



CITY OF
Lincoln
COUNCIL

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Counter Fraud 2024/25 Six Monthly Update Report

City of Lincoln Council



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1. Introduction

1.1 The City Council has a number of Fraud related policies in place including the Counter Fraud and Anti-Corruption Policy Statement and Strategy which was updated in April 2024.

1.2 The City Council takes a zero-tolerance stance to all forms of fraud, corruption and theft, both from within the Authority and from external sources.

The Council's Policy Statement:

The Council is opposed to any form of fraud or malpractice. The Council is committed to operating in an open and honest way in order to:-

- *Prevent, deter and detect fraud and malpractice*
- *Allow scrutiny and investigation to take place, both internally and externally*
- *Allow rigorous enforcement to take place; and*
- *Reinforce good practice and prevent reoccurrence*

1.3 The Internal Audit Team are responsible for supporting and facilitating the Council's Counter Fraud processes including the development of policies and procedures. Advice and support is provided through an agreement with Lincolnshire County Council.

1.4 The aim of the Team is to promote fraud awareness and assist management to identify and mitigate fraud related risks. This is done through the promotion of fraud cases and scams on the Internal Hub, facilitation of the fraud risk register, provision of training and general advice. The Team also cover fraud as part of audit assignments and undertake investigative work when required.

1.5 Individual service areas are responsible for ensuring that they have adequate arrangements in place for the prevention, detection and investigation of fraud with any incidences being reported to Internal Audit. There is a fraud strategy in place which covers the response required where a potential fraud is identified.

1.6 All fraud related activity is reported through to the Corporate Management Team and the Audit Committee at least twice a year.



