



**Governance and Audit  
Committee**

**Tuesday, 15 October 2019**

**Subject: Annual Fraud Report 2018/19**

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 appraise Members with details of identified fraud and counter fraud activity during the year 2018/19 and to provide assurance that policies, procedures and mitigations are in place to counter fraud activity.

**RECOMMENDATION(S):**

1. That members endorse the content of this report and support the ongoing counter fraud work to protect the Authority's interests.

## IMPLICATIONS

**Legal:**

None from this report

**Financial : FIN/91/20/TJB**

The Council contributes £3,000 per annum to the Lincolnshire Fraud Partnership and £1,290 per annum for participating in the National Fraud Initiative.

During the year Council Tax overpayment penalties have totalled £1,260 and Housing Benefit Overpayments £19,975 including £8,717.78 of penalties)

**Staffing :**

Staff receive mandatory e-learning on fraud awareness cyber crime and money laundering.

**Equality and Diversity including Human Rights :**

None from this report

**Risk Assessment :**

The Council maintains a Fraud Risk Register. The occurrence of fraud is considered low risk due to the mitigations in place.

**Data Protection Implications :** None from this report

**Climate Related Risks and Opportunities :** None from this report

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

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## 1. Purpose of this report

- 1.1 The report provides an overview of fraudulent activity during 2018/19
- 1.2 It seeks to inform members of counter fraud activity and 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 Whilst the Council, through its policies, procedures and internal controls makes efforts to protect itself, fraud is considered a growing concern, therefore vigilance is required at all times.
- 1.4 At Appendix 1 there is an illustrative Annual Audit report which will be published on the West Lindsey District Council (WLDC) website.

## 2 Background

- 2.1 Fraud is defined as a deception deliberately practiced in order to secure a gain (or cause a loss).

The areas particularly looked at for risks of financial crime are in relation to fraud, corruption, theft, bribery, and money laundering.

**Fraud** – ‘the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain’. Through false representation, failing to disclose information or abuse of power

**Corruption** – ‘the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately’.

**Theft** – ‘appropriating property belonging to another with the intention of permanently depriving the other of it’.

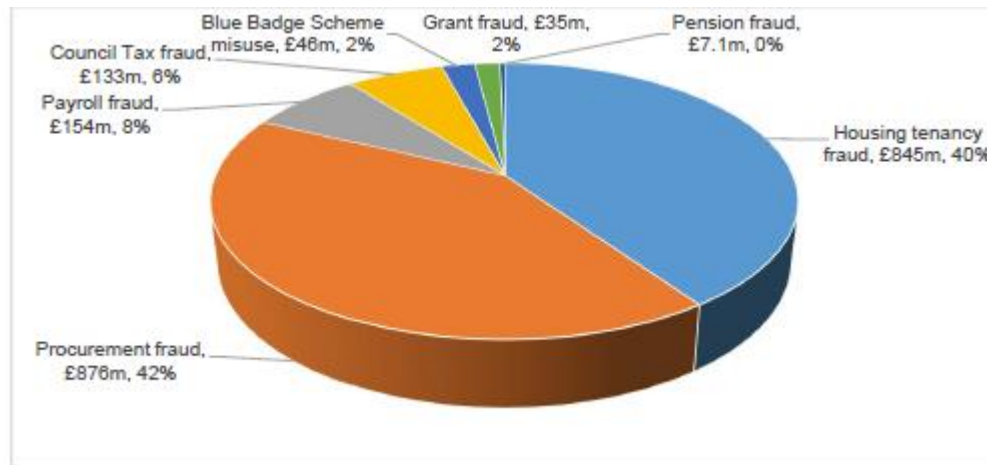
**Bribery** – ‘is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage’.

**Money laundering** – ‘an activity which falls within the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015 and new regulations 2017) whereby criminally obtained money or other assets are exchanged for clean money or assets with no link to their origins’.

**Whistleblowing** – ‘when a person reports suspected wrongdoing at work. Officially this is called ‘making a disclosure in the public interest.

- 2.2 Fraud costs the UK economy in the region of £193 billion per year. With the cost of fraud to local government being £2.1bn, money that could be used for local services.

The illustration below breaks down these estimated losses;



### 3. Fraud Activity 2018/19

3.1 During the year there have been instances of suspected theft from the Council's parking machines totalling £329. This was over a number of days at a number of machines, and has since stopped. An investigation was undertaken internally, however due to the low value and no substantial evidence the matter was not pursued with the Police.

There has been 1 instance where we have received email instructions to transfer funds – this was reported to the Police Fraud Unit.

Our Tekal Company had a fraudulent transaction of £9k taken from its bank account. This was reported to the Information Commissioner's Office, and details sent to the Police Fraud Unit. The money was refunded by the bank.

3.2 Activity in relation to Revenue and Benefits fraud is detailed below;

- Council Tax Fraud overpayments
  - 18 cases where sanctions were placed each with a £70 penalty charge totalling £1,260.
- Housing Benefit Fraud
  - cases of proven fraud totalling £19,975 (incl. penalties £8,717.78)
- Housing Benefit Matching Service
  - Identified Claimant errors totalling £27,241.23
  - Local Authority errors totalling £272.64
  - Government Error (DWP) - £607.21

### 3.3 Data matching - National Fraud Initiative (NFI)

The National Fraud Initiative matches data held in public and private sector bodies to prevent and detect fraud. This is a bi-annual exercise with a variety of services included in each exercise as prescribed by NFI.

