



**Governance and Audit  
Committee**

**Tuesday 6 November 2018**

**Subject: Annual Fraud Report 2017/18**

Report by:

Executive Director of Resources

Contact Officer:

Tracey Bircumshaw  
Strategic Finance and Business Support Manager

[tracey.bircumshaw@west-lindsey.gov.uk](mailto:tracey.bircumshaw@west-lindsey.gov.uk)

Purpose / Summary:

To provide overview of fraudulent activity identified and investigated during 2017/18 and to provide assurance that Policies and procedures are in place to counter fraud activity.

**RECOMMENDATION(S):**

**That Members endorse the content of this report and support the ongoing Counter-Fraud work protecting the Council's interests.**

## IMPLICATIONS

**Legal:** None from this report

**Financial :** FIN/138/19

None from this report.

Investigations during 2017/18 have identified £16k of Benefits fraud.

**Staffing :** None from this report

**Equality and Diversity including Human Rights :**

**Risk Assessment :** Full risk assessment is attached at Appendix

**Climate Related Risks and Opportunities :**

**Title and Location of any Background Papers used in the preparation of this report:**

None.

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

**Key Decision:**

A matter which affects two or more wards, or has significant financial implications

Yes

No

## **1 PURPOSE OF THE REPORT**

- 1.1 This report provides an overview of any fraud related activity, which has affected West Lindsey District Council during 2017/18
- 1.2 It seeks to provide assurance and demonstrate that the Council continues to have a robust counter-fraud culture and effective counter-fraud arrangements in place to ensure fraud risks are managed effectively.
- 1.3 However, although the Council makes vigorous efforts to protect itself; fraud is recognised as a growing area of concern and the Council is not immune to these increased levels of risks. Therefore a vigilant approach is required at all times.

## **2 BACKGROUND**

- 2.1 Fraud is defined as a deception deliberately practiced in order to secure a gain (or cause a loss). Under the Fraud Act 2006, there are three main ways to commit fraud:
  - False representation
  - Failing to disclose information
  - Abuse of power
- 2.2 These categories can be applied to any fraudulent activity that the Council may, at times, be subjected to. For example, false representation may occur during the recruitment process, failing to disclose information may arise during the registration of interests' process and abuse of position could occur across nearly all service areas.
- 2.3 Fraud costs the UK economy in the region of £193 billion per year. With the cost of fraud to the public sector estimated at £38 billion, money that could be used for local services.

## **3. Fraud Activity 2017/18**

- 3.1 During 2017/18, there were no corporate fraud investigations undertaken.
- 3.2 Activity in relation to Revenue and Benefits fraud is detailed below:

### **Council Tax Support Fraud**

Number of cases investigated	Warning Letters issued	Sanction (penalty) issued	Total amount of Overpayment
11	3	8	£16,085.15

### **Housing Benefit Fraud (fraud investigated by DWP now)**

Cases referred to DWP	Low level Fraud – dealt with by warning	No Fraud found	On-going investigation leading to possible prosecution	Decision pending
34	1	28	4	1

3.3 With effect from January 2018 West Lindsey Benefits team stopped accepting website/on-line referrals for Fraud and the West Lindsey website now directs customers to the Department for Work and Pensions Fraud page where the customer can give all the details of the fraud that they believe is happening – prior to January we were collecting these details and passing them to DWP. This has vastly reduced the administration of the cases within the Benefits Team as the majority of fraud referrals by members of the public are unfounded or incorrect. Any allegations made by telephone or face-to-face are still captured by West Lindsey and referred to DWP and then monitored for an outcome.

## **4 COUNTER FRAUD STRATEGY**

4.1 Councillors and Officers continue to have a crucial role in supporting the right approach to deter and detect fraud. For example:

- Ensuring the Council understands local fraud risks;
- Comparing the Council's performance against countering fraud with similar Council's where data is available;
- Ensuring counter-fraud resources are proportion to risk and local harm;
- Encouraging the Council to focus on deterrence, by widely publicising action against fraudsters and to mitigate the risk of fraud;
- Increasing staff confidence in the Council's whistleblowing arrangements through corporate leadership and assurance and support for those who report concerns.

4.2 The Council's Anti-Fraud and Corruption Policy is currently under review and will be presented to the January Committee for approval.

4.3 During 2018/19 a new Anti Money Laundering Policy was approved by this committee. The Policy ensures individuals are clear on their responsibilities in identification and reporting of any suspicions of money laundering. A Money Laundering Reporting Officer was also approved as the Director of Resources.

