



**Governance and Audit  
Committee**

**Tuesday, 25 July 2023**

**Subject: Annual Counter Fraud Report 2022/23**

Report by:

Director of Corporate Services

Contact Officer:

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Purpose / Summary:

To appraise Members with details of identified fraud and counter fraud activity during the year 2022/23 and to propose that a fraud risk assessment is procured to take place in 2023/24.

**RECOMMENDATION(S):**

1. That members endorse the contents of this report and support the ongoing counter fraud work to protect the Authority's interests.
2. That a full Counter Fraud Risk Assessment is procured and carried out in Quarter 2 2023-24 with the results reported back to the November 2023 Governance and Audit Committee.

## IMPLICATIONS

### **Legal:**

(N.B.) Where there are legal implications the report **MUST** be seen by the MO

### **Financial: FIN/45/24/PD**

The Council historically up until 2023-24 made a £3k per annum contribution to Lincolnshire County Council for Counter Fraud Support. This service is no longer available. It is best practice for Councils to complete a detailed fraud risk assessment which will generate a fraud risk register and fraud action plan. Once the first iteration has been completed this can be updated on an ongoing basis. The Council does not employ any specialist counter fraud staff and Lincolnshire County Council does not have the resource to carry out this work. Funding is available via the project management reserve to complete this work. Costs are estimated to be approximately £10 - £15K and this work would need to be completed every four years.

**Staffing:** The Section 151 Officer, and the Management Team have the responsibility for countering fraud, and ensuring staff and members are informed of their obligations in this regard.

**Equality and Diversity including Human Rights:** None from this report.

**Data Protection Implications:** Our cyber security measures provide protection for our data.

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

**Section 17 Crime and Disorder Considerations:** No specific Section 17 considerations however, this report is consistent with duties to protect the public purse and provide value for money.

**Health Implications:** None from this report

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

N/A

**Risk Assessment:**

The Council has not completed a Fraud Risk Assessment and does not hold a specific fraud risk register. These are both good practice.

**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. Executive Summary

- 1.1 Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.
- 1.2 Published in October 2014, the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.
- 1.3 It is these principles that underpin the Council's approach to support the management of the risk of fraud and corruption.
- 1.4 The Council promotes a zero tolerance culture to fraud and corruption  
The following Strategy Statement is currently being considered;  
*“West Lindsey District Council is determined that the culture and tone of the organisation is one of honesty, openness and absolute opposition to fraud and corruption. The Council's expectation on propriety and accountability is that members and staff at all levels will observe the highest standards in ensuring adherence to legal requirements, rules, procedures and practices.” (WLDC - Anti Fraud & Corruption Strategy v2 2022)”*
- 1.5 The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy) See Appendix A
- 1.6 Counter fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.
- 1.7 Up until 2023/24 the Council subscribed to a Counter Fraud service provided by Assurance Lincolnshire (Lincolnshire Fraud Partnership). This service provided support to County Wide fraud prevention exercises and provided guidance and advice. This service is no longer available from the County Council although some exercises will continue. It is essential that West Lindsey District Council procures a programme to replace that service to ensure that all duties and responsibilities can be fulfilled.

## 2. Purpose of this report

- 2.1 The report provides an overview of counter fraud activity during 2021/22 and any identified fraud.
- 2.2 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.

- 2.3 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.
- 2.4 The report requests that a Fraud Risk Assessment is carried out and following this a Fraud Risk Register and Action plan are reported to Governance And Audit Committee.

### 3. Background

- 3.1 Fraud is defined as a deception deliberately practiced in order to secure a gain (or cause a loss).
- 3.2 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’.

