



Leicester  
City Council

## **MEETING OF THE AUDIT AND RISK COMMITTEE**

**DATE: THURSDAY, 14 NOVEMBER 2013**

**TIME: 5:00 pm**

**PLACE: THE OAK ROOM, GROUND FLOOR, TOWN HALL, TOWN  
HALL SQUARE, LEICESTER.**

### **Members of the Committee**

Councillor Westley (Chair)

Councillors Alfonso, Dr. Chowdhury, Desai, Grant, Meghani, Dr. Moore  
and Naylor

1 Non-Grouped Member Vacancy

Members of the Committee are summoned to attend the above meeting  
to consider the items of business listed overleaf.

for Monitoring Officer

**Officer contact: Angie Smith**  
*Democratic Support, Democratic Services*  
*Leicester City Council*  
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## **INFORMATION FOR MEMBERS OF THE PUBLIC**

### **ACCESS TO INFORMATION AND MEETINGS**

You have the right to attend Cabinet to hear decisions being made. You can also attend Committees, as well as meetings of the full Council. Tweeting in formal Council meetings is fine as long as it does not disrupt the meeting. There are procedures for you to ask questions and make representations to Scrutiny Committees, Community Meetings and Council. Please contact Democratic Support, as detailed below for further guidance on this.

You also have the right to see copies of agendas and minutes. Agendas and minutes are available on the Council's website at [www.cabinet.leicester.gov.uk](http://www.cabinet.leicester.gov.uk) or by contacting us as detailed below.

Dates of meetings are available at the Customer Service Centre, King Street, Town Hall Reception and on the Website.

There are certain occasions when the Council's meetings may need to discuss issues in private session. The reasons for dealing with matters in private session are set down in law.

### **WHEELCHAIR ACCESS**

Meetings are held at the Town Hall. The Meeting rooms are all accessible to wheelchair users. Wheelchair access to the Town Hall is from Horsefair Street (Take the lift to the ground floor and go straight ahead to main reception).

### **BRAILLE/AUDIO TAPE/TRANSLATION**

If there are any particular reports that you would like translating or providing on audio tape, the Democratic Services Officer can organise this for you (production times will depend upon equipment/facility availability).

### **INDUCTION LOOPS**

There are induction loop facilities in meeting rooms. Please speak to the Democratic Services Officer at the meeting if you wish to use this facility or contact them as detailed below.

**General Enquiries - if you have any queries about any of the above or the business to be discussed, please contact Angie Smith, Democratic Support on 0116 229 8897 or email [Angie.Smith@leicester.gov.uk](mailto:Angie.Smith@leicester.gov.uk) or call in at the Town Hall.**

**Press Enquiries - please phone the Communications Unit on 0116 252 6081**

## **PUBLIC SESSION**

### **AGENDA**

#### **BRIEFING SESSION - 5.00PM**

**1. BRIEFING SESSION PRIOR TO MAIN MEETING -  
FRAUD: REVENUES AND BENEFITS PROCESS  
INCLUDING PROSECUTIONS**

The Investigations Manager and Principal Lawyer will deliver a presentation.

#### **MAIN MEETING - 5.30PM**

**2. APOLOGIES FOR ABSENCE**

**3. DECLARATIONS OF INTEREST**

Members are asked to declare any interests they may have in the business on the agenda.

**4. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting of the Audit and Risk Committee held on 24<sup>th</sup> October 2013, have been circulated, and Members are asked to confirm them as a correct record.

**5. EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER      [Appendix A](#)  
2012-13**

The External Auditor submits an Annual Audit Letter which summarises the 2012/13 audit of Leicester City Council. The Committee are asked to note the report.

**6. INDEPENDENT REVIEW OF BCM ARRANGEMENTS      [Appendix B](#)  
AT LCC**

The Director of Finance submits a report to advise the Committee of the conclusions and recommendations arising from a twelve-week project looking at the Council's Business Continuity Management arrangements. The Committee is recommended to note the report.

