



Leicester  
City Council

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

**DATE: WEDNESDAY, 12 SEPTEMBER 2018**

**TIME: 5:30 pm**

**PLACE: Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ**

### **Members of the Committee**

Councillor Riyait (Chair)

Councillor Westley (Vice-Chair)

Councillors Alfonso, Bajaj, Dr. Chowdhury and Dr. Moore

One Labour Group unallocated place

Two unallocated Non-Group places

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

for Monitoring Officer

**Officer contact: Anita James**  
*Democratic Support, Democratic Services*  
*Leicester City Council,*  
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## Information for members of the public

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- ✓ to respect the right of others to view and hear debates without interruption;
- ✓ to ensure that the sound on any device is fully muted and intrusive lighting avoided;
- ✓ where filming, to only focus on those people actively participating in the meeting;
- ✓ where filming, to (via the Chair of the meeting) ensure that those present are aware that they may be filmed and respect any requests to not be filmed.

### Further information

If you have any queries about any of the above or the business to be discussed, please contact Anita James, **Democratic Support on (0116) 454 6358** or email [Anita.James2@leicester.gov.uk](mailto:Anita.James2@leicester.gov.uk) or call in at City Hall, 115 Charles Street.

For Press Enquiries - please phone the **Communications Unit on 0116 454 4151**

# **PUBLIC SESSION**

## **AGENDA**

### **FIRE / EMERGENCY EVACUATION**

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#### **1. APOLOGIES FOR ABSENCE**

#### **2. DECLARATIONS OF INTEREST**

Members are asked to declare any interests they may have in the business to be discussed.

#### **3. MINUTES OF THE PREVIOUS MEETING**

**Appendix A**

The Minutes of the previous meeting of the Audit and Risk Committee held on 25<sup>th</sup> July 2018 have been circulated, and Members will be asked to confirm them as a correct record.

#### **4. DRAFT ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE TO COUNCIL 2017-18**

**Appendix B**

The Director of Finance submits the Draft Annual Report of the Audit & Risk Committee to Council setting out the Committee's achievements over the municipal year 2017-18.

Members will be asked to approve the report for submission to full Council on 4<sup>th</sup> October 2018.

#### **5. HOUSING BENEFITS SUBSIDY ARRANGEMENTS UPDATE**

**Appendix C**

The Director of Finance submits a report updating on the Housing Benefit Subsidy arrangements for the authority.

Members will be asked to note the contents and comment on the findings highlighted in the report.

#### **6. ANNUAL REPORT ON THE NATIONAL FRAUD INITIATIVE (NFI)**

**Appendix D**

The Director of Finance submits a report to provide information on counter-fraud activities during 2017-18 to the Committee, and is confined to the City Council's Corporate Investigations Team within Financial Services.

Members will be asked to note and comment on the contents.

**7. REVIEW OF THE ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY** **Appendix E**

The Director of Finance submits a report on the annual review of the Anti-Fraud, Bribery and Corruption Policy as required under the Terms of Reference of the Audit & Risk Committee.

Members will be asked to note the report and approve the minor amendment to the Anti-Fraud, Bribery and Corruption Policy.

**8. CORPORATE COMPLAINTS (NON STATUTORY) 2017-18** **Appendix F**

The Director of Finance submits an update report on Corporate Non Statutory Complaints 2017-18.

Members will be asked to note the improvements and comment upon the contents of the report.

**9. PRIVATE SESSION**

**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 it will contain "exempt" information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently makes the following resolution:

"that the press and public be excluded during consideration of the following report in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because it involves the likely disclosure of "exempt" information, as defined in the Paragraph 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).

This report concerns the strength of internal controls of the City Council's financial and management processes and includes references to material weaknesses and areas thereby vulnerable to fraud or other irregularity. It is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

#### INTERNAL AUDIT UPDATE REPORT

### **10. INTERNAL AUDIT UPDATE REPORT**

### **Appendix G**

The Head of Internal Audit & Assurance submits the Internal Audit Update report.

Members will be asked to receive the report and note the key issues identified.

### **11. ANY OTHER URGENT BUSINESS**





Leicester  
City Council

Minutes of the Meeting of the  
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 25 JULY 2018 at 5:30 pm

P R E S E N T :

Councillor Riyait (Chair)  
Councillor Westley (Vice Chair)

Councillor Alfonso

Councillor Bajaj

Councillor Dr Chowdhury

\* \* \* \* \*

**17. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Dr Moore.

**18. DECLARATIONS OF INTEREST**

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

There were no declarations of interest.

**19. MINUTES OF THE PREVIOUS MEETING HELD 13TH JUNE 2018**

It was noted that under Item 6 the word "Fees" was omitted from the resolution which should read: "That the Annual Audit Fees Letter be noted."

RESOLVED:

That subject to the amendment referred to above the minutes of the meeting held on 13<sup>th</sup> June 2018 be confirmed as a correct record.

**20. ANNUAL GOVERNANCE REPORT**

Councillor Bajaj joined the meeting.

The External Auditor KPMG submitted the Annual Governance Report, known as the ISA 260 Report to Those Charged with Governance. This included the key findings arising from the audit of Leicester City Council's financial

statements for the year ended 31<sup>st</sup> March 2018 together with the Auditors assessment of the council's arrangements to secure value for money (VFM) in its use of resources.

Members were reminded of the requirement for the Chair of Audit and Risk to sign the letter of representation to KPMG from the council in connection with the audit of the council's financial statements.

KPMG anticipated issuing an unqualified audit opinion on the Authority's financial statements by 31<sup>st</sup> July 2018, this being the date by which the statements should be finalised, signed and published.

Members' attention was drawn to the following:

- Four risks were highlighted at the last meeting: Valuation of property, plant and equipment (PPE), Pensions Liabilities, Faster Close and New Payroll system;
- There were a number of elements of work outstanding as listed at page 3 of the report, it was noted this was normal practice but that work would continue to the end of the week and included final disclosures regarding the Pension fund and work around the Collection Fund (Council Tax and Business Rates income);
- Valuation of PPE – it was determined that the valuation of land and buildings recognised in 2017/18 was appropriate;
- As referred to at the last meeting the change to the payroll system had given rise to a significant amount of extra work especially in relation to concerns over super user access. Members were assured nothing untoward was done to the system however due to the risk there was a recommendation arising from that in terms of the project management;
- Prior year Journal controls recommendation was reiterated – as reported previously it was noted that a work flow based system of authorisation would be introduced once the new finance ledger system was fully implemented.

In terms of Value for Money (VFM) arrangements KPMG anticipated that an unqualified VFM opinion would be issued on 31<sup>st</sup> July 2018. Financial resilience across the local authority sector was noted as a significant VFM audit risk and the challenge remained albeit work had been done at the council around financial resilience and the processes in place were fit for purpose.