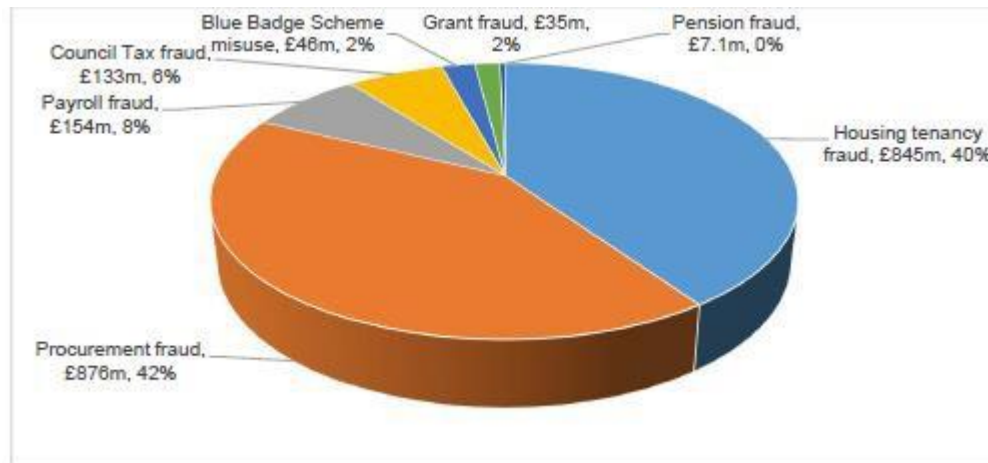
**Bribery** – ‘is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage’.

**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.

- 3.3 The cost of fraud to local government is estimated at £2.1bn (money which could be used for local services).

The illustration below breaks down these estimated losses;



#### 4. Counter Fraud Activity 2022/23

4.1 There have been no instances of fraud identified during the year in relation to internal Council activities.

4.2 Activity in relation to Revenue and Benefits fraud is detailed below:

- **Three** Council Tax Reduction sanctions (£70 as per penalty charge).
- **17** – Single Fraud Investigation referrals were referred to DWP Fraud and Error Service for Criminal / Compliance investigations.
- **17** – Not yet looked at by the DWP or ‘No outcome/result known’ to date because DWP are prioritising other tasks, more focusing on UC overpayments
- **Cases referred** were: 1 x Housing Benefit claim, 15 x Universal Credit claims and 1 x Income Support claim).
- **455** – Housing Benefit Matching Service referrals in total were received.
- **16** were positive outcomes.
- (Since April 2022, Claim Interventions via NEC/Northgate for each HBMS Match case only records whether the outcome of each HBMS match to show if the benefit had increased, or decreased or no change to entitlement. It does not record any value of an overpayment, the DWP now obtain that direct from our system calcs)
- National Fraud Initiative (NFI) – Data Match release on 02.03.2023
- For **Housing Benefit** claimants’ cases, they were categorised in **(10)** High Risk, **(0)** Medium Risk, **(7)** Low Risk and **(3)** NIL Risk
- For **Council Tax Reduction** Scheme cases, they were categorised in **(18)** High Risk and **(134)** Medium Risk, **(15)** Low and **(30)** Nil.

4.3 The following Internal Audits were undertaken during the year which are relevant to countering fraud;

- Financial Controls – Substantial Assurance

## **5. Countering Cyber Crime**

5.1 West Lindsey District Council is enabling change to reduce the workload on colleagues and increase our counter fraud capability. We are making improvements, including the procedure, the process, the people, this is iterative because we are a learning organisation becoming better each day and that's a great opportunity to protect our assets and the communities we serve.

5.2 Cyber security governance across the council is viewed as good and sufficient at present to manage the cyber risks facing the council, while at the same time we are taking the opportunity to secure funding that will reduce our future costs and increase our positioning:

- The ICT team have completed a PSN Compliance Review that received accreditation (PSN is the connection to central government from Cabinet Office).
- The ICT team have completed a PCI-DSS Compliance Review that received accreditation (PCI-DSS )
- The ICT team also had the benefit of being included in the Network Security Audit, that received Substantial Assurance.
- The ICT team also had the benefit of being included in the Cloud Hosted Services Audit, that received Substantial Assurance.

### **5.3 Sector Improvements (reducing our costs and improving our capabilities)**

#### **Local Government Association**

Leading the Cyber 360 Peer Review for Local Government Association for Dorset Council

#### **Local Government Digital Committee**

The Local Government Digital Committee was set up to represent local public services in the development and implementation of local and national digital outcomes where central and local government come together.

