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Internal Audit 2024/25 Annual Fraud Report

City of Lincoln Council



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Table of contents

	Page
1. Introduction	3
2. Fraud Response	3
3. National Fraud Initiative	5
4. Update on Activity Undertaken	6
5. Whistleblowing / Confidential Reporting	8
6. Policy and Strategy Updates	10
7. Other Matters of Interest	10
Appendix	
1. Action Plan 2024/25	12
2. Action Plan 2025/26	13
3. Fraud Risk Register	15

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.
- 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 Progress has been made on implementing the actions within the action plan. The self assessment against the fighting fraud and corruption locally checklist and



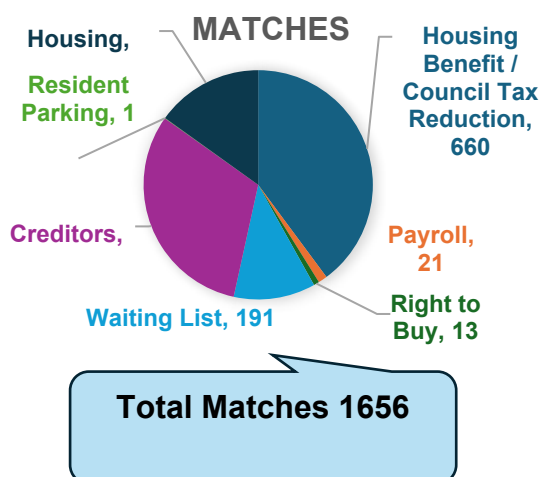
strategy has been completed and the fraud risk registers have been refreshed. Fraud training has been provided to Members and a review of the processes in place for the NFI have been reviewed. The annual single person discount review has taken place and discussions were held concerning the potential for a rolling review. The tenancy fraud policy has been written and is currently going through the final stages of the approval process before it can be fully implemented and distributed. Appendix 1 sets out the full details of progress against the Action plan.

- 2.3 A new Action plan has been drawn up for 2025/26 which includes actions which are outstanding from the 2024/25 Action plan, cyclical items and also other actions which have been identified as necessary to improve the fraud related work. This is included within Appendix 2.
- 2.4 A self assessment against the fighting fraud and corruption locally checklist has been completed. Overall conformance was achieved for 19 areas, partial conformance with 10 areas and there were 5 areas of non- conformance. Actions have been included within the Action Plan for 2025/26 in response to the areas which require further work. Checks on conformance with the strategy are planned for 2025/26.
- 2.5 As required the Fraud Transparency data for 2024/25 has been collected and included on the Council's website. This provides the number of cases and the costs associated with preventing and investigating fraud within the Council.
- 2.6 Within the agreement with Lincolnshire County Council there is provision for training sessions/workshops to be carried out. This year training has been provided to the Assistant Directors in the form of fraud awareness, with a focus on fraud risks and effective mitigation controls. Training on the fraud risk registers was also provided to the Service Managers followed by an opportunity to review and update the registers in groups.
- 2.7 The fraud risk register has been updated and reviewed and the highest amber rated fraud risks identified for the Council are IT / Data / Cyber fraud with possible likelihood and critical impact and Council Tax being probable likelihood and minor impact. Appendix 3 provides a full list of the fraud risks.
- 2.8 An assessment of the risks associated with fraud was undertaken by the Chief Finance Officer, as the responsible officer, to determine the adequacy of resources for the prevention and detection of fraud. It was concluded that the resources in place are currently adequate.