**7. ANNUAL REPORT ON THE NATIONAL FRAUD      [Appendix C](#)  
INITIATIVE**

The Director of Finance submits a report for information, to update the Audit and Risk Committee on progress made on the National Fraud Initiative 2012/13 and to advise them about the NFI 2013/14 Data Matching exercise for Council

Tax Single Person Discount Fraud.

8. **ANY OTHER URGENT BUSINESS**
9. **PRIVATE SESSION**

## **AGENDA**

### **MEMBERS OF THE PUBLIC TO NOTE**

**Under the law, the Committee is entitled to consider certain items in private where in the circumstances the public interest in maintaining the matter exempt from publication outweighs the public interest in disclosing the information. Members of the public will be asked to leave the meeting when such items are discussed.**

The Committee is recommended to consider the following reports in private on the grounds that they contain 'exempt' information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently that the Sub-Committee makes the following resolution:-

“that the press and public be excluded during consideration of the following reports in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they involve the likely disclosure of 'exempt' information, as defined in the Paragraphs detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it is considered that the public interest in maintaining the information as exempt outweighs the public interest in disclosing the information.”

#### Paragraph 3

Information relating to the financial or business affairs of any particular person (INCLUDING THE authority holding that information)

INTERNAL AUDIT UPDATE REPORT: FIRST AND SECOND QUARTERS  
2013-14 Appendix B1

10. **INTERNAL AUDIT UPDATE REPORT: FIRST AND SECOND QUARTERS 2013-14** **Appendix B1**

The Director of Finance presents to Committee a summary of Internal Audit work completed in the first and second quarters of the financial year 2013-14.

The Committee is asked to receive the report and note the key issues identified.



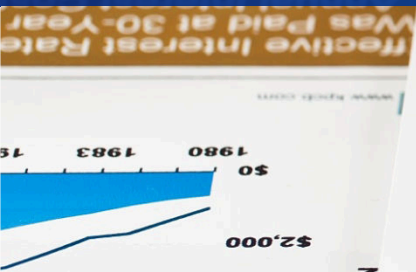
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# Annual Audit Letter 2012/13

Leicester City Council

October 2013

Appendix A



The contacts at KPMG in connection with this report are:

**Neil Bellamy** *Director*

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## Report sections

- Headlines

## Appendices

1. Summary of reports issued
2. Audit fees

## Page

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 03034448330.

This report summarises the key findings from our 2012/13 audit of Leicester City Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

<b>VFM conclusion</b>	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 27 September 2013.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<b>VFM risk areas</b>	<p>Our initial risk assessment took into account the Authority's key business risks which are relevant to our VFM conclusion. We specifically considered the actions being taken by the Authority to achieve the savings identified as required within the Medium Term Financial Strategy.</p> <p>The Authority predominantly delivered its 2012/13 plans with a small underspend being recorded against budget. A balanced budget has been set for 2013/14 and savings have been identified for 2014/15.</p> <p>We were satisfied that sufficient work in relation to this risk was being carried out by the Authority to mitigate the audit risks for our VFM conclusion. We concluded that we did not need to carry out any specific additional work ourselves.</p> <p>In our Audit Plan we also said we would review progress in implementing recommendations arising from the 2011/12 report Building Schools for the Future. We are pleased to report all recommendations have been implemented or are in progress.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 27 September 2013. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
<b>Financial statements audit</b>	<p>We did not identify any material misstatements.</p> <p>We made five recommendations in our <i>Report to Those Charged with Governance</i>, but none was fundamental or material to your system of internal control.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of the Authority.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>