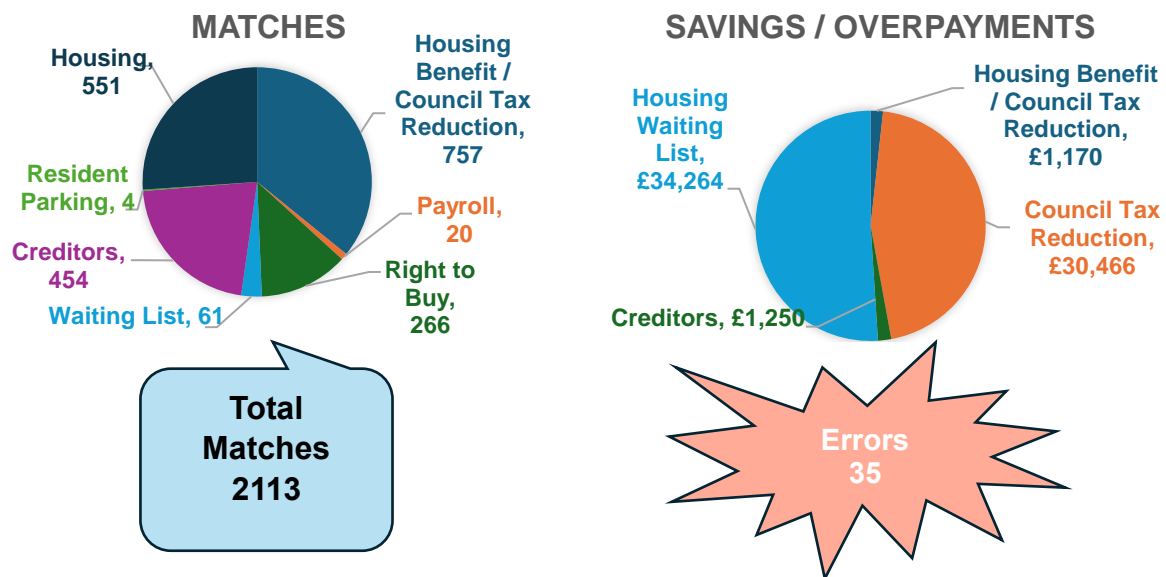
2. Fraud Response

- 2.1 The actions which the City Council undertakes in the prevention of fraud are set out within the Counter Fraud and Anti-Corruption Policy Statement and Strategy. There is an action plan in place which sets out the other activities which the City Council is aiming to achieve this year. This is included within Appendix 1.
- 2.2 A self assessment has not recently been completed due to the capacity within the team. This is due to be completed before the end of February 2025 and will be used to inform the revised Action plan for 2025/26.
- 2.3 Training on the identification and prevention of fraud has been provided to Members. Attendance at the event was low so consideration is being given as to whether a further session is required and the cost of this. The slides from the session have been circulated.
- 2.4 The session raised a number of questions concerning what action is taken to identify fraud within the City Council, particularly the national issues around dual employments, falsification of claims and remote working. The City Council has not identified any of these issues. Currently there is reliance on individual services carrying out their own counter fraud measures as there is limited capacity within the Internal Audit Team to carry out the level of independent checking which larger Councils, such as Lincolnshire County Council, do. However the audit key control process is being reviewed and consideration is being given to whether the revised process could incorporate some of the fraud related testing.
- 2.5 The highest rated fraud risk identified for the Council continues to be IT and Data which includes online fraud also known as cyber-crime. This is included within the Strategic Risk Register as a Red risk. The Council is continually vigilant in responding to the ongoing and increasing Cyber threat, but there is a constant threat ranging from opportunists to organised crime, which look to exploit security vulnerabilities and potential fraud arising from security breaches. An audit of Cyber Security in 2023/24 provided a substantial opinion.



3. NFI

- 3.1 The Council continues to be engaged with the National Fraud Initiative (NFI) which is a mandatory biannual exercise involving national data matching using a range of Council data sources including payroll, benefits, creditors, electoral role, housing and licences.
- 3.2 The Internal Audit Manager acts as the main point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative.
- 3.3 The last exercise commenced in 2022 and produced the following results:-



- 3.4 The overpayments are those calculated once the errors have been rectified, most of these are recoverable. The Cabinet Office has estimated the value of savings which will be made once the errors to the Housing waiting list have been corrected.
- 3.5 The next review is currently taking place with the datasets being submitted to the Cabinet Office in October and November. The results reports will be received in January 2025.



4. Update on Activity Undertaken

4.1 Housing Benefit / Council Tax Support

For the first 6 months of 2024/25, the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for Lincoln was 3. There continues to be a low number of referrals made to SFIS due to the reduction in the HB caseload as well as the Council undertaking proactive work through initiatives such as NFI (National Fraud Initiative), VEP (Verifications of Earnings and Pensions), HBMS (Housing Benefit Matching Service) and HBAA (Housing Benefit Award Accuracy).

There have not been any prosecutions or administrative penalties issued so far year.

4.2 Council Tax – Single Person Discount (SPD)/ Empty Properties

An SPD review commenced at the end of August with 2,890 letters being sent out. So far 1,848 have responded and as a result 84 discounts have been removed. For the remaining 1,042 they will be reminded and if there is no response the discount will be removed from 31 March 2024.

Planning is currently underway on how the bulk review will be completed next year. Discussions around using an external company for the reviews so far have not found any added value. When individual cases arise these are checked as thoroughly as possible using visits, Experian searches, Land Registry and any other information which the Council is able to access.

4.3 NNDR

The NNDR 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, and other discretionary relief.

Small Business Rates Relief is being reviewed once every two years, with the next review being 2025/26. Application forms request details of all properties that the applicant occupies and use the internet, websites and contacts at other Local authorities to ensure that Small Business Rates Relief is not awarded where there is no entitlement.

4.4 Housing Tenancy

Tenancy services have not taken any fraud action or legal action for sub-letting during the current financial year to date. The tenant census audit has covered 774 properties so far and has not found anything to indicate possible fraud or sub-letting. The audit was paused in July due to changes to the staffing



structure and following the recruitment of extra temporary Housing Officers they will recommence shortly.

There has also not been any fraud suspected, identified or investigated for Right to Buy during the current financial year to date. There are a number of processes in place to detect fraud including checking signatures, checking Council Tax and the Electoral register for residency, ensuring applicants aren't registered as being bankrupt and also checking the discount period. The property valuer and Housing Officer also flag anything of concern when they visit the property.

4.5 Payroll and Human Resources

There have not been any frauds identified within payroll and Human Resources so far this year. Checks on changes to bank details for staff continue to be validated with them prior to payments being made (where requests are made outside of the HR/Payroll System). The system itself also has a built in control whereby an automatic email is sent to both parties when the bank details are changed on the system by the employee enabling fraudulent attempts to be identified.