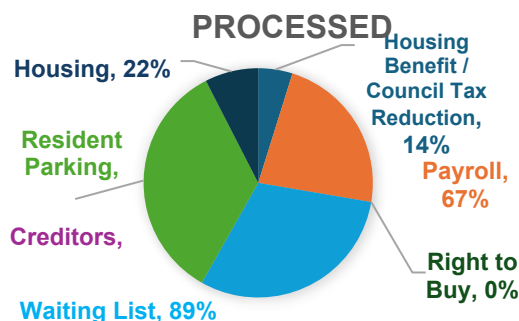
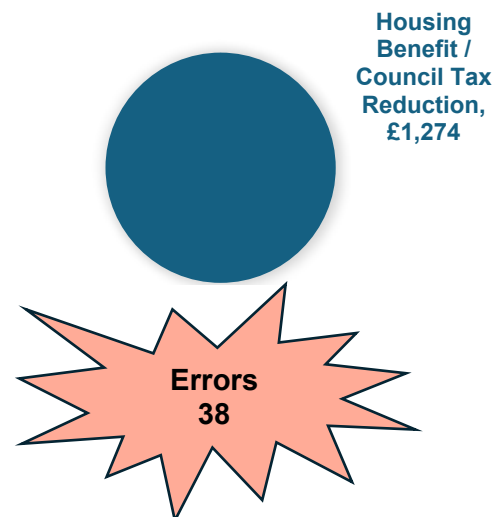


3. NFI

- 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 October 2024 with the match reports being issued between December and April. Progress is reported through the Departmental Management Team meetings and the six monthly fraud reports. The following outline the results to date, the numbers reflect that the matches have only fairly recently been released with all of the Creditors reports not being issued until late January:-



SAVINGS / OVERPAYMENTS



Total Processed to date

333 / 20%

- 3.4 The overpayments are those calculated once the errors have been rectified, most of these are recoverable.
- 3.5 Training on the system and reviewing of matches was provided by the Cabinet Office and those responsible for reviewing the matches at the Council were



invited to attend. Within the Council matches are reviewed by the individual services areas, with the Policy and Service Improvement Team reviewing the matches for Housing.

4. Update on Activity Undertaken

4.1 Housing Benefit / Council Tax Support

For 2024/25, the total number of referrals to Single Fraud Investigation Service –DWP (SFIS) for Lincoln was 7. 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. The following cases have been reviewed through the other initiatives:-

- National Fraud Initiative (NFI), 93
- Housing Benefit Matching Service, 50
- Housing Benefit Award Accuracy, 557

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 took place between August and October 2024 with 2890 letters being sent out in total for review. 1527 reminders were then sent out resulting in a total of 1851 responses. 1039 did not respond so have had their discounts 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 reviewed once every two years, with the next review starting in the summer of 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 1131 properties this year and has not found anything to indicate possible fraud or sub-letting. There were however, 30 notices to quit issued this year for non-occupation. The Tenancy Fraud Policy has been completed and is going through the approval process which is expected to be completed by the end of June.

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. Evidence of tenancy and eligibility is requested from other landlords where sufficient evidence hasn't been to prove tenancy periods that have not been with the Council, if required. 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 this year. The Council continues to be made aware of any issues reported elsewhere.

There have been 6 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.

There have been 7 attempts made to set up direct debits on the Councils bank accounts. Direct debit indemnities were immediately raised with the bank for these and all payments were subsequently returned to us.

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.

4.9 Other fraud / fraud attempts

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

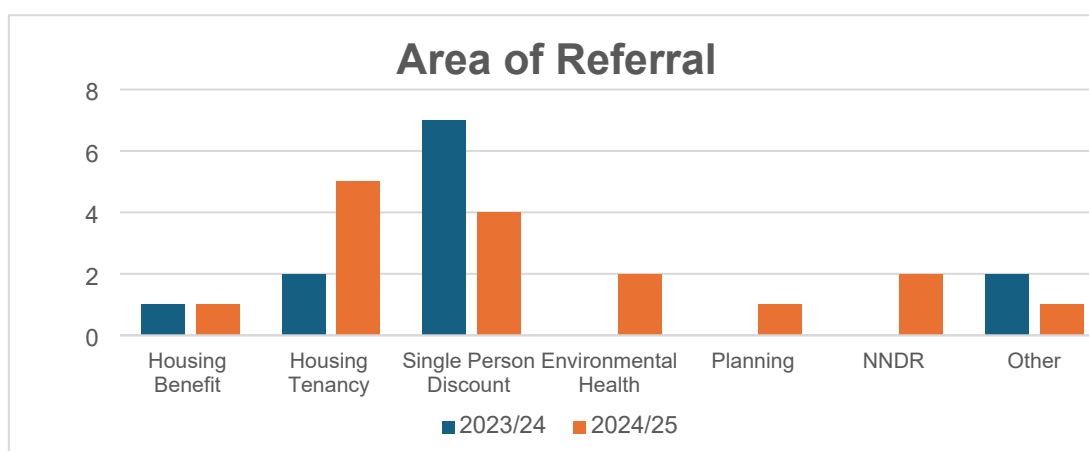
5. Whistleblowing / Confidential Reporting