It was confirmed that one related party disclosure remained outstanding and the Director of Finance had asked that members' attention be drawn to the fact that Councillor Porter had again failed to complete his annual related party disclosure. Members noted that the disclosure was an annual requirement when producing the Statement of Accounts and that Councillor Porter had not complied for a number of years. Members expressed concern that Councillor Porter continually failed to complete his annual related party disclosure and discussed sanctions. Officers confirmed that numerous attempts had been made this year and in previous years to encourage compliance. Members also noted that following the closure of the 2016/17 accounts, the former Chair to the Committee had written to Councillor Porter.



The Chair indicated that the sanctions and powers of Full Council should be further explored and agreed to liaise with the Monitoring officer and Director of Finance outside of this meeting.

The Chair thanked the external auditor (KPMG) for their work and the report.

RESOLVED:

1. That the ISA 260 Report to Those Charged with Governance be received and noted,
2. That the Director of Finance be authorised to sign the letter of representation to KPMG from the council in connection with the audit of the Authority's financial statements,
3. That sanctions and powers of Full Council be further explored by the Monitoring Officer in relation to non-completion of related party disclosures.

## **21. THE COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2017/18**

The Director of Finance submitted a report seeking approval of the Council's Annual Governance Statement for the financial year 2017-2018.

Members were advised that the statement's format was mostly prescribed by the principles of the Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives' framework "Delivering Good Governance in Local Government".

Members of the Committee noted that there were no changes to the draft presented at the 13th June 2018 meeting.

RESOLVED:

That the Annual Governance Statement 2017-18 be approved as detailed within the report.

## **22. THE STATEMENT OF ACCOUNTS AND LETTER OF REPRESENTATION 2017/18**

The Director of Finance submitted a report presenting the Council's audited Statement of Accounts for 2017/18 as required under the Accounts and Audit (England) Regulations 2015. The regulations also required those charged with governance, in this instance the Audit and Risk Committee, to approve a letter of management representation.

Members were reminded that the draft management accounts had been presented at the last meeting on 13th June 2018 and no significant changes had been made to these.

RESOLVED:

1. That the audited accounts for the financial year ended 31 March 2018 be approved as submitted; and

2. That the letter of representation submitted by the Director of Finance be approved as set out in the report.

**23. POLICY FOR ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK AND EXTERNAL AUDIT OF GRANT CLAIMS**

The Director of Finance submitted a report which sought the Committee's approval for the Policy for Engagement of External Auditors for Non-Audit Work.

The Head of Finance introduced the report, explaining the purpose of the policy and advising that there were no substantial changes to the policy.

John Cornett, KPMG indicated that in terms of para 4.5 of the policy the rules had changed slightly and clarified the items of work listed were classified as non-audit work. The Head of Finance agreed to modify the wording of para 4.5 accordingly.

RESOLVED:

That the Policy for Engagement of the External Auditor for Non-Audit Work be approved subject to amendment of para 4.5 as referred to above.

**24. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE JANUARY 2018 - JUNE 2018**

The City Barrister and Head of Standards submitted a report that advised on the performance of the Council in authorising Regulatory Powers Act (RIPA) applications from 1<sup>st</sup> January to 30<sup>th</sup> June 2018.

The Head of Finance presented the report and informed members that the council had applied for one Directed Surveillance Authorisation during the period.

Members were advised that as the case was still live it was not appropriate to give further details in the public domain. The provision of information to the committee on any cases was dependent on the outcome of the investigation, if evidence gathered showed wrongdoing then actions would be taken or, if after surveillance there was no wrongdoing then there would not be a report.

Members were assured that surveillances were only undertaken when lawful and strictly necessary; there were various levels of verification to ensure this was not a power used too vigorously. In terms of numbers it was indicated there were likely a maximum of one case per quarter and it was unusual to see more than one in a six month period.

The Chair thanked the Head of Finance for the update.

RESOLVED:

That the contents of the report be noted.

## **25. COUNTER FRAUD ANNUAL REPORT 2017/18**

The Director of Finance submitted a report providing information on counter fraud activities during 2017/18 based on the work of the City Council's Corporate Investigations Team.

The Corporate Investigations Manager presented the report during which it was noted that:

- The authority continued to lead on an intelligence hub and passed on fraud alerts to key contacts across the authority. Some authorities had taken a long time to provide data, and 9 out of the 10 authorities in the hub did not have a dedicated fraud resource. Once the Corporate Investigations team received initial data, it could be analysed for duplications and anomalies across the region.
- 25 residential properties had been identified as occupied when declared empty, that would attract £191k income back onto the council tax base.
- Following a prosecution the Proceeds of Crime Act had been used successfully to recover substantial funds from the assets of a former employee who had been taking money over a sustained period of time.
- In terms of notional savings being achieved as a result of the work of the Corporate Investigations team, work was ongoing to ascertain real figures and it was noted that last year the combined figure recovered/saved was £675k which in due course would be compared to this year.

The Chair thanked officers for the report.

RESOLVED:

That the report be noted.

## **26. RISK MANAGEMENT UPDATE (APRIL 2018 RISK REGISTER)**

The Director of Delivery, Communications and Political Governance submitted a report providing an update on the work of the Council's Risk Management Services team's activities.

The Manager, Risk Management presented the report and gave details of both the strategic and operational risk registers to 30th April 2018 and explained changes to the reporting arrangements in the appendices to enable comparison of changes.

Members noted that:

- There had been 16 updates to the strategic risk register and that the risk scoring remained quite constant.
- The operational risk register indicating risk affecting day to day running of the council had 57 risks updated since the last report, with two risks deleted and one new risk added.

Members asked about the key risks facing the authority and were advised that

cyber security, data protection (GDPR), the outcomes of the Grenfell Tower incident and uncertainty of funding beyond 2020 were currently the key risks facing authorities nationally.

In terms of cyber security, members were assured that robust mechanisms were in place and that risk was being managed well by the authority with no major incidents occurring. With regards to how many times the authority was being “attacked” it was noted that it was likely that organisations like local authorities would probably be attacked up to 100 times a day and the key challenge was to have steps in place to mitigate that risk and address the issues if it happened.

The Chair commented on the importance of not becoming complacent and ensuring there was a multi layered approach to keep on top of that risk.

The Chair queried whether risks were being fully communicated to executive level and officers confirmed there was work in progress to achieve that. It was suggested that if the executive were not currently being fully engaged on risks that should be considered a strategic risk because of the authority’s governance model. Officers agreed to explore that suggestion further with the Director and to provide an update in the next Risk Management report to the committee.

It was noted that the risk registers were published on the internal interface network quarterly and that the outcomes from the Grenfell Tower incident were included on the strategic risk register with ongoing risk in that regard being monitored.

The Chair thanked the officer for the report.

RESOLVED:

1. That the contents of the report be noted,
2. That consideration be given to the suggestion that if the executive are not currently being fully engaged with risks to add that as a strategic risk and to include an update on that point in the next Risk Management report to the committee.

## **27. AUDIT & RISK COMMITTEE TIMETABLE**

The Head of Finance presented the Audit & Risk Committee timetable setting out its future work plan.