## Section one Headlines (continued)

**Our audit covers the audit of the Authority's 2012/13 financial statements and the 2012/13 VFM conclusion.**

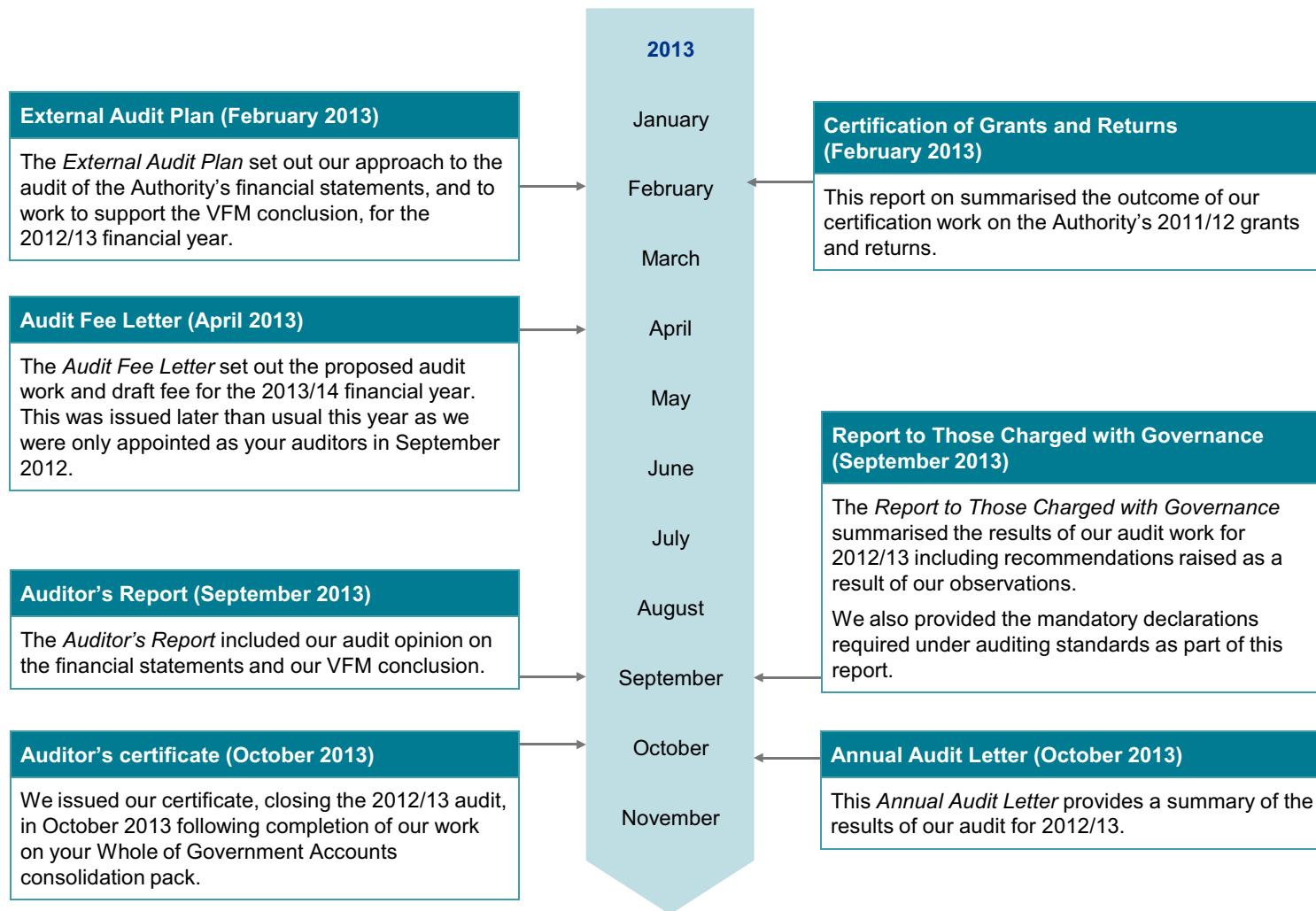
**All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.**

<b>Certificate</b>	We issued our certificate on 4 October 2013. The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
<b>Audit fee</b>	Our fee for 2012/13 was £194,400, excluding VAT. This is the same as the planned fee that we communicated to you in August 2012. Further detail is contained in Appendix 2.



## Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since the Audit Commission's 2011/12 *Annual Audit Letter*.



**This appendix provides information on our final fees for 2012/13.**

To ensure openness between KPMG and your Audit and Risk Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

#### **External audit**

Our final fee for the 2012/13 audit of the Authority was £194,400. This is an overall reduction of 40 percent on the comparative total fee for 2011/12 of £324,000. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

The final fee is the same as the planned fee that we communicated to you in August 2012.