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

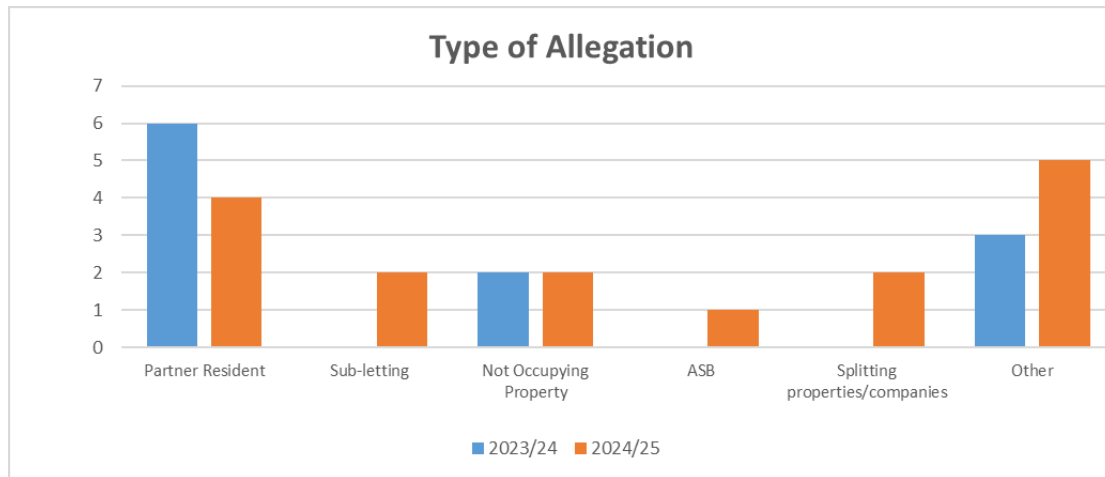
“An identifiable person who works in or for an organisation disclosing an honest and reasonable concern relating to one or more of the below:

- 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 year no Whistleblowing referrals and 16 confidential reports have been received. The number of referrals compared to this time in 2023/24 has increased slightly from 12 to 16, the largest difference being an increase in tenancy related reports for both Council tenancies and Private landlords. New concerns have been raised for NNDR reporting that businesses are being split between different units and companies to reduce the NNDR paid. Reports for single person discounts have reduced by nearly 43%. These are analysed below against the figures for 2023/24:-