The Chair invited members to email suggestions of any topics they wanted to add to the work plan including topics for members’ training sessions.

Members noted that the Strategic Director of Social Care and Education, Steven Forbes, had been invited to a future meeting as requested at the last meeting, following his appointment to the new, wider role. Members were informed that the council had requested the LGA and DfE to undertake a test of

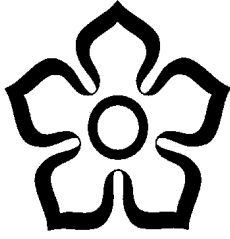
assurance which was likely to take place later in the year and it was proposed that the Strategic Director would attend the March 2019 meeting to discuss the results of that assurance test.

Members also noted that an update on the Housing Benefit action plan would be brought to the September meeting.

**28. ANY OTHER URGENT BUSINESS**

The meeting closed at 6.45pm.





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**WARDS AFFECTED:**  
ALL

## **FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**Audit and Risk Committee**

**12 September 2018**

**Council**

**4 October 2018**

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### **Annual Report of the Audit and Risk Committee to Council**

**covering the municipal year 2017-18**

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#### **Report of the Director of Finance**

### **1 PURPOSE OF REPORT**

- 1.1 To present to the Council the annual report of the Audit and Risk Committee setting out the Committee's achievements over the municipal year 2017-18 (May 2017 to April 2018).
- 1.2 This report was presented to the Committee for approval at its meeting on 12 September 2018.

### **2 RECOMMENDATIONS**

- 2.1 Audit and Risk Committee is recommended to approve this report for submission to the Council.
- 2.2 Council is recommended to receive this report.

### **3 SUMMARY**

- 3.1 The Committee's terms of reference approved by Council require the submission of an annual report on its activities, conduct, business and effectiveness. Moreover, the CIPFA\* guidance on Audit Committees states that the audit committee should be held to account on a regular basis by Council, and that the preparation of an annual report can be helpful in this regard. (\* CIPFA – the Chartered Institute of Public Finance and Accountancy)
- 3.2 The Audit and Risk Committee considered a wide range of business in fulfilment of its central role as part of the Council's system of corporate governance, risk

management and internal control. It conducted its business in an appropriate manner through a programme of meetings and fulfilled the expectations placed upon it.

## **4 REPORT**

- 4.1 The Committee's terms of reference are regularly reviewed. They formally confer upon it the role of 'the board' for the purposes of the *Public Sector Internal Audit Standards*, (the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, interpreted and adopted for local government by CIPFA) as the recognised professional standards for local authority internal audit.
- 4.2 During the municipal year 2017/18, the Committee met on four occasions. All meetings were properly constituted and quorate. The Committee's terms of reference require it to meet at least three times a year. The Head of Finance and latterly Leicestershire County Council's Head of Internal Audit and Assurance Service attended meetings of the Committee. In addition, and in the interests of providing the full range of legal, constitutional and financial advice and expertise, the Committee was supported by the Director of Finance and the City Barrister & Head of Standards or their representatives.
- 4.3 In its publication *Audit Committees – Practical Guidance for Local Authorities*, CIPFA provides a self-assessment checklist to assist councils in reviewing the effectiveness of their Audit Committees.
- 4.4 The Committee reviews its arrangements against this checklist from time to time, and considers that it continued to meet the requirements for an effective Audit Committee. In summary:
- The Committee meets regularly and its chair and membership are sufficiently independent of other functions in the Council. Meetings are conducted constructively and are free and open and are not subject to political influences;
  - The Committee's terms of reference, which are regularly reviewed, revised and approved, provide a sufficient spread of responsibilities covering internal and external audit, risk management and governance. They will be reviewed again in the light of more recent national guidance;
  - The Committee plays an important role in the oversight of the Council's internal audit arrangements, including approval of the internal audit plan, review of performance and conformance to standards, together with the outcomes of audit work (leading to the Head of Internal Audit annual report) and management's response to that; and
  - The Committee received reports from KPMG as the Council's external auditor and maintained an overview of the external audit process, including the fees charged.
- 4.5 However, it is acknowledged that Committee members need suitable training. Arrangements continued to be made to provide training on a relevant topic



immediately before meetings of the Committee. The Committee is subject, of course, to some turnover of membership each municipal year, an inevitable consequence of the political environment in a local authority. Should this happen, training for new members is offered.

4.6 The Committee is well established and has continued to make an important contribution to the effectiveness of the City Council's internal control and corporate governance frameworks, of which it is a central component. The key outcomes from the Committee's work included:

#### 4.6.1. Internal Audit

- The Committee considered the Internal Audit annual and quarterly plans and monitored their delivery and outcomes during the year. The Committee also received the Head of Internal Audit annual report and opinion on the overall adequacy and effectiveness of the Council's control environment (its framework of governance, risk management and control).
- The Committee reserves the right to summon relevant officers to attend its meetings to discuss in more depth specific issues raised by Internal Audit reports. This has helped maintain the profile of the Committee and its role in promoting adherence to procedures and improved internal control.
- The Committee received and approved the annual review of the effectiveness of the Council's system of internal audit, including the degree of conformance with *Public Sector Internal Audit Standards* (PSIAS) and results of the *Quality Assurance Improvement Programme* (QAIP).
- The Committee oversaw the move from an in-house internal audit service to the formal delegation of the service to Leicestershire County Council, in November 2017. The Committee contributes to the governance aspects of these new arrangements.
- The Committee received and approved a revised Internal Audit Charter at its March 2018 meeting.

#### 4.6.2 Counter-Fraud

- The Committee maintained an effective overview of the Council's measures to combat fraud and financial irregularity. Specifically, the Committee:
  - Reviewed and approved the Council's updated Anti-Fraud, Bribery and Corruption Policy and Strategy.
  - Considered the annual counter-fraud report, which brought together the various strands of counter-fraud work with data on the various types of work carried out by the teams involved.
  - Reviewed and supported the Council's participation in the National Fraud Initiative.
  - Reviewed the Council's activity and performance under the Regulation of Investigatory Powers Act 2000 and the Disclosure Policy and Whistleblowing Policy.

#### 4.6.3 External Audit

- The Committee considered the external auditor's plans and progress and the outcomes of this work, with particular reference to the annual audit of the Council's statutory financial statements.
- The Committee received a report on the appointment of new external auditors commencing from the 2018/19 audit year.

#### 4.6.4 Risk Management

- The Committee confirmed the Risk Management Strategy and Policy and Corporate Business Continuity Management Strategy. The Committee maintained a regular overview of the risk management arrangements including the Council's strategic and operational risk registers and 'horizon-scanning' for potential emerging risks to the Council and its services.

#### 4.6.5 Corporate Governance

- The Committee fulfilled the responsibilities of 'the board' for the purposes of conformance to the *Public Sector Internal Audit Standards* in terms of overseeing the Council's arrangements for ensuring the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. The Committee maintained its oversight of the Council's corporate governance arrangements. The Council's updated assurance framework, which maps out the process for collating the various sources of assurance and preparing the Council's statutory Annual Governance Statement, was reviewed and approved by the Committee.
- The Committee approved the draft Annual Governance Statement for 2016/17 at its September 2017 meeting.
- This annual report to Council is part of the governance arrangements, through giving a summary of the Committee's work and contribution to the good governance of the City Council and demonstrating the associated accountability.