#### **Certification of grants and returns**

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in February 2014.

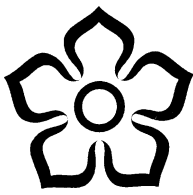


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Leicester  
City Council

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All

# Appendix B

## FORWARD TIMETABLE OF CONSULTATION AND MEETING

Operational Board	6 November 2013
Strategic Management Board	12 November 2013
Audit and Risk Committee	14 November 2013

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### Independent Review of BCM Arrangements at Leicester City Council

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#### Report of the Director of Finance

##### 1. Purpose of Report

- 1.1. To advise the Board of the conclusions and recommendations arising from a twelve-week project looking at the effectiveness and embeddedness of the Council's Business Continuity Management. The project ran between 3 June and 24 August 2013, and was carried out by a De Montfort University post-graduate student on behalf of the Head of Internal Audit and Risk Management.

##### 2. Recommendations (or OPTIONS)

###### 2.1. The Board is recommended to:-

- Note, accept and address the findings of this report as they affect their Service Areas;
- Ensure that issues arising in this report are properly disseminated throughout their teams and that issues are fully and properly addressed and that the annual self-certification programme is meaningful when completed in June 2014;
- All Directors with a critical activity within their areas ensure that, by the end of December 2013 at the latest, the Business Continuity plans for those services are updated; put into current corporate format and submitted to RMIS for the secure internet site before the end of March 2014.
- As part of the above process the critical activities listed within the Corporate Plan (Appendix 2) need to be reviewed to ensure that service titles are up to date following reviews/mergers/changes. These should be confirmed (with any amendments) to RMIS, again, by the end of December 2013;

- Raise any issues or questions with the report author or the Director of Finance.

### **3. Summary**

- 3.1. The Council's BCM needs to be consistent with the International Standard (ISO22301) and ensure that its business continuity responsibilities within the Civil Contingencies Act (2004) are being met. Following work done during the last two years, the Council has a definitive base from which to build further toward alignment with the principles of the Standard.
- 3.2. Business Continuity Management is cross-functional by its nature. A BCM manager (here at Leicester City Council it is the Head of Internal Audit and Risk Management) has a policy setting, governance, quality assurance primarily, programme management and facilitator role with, at a secondary level, individual plans to ensure continuity of the business being owned by the areas of the organisation that need to protect their service delivery. It is this secondary level that has been identified as weak by the DMU report.
- 3.3. In order to apply an appropriate Business Continuity strategy the Council's processes have to identify its critical activities, resources, duties, obligations; identify its threats and risks and set its overall risk appetite – hence the facilitation role sits comfortably within Risk Management and Insurance Services (RMIS). Poorly managed incidents also leave the Council and its officers exposed to insurance claims, a function also managed by RMIS.
- 3.4. In 2011 a pro-forma BC Plan was produced for business areas to use. This was accompanied by a series of training courses (which have been run every year since), explaining what the Council's BCM Strategy is all about; how it affects individual staff and their role within the process; and, why having a plan is important. If this pro-forma is used at least 60% compliance with the parts of the standard LCC wishes to align to would be achieved. Since June 2012, annually, all Directors have certified to the Chief Operating Officer and the City Mayor that each of their Service Areas has an effective and up to date plan in place.
- 3.5. This project was designed to test the accuracy of the self-certifications and the usefulness of the actual plans in place within the Council's Critical Activities. Regrettably, had this been an examination, the Council would have had a 'Fail'.

### **4. Report**

- 4.1. Following the launch of the Council's first Business Continuity Strategy in January 2011, there was a need to better align the Council's Business Continuity Plans with professional standards (note – but not to fully comply) to allow it to demonstrate compliance with the Council's regulatory responsibility within the Civil Contingencies Act (2004).
- 4.2. Resource restraints after the first round of budget cuts that same year meant that this task was never completed by Risk Management and Insurance Services. An opportunity arose in early 2013 to utilise resource from De Montfort University's Post Graduate pool to carry out this work. A twelve-week project looking at the effectiveness and embeddedness of the Council's Business Continuity Management was agreed between the Head of Internal Audit

and Risk Management (HoIARM) and the University, with a masters student (Ginny Hawker - GH) being given this project.