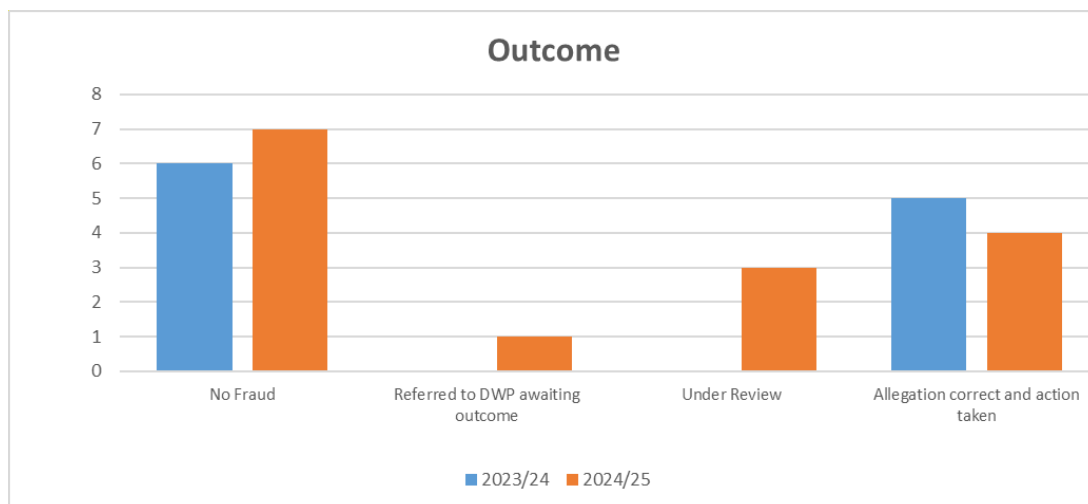


- 5.4 Include details of allegations and changes. The split between allegation type is shown below:-



5.5 Every allegation is investigated by the appropriate team and the outcomes from these investigations are shown below. There are 3 cases which are still being investigated. For 2024/25 there have been 4 allegations made which were correct and action has been taken:-

- One Council Tax account had the Single Person Discount removed and the occupants were both made liable.
- Council Tax reduction was removed for two accounts resulting in an in-year saving of £444.17.
- Abandoned property process instigated for one property which was reported as being abandoned.



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 During 2024/25 the Money Laundering policy and NFI policy were updated and the new Tenancy Fraud policy is currently going through the final approval process.




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  Independent review into Disclosure and Fraud Offences.

There had not been an independent review of fraud since 1986 and since that time the nature and scale of fraud has evolved significantly. On-line fraud has increased as has the challenges facing investigators and prosecutors. The review was scoped to *'explore barriers to the investigation, pursuit, and prosecution of fraud offences in England, Wales and Northern Ireland. The Review will evaluate the nature of current penalties contained within the act and explore the role of civil powers to tackle fraud'*. The report covering Part 1 – Disclosure regime, was published in March 2025, Part 2 is due for completion in 2025/26. [Disclosure in the Digital Age: Independent Review of Disclosure and Fraud Offences \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

7.3  Home Office Economic Crime and Corporate Transparency Act

This Act creates the new offence of 'Failure to prevent fraud' which makes organisations criminally liable where an employee, agent, subsidiary or other 'associated person', commits fraud intending to benefit the organisation, unless they have reasonable procedures in place to prevent fraud. The Act comes into force on 1 September 2025 and applies to large organisations in the UK. Whilst the offence only applies to large organisations the principles surrounding the fraud prevention measures represent good practice for all organisations. [Guidance to organisations on the offence of failure to prevent fraud \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

7.2.  Staff paid after they left Devon County Council

Auditors found a number of issues at the Council concerning payments to staff including staff still being paid after they had left. They also found that expenses were being paid without receipts to prove it had actually been made and travel costs were being claimed without staff saying what the trip was for.

7.3  Quarterly Fraud Reports

Toner cartridge/Impersonation fraud – fraudulent invoices being sent for toner cartridges which have not been ordered. A box of toner cartridges is sent with

no delivery note and then an invoice is sent via e-mail demanding payment. They make use of company names similar to those which have been dissolved.

7.4 ISLINGTON CITIZEN Council claimed £300,00 from tenancy fraudsters

Islington Council has clawed back £300,000 after recovering 75 properties from their tenancies following the discovery of fraud. [Council has claimed £300,000 from tenancy fraudsters since last year - Islington Citizen](#)



Appendix 1

Action Plan 2024/25

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	Complete – self assessment complete and actions to be added to the 2025/26 action plan.
2	Refresh the Fraud Risk Register	Q4	Internal Audit Manager	Complete – revised risk register completed and circulated.
3	Single Person Discount Annual Review	Q3	Revenues and Benefits Manager	Review completed.
4	Fraud Training for Members	Q2	Internal Audit Manager/ Lincolnshire County Council	Complete - E-learning completed and made available to Officers and Members. Face-to-face training provided for Members in Oct 2024.
5	Single Person Discount Rolling Review	Q2	Revenues and Benefits Manager	Complete - Discussions held over the potential to engage an external company. A quote has been obtained and is in the process of being agreed with LCC.
6	Raising awareness of scams and counter fraud with staff and Members	Q4	Internal Audit Manager	Details of scams posted to the Fraud Teams channel. Further work required in 2025/26 to raise awareness.
7	Raising awareness of scams and counter fraud with the community	Q4	Assistant Directors	Further work required in 2025/26 to raise awareness.
8	Review the process for NFI including training, reviewing reports, results and responsibilities.	Q3	Internal Audit Manager and Corporate Leadership Team.	Complete - Training arranged by the Cabinet Office and staff were booked on. NFI Policy has been amended to include responsibilities. Posts included on the Fraud Teams channel.
9	Revise/update the tenancy fraud policy, strategy and action plan.	Q4	Assistant Director - Housing	This has been revised and is currently going through the approval process.