#### 4.6.6 Financial reporting

- The Committee received and approved the Council's statutory Statement of Accounts for 2016/17 and associated external audit reports. It approved the Council's letter of representation, by means of which the City Council gives assurance to the external auditor; there were no significant items that were not reflected in the Council's accounting statements.
- The external auditor's Annual Governance Report was issued to the Committee as 'those charged with governance', and considered accordingly. In this report, the auditor confirmed that his audit opinion on the Council's 2016/17 financial statements would be 'unqualified'.

- The Committee requested reports and briefings on specific issues of interest, for example adult social care and invoice payment performance.

## **5. Conclusions**

- 5.1 The Committee fulfilled all of the requirements of its terms of reference and the good practice guidance issued by CIPFA.
- 5.2 It is the view of the Director of Finance that the Audit & Risk Committee made a significant contribution to the good governance of the City Council. Through its work, it has reinforced the Council's systems of internal control and has given valuable support to the arrangements for corporate governance, legal compliance and the management of risk.
- 5.3 Each year, following any changes in membership, there is a need to support members with relevant training and briefings on technically complex subjects, particularly in the context of the governance of a large local authority and especially during a period of continued financial stringency and change. The effectiveness of the Committee is enhanced by having members who have sufficient expertise and experience, attributes which benefit from some continuity of membership.

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

### **6.1 Financial Implications**

An adequate and effective Audit & Risk Committee is a central component in the governance and assurance processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Its support for the processes of audit and internal control will help the Council as it faces the financially challenging times ahead.

*Colin Sharpe, Head of Finance, ext. 37 4081*

### **6.2 Legal Implications**

The Audit & Risk Committee aids the fulfilment by the Council of its statutory responsibilities under the Accounts and Audit Regulations 2015 by considering the findings of a review of the effectiveness of the Council's system of internal control. It is an important part of the way the duties of the Director of Finance are met as the responsible financial officer under s151 of the Local Government Act 1972.

*Kamal Adatia, City Barrister & Head of Standards, x37 1401*

## 7. Other Implications

<b>OTHER IMPLICATIONS</b>	<b>YES/NO</b>	<b>Paragraph references within supporting information</b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	Yes	4.6.2 – references to fraud and corruption
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities	No	
Risk Management	Yes	The whole report concerns the audit, risk management and governance process, a main purpose of which is to give assurance to Directors and this Committee that risks are being properly identified and managed appropriately by the business.

## 8. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

Agendas and Minutes of the Audit & Risk Committee meetings

### REPORT AUTHOR

Colin Sharpe, Head of Finance, ext. 37 4081



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## **Housing Benefit Subsidy improvement regime – Update Summer 2018**

Audit & Risk Committee

Date of committee meeting: 12<sup>th</sup> September 2018

Lead director: Alison Greenhill, Director of Finance

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## Useful information

- Ward(s) affected: ALL
- Report author: **James Hudson**
- Author contact details: Tel 0116 4542734
- Report version: 3 29.08.18

### 1. Purpose of report

The Audit and Risk Committee on 3<sup>rd</sup> August 2016 received a report on the Housing Benefit (HB) Subsidy arrangements for the Authority. The purpose of this report is to:

1. Provide an update on the current Audit regime, the Subsidy Qualification Loss and the measures in place to minimise the loss,
2. Provide an update on the next steps to continue the improvement journey; and
3. Provide an update on how the service promotes customers reporting a change in circumstances.

### 2. Summary & Background

2.1 Housing Benefit is a DWP (Department for Work & Pensions) benefit, which is awarded to people on low incomes, to help with their housing costs, i.e. their rent. All Local Authorities act on behalf of the DWP, to administer, calculate and award Housing Benefit (HB) to all entitled claimants. The authority submits a Housing Benefit Subsidy claim to the DWP to recoup the monies the authority has paid out in Housing Benefit to claimants.

2.2 The table below details the administration subsidy the authority received from the DWP over the last 6 years and provides an overview of HB performance and caseload. It is worth noting the DWP admin grant has reduced by over 50% over the past 6 years; the HB caseload has only dropped by 15%, however performance has been maintained. In addition the number of work items in the past 3 years as a result of DWP initiatives has increased significantly, without the addition of meaningful financial reimbursement. This has added to the work pressures and had a negative impact upon staff morale.

Year	Administration subsidy received	Subsidy Audit Qualification loss as a %	HB New Claim days to process	HB Change days to process	HB caseload
2017/18	£1.56m	Unknown	22	9	28,900
2016/17	£1.71m	0.45%	21	12	30,568
2015/16	£2.03m	0.31%	21	17	31,803
2014/15	£2.16m	0.67%	24	14	32,652
2013/14	£2.96m	0.58%	23	15	33,230
2012/13	£3.21m	0.72%	24	14	33,916

This reduction in admin grant has come about as a result of reform within the Government's Spending Review and its Welfare Reform agenda. The reforms plan

for the ending of HB claims for some working age claimants and an overall reduction of HB caseloads for LA's. This last intention has been significantly delayed as it is aligned to the roll out of Universal Credit (UC).

**2.3** The service has received funding from the Council's General Fund to mitigate some of the effects of the reduction. This investment has maintained our assessment performance and delivered an effective service to the residents in the city. To minimise the impact on the general fund the service has not recruited to all vacancies and used off site processing to support the service to meet its targets.

**2.4** No authority receives all of the Housing Benefit paid out back from the DWP and the two main reasons for this are:

**1. Overpayments**

**ALL** authorities have overpayments, so will lose some subsidy. This arises from both local authority and (predominantly) claimant error overpayments.

**2. Qualification of the Subsidy Claim by the External Auditor, due to errors found.**

76% of all authorities (2013/14) lost subsidy due to qualification.

**2.5** At the meeting on 21<sup>st</sup> March 2018, the Committee received the External Auditor's report on 2016/17 grant claims and returns. Members expressed a number of concerns regarding the results of the audit of the Housing Benefit claim, and requested that the action plan to improve the accuracy of assessments should be reviewed to identify how further progress could be made and to identify timescales.

This report is an update on the progress two years later of the action plans put in place to address these issues.

**3. Recommendations**

**3.1** To note and comment on the findings highlighted in the report.

**4. Current Audit process**

**4.1** Leicester's external audit process is time consuming predominantly because of the volume of secondary testing required by our auditors. The team of 7 FTE officers have in the past spent 10 months of the year on the subsidy audit, resulting in limited capacity to support the quality assurance (QA) regime for assessment. However, this position has improved with the team meeting the DWP deadline in November 2016 and subsequent years, which has doubled the time the team can spend on focussed QA support by 2 months to 4 months.

