021 when new guidance is released.

The Council's Anti-Bribery Policy was reviewed in December 2019. The Whistleblowing Policy was updated and will be presented to the Audit Committee in September 2020. The Council's fraud risk register was updated and a revised risk register presented to Audit Committee in December 2019. The Benefit / CTS fraud, sanctions and prosecutions policy was approved by the Executive in 2018

During 20/21 a health check review will be undertaken with LCFP to ensure arrangements are robust and focused on pro-active work correctly.

Outcomes from the Counter Fraud Strategy

Operational outcomes to help evaluate effectiveness are included within the existing strategy

- High levels of fraud awareness
- Zero tolerance to fraud (number of referrals / ensuring suspicions reported and action taken)
- Reduced losses (a low incidence of fraud)
- Delivery of pro-active counter fraud work
- Reducing the risk of fraud
- Successful prosecutions, other sanctions and recovery of losses
- Successfully engagement with partners

Through pro-active and re-active work, training, awareness, and work with our partners we are achieving good outcomes in these areas and we aim to continue to do so.

Lincolnshire Counter Fraud Partnership

Key Outcomes in 2019/20

Revenue Generation

- ✓ £1.65m revenue savings since 2015 (Council Tax related and business rates)
- ✓ Business case developed for an Invest to Save project – this highlights scope to deliver Council Tax recoveries of £10.5m
- ✓ Work with Districts to prepare for bulk review and rolling reviews

Fraud Awareness

- ✓ Improved fraud Awareness e-learning platform delivered
- ✓ Management of Confidential Reporting Line
- ✓ Created a new fraud leaflet and poster

Fraud resilience and fraud proofing

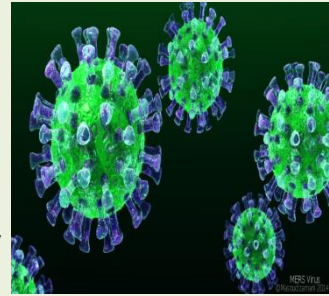
- Regular liaison and sharing of information on:
- ✓ Scams
 - ✓ Alerts
 - ✓ Fraud cases
 - ✓ Supported the Covid-19 business grants by sharing guidance: alerts and providing fraud risk information

2019/20 saw the LCFP develop a business case that sets out a revenue proposal taking a proactive approach to council tax fraud and error. Changing the approach to Council Tax Single Person Discounts (SPDs), delivered in partnership with all District Councils in Lincolnshire will have potential to deliver revenue of over £10m (gross) over a 5 year period. This will contribute to more money for local service delivery. Lincolnshire Finance Officers have also agreed to consider a longer term funding commitment (3-5 years) for LCFP. This will provide better medium term planning and allow LCFP to identify and support cross-cutting counter fraud related projects that would benefit all partners and explore more cost effective delivery models to deliver partnership

Moving Forward.....

Coronavirus

The unprecedented crisis created by the COVID-19 outbreak crisis has brought many challenges. It is a fast changing and developing situation that has required a rapid yet coherent response.



Unfortunately, fraudsters seek to take advantage of such major issues – they exploit confusion and vulnerability where individual decision making may be affected. LCFP was able to ensure a prompt and joined up response to ensure employees, our partners and the wider public were aware of the raised threat of fraud – messages were mainly around the current risks of supplier fraud and cyber attacks such as phishing scams.

Moving forward, LCFP have been gathering intelligence and information (from national and local sources) regarding potential fraud risks relating to the changed scenario in which the Council finds itself. This information is acting as a guide to those specific service areas and transactions most vulnerable to fraud at this time and we are revising our plans accordingly to ensure our response remains effective.



Recognition

Assurance Lincolnshire's counter fraud team (who lead on the LCFP) was successful in the Government Counter Fraud Awards 2019 for their fraud awareness for schools campaign, and have been invited to make presentations at national conferences to provide insight into that work and demonstrates how the team have become established as a nationally respected authority in the counter fraud community.

Fighting Fraud and Corruption Locally 2020...

..is the Local Government Counter Fraud Strategy and is aimed specifically towards councils and their fraud fighting efforts. The FFCL sets the approach local authorities should take to transform counter fraud and corruption performance as well as offering major recommendations for local authorities and other stakeholders - it looks at current issues, risks and good practice

The Strategy is due for renewal in 2020 . Our current plans are aligned to FFCL 2016-19 . We will continue to reflect the national strategy priorities when we review our own policies later in 2020 to ensure they remain compatible.

