North East Lincolnshire Council

Annual Fraud Report

2014/2015

Introduction

This is the Council's seventh Anti-Fraud and Corruption Annual Report. This report documents the Council's activities in relation to fraud issues for the period April 2014 to March 2015. It has been designed to achieve the following objectives:

- To demonstrate to the Public, Members, our staff and our partners the progress we have made during the year in developing an anti-fraud culture;
- to publicise the actions we have taken when fraud or misconduct has been identified; and
- to comply with paragraph 43 of the Local Government Transparency Code 2014 which requires Councils to publicise defined information about fraud

Our framework to combat fraud, corruption and misappropriation was approved by cabinet in December 2012. The framework follows national guidance as laid out in the document "Fighting Fraud Locally", and is based upon three key principles

- Acknowledging and understanding fraud risks
- Preventing and detecting fraud
- Pursue - Being stronger in punishing fraud and recovering losses

The framework provides details of the ways in which these themes will be developed and executed to embed the anti-fraud culture as part of the good governance of the Council. This report reviews the work which has been carried out by the Council in each of them.

Acknowledging and understanding fraud risks

No local authority is immune from fraud. Acknowledging this fact is the most important part in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses.

During 2014/15, work completed to acknowledge and understand fraud risks, included:

- revising the council's anti-fraud and corruption strategy to take account of the requirements of CIPFA's proposed voluntary counter fraud code and other developments such as the transfer of the responsibility for housing benefit fraud investigation to the Department of Work and Pensions (DWP);
- Carried out a self- assessment against the counter fraud code, which concluded that the Council has effective arrangements;
- updating the Council's fraud response plan;

- promoting the Council's whistleblowing, anti- bribery policy and anti-money laundering policy;
- carrying out a risk assessments of specific areas potentially susceptible to fraud led by Internal Audit involving individual service managers- this will form the basis of prioritising the Council's anti-fraud response in future years;
- the continued use of an e-learning tool for Members and staff to help increase their understanding of fraud risks and their role they can play in promoting an anti-fraud and corruption culture;
- including fraud in a new course for managers covering aspects of governance, risk and value for money; and
- continuous revisions to HR processes to minimise manual inputs and allow greater ability to manipulate and use our data.

Preventing and detecting fraud

While enforcement work is a crucial strand of any counter fraud strategy, the most efficient way to tackle fraud is preventing it from happening in the first place. Prevention extends beyond making sure that there are appropriate system and process controls in place. It depends on the development of an effective anti-fraud culture that reinforces a zero tolerance and deters criminals from committing fraud in the first place. It also involves greater use of data and analytical software to prevent fraudulent activity. Fraud prevention is closely linked to the early recognition of fraud, clear reporting processes and access to a whistle blowing helpline.

Investigations are carried out by multi-disciplinary teams within the Council. The Benefit Fraud Team employs 5 members of staff including the Manager. All members of the benefit fraud team have fraud investigation qualifications. The team has a budget of £213,000 including internal recharges. The Internal Audit Team collectively has 0.5 FTE dedicated to fraud investigation and proactive work, at an approximate cost of £27,000. Two team members have fraud investigation qualifications.

During 2014/15, work to prevent and detect fraud included the following:

- Internal Audit's annual audit programme including an assessment of those controls designed to reduce the risk of fraud and corruption, and where appropriate making recommendations to strengthen them;
- 10 investigations were carried out by multidisciplinary teams including Internal Audit, the benefit fraud team and Human Resources, of which one was on-going as at 31st March 2015. It should be noted that not all of these investigations were into allegations of fraud, a number of cases investigated related to non-compliance with Council Procedures. In four cases although no misconduct or fraud was identified recommendations to improve the systems were made, for example the investigations have led to recommendations to improve cash handling procedures. In the other five cases there was either no case to answer or insufficient evidence to pursue the investigation further;