Appendix 2

Action Plan 2025/26

The following sets out the Action Plan for 2025/26 including the cyclical work as well as other actions to be undertaken:-

Ref	Activity	Target Date	Responsibility	Current Position
1	Complete self assessment against the Councils Counter Fraud Strategy	Q3	Internal Audit Manager	
2	Refresh the Fraud Risk Register including documentation of research undertaken and consider where it is filed.	Q4	Internal Audit Manager	
3	Complete Single Person Discount Annual Review	Q3	Revenues and Benefits Manager	
4	Fraud Training for Staff and Members – refresh e-learning and arrange specific training sessions	Q4	Internal Audit Manager/ Lincolnshire County Council	
5	Raising awareness of scams and counter fraud with staff and Members – draw up plan of action for year and implement	Q4	Internal Audit Manager	
6	Raising awareness of scams and counter fraud with the community – draw up plan of action and implement	Q4	Assistant Directors	
7	Review monitoring arrangements for compliance with fraud related aspects of the standards of conduct (Gifts, Interests, Behaviour/ awareness etc). Carry out a review of compliance.	Q3	Internal Audit	
8	Establish a publication policy for proven fraud/corruption	Q3	Assistant Directors / Internal Audit	
9	Carry out a review of how contractors and third parties are made aware of the whistleblowing policy.	Q2	Assistant Directors / Internal Audit	
10	Progress against the review of matches is monitored with results being shared within the DMT quarterly reports and the Fraud reports to CMT and Audit Committee.	Q4	Internal Audit / Assistant Directors	
11	Carry out an assessment of skills and knowledge of those undertaking fraud activity to ensure that they are sufficiently trained and whether any	Q4	Assistant Directors	



	specific fraud training or qualification is required.			
12	Review Anti-Bribery Policy	Q4	Internal Audit Manager	

**Appendix 3****Fraud Risk Register (Summary)**

The current risks and risk levels are:-

Risk No	Title	Rating	Likelihood	Impact
1	Contract Management	Green	Hardly Ever	Minor
2	Procurement	Amber	Hardly Ever	Major
3	Creditor Payments	Amber	Hardly Ever	Major
4	Income Collection	Green	Hardly Ever	Minor
5	Debt Management	Green	Hardly Ever	Minor
6	Money Laundering	Green	Hardly Ever	Negligible
7	BACS/Cheques	Green	Hardly Ever	Minor
8	Payroll / employees	Green	Hardly Ever	Negligible
9	Treasury Management / Investment Fraud	Amber	Hardly ever	Major
10	Property, land, equipment	Amber	Hardly Ever	Major
11	Grants Received – passported funds	Amber	Possible	Minor
12	Grants Paid - Housing	Amber	Possible	Minor
13	Grants Paid – Third Sector	Green	Hardly Ever	Minor
14	False Accounting	Green	Hardly Ever	Minor
15	IT / Data / Cyber fraud	Amber	Possible	Critical
16	Insurance	Green	Hardly Ever	Minor
17	Council Tax	Amber	Probable	Minor
18	Business Rates	Green	Hardly Ever	Minor
19	Council Tax Support Scheme	Amber	Possible	Minor
20	Housing Benefit	Amber	Possible	Minor
21	Housing	Amber	Possible	Minor
22	Development Management	Green	Hardly Ever	Minor
23	Theft / Asset Misuse	Green	Possible	Negligible
24	Election Fraud	Amber	Hardly Ever	Major