



**Governance and Audit  
Committee**

**Tuesday, 21 July 2020**

**Subject: Annual Fraud Report 2019/20**

Report by:	Strategic Finance and Business Support Manager
Contact Officer:	Tracey Bircumshaw Strategic Finance and Business Support Manager tracey.bircumshaw@west-lindsey.gov.uk
Purpose / Summary:	To appraise Members with details of identified fraud and counter fraud activity during the year 2019/20 and to provide assurance that policies, procedures and mitigations are in place to counter fraud activity.

**RECOMMENDATION(S):**

1. That members be assured that policies, procedures and mitigations are in place to counter fraudulent activity

## IMPLICATIONS

### **Legal:**

None from this report

### **Financial : FIN/36/21/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 £1,120

There was a proven Housing Benefit Fraud of £9,482.76

One overpayment of Housing Benefit totalling £2,571 and identified claimant errors of £26,827.21.

### **Staffing :**

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

### **Equality and Diversity including Human Rights :**

None from this report

### **Data Protection Implications :**

The Council has infrastructure in place to protect the Council's data.

### **Climate Related Risks and Opportunities:**

### **Section 17 Crime and Disorder Considerations:**

Fraud is a crime. The Council has a zero tolerance policy

### **Health Implications:**

None from this report.

**Title and Location of any Background Papers used in the preparation of 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.

**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 this report

- 1.1 The report provides an overview of fraudulent activity during 2019/20
- 1.2 It seeks to inform Members of counter fraud activity and to provide assurance and demonstrate that the Authority 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 Authority, 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.

## 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 considered in the context of risks from 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’.

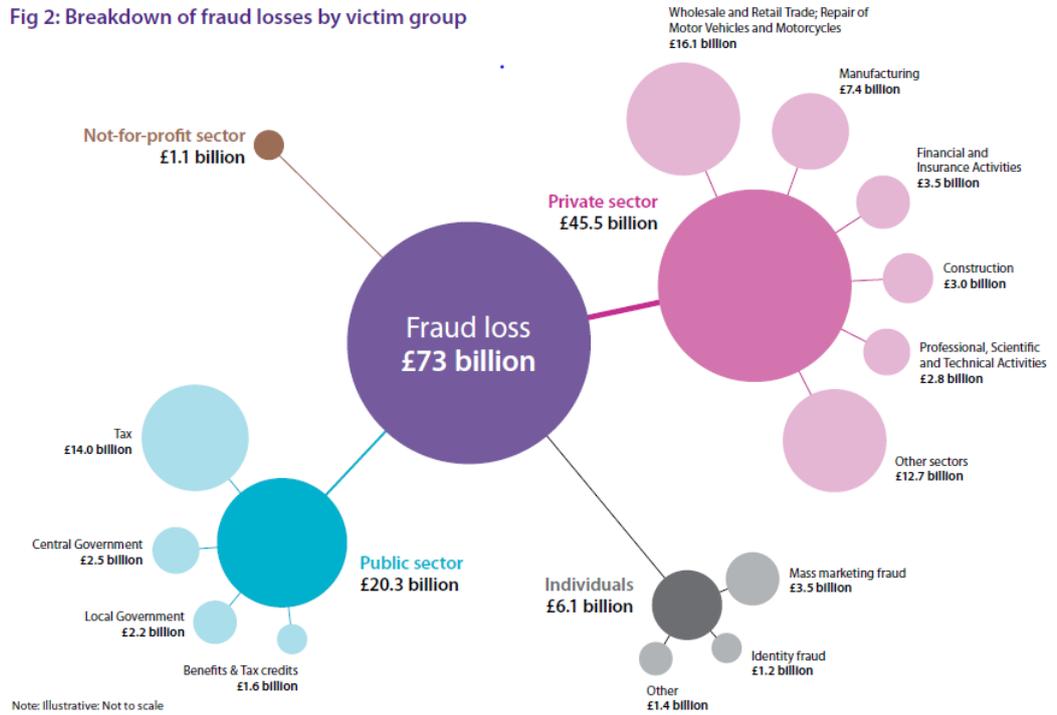
**Money laundering** – ‘an activity which falls within the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015 and new regulations 2017) whereby criminally obtained money or other assets are exchanged for clean money or assets with no link to their origins’.

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

- 2.2 In 2012, before its closure, the National Fraud Authority published an Annual Fraud Indicator, showing a loss to the UK economy of £73bn this was analysed by victim group (as illustrated below). Latest estimates published in the Financial Cost of Fraud Report 2019 (Crowe

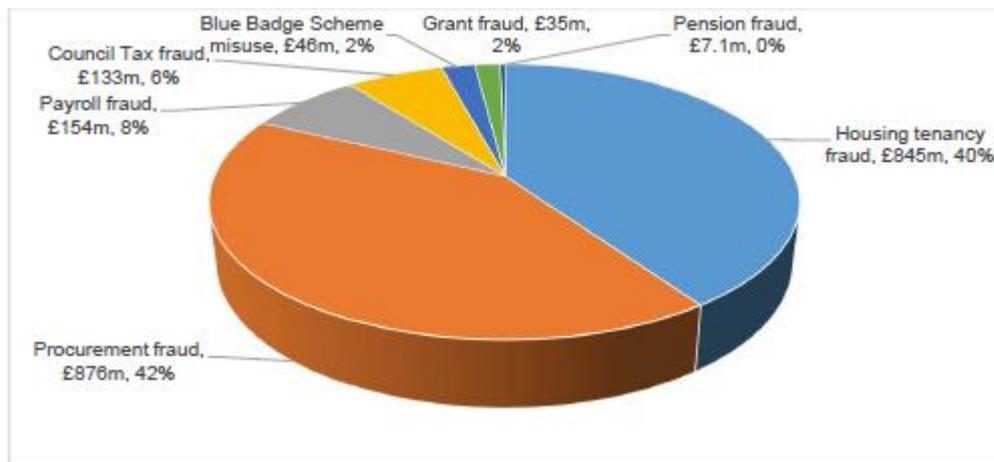
Forensic Services) suggest a figure of £190bn per year, an increase of 163%.