The subsidy qualification audit which quantifies the subsidy loss is based on a sample of claims, for which the Quality Assurance Officers evaluate the accuracy on behalf of the auditors. This data is converted into an extrapolated figure across the Housing Benefit caseload to determine the Audit Qualification Loss. It should be noted other than the sample claims this 'loss' is not based on actual, identifiable errors (overpayments) that have the potential to be recovered, rather the loss figure

is essentially a statistical extrapolation.

**4.2** The audit qualification loss is detailed in the table below.

	<b>Total Expenditure (£M)</b>	<b>Subsidy claimed (£M)</b>	<b>Audit Qualification loss (£M) *</b>	<b>Qualification Loss as % of subsidy amount claimed</b>
<b>2016/17</b>	132.9	130.4	0.5	0.45%
<b>2015/16</b>	139.4	134.1	0.4	0.31%
<b>2014/15</b>	137.6	133.5	0.9	0.67%
<b>2013/14</b>	139.7	136.2	0.8	0.58%
<b>2012/13</b>	170.5	166.3	1.2	0.72%

*\* The Audit Qualification Loss includes the loss of DWP incentive scheme payments explained at 5.3d later in the report.*

Members will note from the table since we last reported our position in August 2016 the two most recent completed audits have reduced the loss to the authority by between a half and a third. The subsidy loss, due to qualification, was below 0.5% of the total amount claimed back by the DWP in the last two years. In terms of the accuracy of the subsidy claim, this demonstrates that the authority Housing Benefit assessment accuracy was over 99.5%.

**4.3** The regime we follow has not lessened in recent years, despite our protestations to both our external auditor and the DWP. The quantity of cases requiring checking for the audit has not decreased; it has in fact increased in the most recent year and looks to be a similar volume for the audit of 2017/18 subsidy. Despite this the authority has met the subsidy audit deadline for the past 2 years.

## **5. How we minimise Housing Benefit Subsidy loss:**

**5.1** There are two main reasons why Authorities don't receive subsidy for all the housing benefit they have paid out:

- Identified Overpayments, arising from both local authority and (predominantly) claimant error overpayments.
- Qualification of subsidy claim, resulting in an extrapolated overpayment figure based on sample cases checked by the external auditor.

**5.2** There are a number of ways in which the loss can be minimised. All these are interlinked and inter-dependent. These include:

- a. Encouraging claimants to inform us promptly of changes in circumstances
- b. Processing changes in circumstances promptly, to avoid overpayments.
- c. Reducing human error in Housing Benefit assessments.
- d. Minimising Local Authority Overpayment Error.
- e. Ensure that every penny of subsidy the authority is entitled to claim is



claimed.

- f. Ensure efficient overpayment recovery processes are in place.

**5.3** The service has plans and campaigns in place to tackle all of the above points and this section covers how the service does this.

### **5.3a Encouraging claimants to inform us promptly of changes in circumstances**

Some 90% of all overpayments created are due to the claimant failing to advise us of changes in their circumstances, with only the remaining 10% being due to official error by the authority. It is the responsibility of the claimant to report the change; it is the responsibility of the authority to ensure claimants are aware of their responsibility. We do this by:

- Regularly reviewing the HB notification letter wording to emphasise this requirement. We have done this in collaboration with our Social Welfare Advice partners.
- Running regular publicity campaigns to raise awareness. The last campaign ran in 2017/18.
- Simplifying the reporting arrangements. Changes can now be reported over the phone and we have introduced an on-line changes reporting form.

### **5.3b Processing changes in circumstances promptly, to avoid overpayments.**

Ensuring changes in circumstances that are reported to the Authority are processed promptly is one of the critical measures that can reduce overpayments; in particular those which are identified as local authority (LA) error. To achieve prompt processing and mitigate LA error we:

- Target work processing changes which may result in a detrimental change.
- Focus resources on change in circumstance work types.
- Correspond with claimants via email, where this is expressed as their preference; to speed up decision making.
- Our Risk Based Verification (RBV) tool minimises the requirement for claimants to provide evidence where possible, speeding up decision making.
- DWP now administer changes through 'Real Time Information' (RTI). This direct feed of data from HMRC is as a result of the HMRC cross-checking their employment records and earnings details against the earnings being used in HB claims (DWP data). If any mismatch is found the DWP will let us know what records they have and we apply the information to our own claims.

Close management of work queues has continued to ensure work is processed on a timely basis and as can be seen from the table at para. 2.2 above, our decision making for changes has significantly improved from 14 days 7 years ago to an average of 9 days for 2017/18.

### **5.3c Reducing human error in Housing Benefit assessments.**

As part of our on-going performance management regime we have taken the following steps to improve communication, provide staff with the necessary

information and resources they need to improve their decision making and refreshed their knowledge website to be more intuitive to search for help.

Some keys activities are:

- The QA regime continues to support staff to carry out their role
- The QA team support the QA regime for an additional 2 months of the year since 2017
- Early in 2018 Quality Check software was used to randomly *spot check* decision making prior to an award
- Carried out a further training needs analysis to identify the most relevant training needs
- The QA Manager chairs a monthly “Change and Improvement Board” meeting with all operations managers. The issues relating to quality of work, errors and training needs highlighted are discussed and arrangements agreed to inform and support staff
- QA Manager regularly briefs all processing staff on any quality issues found throughout the audit and answers questions and queries from the staff.
- QA Top Tips continue to pick out the most relevant points to note and reminders and are valued by the staff.

### 5.3d Minimising Local Authority (LA) Overpayment Error

LA error is where a LA has made an error, or been slow to make a decision on a claim, thus compounding the length and amount of overpayment or where a decision was assessed as inaccurate under the legislation. To reduce the occurrence of LA error the DWP has an incentive scheme. The way it works is if we keep our LA error overpayments low (below 0.54% of the total subsidy claimed), the DWP will pay us an incentive subsidy based on the value of overpayment we create. If we keep the LA error level below 0.48% of the overall HB subsidy the LA could retain up to 100% of the incentive award.

For Leicester this has been a challenge. As can be seen from the table below, our ability to hit the target is inconsistent. The table details by year the total value of LA Overpayments (OP) identified before the audit, the target to reduce LA error in order to receive the incentive (this is the maximum subsidy incentive we could receive), the value of the subsidy received before audit qualification and actual incentive received post qualification.

Financial Year	Total value of LA OP identified before the audit	LA target to receive incentive	Maximum Subsidy Incentive	Initial Incentive received	Actual incentive received post qualification
2017/18	£672K	£636K	£566K	NIL	NIL
2016/17	£629K	£679K	£604K	£252K	NIL
2015/16	£1M	£707K	£629K	NIL	NIL
2014/15	£647K	£706K	£628K	£258K	NIL
2013/14	£705K	£722K	£642K	£282K	NIL

In the 2013/14, 2014/15 & 2016/17 initial assessments Leicester received incentive payments. However following the audit, our LA error overpayments exceeded the

thresholds therefore Leicester had subsequently not meet the criteria and this money had to be returned to the DWP.