#### **Cyber Tactical Advisory Group Deputy Chair**

Developing and coordinating cyber advice and guidance for Local Government at a National level with LGA, Central Government; MHLG, GDS, GSG, NCSC and all devolved administrations.

#### **Cybershare East (WARP) Chair**

The group brings together Information Security, Assurance and Governance practitioners on a regional, subregional or partnership

basis. We exchange views, listen to guest speakers, undertake training or exercises.

### **Local CIO Council SOCITM**

The Local CIO Council was set up to represent local public services in the development and implementation of national IT strategy, policy, and programmes. It provides challenge, capacity, and leadership in support of the National Government CIO Council.

- a. The ICT Team has received further positive feedback from Secretary of State for Levelling Up, Housing and Communities (The Rt Hon Michael Gove MP) who funded us to work with HM Revenue and Customs previously and have offered to fund further cyber security work to enhance our position and ultimately arrangements nationally.
- b. We are the first Local Authority's to use the powers available within the Digital Economy Act having identified over £29 million pounds worth of transactions and will be able to help other local authorities implement the same anti-fraud solutions, and more.
- c. The Council has progressed with the work to help define the future requirements for the Nightsafe sector program. The programme will define best practise for the Local Government sector.

## **5.4 Technical Improvements**

We have data loss prevention solutions, backup solutions, offline backup solutions, plans, policy, procedures (that are tested), Intrusion Detection Systems (IDS and Intrusion Prevention Systems (IPS). We have infrastructure support contracts, cyber support contracts in place that will help us if needed.

The IT Team have multiple copies of our data in multiple places that are secured along with an approved business continuity plan that is refreshed and tested robustly. As part of this we have an ICT Management Plan that includes our standard responses to a cyber-attack including responses for:

- Denial of Service Attack
- Malware Attack
- Phishing Attack
- Ransomware Attack
- Phishing Attack

We have undertaken two full off site recovery exercises with further tests scheduled (multiple Councils and services, with external governance from Cabinet Office Cyber Expert) and have undertaken a full recovery test twice in three years off site, using different officers (to share the knowledge and experience). This knowledge is currently being used to recover every system as part of a current technology



process change.

No business is 100% secure from every attack, however we have a robust level of understanding in the business that is actively being supported by colleagues in IT. We have process and procedures that are tested, and the business is engaged in that process. We have active cyber defense and technology controls.

## 6. Counter Fraud Policies

The Council has the following policies in place as part of its Counter Fraud arrangements:

- Prevention of Financial Crime Policy;
- Anti-Fraud and Corruption Policy;
- Anti-Bribery Policy.
- Financial Crime Response Plan

The Corporate Policy & Resources Committee are responsible for approving any changes to these policies.

These policies will all be reviewed and updated in Quarter 3 as part of the new requirements of the Economic Crime Bill which will propose a new “failure to prevent fraud, false accounting or money laundering”.

## 7. Proactive Work Programme 2023/2024

<b>Risk Area</b>	<b>Planned For</b>	<b>Current Status</b>	<b>Responsible Officer</b>
Various fraud areas	2022/23	NFI bi-annual exercise	Financial Services Manager
Fraud Awareness Training - Members	Ongoing	Delivered as part of Member inductions	Director of Corporate Services
Fraud Awareness Training - Staff	Ongoing	Now part of onboarding and induction.	Director of Corporate Services
Full Fraud Risk Assessment producing Fraud Risk Register and Fraud Action Plan	September 2023	Seeking approval from this Governance and Audit Committee	Director of Corporate Services
Mandatory Training – Cyber Crime Fraud Awareness Anti Money Laundering	Ongoing	E-learning available on training platform Now part of on-boarding requirements. Annual completion.	ICT Manager/ Financial Services Manager

		Weekly advice provided in staff newsletter.	
Bi-Annual Policies Review	September 2023	Review reported to Governance and Audit November 2023 (or as soon as new legislation is confirmed)	Financial Services Manager
Joint procurement of Single Persons Discount Review 2022	Commenced	This is a County wide process; results to be reported Quarter 3 2023/24	Director of Corporate Services