Fig 2: Breakdown of fraud losses by victim group



2.3 The cost of fraud to local government is estimated at £2.2bn (money which could be used for local services).

The illustration below breaks down these estimated losses;



### 3. Fraud Activity 2019/20

3.1 There have been no instances of fraud identified during the year in relation to Authority activities.

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

- Council Tax Fraud overpayments
  - 16 cases where sanctions were placed each with a £70 penalty charge totalling £1,120.
- Housing Benefit Fraud
  - 1 case of proven fraud identified through a Department for Work and Pensions (DWP) investigation totalling £9,428.76.
  - 1 overpayment of £2,571. The claimant failed to inform us they were working whilst in receipt of Job Seekers Allowance
- Housing Benefit Matching Service
  - Identified Claimant errors totalling £26,827.21
  - Local Authority errors totalling - NIL
  - Government Error (DWP) - NIL

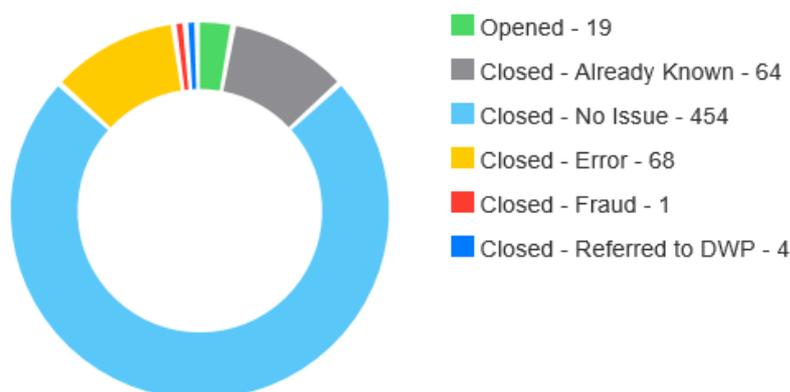
### 3.3 Data matching - National Fraud Initiative (NFI)

The Authority subscribes to the National Fraud Initiative which 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.

The 2018/19 exercise and subsequent investigations are an ongoing process.

As at 31 March 2020 the status of NFI matches is detailed below;

The number of matches processed aggregated by status - Displayed as a doughnut chart.



This compares to the previous year report as follows;

Opened – 21  
 Closed - Already known – 52  
 Closed – No issue – 426  
 Closed – Error – 66  
 Closed – Referred to DWP – 4

One instance of fraud has been identified during the year from this process, which was referred to the DWP for investigation and as detailed above at 3.2

The overall outcomes of the bi-annual 2018/19 exercise now stands at £37,709.61 (£33,273.81 as at 2018/19 Annual Audit Report).

In addition to the National Exercise, the Authority participated in the Council Tax Single Persons Discount exercise, which matches data held within the Electoral Register. This has identified 1288 matches requiring investigation. The report was released in February 2020, therefore these cases will be reviewed during 2020/21.

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 where individuals, mainly Councillors where on other payrolls. In relation to Waiting Lists these mainly related to individuals being on other authorities' lists.

Council Tax Reduction Scheme		Housing Benefit Claimants	
→ High	17	→ High	44
→ Medium	13	→ Medium	4
→ Low	346	→ Low	212
→ Nil	15	→ Nil	6
<b>Total</b>	<b>391</b>	<b>Total</b>	<b>266</b>

Payroll		Waiting List	
→ High	1	→ High	67
→ Medium	3	→ Medium	2
→ Low	0	→ Low	0
→ Nil	4	→ Nil	0
<b>Total</b>	<b>8</b>	<b>Total</b>	<b>69</b>

### 3.4 Fraud Partnership

The Authority is a member of the Lincolnshire Fraud Partnership and as such meet on a regular 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.

There has been a significant increase in notifications of attempted fraud in relation to the grants being issued by local authorities to support businesses through Covid-19.

The finance team and relevant other officers are notified upon receipt however are vigilant in their roles.

The Partnership supported the Fraud Awareness Week 18-22 November 2019, with posters and social media communications.

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

- Creditors – Substantial Assurance
- Debtors – In Progress

## 4. Counter Fraud Policies

The following policies were reviewed during 2019/20 and changes approved by this Committee

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

## 5. Proactive Work Programme 2020/20

<b>Risk Area</b>	<b>Planned For</b>	<b>Current Status</b>	<b>Responsible Officer</b>
Various fraud areas	2020/21	NFI bi-annual exercise	T. Bircumshaw
Fraud Awareness Training - Members	Ongoing	Delivered as part of Member inductions	A. Robinson

Fraud Awareness Training - Staff	Ongoing	Now part of onboarding and induction.	T.Bircumshaw/ A.Robinson
Mandatory Training – Cyber Crime Fraud Awareness Anti Money Laundering	Nov 2020	E-learning available on training platform Now part of on boarding requirements. Annual completion	T Bircumshaw
Annual Policy Review	Jan 2021	Commences November 2020	T. Bircumshaw
Joint procurement of Single Persons Discount Review 2020	Mar 2021	Currently on hold due to Covid-19 response priorities	T. Bircumshaw
New Counter Fraud Leaflet New Counter Fraud Posters	Nov 2020	Lincolnshire Fraud Partnership initiative for International Fraud Awareness Week 19-23 November 2020	Lincolnshire Fraud Partnership