To achieve an incentive payment the service is undertaking the following actions – this is in addition to (point 5.3b) reducing change in circumstance decision making time:

- All LA error overpayments have their classification validated
- Any LA error over £300 is scrutinised for accuracy
- Overall LA error performance is closely scrutinised at monthly Senior Management meetings, a standing discussion item at 1:1 meetings and reported at the Divisional Director meetings.

### **5.3e Ensure that every penny of subsidy the authority is entitled to claim is claimed**

The Service has its own QA team whose primary role is to quality check and report on the work undertaken across the service. 50% of the staff on the team are QA officers; a dedicated group of staff focussed on doing just this - checking the accuracy of HB assessments. They work within a tight regime, led by the external audit routine. The time it takes to carry out the audit detracts the team from their role of carrying out QA checks throughout the year to proactively reduce the occurrence of errors and address trends as they appear. As a result, the QA officers are constantly “on the back foot” and are unable to gain ground on repeated errors thus ending the cycle of repeat audit testing.

We regularly challenge the auditor findings, more successfully than not. The QA Manager is particularly proficient in this challenge arena. We regularly provide evidence of the proactive work the service undertakes to turn around our error rate. We are already noticing change following the introduction of the Quality Check software and believe this will go some way to help minimise loss.

### **5.3f Ensure efficient overpayment recovery processes are in place**

All errors, whether due to the claimant failing to tell us of changes or where the authority is slow in processing work, result in overpayments the authority has to recover. Timely recovery of these overpayments is therefore one of our main priorities.

In recent years the introduction of RTI (see point 5.3b) has improved the accuracy of claims; however the disadvantage for the authority, as a direct result of RTI, is the value and volume of HB overpayments. Large claimant error overpayments have significantly increased, placing additional administrative, resource and financial burden on the authority.

We have introduced processes that have improved the customer experience. Recovery of overpayments is a difficult and sensitive matter and we have endeavoured to work with our advice partners to improve our approach.

We have in place :

- A corporate debt recovery policy
- An overpayment recovery improvement plan
- The content of all HB overpayment notification letters has been revised

- Notification of overpayments, how and where to pay is more timely
- We made it simpler for claimants to pay back their overpayments
- Where different recovery methods (via the Business Service Centre) are required these are adopted at an early stage.

The new processes in place are having a positive impact on our ability to collect outstanding overpayments, as our recovery percentage in year has increased from 58% to 90% over the last four years. This means we are more successful in collecting debt, but on the other hand we are still creating more overpayments than we are recovering. The table details the overpayments created in the year and the amount recovered in the year (the recovered payments do not necessarily relate directly to the debt created in year).

<b>Summary of HB overpayment by year</b>			
<b>Financial Year</b>	<b>Total overpayments created in year (£M)</b>	<b>Total overpayments recovered in year (£M)</b>	<b>% recovered in year</b>
<b>2017/18</b>	6.626	5.969	90%
<b>2016/17</b>	6.627	5.384	81%
<b>2015/16</b>	7.484	4.705	63%
<b>2014/15</b>	6.387	3.625	58%

It is clear that a greater number of overpayments are being created; this is as a direct result of the proactive work that we are undertaking through RTI. In fact approximately 25% of all 2017/18 overpayments were as a result of this DWP proactive work.

## **6. Risks and Issues.**

There remains a significant risk with the HB subsidy audit due to the nature of the business however the service remains confident our plans and measures will maintain the current trend of reducing subsidy loss and increased overpayment recovery.

<b>HB Subsidy Audit Risk and Issues 2018/19</b>		
<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
<b>External auditors fail to carry out the audit in a timely manner</b>	Leaves LA with unachievable timeframe to effectively challenge findings, thus DWP subsidy clawback could be higher.	Regularly chase for attendance.  Escalate within external auditor management lines.  Write to DWP to request an extension to subsidy submission
<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
<b>Increased number of</b>	LA error increases	Challenge DWP to

<p><b>change of circumstance (COC) work items from:</b></p> <ul style="list-style-type: none"> <li>• New DWP initiatives placed on LA's</li> <li>• Universal Credit change notice</li> <li>• VEP (verified earnings process) which is replacing RTI.</li> </ul>	<p>LA error target not achieved – no incentive awarded</p> <p>COC processing target not achieved</p> <p>Customer dissatisfaction</p>	<p>sufficiently fund new working methods (new burdens funding)</p> <p>Explore alternative processing solutions</p>
<p><b>Loss of staff resources/administration budget</b></p>	<p>Loss of staff - assessment knowledge disappears</p> <p>COC target not met</p> <p>Loss of income to the Council</p> <p>LA error increases</p>	<p>Explore funding solutions</p> <p>Review support functions</p> <p>Improve staff retention</p> <p>Improve staff morale</p> <p>Complete training support package</p>
<p><b>Overpayments increase</b></p>	<p>Higher customer contact</p> <p>Greater resource demand and admin cost to recover debt</p> <p>Greater financial burden (bad debt provision)</p>	<p>Timely processing of COC</p> <p>Improve accuracy of claim decisions</p> <p>Run COC awareness campaigns</p> <p>Explore business processing efficiencies</p>

## 7. What's new for 2017/18 and beyond?

The Audit process is unlikely to change in the near future, so the QA Team resource will continue to be utilised as it is now, on the audit process for the majority of time. The service will address the funding and workload challenges, whilst also continually striving to push the boundaries and stretch performance to continue to maintain a downward trend.

Our aims for 2018/19 are:

- Change in circumstance (COC) processing target is 6 days
- LA error target between 0.48% - 0.54% of overall subsidy grant
- Stretch LA error target of below 0.48%
- Retain no less than 50% of the incentive payment
- Meet the HB subsidy November deadline
- Maintain the downward trend in HB subsidy clawback
- Realise the benefits of the overpayment recovery improvement plan
- Business efficiencies achieved through our new customer portal where COC can be reported and automatically calculated
- COC campaign autumn 2018
- Deliver and evaluate gap analysis to deliver focussed training

The outcomes, achievements and challenges of these aims and objectives within this report will be regularly reported to the Head of Service and monitored by Director of Finance. Should any significant slippage, risk or loss be identified this will be reported to the Committee for their consideration.

## **8. Financial, legal and other implications**

### 8.1 Financial implications

This report sets out the issues surrounding the loss of Housing Benefit Subsidy and the actions being taken to minimise clawback, retain some incentive grant and to drive further improvements.

Colin Sharpe, Head of Finance, ext. 37 4081

### 8.2 Legal implications

Although there are no specific legal implications arising from this report at this stage aside from those set out in legislation which relate to clawback. The focus of the team should be to continue to minimise any clawback and to have robust processes in place to achieve this.

Sukhdeep Kaur, Solicitor, ext 37 2680

### 8.3 Climate Change and Carbon Reduction implications

There are no significant climate change implications associated with this report.