- 4.3. The project focused on LCC's 40 'business critical activities' (as defined within the Council's Corporate Business Continuity Plan) by assessing their business continuity plans' (BCP) alignment with the ISO22301: 2012 Societal Security – Business Continuity Management Systems standard (although time only allowed 30 to be reviewed). As it has never been the Council's intent to fully comply with the professional standard (on grounds of cost and time) the 40 areas within the standard felt most relevant to the Council's BCM Strategy were selected (after discussion and review by HoIARM and GH) for the plans to be measured against.
- 4.4. To understand the Business Continuity 'tone from the top', GH commenced her work with thirteen interviews, beginning with the Chief Operating Officer and those Divisional Directors that have critical activities within their divisions.
- 4.5. A further thirty interviews were then held with Heads of Service and/or key team members named within the activities business continuity plans (BCPs), using a separate interview question set, followed by a brief desk-top review (DTR) of their BCPs. The DTR sought to,
  - Capture how operational areas would react to four particular scenarios – mainly loss of ICT; staff; premises; or a key supplier/partner; and to,
  - Consider if the responses were comparable with what was in their BCPs.
- 4.6. The results of the plan/interview comparison/gap analysis are reported through a red, amber, green (RAG) status at Appendix 1. A red 'blob' indicates little comparison of plans with DTR responses, moving through amber with partial comparison, to green which indicates good-to-strong comparison with their plans. In effect, this means that those plans showing as 'Red' bore little or no relevance to what that service area would do in the event of an incident. Those showing as 'Amber' were approximately 50/50 and those showing as 'green' were almost 100% accurate.
- 4.7. What this means in practice, is that any plan that was not showing as 'green' would be of little or no use in an emergency to anyone other than the staff of that area. As the critical activity plans are available to the Corporate BC Team, they are intended to be used by that team (who will be first port of call in an emergency) to commence recovery from notification of incident, rather than having to wait for service staff to be mobilized – which would also be done using the contact details within these plans, many of which were out of date – in one case had not been updated since 2008. This means that, if there were to be an incident requiring the intervention of the Corporate BCM team, the plans held on the secure site for just such an event would be almost useless. Equally, it is little consolation that staff in the areas knew what to do as the BC event may arise because of a loss, or unavailability, of those staff (pandemic or strike for example).

- 4.8. The black line running through the centre of this graph shows how closely the plans in place aligned to the elements of the standard against which they were measured. Those at the higher end have most of the information that is needed within a plan and were up to date. Those at the bottom (and some not reviewed as GH was told no current plan existed or where it did, was not up to date) do not or were out of date. Yet these are the activities identified by the Council (Divisional Directors) and reviewed each year since 2011, which need to be restored to as near full service as possible within 24 hours.
- 4.9. At the start of the project a 'target score' of 70% compliance to the elements of the standard selected was agreed. It is pleasing to report that 10 of the Council's critical activity plans achieved a mark at, or close to, that score. However, that does also mean that, disappointingly, there are 20 of the plans reviewed that fell below that level, with three plans failing to get even half that percentage score.
- 4.10. A further concern was that, even though the launch of the Strategy and Policy in 2011 was supported by, not only a series of training events for Directors; Heads of Service and all other staff with an involvement in their areas Business Continuity, but also a pro-forma template for a Business Continuity Plan which would have guaranteed a score of at least 60% had it been used, many plans were dated earlier than 2009 and were, therefore, out of date and lacking in required detail. With the pro-forma to use and having had the training (which has continued to run as part of the RMIS training suite each year since 2011), production of a reasonable BCP should take a trained person around a maximum of two hours.
- 4.11. Of even greater concern was that one of these out of date plans related to Property Services which is not only a critical activity in itself, but would also be critical in the recovery of many of the other critical activities - when alternative premises would be needed or other facilities management support. What is particularly concerning is that following the 'B5 fire' in November 2009 an action was taken by the then Director of Property Services to produce a meaningful BCP. This task has been chased by RMIS and has been agreed with three subsequent Directors (or Interims) and with three different Heads of Service.
- 4.12. This work has also, again, raised the issue that first arose in the 2010 de-brief following the 'B5 fire' in November 2009. This identified that the Council had a glaring weakness within its BCM planning in that there was no central record of which staff were based in which building; where those services would relocate to in the event of total loss of premises; and confirmations from Property Services and ICT that the proposed re-locations sites were suitable for those teams to work from. This remains an incomplete action on Property Services (although there now exists a plan showing where staff are currently based) and has also been raised as part of the work currently being carried out the Accommodation Strategy Team.
- 4.13. These findings also cast serious doubt on the effectiveness of the annual self-certification of the efficacy of Director's Business Continuity arrangements. This Board will recall that, again as a result of staffing constraints within RMIS, all Operational Directors were required to confirm to the Chief Operating Officer and the City Mayor that all of their service areas