Right to work Checks are undertaken with all new starters. In addition Departmental Admin teams undertake checks of employees driving licences when the employee is using their own car for business use.

4.6 Finance

There has been no fraudulent activity identified within the sales or purchase ledgers so far this year. The Council continues to be made aware of any issues reported elsewhere.

There have been five cases of potentially fraudulent payments being made through the online payment system for the payment of Council Tax. The card holders disputed the payments with their provider and the money has been returned to them through the payment system.

4.7 Elections

There were no frauds reported involving the elections. The team continue to implement the processes laid down by the Electoral Commission.

4.8 Information Technology

There have been no recorded events which have resulted in fraud arising from a Cyber attack. Whilst there have not been any incidences of fraud, the Council has a number of measures in place to ensure that it continues to prevent fraud and cyber security remains visible:-

- There is an ICT disaster recovery policy in place which includes action cards for known incidents such as ransomware, phishing, and malware.



- The Authority has tools to guard against Cyber threats and has also provided awareness training to staff and members on good Information Governance and Cyber Security.
- The Information Governance Group considers cyber security within its programme of work.
- The Council performs external annual assessments of vulnerabilities, reviews best practice and participates in regional and national initiatives to improve Cyber Security.

4.8 Other fraud / fraud attempts

There have not been any frauds identified within remaining Amber areas within the Fraud Risk Register including procurement and creditors.

5. Whistleblowing / Confidential Reporting

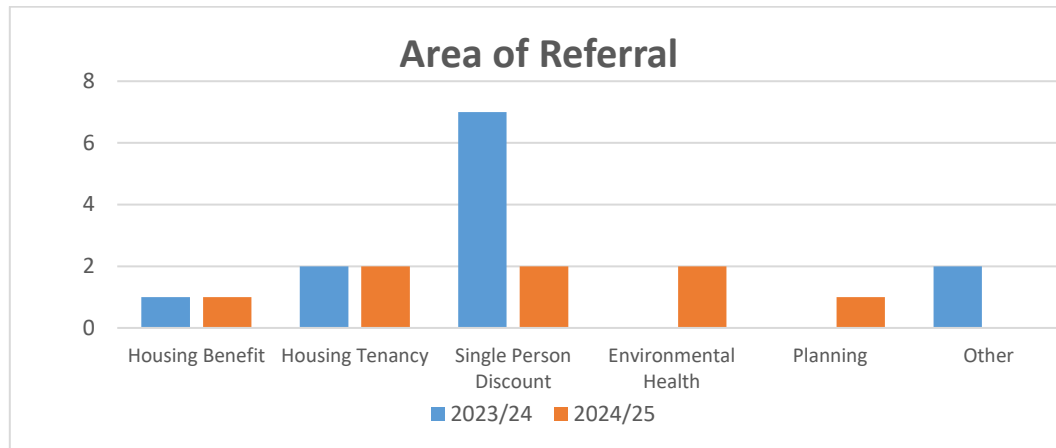
5.1 The Public Interest Disclosure Act 1998 (PIDA) defines a whistleblower as;

“An identifiable person who works in or for an organisation disclosing an honest and reasonable concern relating to one or more of the below:

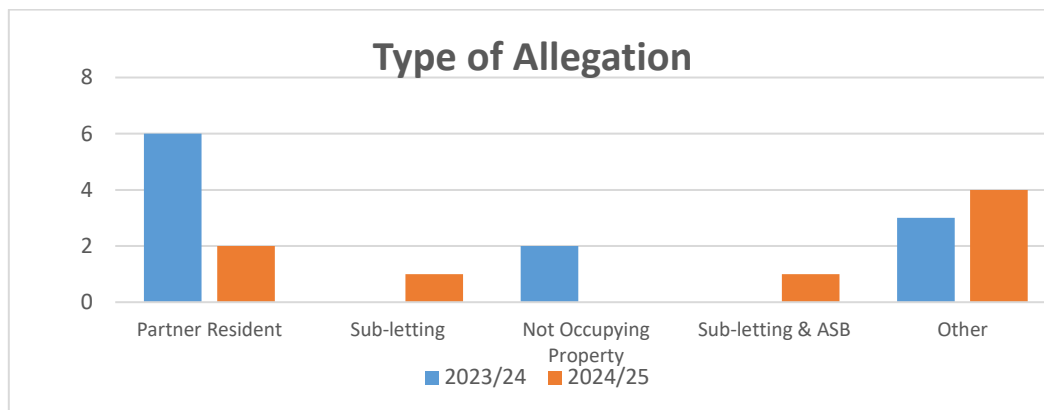
- commission of a criminal offence
- failure to comply with a legal obligation
- a miscarriage of justice
- danger to the health and safety of any individual
- damage to the environment
- the deliberate concealment of information falling within any of these categories.”