- proactive testing by Internal Audit of areas that are most susceptible to potential fraud including hospitality and subsistence payments, use of the corporate credit cards and corporate wide inventory records. Although this work did not identify fraudulent activity, it did identify instances where the Council's financial procedures had not been followed as well as recommendations to improve the controls in place. For example as a result of the review of inventories managers were reminded of the importance of ensuring inventories were properly maintained
- contributing to the Audit Commission's National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The Benefit Fraud Team, Human Resources and Finance have been reviewing this information throughout the year.
- identifying, approximately £47,000 in overpayments through the 2013-2015 National Fraud Initiative with other organisations such as DWP also reclaiming overpayments as a consequence of this. This exercise was closed in January 2015. New 2014 matches were released for scrutiny in January 2015, of which services have been made aware of these matches and will undertake ongoing work to review the data;
- the Benefit Fraud team completing 202 investigations into allegations of benefit fraud. Of these, 97 investigations resulted in fraud or error being identified;
- working with colleagues in the National Health Service to identify and investigate potential misuse of direct payment; and
- appearing on the BBC1 'Saints & Scroungers' TV programme to highlight the Councils efforts in tackling benefit fraud.

Pursue- Being stronger in punishing fraud and recovering losses

Enforcement covers the investigation, punishment and recovery of assets and funds. Punishing fraudsters acts as a powerful deterrent. Where fraud is discovered the full range of sanctions will be deployed by the Council, including civil, disciplinary and criminal action.

During 2014/15, enforcement action has included:

- investigation of Benefit fraud and Council Tax Reduction Scheme fraud resulted in the successful prosecution of 24 individuals (including 12 joint prosecutions with the DWP);
- additionally, a further 24 individuals were offered and accepted either an Administrative Penalty or a Simple Caution as an alternative to prosecution;
- these 48 investigations uncovered £185,515,43 of overpaid benefit (including DWP benefits);
- benefit fraud investigation also uncovering a further £251,040.71 of overpaid benefits (including benefits administered by DWP) where no

prosecution or sanction was sought. Action is taken in all cases to recover these losses, either through deductions from benefit, or through the Councils debt recovery strategy; and

- cessation of contracts for two individuals who were employed by the Council through an Employment agency for committing benefit fraud against the Council, in addition to ongoing criminal proceedings and action to recover the overpaid benefit.

Future Developments

The updated fraud strategy lays out how the Council will continue to develop its approach to anti-fraud and corruption in future years. Key actions identified include:

- Developing an action plan to support the objectives contained in the strategy.
- Prioritising the completion of the initial risk assessments as these will prioritise the focus of anti-fraud work in 2015/16 and 2016/17.
- Working with those areas of highest risk from these assessments to develop effective anti-fraud measures.
- Ensuring that all staff are aware of their role in ensuring that the Council has a robust approach to countering fraud and corruption via induction and regular communication.
- Developing a single corporate fraud resource within Internal Audit and Risk of appropriately trained and experienced staff to promote an anti-fraud culture, detect fraud and carry out investigations into allegations where appropriate.
- Further developing working arrangements with auditors at National Health Service and North East Lincolnshire Clinical Commissioning Group in relation to direct payments and personalised budgets fraud.

Reporting Suspected Fraud and Financial Misconduct

We expect employees, volunteers, and anyone associated with the Council who have serious concerns about any aspect of practices encountered within the Council to come forward and voice those concerns without fear of reprisals. The Council's Whistleblowing Policy supports staff wanting to raise such issues. It is recognised that certain cases will have to proceed on a confidential basis.

This policy takes into account the provisions of the Public Interest Disclosure Act 1998, which also provides legal recourse for the person raising the concern should they feel they have been treated unfairly as a result of "whistleblowing". A purpose of the policy is to give all members of staff the confidence to come forward and raise issues of concerns. A copy of the policy, including relevant telephone numbers is on the link below.

http://www.nelincs.gov.uk/council/the-council-as-an-organisation/anti-fraud-framework/whistleblowing-policy/

Alternatively, where benefit fraud is suspected we encourage the public to make use of our fraud hotline 01472 323334 or 326298 to report any suspected fraud or to report fraud through our web site at http://www.nelincs.gov.uk/forms/form/823970965/

You do not have to leave your name and all information received is treated in confidence.