had in place an effective business continuity plan; that those plans were up to date and were fit for purpose; and that those plans had been tested as appropriate.

- 4.14. This process of self-certification took place for the first time as at 30 June 2012 and was repeated again as at 30 June 2013. In 2012 there was a 100% return from Directors and in 2013 only the Interim Director of Property Services did not affirm as his Division was undergoing a substantial review. Clearly the results of this project suggest that these self-certifications are not completed with anything like the rigour they should be. Also, as Property Services is a critical 'critical' activity, should it be acceptable to the Council that they do not have a BC plan for any period of time?
- 4.15. The project report concludes with eight recommendations summarised below (GH's full report – as presented to FMT on 19 September - can be issued to those interested on request). Several of these will be dealt with by the required actions detailed in the rest of this report:
- Use of the Corporate Template should be compulsory;
  - The secure website should be refreshed to make it more user friendly for those Corporate Team Members who are not familiar with the make-up of LCC (RMIS have this in hand);
  - Business critical activity plans should be 'sense checked' within Divisional hierarchy (i.e. those responsible for the plan) before being submitted to RMIS;
  - RMIS to carry out annual health checks and desk top (or full) tests on all plans, prioritising critical activities. The report goes on to add that, in the absence of increased resource within RMIS, this could be done through continued use of DMU placements;
  - Review of Business Critical Activities (this is already done annually as part of the Risk Management and Business Continuity Management Strategy reviews) to align those named within the Corporate BC Plan with those named on the Critical Activities list. This list is now attached as Appendix 2 for the Board to confirm or amend these details;
  - Revise the format of the three Corporate BCM Team meetings and publicise in the annual strategy review papers attendance (or more to the point, lack of) by members of the Corporate BCM Team. This has already been a discussion point with members of this team in view of continuing poor support;
  - Define and formalise to all staff the Council's BCM Strategy and Policy and the Corporate Plan as most staff were unaware of these (they are, and have been, available to all on the RMIS Intranet pages); and,
  - Creation of a dedicated BC Officer role within RMIS to deliver these recommendations and better align Corporate BCM staff numbers (LCC has 0.5FTE dedicated resource) to similar teams reviewed as part of the project (County Council BCM team (2FTE); and LCC Emergency Management Team (3FTE).

- 4.16. To support this process the action that the RMIS team will take is as follows:
- For all plans that 'failed' (scored less than 70% in the alignment test or have an Amber or Red blob) Sonal Devani will contact and issue the new pro-forma;
  - For those Heads of Service that require further support, Sonal Devani and Tony Edeson will take the Head of Service through their old plan to highlight the areas of 'failure' and help them understand what needs to go in their new plan – this will be arranged before the end of December 2013;
  - RMIS will also run three BCM training sessions in Q1 2014 to allow those staff that require this to attend before having to write your plans. This requires Directors and Heads of Service to identify which of their staff (or themselves?) need this additional support;
  - All Critical Activity plans will be reviewed upon receipt and downloaded to the secure Internet site before 31 March 2014.