Aiden Davis, Sustainability Officer, ext. 37 2284

### 8.4 Equalities Implications

There are no equalities implications arising directly from this report, as it is an update report with no recommendations for any changes which would affect service users.

Hannah Watkins, Equalities Manager ext. 37 5811

### 8.5 Other Implications

N/A

## **9. Background information and other papers:**

Housing Benefit Subsidy and Improvement Regime - Audit and Risk Committee, 3<sup>rd</sup> August 2016.

## **10. Summary of appendices:**

None

**11. Is this a private report**

No

**12. Is this a “key decision”?**

No





# Appendix D



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

Audit & Risk Committee

Date of committee meeting: 12<sup>th</sup> September 2018

Lead director: Alison Greenhill

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### **Useful information**

- Report author: Stuart Limb (Corporate Investigations Manager)
- Author contact details: 0116 454 2615

## **1. Purpose of report**

- 1.1 The purpose of this report is to provide the Audit and Risk Committee with an update on the National Fraud Initiative (NFI) exercises currently underway.

## **2. RECOMMENDATIONS**

- 2.1 This report is for information only.

## **3. BACKGROUND**

- 3.1 The Council has participated in the National Fraud Initiative since it was introduced in 1996. The exercise is managed by the Cabinet Office and is a bi-annual web based data matching exercise which involves electronically matching data from a number of sources in order to identify possible fraud or irregularity.
- 3.2 There are two separate NFI exercises that the Authority participates in. One involves data matching with external organisations, including other councils and the second involves matching data held within the Council. This report provides an update on both the external exercises.
- 3.3 With effect from March 2016 all benefit fraud is investigated by the Department for Work and Pensions (DWP), however the Cabinet Office still require the authority to undertake an initial check of the Housing Benefit claims before passing the matches to the DWP to investigate.

## **4. REPORT**

- 4.1 Data for the 2016/17 external NFI exercise was submitted to the Cabinet Office in October 2016 and data was available for checking by the Authority from 24th January 2017 and is expected to be completed by December 2018.
- 4.2 The Cabinet Office (CO) matched over 11,000 of Leicester's data sets, of these the CO recommended 2,452 for examination. Officers prioritise the 'gold starred' matches which the CO highlight as the most likely to result in an error or fraud being identified. Due to the nature of the software we are unable to identify how many gold star matches Leicester received. 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 to identify whether there is a requirement to resource further investigation.

### **Matches undertaken by 1<sup>st</sup> August 2018**

Total Matches	Recommended	Matches checked	Errors Identified	Frauds	Identified overpayments
11,739	2,452	7,008	310	3	£145,057

4.3 The exercise is coordinated by the Corporate Fraud Team (CFT) with matches initially issued to officers in the relevant services to check. Should any matches identify possible fraudulent activity this will be referred to the CFT to carry out a formal investigation. For 2016/17 data sets 3 matches have led to fraudulent activity have been identified.

4.4 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
- 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
- Private residential care homes to DWP deceased register
- Housing Benefit Claimants who also appear on a local authority payroll
- Council Tax Reduction Scheme to Payroll

4.5 The exercise has its limitations, for example the matches identified may have subsequently been reported to the LA or already reported and not yet actioned. This leads to only 310 errors identified, less than 0.5% of the 7,000 matches checked by staff

4.6 The exercise will be concluded by the end of December 2018.

## 5. Financial, legal and other implications

### 5.1 Financial implications

There are no direct financial implications arising from this report. However, the initiatives described in this report are intended to detect fraud (which is an offence of a financial nature) and error, which can cause significant financial loss to the Council.

Colin Sharpe, Head of Finance

### 5.2 Legal implications

From 1 April 2015, responsibility for NFI passed from the Audit Commission to the Cabinet Office. NFI exercises use the powers given to the Minister for the Cabinet Office by Part 6 of the Local Audit and Accountability Act 2014. The existing code of data matching practice will continue in effect until the Minister for the Cabinet Office issues a new code.

The code is subject to review following completion of each NFI exercise. Any changes proposed to the code will be consulted upon before a new code is finalised and laid before Parliament.

Kamal Adatia, City Barrister & Head of Standards

### 5.3 Climate Change and Carbon Reduction implications

There are no significant climate change implications arising from the attached report.

Aidan Davis, Sustainability Officer

## 6. Other Implications

None

## 7. BACKGROUND PAPERS

None – Information on the National Fraud Initiative is available at <https://www.gov.uk/government/collections/national-fraud-initiative>

## 8. CONSULTATIONS

None

## 9. REPORT AUTHOR

Stuart Limb  
Corporate Investigations Manager 0116  
4542615





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## **Review of the Anti-Fraud, Bribery and Corruption Policy**

Audit & Risk Committee

Date of committee meeting: 12 September 2018

Lead director: Alison Greenhill

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### **Useful information**

■ Report author: Stuart Limb (Corporate Investigations Manager)

■ Author contact details: 0116 454 2615 / 37 2615 [stuart.limb@leicester.gov.uk](mailto:stuart.limb@leicester.gov.uk)

## **1. Purpose of report**

- 1.1 The purpose of this report is to request the Audit and Risk Committee review and approve the Council's Anti- Fraud, Bribery and Corruption Policy.

## **2. RECOMMENDATIONS**

- 2.1 The Audit and Risk Committee is recommended to:
- a) note and comment on the report; and
  - b) approve the minor amendment to the Anti-Fraud, Bribery and Corruption Policy.

## **3. BACKGROUND**

- 3.1 The Council has had an Anti-Fraud, Bribery and Corruption Policy for a number of years which demonstrates its commitment to addressing fraud and corruption. The purpose of the policy is to ensure that members and officers take the necessary steps to prevent, deter, detect and investigate fraud and that the Council has in place proper procedures to prevent corruption including bribery.
- 3.2 The policy was last significantly updated following the introduction of the Bribery Act 2011 in July 2011.
- 3.3 The Anti-Fraud, Bribery and Corruption Policy for approval is included as Appendix 1.

## **4. REVIEW OF THE CURRENT POLICY**

- 4.1 The revisions to the Anti-Fraud & Corruption Policy are minimal, and can be found under reference Internal Audit on page 21 of the policy which reflects that the Council's internal audit function is now delivered by Leicestershire County Council.
- 4.2 The forthcoming review of the Committee's Terms of Reference will recommend that the Committee formally reviews the policy every three years, rather than annually. This is because a significant revision has not been required for over seven years and the governance of the policy can be as robust over a longer review period. Within the Revenues & Customer Support Service our policy review regime is every three years. Any relevant legislative changes or circumstances which warrant any earlier review between the formal review



periods would mean the policy would return to the Committee for review outside of this timeframe.