During 2018/19 the following matches were identified and have been investigated. The charts below provide information on the outcome of investigations, identified savings, and savings categorised by service area.

In relation to Creditors, these relate to 14 duplicate payments (system and manual error) which were identified as part of our normal due diligence processes shortly after occurrence; all amounts were fully recovered.

**The number of matches processed aggregated by status**

- Opened (21)
- Closed - Already Known (52)
- Closed - No Issue (426)
- Closed - Error (66)
- Closed - Referred to DWP (1)



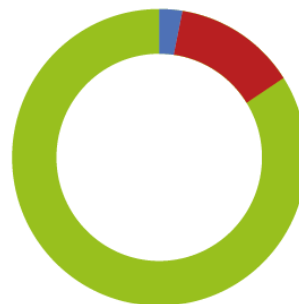
**Total outcomes by organisation split by actual and estimate**

- Total Estimated Savings (£625.17)
- Total Actual Savings (£32,648.64)
- Total Savings (£33,273.81)



**Total Outcomes by Service**

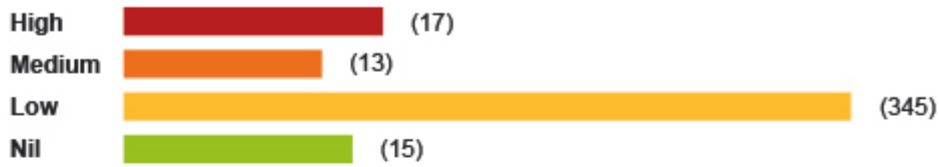
- Creditors (£27,806.30)
- CT Reduction (£4,655.96)
- Housing Benefit (£811.55)



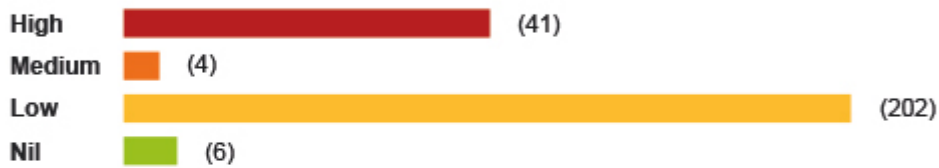
The graphs below display the counts of individuals with potential fraud risk factors identified. Broken down into dataset types, individuals are assigned a cumulative score based on the number of matches identified and then grouped into categories. Individual matches are then investigated.

In relation to Payroll all were expected matches; in relation to Waiting Lists these mainly related to individuals being on other authorities' lists.

### Council Tax Reduction Scheme



### Housing Benefit Claimants



### Payroll



### Waiting List



### 3.4 Fraud Partnership

We are a member of the Lincolnshire Fraud Partnership and as such meet on a quarterly basis. We work together to create a Fraud Plan and to share knowledge and expertise and to identify new fraud risks.

During the year we had a number of notifications from the Lincolnshire Fraud partnership informing us of attempted frauds experienced in other partner authorities, these included, attempts to change a creditors bank details, telephone scams where caller purporting to be from HMRC or Police with the objective to get the victim to pay money. False creditor invoices with incorrect bank details. Emails requesting transfer of funds etc. The finance team and relevant other officers are notified upon receipt however are vigilant in their roles.

The Partnership supported the Fraud Awareness Week 11-17 November 2018.

3.5 A number of Internal Audits were undertaken during the year which are relevant to countering fraud;

- Payroll – Substantial Assurance
- Insurance – High Assurance
- Sales and Invoicing – Substantial Assurance
- Commercial Planning – Substantial Assurance

#### 4. Counter Fraud Policies

During 2018/2019 there was a full review of fraud policies to ensure compliance with legislation, statutory instruments and new regulations. This Committee approved the following Policies:

- Anti-Money Laundering Policy;
- Prevention of Financial Crime Policy;
- Anti-Fraud and Corruption Policy;
- Anti-Bribery Policy.

The annual review will be undertaken shortly with any material changes reported to this Committee for approval.

#### 5. Proactive Work Programme 2019/20

Risk Area	Planned For	Current Status	Responsible Officer
Various fraud areas	Jan 2020	NFI matches investigated	T. Bircumshaw
Fraud Awareness Training - Members	May 2019	Delivered as part of Member inductions	A. Robinson
Fraud Awareness Training - Staff	Jan 2020	Now part of on boarding and induction	T.Bircumshaw/ A.Robinson
Mandatory Training – Cyber Crime Fraud Awareness Anti Money Laundering	March 2020	E-learning available on training platform Now part of on boarding requirements. Annual completion	T Bircumshaw
Annual Policy Review	Jan 2020	Commences November 2019	T. Bircumshaw
Joint procurement of Single Persons Discount Review 2020	Mar 2020	Lincolnshire Finance Officers – decision to progress	T. Bircumshaw
New Counter Fraud Leaflet	Nov 2020	Lincolnshire Fraud Partnership initiative for International Fraud Awareness Week 17-23 November 2019	Lincolnshire Fraud Partnership
New Counter Fraud Posters – 3 variants to create interest			