## **5. FINANCIAL AND LEGAL IMPLICATIONS**

### **5.1. Financial Implications**

5.1.1 'Rigorous BCP arrangements are essential to ensure the Council can be confident of recovering effectively from a major incident and with as little additional or abortive expense as possible'. Colin Sharpe, Head of Finance – 37 4081.

### **5.2. Legal Implications**

5.2.1 'Rigorous BCM arrangements are essential to ensure the Council can be confident of ensuring it has proper cover for its legal liabilities'. Kamal Adatia, City Barrister – 37 1401

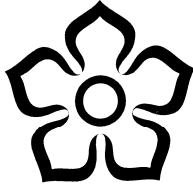
**6. Other Implications**

<b>OTHER IMPLICATIONS</b>	<b>YES/ NO</b>	<b>Paragraph/References Within Supporting information</b>
Risk Management	Yes	All of the paper.
Climate Change	No	
Equal Opportunities	No	
Policy	Yes	All of the paper.
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

**7. Report Author**

7.1. Tony Edeson, Head of Internal Audit and Risk Management – 37 1621

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**WARDS AFFECTED**  
*All*

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**  
**Audit and Risk Committee**

**14 November 2013**

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**Annual Report on the National Fraud Initiative (NFI)**

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**Report of the Director of Finance**

**1. PURPOSE OF REPORT**

The purpose of this report is to update the Audit and Risk Committee on progress made on the National Fraud Initiative 2012/13 and to advise them about the NFI 2013/14 Data Matching exercise for Council Tax Single Person Discount Fraud.

**2. RECOMMENDATIONS**

This report is for information only.

**3. SUMMARY**

Data for the 2012/13 NFI exercise was submitted to the Audit Commission on 8 October 2012 and became available for checking from 29 January 2013. Data required for the Council Tax Single Person Discount Fraud initiative will be submitted early next year.

**4. REPORT**

The Council has participated in the National Fraud Initiative since it was introduced in 1996. The exercise has evolved over the years and is now web based. The Audit Commission manage the exercise, which involves electronically matching data from a number of sources in order to identify possible fraud or irregularity.

Matching now takes place annually. In 2012/13 the matches identified in Appendix A were undertaken and in February or March next year Council Tax data will be matched against the Electoral Register to identify potentially fraudulent single person discounts and young people who are approaching age 18.

Historically, Leicester City Council has not identified many frauds or irregularities through the NFI. Other measures already in place, such as the

Housing Benefits Matching Service, where data from the Department for Work and Pensions (DWP) is regularly matched with Housing Benefits data and checks undertaken by payroll to identify incorrect National Insurance Numbers have proved more successful. A further measure undertaken by the Council is a data matching exercise with a partner organisation to identify fraudulent single person discounts. This targeted activity commenced in June 2013 and is expected to be concluded early in the New Year. Results from this exercise will be reported in the Income Collection report June 2014.

The Audit Commission identifies recommended matches and officers are expected to examine these first. There is no requirement to examine all of the remaining matches and officers are encouraged to select a sample where there are large volumes of data for checking.

Examples of the different matches include

- Housing Benefit Claimants who are not entitled to claim because they are in receipt of Student Loans
- Housing Benefit Claimants who are tenants at a different address
- Housing Benefit claimants who are also licensed taxi drivers or hold a personal alcohol licence
- Housing tenants who appear to be resident at two addresses
- Blue Badge Parking Permits, Concessionary Travel passes and Private Residential Care Home residents where the individual is recorded as deceased on the Disclosure of Death Registration Information (DDRI) or Department for Work and Pensions list of deceased persons
- Duplicate Creditors or duplicate payments to creditors
- Housing Benefit Claimants who also appear on a local authority payroll

A summary of the matches and results to the 17 October 2013 is attached at appendix A. Of the 24,946 matches, 867 have been investigated and 203 are in progress. Only four errors have been identified.