Fraud referrals

The Council continues to use the County wide hotline, which receives its own publicity. We have refreshed the Council Website counter fraud page, particularly around fraud/whistleblowing referrals. Communication to Managers and other employees has taken place around fraud risk, policies and reporting

Whistleblowing

During 2019/20, we have had 13 whistleblowing reports

These were in relation to:

5 x HB

4 x Council Tax

2 x Housing

2 x Health and Safety

For 2018/19 we had 26 whistleblowing reports

9 x HB

1 x Fraud/Other

6 x Council Tax

1 x Business rates

1 x Debt/recovery

7 x Housing

1 x Health and safety

Other fraud reporting

Suspected fraud, error and malpractice can be reported through other avenues:

- Directly to a service area
- Via customer services
- Directly to our partners, such as DWP

Area	Priority	Timescales	Status
Update Counter Fraud policy/strategy	High	December 2018 Review again 2020 taking account of updated National Strategy guidance	Completed Pending
Ensure all counter fraud policies are appropriate and up to date	Medium	As required Every Two years	Anti-Bribery (Dec 19) Whistleblowing (Sept 20)
Update fraud risk register Implement the actions within the Counter Fraud Risk Register	High High	December 2019 See Risks	Completed Follow up 19/20
Complete fraud e-learning training for Officers and members. New starters	High	Mar 20	70%* staff completed Members trained To continue 19/20
Communication Communicate strategy Review existing publications and publicity to determine any changes / improvements <ul style="list-style-type: none"> • Website • Publicity to stakeholders • Successful cases – Media 	Medium Medium	Dec 19 Dec 19	To continue 19/20 To continue 19/20

Area	Priority	Timescales	Status
<p>Projects linked to the Lincolnshire Counter Fraud partnership</p> <p>SPD Housing Tenancy</p> <p>*See full work programme</p>	High	As per LCFP work programme	<p>SPD – in progress but delayed to 2021</p> <p>Housing Tenancy – CoIC current pilot</p>
<p>Prepare for 2020 NFI and review matches</p> <p>Follow up and investigation of data matches identified through National Fraud Initiative 2018/19</p>	High	December 2020	<p>Pending</p> <p>Completed</p>
<p>CIPFA fraud survey</p> <p>Participation in CIPFA Fraud and Corruption Tracker (CFaCT) Annual Survey</p> <p>Review report results</p>	Med	Annual	<p>Completed</p> <p>Summary results in Dec 19 report</p> <p>2020 submission by end Sept 20</p>
<p>Review counter fraud “partnership” arrangements</p> <p>Continued development of fraud resilience through the Lincolnshire Counter Fraud Partnership (LCFP). Delivery of reports to Lincolnshire Finance Officers Group</p>	Medium	March 2020	Agreed to extend for 3-5 years

Area	Priority	Timescales	Status
Consider the internal and external promotion of whistleblowing	Medium	Dec 19	To review 19/20
Ensure optimum use of technology/analytics Consider data technology pilots to improve efforts to detect and prevent fraud .	Medium	Ongoing	Tenancy SPD/CTS Fraud Business rates SBRR NFI
Review intelligence on changes to the control environment (which could increase fraud/error risk) Communicate requirements to service managers/AD's	Medium		Ongoing
Complete the Values and behaviours audit	Medium	19/20 Audit Plan	Complete
Undertake counter fraud "healthcheck"	Medium	Mar 20	To complete 19/20
Where there has been a fraud or attempted fraud feedback to Audit committee/AD/CMT any Control improvements	Medium	Ongoing	Sixth month report Annual report

Other areas undertaken by Assurance Lincs	Priority	Timescales	Status
Participation in Safer Lincolnshire Partnership's (SLP) Serious and Organised Crime – Fraud Group (current focus on vulnerable adults)	N/A	N/A	Any relevant information is fed through LCFP representatives
Participation in: <ul style="list-style-type: none"> Midlands Fraud Group work with FFCL Board (Fighting Fraud & Corruption Locally) CIPFA Counter Fraud Centre follow up of NAFN alerts and horizon scanning for relevant legislative changes 	N/A	N/A	Any relevant information is fed through LCFP representatives
Monitoring and review of: <ul style="list-style-type: none"> Investigations Whistleblowing reports CFaCT annual report National picture to identify trends and feed into Fraud Risk Assessment 	N/A	N/A	Any relevant information is fed through LCFP representatives CoIC review the CFaCT report. CoIC act on the Whistleblowing referrals received
Data analysis and Risk assessment: <ul style="list-style-type: none"> Used to prioritise and facilitate counter fraud proactive exercises To support audit key control and continuous testing 	N/A	N/A	CoIC will use data analysis and risk assessment in relevant projects: EG Tenancy SBRR Joint SPD review