

SAFE WELL PROSPEROUS CONNECTED

Annual Fraud report 2022-23

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 2022-23 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 council's anti-fraud and corruption 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.

FFCL includes a checklist enabling the council to conduct a self-assessment of its counter fraud arrangements. This is completed annually and the outcome included as part of this annual report. To provide further assurance that our fraud response is appropriate and meets the needs of the council, we have invited Lincolnshire County Council to provide an independent 'peer review' of our arrangements. This is currently ongoing and the outcome will be reported in the mid-year fraud progress report.

Our supporting policies and procedures are regularly reviewed to ensure they continue to provide clear guidance to protect the council from the risks of bribery, corruption and money laundering. As part of this review process, our Anti-Money Laundering policy has been reviewed, updated and re-published in October 2022.

Acknowledge and understand

Over the past three years, we have experienced a number of unexpected events that have changed how we live and work. These changes have provided fraudsters with new opportunities to commit offences and these continue to evolve.

The legacy of the COVID pandemic, the rise in fuel prices and the general cost of living has created an ideal environment for professional fraudsters. Many of us will

have received a phishing text or e-mail pretending to be from a Government agency or even a Local Authority, in connection with financial or health support during COVID. These have now largely been replaced by similar fraudulent messages encouraging us to 'claim' energy payments. The Council is at no lesser risk to fraud than we are as individuals as we are tasked in supporting the borough and its residents through these turbulent times.

However, as household budgets are stretched, it's not just the professional fraudster that poses a risk. Spiralling household costs may increase the pressure or motivation to commit fraud. It may also make it easier to rationalise committing fraud, due to the pressures being faced; pressures such as being unable to heat the home, buy food to feed themselves or their children, to pay increasing debts, or even the threat of losing the home completely. For others, the motive might be to maintain a standard of living they are used to, or believe they are entitled to.

Add to this the considerable pressures the Council has been operating under and this may lead to increased opportunities to defraud us as we concentrate on 'the day job' at the expense of applying our policies and procedures designed to protect us and our resources from the fraudster.

It is now as important as ever to ensure that all our employees know what fraud looks like, what to do when they suspect it and how to report it. This knowledge will also help them to understand why we have those policies and procedures in place, rather than them just being a barrier to getting the 'day job' done. Effective counter fraud measures are part of the day job and should not be seen as an unwelcome encumbrance.

To mitigate this heightened risk, we have developed three fraud awareness e-learning modules available on Learning Lincs. These have been developed to provide all our employees with a basic understanding of fraud and what to do about it. These modules are:

- Fraud awareness
- Bribery awareness (including the reporting of gifts, hospitality and conflicts of interest)
- Mandate fraud.

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. Employees have been encouraged to complete these courses through the weekly communications bulletins and we are also seeking agreement for the general fraud awareness module to be made mandatory for all employees, such is its importance.

However, simply providing the tools to prevent fraud is only effective if those tools are used and understood. Therefore, we are developing 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 policy).

The survey will be sent out to all employees in the coming weeks and the results included in the mid-year counter fraud progress report.

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 2022/23, proactive work has also been completed in relation to income collection in relation to allotments, overtime claims during the period of the COVID-19 pandemic and the driver check systems. Work is currently ongoing in relation to the controls in place to prevent 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 successfully implemented a monthly review of SRD entitlements in 21/22 as a result of which additional liabilities amounting to £143k were identified, this work has been ongoing throughout 22/23.

As of 13th February 2023, the monthly reviews have achieved the following results in 22/23:

670	Letters sent
214	Reminders sent
380	Responses received with no change reported
157	Responses received reporting a change
61	SRD's removed as a result of a change being reported
36	SRD's removed due to failure to reply
97	Total number of SRD's removed
£30k	Charge generated
£1k	Additional liability for previous years

We continue to monitor every council tax liability that receives a single residency discount on a monthly basis, in order to quickly amend liabilities, thus ensuring that the maximum amount of Council Tax is available for collection.

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 results of the 22/23 exercise have recently been released and have identified 4,915 matches in 27 separate reports. The Fraud and Audit teams will review these matches and act as appropriate to ensure any losses are identified and recovered.

From the 20/21 exercise, less than 1% of cases reviewed were found to be fraudulent or erroneous. This continues to provide assurance that the quality of the council's data and processes remains high minimising the risk of losses.

Additionally, the internal audit team have developed the use of data analytics to supplement the use of NFI data and conducted a review of trade creditor payments from April 2021 to July 2022. This approach has a number of advantages over the traditional method of checking NFI matches:

- It enables 100% of trade creditor payments to be checked, providing a high level of assurance around duplicate rates;

- It is more focussed and reduces the number of false positives that require further investigation;
- It can be conducted more regularly than the biannual NFI exercise meaning that any duplicated payments can be quickly identified and recovered.
- It removes the need to conduct time consuming manual checks.