## **5 HOW HAS THE COUNCIL WORKED TO TACKLE FRAUD DURING 2017/18**

5.1 **Staff and Member Training** – Mandatory training in fraud awareness was undertaken in April 2017 and will become part of the induction training for new staff and members, this is delivered via e-learning. In

addition relevant staff are being trained in Anti Money Laundering in view of new legislation and in line with the new policy. An awareness course for operational staff is currently being developed.

- 5.2 **Fraud Risk Register:** The Council's Fraud Risk Register is now held on Minerva and alongside the Corporate Risk Register. This allows greater transparency of the Fraud Risk Register to staff. The Register is reviewed annually. The current Fraud Risk Register assesses risk after mitigating processes and procedures have been taken into account. The full Risk Register is included at **Appendix A** to this report for information.
- 5.3 **Joint Working Arrangements:** The Council is continues to work with colleagues of Lincolnshire authorities as part of the Lincolnshire Fraud Partnership. The annual subscription being £3,000.
- 5.4 **Whistleblowing – Reporting Concerns:** The Council's Whistleblowing policy has been fully reviewed and approved by Governance and Audit Committee.
- 5.5 **National Fraud Initiative (NFI):** The Council continues to partake in the submission of data for the purpose of data matching nationally. This covers such data as; Creditors, Licence holders, Market Traders, Register of Electors, Housing, Benefits, Council Tax, Business Rates etc.

## **6 ASSURANCE**

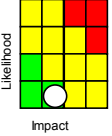
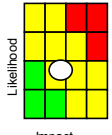
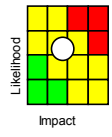
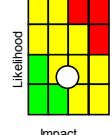
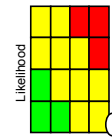
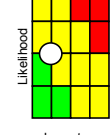
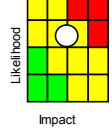
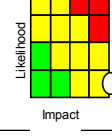
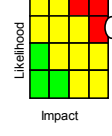
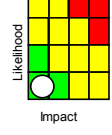
- 6.1 Overall, the Council is managing the risk of fraud well, with no Corporate Fraud identified. Fraud risks and emerging threats will continue to be assessed as part of the Council's approach to manage fraud, alongside a full review of the Council's Anti-Fraud Policy, due to be completed during 2018/19.

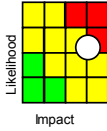
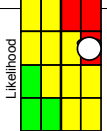
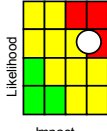
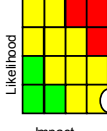
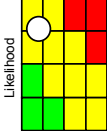
# Appendix A

## FRAUD RISK REGISTER

Key: Risk – Low, Risk – Medium, Risk – High - WLDC assessment

Fraud risk category	Types of fraud	Fraud Risk assessment	Fraud consequence
<a href="#">Contracting /contract mangement</a>	<ul style="list-style-type: none"> <li>Bribes and kickbacks - corruption abuse of position</li> <li>Inflated performance information</li> <li>Failure to deliver contract / standard</li> <li>Altered payment details / mandate fraud</li> <li>False / duplicate payments / double invoicing / overpayments</li> <li>Cartels</li> <li>Collusion with suppliers / contractors</li> <li>Conflict of interest</li> <li>Delivery of inferior or substandard substitute products</li> </ul>		<ul style="list-style-type: none"> <li>Reputational Damage</li> <li>Decreased trust</li> <li>Impact on delivery of service users</li> <li>Legal proceedings</li> <li>Financial loss</li> <li>Legal proceedings</li> <li>Reputational Damage</li> <li>Increased scrutiny</li> <li>Failure to achieve VFM</li> </ul>
<a href="#">Procurement</a>	<ul style="list-style-type: none"> <li>Corrupt tender process</li> <li>Bribes and kickbacks - abuse of position</li> <li>Cartels</li> <li>Collusion with suppliers / contractors</li> <li>Conflict of interest</li> <li>Submitting false bid information</li> <li>Price fixing</li> <li>Bid rigging</li> </ul>		<ul style="list-style-type: none"> <li>Reputational Damage</li> <li>Reputational Damage</li> <li>Legal proceedings</li> <li>Reputational Damage</li> <li>Increased scrutiny</li> <li>Legal proceedings</li> <li>Failure to achieve VFM</li> <li>Failure to achieve VFM</li> </ul>
<a href="#">Income Collection</a>	<ul style="list-style-type: none"> <li>Theft by employee / external individuals</li> <li>Abuse of customer payment card data</li> <li>Cash received borrowed</li> <li>Non recording of income</li> <li>Falsification of income records</li> <li>Avoidance of charges</li> </ul>		<ul style="list-style-type: none"> <li>Criminal proceedings</li> <li>Legal proceedings</li> <li>Decreased trust</li> <li>Lost resources</li> <li>Decreased trust</li> </ul>
<a href="#">Debt management</a>	<ul style="list-style-type: none"> <li>Improper write off / cancellation</li> <li>Falsifying refunds</li> <li>Manipulation of credit balances</li> <li>Collection of debt</li> </ul>		<ul style="list-style-type: none"> <li>Financial loss</li> <li>Decreased trust</li> <li>Financial loss</li> <li>Financial loss</li> </ul>
<a href="#">Petty cash and imprest accounts</a>	<ul style="list-style-type: none"> <li>Theft and mis-use</li> </ul>		<ul style="list-style-type: none"> <li>Financial loss</li> </ul>
<a href="#">Money laundering</a>	<ul style="list-style-type: none"> <li>Hiding improper transactions</li> <li>Exchanging money or assets obtained criminally for 'clean' money or assets</li> <li>Refunds following cash overpayments</li> </ul>		<ul style="list-style-type: none"> <li>Criminal proceedings</li> <li>Criminal proceedings</li> <li>Increased scrutiny</li> </ul>
<a href="#">Payments / creditors</a>	<ul style="list-style-type: none"> <li>Procurement card – personal use</li> <li>Invoice scams / fraud</li> <li>Inflated invoices from vendors</li> <li>Fictitious vendors</li> </ul>		