5.2 In addition to whistleblowing referrals we also receive other confidential referrals through the Lincolnshire County Council Whistleblowing line and directly which do not meet the PIDA criteria but still require investigation. These were previously included within the whistleblowing referrals figures but they will now be reported separately.

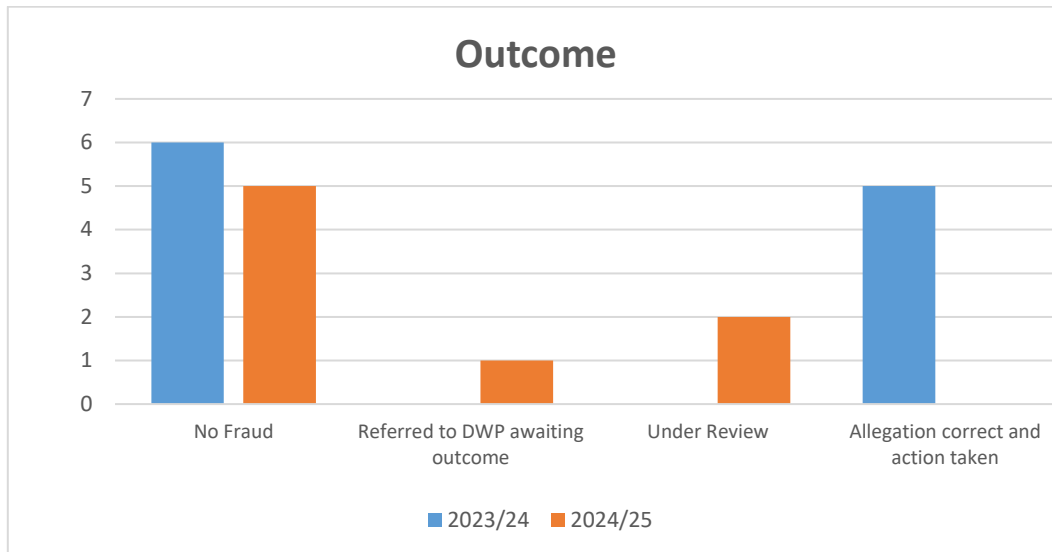
5.3 During the first half of the year no Whistleblowing referrals and 8 confidential reports have been received. The number of referrals compared to this time in 2023/24 has increased slightly from 5 to 8 with an increase in those related to Environmental Health (private tenancies) and Planning, but these numbers are low. These are analysed below against the full year figures for 2023/24:-



- 5.4 There has been a move away from allegations of partner resident towards more varying allegations for things such as non-declaration of savings, planning breach, and properties not being fit for habitation. The split between allegation type is shown below:-



- 5.5 Every allegation is investigated by the appropriate team and the outcomes from these investigations are shown below. So far there have not been any where the allegation necessitated further action. There are 2 cases which are still being investigated.



6. Policies and Strategies Updated

- 6.1 There are a number of fraud related policies and strategies in place which are reviewed on a periodic basis by the owner.
- 6.2 Since April 2024 Internal Audit have reviewed and updated the Whistleblowing Policy, Counter Fraud and Anti-Corruption Policy Statement and Strategy and the NFI Policy. All of which have been presented to the Corporate Management Team and the Audit Committee. The review of the Money Laundering Policy is due for March 2025.

7. Other Matters of Interest

- 7.1 The following includes a summary of matters that will be of particular interest to Audit Committee members.