Of the 25,000 (approx) invoices checked, only six identified potential duplicate payments totalling approximately £19k. These are the subject of recovery action.

Internal allegations

Six internal allegations have been reported during 2021/22 of which two constitute a whistleblowing allegation.

Of the allegations received, the following action has been taken:

7	Number of allegations of fraud/financial misconduct reported
0	Number referred to other agencies (e.g., Police)
6	Number of investigations completed (including 2 from previous year)
1	Resigned/Dismissed
1	Other action taken (including management advice, warnings)
4	No issue identified
3	Investigations ongoing

Of the six investigations completed, one individual resigned prior to the investigation and a further individual received management counselling. Two investigations established that there was no wrongdoing and two did not proceed to investigation.

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.

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, admissions data from the two schools that were oversubscribed was checked against Council Tax data to identify discrepancies in the information provided.

1411	Applications checked
273	Number of discrepancies identified
18	Allocation addresses updated
3	Number of school places affected
0	Cases taken to appeal
0	Appeals upheld

Although almost 20% of applications returned a discrepancy when matched, the vast majority were not as a result of any attempt to obtain an advantage by the applicant. The main discrepancies identified were where the Council Tax payer was different to the school applicant, or because the applicant was not a Council Tax payer. Further information was obtained to validate these applications.

The process did identify a small number of applications that were incorrect. As a result, three school places were prevented from being incorrectly allocated, meaning that three additional children who were eligible for a place received them.

Importantly, by conducting the checks prior to allocation, it removes the often-emotive issue of having to withdraw an offer. It also provides the public with assurance that the council takes appropriate action to ensure that school places are allocated correctly.

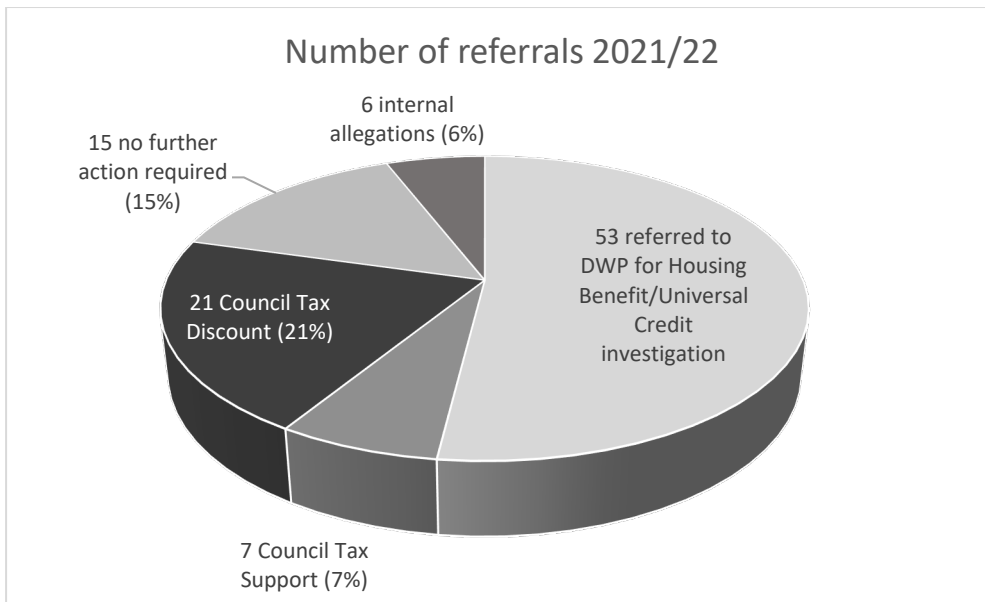
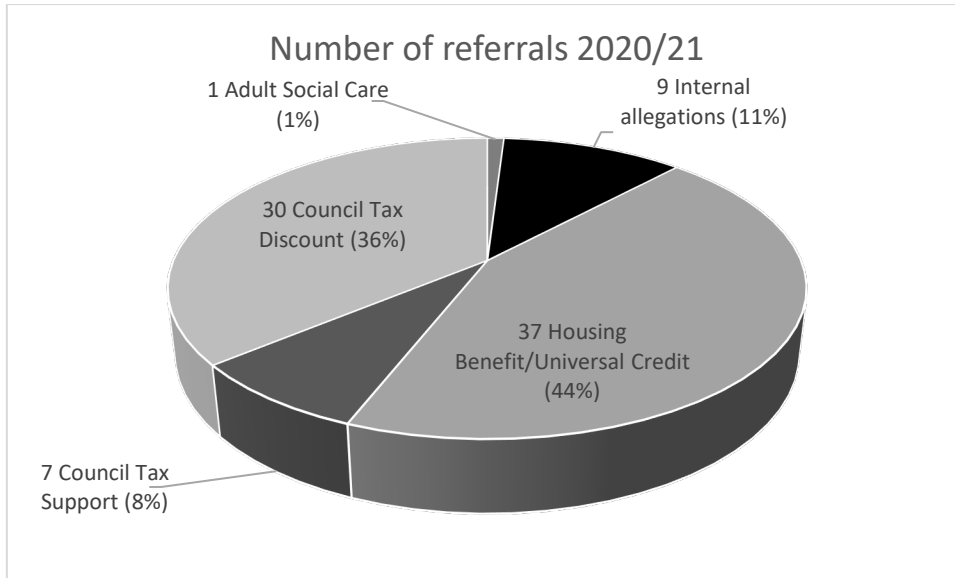
Reactive investigations