## **5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **5.1. Financial Implications**

There are no direct financial implications arising from this report. However, the National Fraud Initiative is intended to detect fraud, which is an offence of a financial nature and can cause significant financial loss to the Council.

Colin Sharpe, City Development and Neighbourhoods & Corporate Resources, 18 October 2013.

### **5.2 Legal Implications**

The National Fraud Initiative is undertaken by the Audit Commission under specific statutory powers including Part 2A of the Audit Commission Act 1998. Participation by local authorities is mandatory and all parties must comply with the Audit Commission's Code of Data Matching Practice and the Data Protection Act so far as these apply.

Kamal Adatia, City Barrister & Head of Standards, 21 October 2013.

### 5.3 Climate Change Implications

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

Chloe Hardisty, Senior Environmental Consultant, 22 October 2013.

## 6. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph references within the report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	Whole report
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	This report is concerned with the prevention, detection and sanctioning of fraud. Fraud is one of the risks faced by the Council

## 6. BACKGROUND PAPERS

None – Information on the National Fraud Initiative is available at <http://www.audit-commission.gov.uk/fraud/nfi/pages/default.aspx>

## 8. CONSULTATIONS

None

## 9. REPORT AUTHOR

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**National Fraud Initiative 2012/13**

In October 2012 Leicester City Council submitted data to the Audit Commission as part of the annual data matching exercise – The National Fraud Initiative.

The data matching exercise is designed to alert local authorities to potential fraud by identifying individuals whose names appear on more than one database in circumstances suggesting that they or others acting on their behalf may be committing fraud.

Some data is matched within the Authority and some data is matched with external records.

Participation in the NFI is mandatory under the Audit Commission Act 1998, Part 2 A.

Data is supplied to the Audit Commission by a variety of other organisations including the NHS, Home Office and Department for Work and Pensions.

The matches are made available to authorities via a secure website and users are therefore able to record the results of their enquiries on line.

Once the matches have been received by the Council they are shared with the relevant sections and considered for investigation. The Council always has discretion whether or not to investigate. Where there are large numbers of matches a sample may be checked and if no irregularities are discovered no further action need be taken. In order to assist local authorities identify the most appropriate matches for further checking the Audit Commission has developed recommended filters and provides guidance on the action to be taken.

The table below details the number of matches identified by the Audit Commission for further checking, before and after, the recommended filters have been applied.

**Data Sets Identified For Further Checking – Totals And Recommended Matches**

<b>Data Set</b>	<b>Total matches</b>	<b>Matches after recommended filter applied</b>
Housing Benefits	4678	1098
Payroll	342	146
Creditors History	11094	905
Creditors Standing	7987	None
Housing Rents	245	142
Insurance Claimants	58	26
Right to Buy	83	80
Blue Badge Parking Permit	380	337



<b>Data Set</b>	<b>Total matches</b>	<b>Matches after recommended filter applied</b>
Private Residential Care Homes	71	5
Resident Parking Permit	None	None
Concessionary Travel Pass	4	None
Market Traders	None	None
Taxi Drivers	4	None
Personal Alcohol Licence	None	None
<b>TOTAL</b>	<b>24,946</b>	<b>2,739</b>

The table below illustrates the checks that have been undertaken by Council Officers on the above matches and any frauds or overpayments identified.

#### **Matches undertaken by October 2013**

Cleared no Fraud/Error	Frauds Identified	Errors Identified	Total Matches Processed	Identified overpayments	Still under Investigation
863	None	4	867	£50.55	203

The errors identified relate to data entry errors, for example incorrect National Insurance numbers being recorded.

The overpayment that has been identified relates to overpayments of VAT.

The table below illustrates the matches undertaken to date

#### **Breakdown of Matches Undertaken**

Type	Processed	In Progress
Housing Benefit Claimants	273	141
Disabled Badges	17	5
Creditors History	184	12
Creditors Standing	17	7
Housing Tenants	37	5
Insurance Claimants	58	Completed
Payroll	157	31
Right to Buy	42	2
Residential Care Homes	71	Completed

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