- 7.2  Council accountant stole almost £1m to fund gambling addiction

An ex-finance officer at the Council was jailed for five years in October 2023 after being found guilty of transferring £934,343.30 into his own bank accounts between 2003 and 2022. The Senior Assistant Accountant was responsible for the Council's creditors system where he could generate invoices and make payments to suppliers. He used his knowledge of the system and the Council to bypass the systems designed to prevent fraud without it being flagged as suspicious. A colleague discovered the fraud when discrepancies were found within the system. After an internal investigation he was dismissed from his position at the Council. The link to the Police article is as follows:

<https://www.nottinghamshire.police.uk/news/nottinghamshire/news/news/2024/october/council-accountant-stole-almost-1m-to-fund-gambling-addiction/>



7.3



Cifas (Credit Industry Fraud Avoidance System) recently published their 2024 Fraudscape 6 monthly update

The report analyses data and intelligence received from Cifas members, the National Fraud Database (NFD), the Insider Threat Database (ITD), law enforcement and other partners.

The number of cases filed to the NFD between January and June was 214,882 which is an increase of 15% from the same period last year. Identity fraud remains the most commonly reported at 59% of cases with account takeover (using existing accounts to obtain high value products or services) moving into second place at 18% of cases. There has also been a large increase in the number of false applications where individuals provide false information, up by 22% and now makes up 5% of the cases. This has been possible due to the wide availability of false documents which can be purchased from seemingly legitimate websites.

Whilst cases filed to the ITD declined by 15% employee fraud remains a threat particularly due to remote working and reduced supervision. The leading case types are dishonest action by staff 43% and false employment applications 41%. Dishonest action includes abuse of time/privileges, working multiple roles and theft of cash from employer or customer. False employment applications are making use of the availability of false references supporting experience, training and previous employment. Full report is available using this link <https://www.fraudscape.co.uk>.

7.4



Quarterly Fraud report

The County Council provide the City Council with a quarterly report as part of the Fraud services purchased from them. The following is a summary of the areas highlighted as potential risks nationally.

Employee Fraud

The 2024 National Fraud Conference highlighted an emerging risk regarding dual employment fraud. This is where an individual fraudulently works for multiple organisations during the same working hours. This has emerged following the introduction of working from home and hybrid working. There has been a huge rise in multiple job fraud where employees sign up for one full-time role but then take on a second or even a third full-time job but fail to mention this to their employers.

The shift to remote working arrangements has created new opportunities for fraud, such as time theft and misuse of council resources. Councils should implement and monitor robust remote work policies, use technology to monitor productivity, and conduct regular check-ins with employees. Ensuring secure

access to council systems and data through VPNs and encryption is also crucial.

Continual areas of concerns for councils include; procurement cards, conflict of interest, and mileage/ expense claims.

Environmental

As councils invest in environmental and climate change initiatives, there is a risk of fraud in areas such as carbon trading, green energy projects, and environmental grants. Councils should ensure rigorous project oversight, transparent reporting, and regular audits. Establishing clear criteria for funding and outcomes, and monitoring progress closely can help mitigate these risks.



Appendix 1

Action Plan

The following sets out the progress made against items included on the Action Plan:-

| Ref | Activity | Target Date | Responsibility | Current Position |
|-----|---|-------------|---|---|
| 1 | Self Assessment against the Counter Fraud Strategy | Q4 | Internal Audit Manager | |
| 2 | Refresh the Fraud Risk Register | Q4 | Internal Audit Manager | |
| 3 | Single Person Discount Annual Review | Q3 | Revenues and Benefits Manager | Requests have been sent out and updating the records as they are returned. Reminders are being sent out to those not responded. |
| 4 | Fraud Training for Members | Q2 | Internal Audit Manager/Lincolns hire County Council | E-learning completed and made available to Officers and Members. Raised at Service Managers Team Forum to encourage completion. 563 members of staff (approx. 94%) have completed the training. Face-to-face training provided for Members in Oct 2024. |
| 5 | Single Person Discount Rolling Review | Q2 | Revenues and Benefits Manager | Discussions held over the potential to engage an external company but can't identify any added value in this. |
| 6 | Raising awareness of scams and counter fraud with staff and Members | Q4 | Internal Audit Manager | |
| 7 | Raising awareness of scams and counter fraud with the community | Q4 | Assistant Directors | |
| 8 | Review the process for NFI including training, reviewing reports, results and responsibilities. | Q3 | Internal Audit Manager and Corporate Leadership Team. | Training has been arranged by the Cabinet Office and staff booked on. NFI Policy has been amended to include responsibilities. |
| 9 | Revise/update the tenancy fraud policy, strategy and action plan. | Q4 | Assistant Director - Housing | |