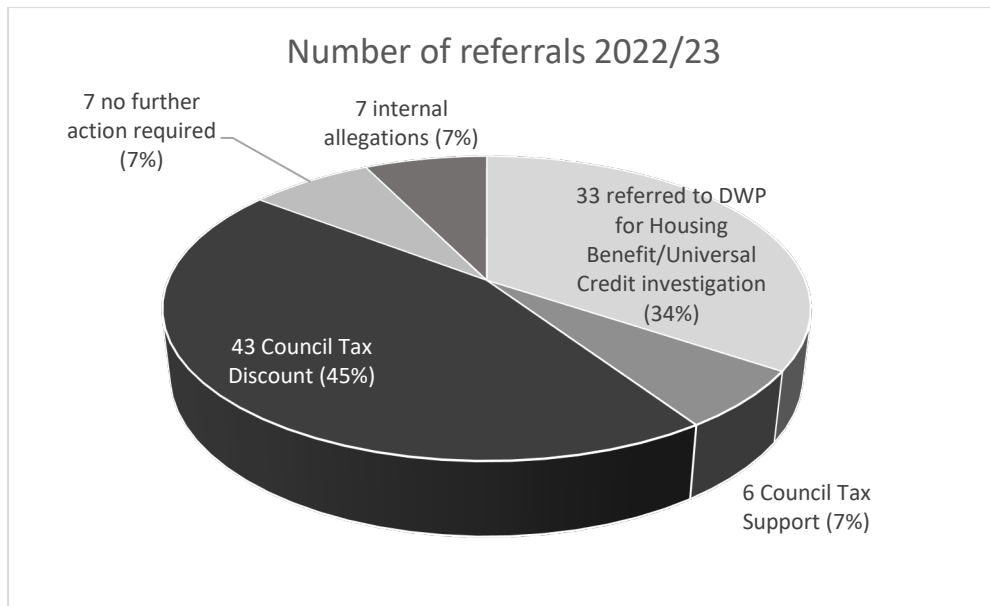
Allegations are received from a variety of sources, including members of the public, internal council teams, the Police, the NFI exercise and the Department for Work and Pensions (DWP).

In 2022/23, the Council received 96 referrals relating to allegations of fraud or financial misconduct (to 16 Feb 2023).

7 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.





The number of Council Tax Support referrals suitable for Council Tax Support investigations has levelled off after declining for a number of years. Most allegations relating to Council Tax Support also relate to Universal Credit or other DWP benefits and are therefore, referred to DWP to investigate, but there has also been a noticeable reduction in the number of referrals made to DWP over the past 12 months.

The levelling off of Council Tax Support referrals and the reduction in the numbers of referrals sent to DWP may relate to the fact that most Housing Benefit customers have now migrated to Universal Credit and as such referrals are being made directly to DWP, rather than the council.

There has though been a corresponding increase in the number of Council Tax discount referrals received.

From these referrals the following outcomes have been achieved:

6	Number of Council Tax Support investigations completed
£2k	Reduction in the amount of Council Tax Support
£6k	Amount of Council Tax Support identified as recoverable
35	Number of Council Tax discount investigations completed
£7k	Increase in amount of Council Tax available for collection

The increase in the amount of Council Tax available for collection is in addition to that identified as part of the single residency review mentioned earlier.

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.

114	Number of DWP requests for information
357	Number of Police requests for information
113	Number of 'other' enforcement agency enquiries

There has been a significant increase in the number of DWP requests (up from 58 in 21/22). This can be attributed to the return of DWP to full investigative duties post COVID. Police requests have also increased by over 20% (up from 299 in 21/22), whilst the number of 'other' enforcement requests has fallen from 137 in 21/22.

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 council's Anti-Fraud Strategy will be reviewed and updated as necessary to ensure it remains relevant and at the heart of our counter fraud arrangements.

The outcome of the peer review will be considered with actions taken to address any areas where improvements can be made.

We will continue to develop and produce online fraud awareness packages to take account of the shift from predominantly office-based working to home working, enabling employees to access content wherever they work.

We will undertake a review of fraud risk assessments to ensure that services understand and appropriately mitigate fraud risk (including the risk of bribery).

A draft plan for proactive fraud work to be completed in 2023/24 is also in the process of being developed as part of the audit planning process. This will use the responses to the forthcoming fraud survey and review of fraud risk assessments to highlight areas of priority for future work.