Fraud risk category	Types of fraud	Fraud Risk assessment	Fraud consequence
<a href="#">BACS /Cheque fraud</a>	Account diversion / false changes to bank account details / transfers / direct debit or standing order mandate Theft of customer card data Mis-use / alteration of cheques Cashing personal cheques Counterfeit cheques Theft of blank cheques		
<a href="#">Establishments</a>	Mis use / mis-appropriation of funds Finance lease fraud Payroll and expenses fraud False accounting Weak governance / management oversight		Reputational Damage Failure to achieve VFM
<a href="#">Payroll</a>	Ghost employees Manipulation of payroll data Recruitment fraud e.g. qualification / reference/ convictions False claims and allowances False recording of working hours and leave Pension fraud		Financial loss Poor performance Increased scrutiny Legal proceedings Decreased trust
<a href="#">People management</a>	Abuse of holiday, sickness absence or other time off entitlements Working whilst on sick leave Mis-use of time - excessive use of mail / internet Unauthorised changes to payroll system		Decreased trust Health and safety risk Lost resources Financial loss
<a href="#">Treasury management / investment fraud</a>	Misappropriation / manipulation of investments for personal gain Potential conflicts of interest Unauthorised access to information		Criminal proceedings Reputational Damage Legal proceedings
<a href="#">Property / land/ equipment</a>	Misappropriation / misuse / theft Valuation of property for personal gain		Criminal proceedings Legal proceedings
<a href="#">Grants</a>	Fictitious / fraudulent claims False payment Misuse of monies / failing to deliver agreed service Theft / misappropriation of grant funds Conflicts of interest		Legal proceedings Lost resources Lost resources Criminal proceedings Reputational Damage
<a href="#">False accounting</a>	Making misleading / false or deceptive entries Omission of details		Reputational Damage Poor performance
<a href="#">IT / Data</a>	Misuse of information for personal gain Mis use of internet and email Cyber fraud Computer hacking fraud Data theft e.g. access rights  Impersonation		Decreased trust Decreased trust Impact on delivery of service users Lost resources Lost resources
<a href="#">Insurance</a>	False or exaggerated claims Serial / duplicate claims		Legal proceedings Legal proceedings

Fraud risk category	Types of fraud	Fraud Risk assessment	Fraud consequence
<a href="#">Council Tax</a>	Council Tax Reduction Single Person Discount Exemptions - student occupancy/ vacant properties / property left empty by deceased persons / severely mentally impaired		Legal proceedings Legal proceedings Financial loss
<a href="#">Housing</a>	False applications Fraudulent acts by staff members  Homelessness		Lost resources Legal proceedings  Lost resources
<a href="#">Business rates</a>	Falsely claiming mandatory or discretionary relief or empty property exemptions Failure to declare occupancy of a property Providing false occupants details Falsely claiming insolvency status to evade payments Not disclosing relevant information - e.g. size of company to gain rate relief (small business relief)		Legal proceedings Legal proceedings Lost resources Legal proceedings  Financial loss
<a href="#">Electoral fraud</a>	Fraudulent voting Fraudulent acts by canvassers / poll clerks/ officers/individuals False count		Reputational Damage Reputational Damage Reputational Damage
<a href="#">Corruption including bribery and improper influence / abuse of position - officers</a>	Non declaration of interest / deliberate suppression of information to affect outcomes / sway decisions. Inappropriate gain or decisions - gifts and kickbacks.		Reputational Damage
<a href="#">Corruption including bribery and improper influence / abuse of position - members</a>		