## **5. THE POLICY IN PRACTICE**

- 5.1 The policy identifies the need to embed combatting the risk of fraud and corruption, including bribery, into the culture of the organisation. Managers and employees are provided with advice and training to ensure that they consider ways to minimise the risks of fraud, bribery and corruption as part of their day-to-day duties. Guidance on this and further advice for managers is provided in documentation supporting the Policy as well as from the Corporate Investigations Team.
- 5.2 The policy also identifies the need to provide adequate investigative resources to support managers in deterring, detecting and preventing fraud, bribery and corruption. The Corporate Fraud Team is dedicated in proactively placing this policy at the heart of service delivery and enforcing a stance of zero tolerance to such behaviour.
- 5.3 The prevention, detection and investigation of financial irregularities including fraud and corruption (which may involve bribery) are an important activity for local authorities. The Corporate Investigations Team considers cases of suspected fraud and irregularity other than Council Tax and Housing Benefit. There are no direct comparisons with staffing levels of other local authorities.
- 5.4 In addition to undertaking specific investigations, the team co-ordinates the National Fraud Initiative (NFI) data matching exercise and measures and assess the risk of fraud and corruption and exception reporting using council systems, e.g. exception reporting of payroll data may identify individuals who regularly receive amounts in excess of their contracted salary, indicating potential excessive amounts of overtime. Such reports may also reveal excessive expense claims or processing errors.
- 5.5 The team support managers by providing advice, fraud awareness training and carrying out proactive work. Over the past 12 months we have delivered fraud awareness training to various sections including new starters, Housing staff and the Income Management Team. Work has also been undertaken to proactively check School Admissions, Right To Buy applications and Tenancies in an effort to minimise the risk of fraud.
- 5.6 The Corporate Investigations Team in collaboration with Leicestershire County Council is producing an e-learning package which will provide online training to assist staff in understanding the risk of Fraud, Corruption and Bribery. This will be a mandatory training package for officers of the council. The package will be available from April 2019.

## **6. Financial, legal and other implications**

### 6.1 Financial implications

There are no direct financial implications arising from this report. However, theft, fraud and corruption, including bribery, are all offences of a financial nature and can cause significant financial loss to the Council.

Colin Sharpe, Head of Finance

## 6.2 Legal implications

The Bribery Act 2010 applies to the Council and/or senior Council personnel (Officers and/or Members) to the extent that it is covered by the offences of bribing another person, being bribed and bribing a foreign public official. Council Officers could be liable for offences committed with their 'consent or connivance'.

In addition, to the extent that it engages in commercial activities, the Council (and any company established by it) is also covered by an offence of failure to prevent bribery (subject to the defence that is available). A defence is available in respect of the offence of failing to prevent bribery if the Council (or company) can show that it had in place adequate procedures designed to prevent persons associated with the Council from undertaking such conduct (bribery).

When reviewing the Policy and the procedures underpinning it, Committee should satisfy itself that the Council's is complying with the 6 Key Principles set out in the Policy and that it is doing all it can to prevent persons associated with it from committing acts of fraud, bribery or corruption

The Report recommends undertaking further reviews of the Policy on 3 yearly cycles however this should be subject to any changes in legislation or guidance. A Review may also be appropriate in response to a major incident or an adverse risk assessment.

Kamal Adatia, City Barrister & Head of Standards.

## 6.3 Climate Change and Carbon Reduction implications

There are no significant climate change implications arising from the attached report.

Aidan Davis, Sustainability Officer

## 7. Other Implications

None

## 8. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

[http://www.legislation.gov.uk/ukpga/1972/70/pdfs/ukpga\\_19720070\\_en.pdf](http://www.legislation.gov.uk/ukpga/1972/70/pdfs/ukpga_19720070_en.pdf)

# **Anti-Fraud, Bribery and Corruption Policy**

## **Content**

**Policy Statement**

**Aims of the Policy**

**Who this policy applies to**

**Introduction**

**Six Principles of Bribery Act 2010**

**Definitions**

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**Role of Human Resources**

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**Reporting & Whistleblowing**

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**Courses of action**

- **Disciplinary action**
- **Prosecution**
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**Monitoring of this policy**

**Appendix 1 Measuring Success**

**Appendix 2 Internal Policy Links**

- **Gifts & Hospitality**
- **Discipline**
- **Employees Handbook**

## **Policy statement**

Preventing fraud is an integral part of ensuring that tax-payers money is used to protect resources for our services. The cost of fraud to local government is estimated at £2.2 billion a year. This is money that can be better used to support the delivery of our front-line services and make savings for our tax payers.

Leicester City Council is totally committed to maintaining a zero tolerance towards fraud, bribery and corruption and to the prevention, deterrence, detection and the investigation of all forms of fraud, bribery and corruption affecting its activities.

## **Aims of the policy**

This policy sets the standard and makes clear the council's zero tolerance against fraud, bribery and corruption and that ALL cases will be investigated thoroughly and dealt with in the appropriate manner.

## **Who this policy applies to**

This policy applies equally to the City Mayor, Members and officers, agency staff, consultants, those contracted to deliver services for or on behalf of the Council and agents of the Council as well as to third parties including members of the public and third party organisations.

## **Introduction**

Leicester City Council has a responsibility for the provision of effective and efficient services to clients and to ensure the protection of the public purse. The Council recognises that failure to implement effective anti-fraud measures can undermine the standards of our public services.

The council does not, and will not, engage indirectly in or otherwise encourage bribery, nor does it wish to be associated with any organisations that does or has done so. This extends to all third parties whether such conduct is associated with business on behalf of the Council or not.

The Council will not commit the offence of failing to prevent bribery, providing that we can show that we have adequate procedures in place to prevent bribery. We provide adequate investigative resources to support managers to deter detect and prevent fraud, bribery and corruption.

In an effort to establish and promote a culture of integrity, openness and honesty in the conduct of the Council's business, thereby reducing levels of fraud, bribery, corruption and financial irregularity, the council follows the key six principles as set out in the Bribery Act 2010.

## **Proportionality**

Adequate bribery prevention procedures are proportionate to the bribery risks that the council faces.

The procedures & policies of the council are put in place to prevent bribery and are designed to mitigate identified risks as well as to prevent deliberate unethical conduct on the part of associated persons.

## **Top Level Commitment**

Continued support from the Senior Managers fosters a culture of integrity where bribery is unacceptable. With this support from members and directors we can promote a zero tolerance culture and ensure that we make sure that our staff understand that bribery is not tolerated and to take the necessary action to address any risks.

## **Risk Assessment**

Risk management is all about managing the council's threats and opportunities. By managing the council's threats effectively, we will be in a stronger position to deliver the council's objectives. It is acknowledged that risk is a feature of all business activity and is a particular attribute of the more creative of its strategic developments. The council accepts the need to take proportionate risk to achieve its strategic obligations, but expects that these are properly identified and managed. By managing these opportunities in a structured process, the council will be in a better position to provide improved services and better value for money.

### **The council will undertake to: -**

1. Identify, manage and act on opportunities as well as risks to enable the council to achieve its objectives and integrate risk management into the culture and day to day working of the council.
2. Manage risks in accordance with best practices and comply with statutory requirements.
3. Ensure that a systematic approach to risk management is adopted as part of Service Planning and Performance Management.
4. Anticipate and respond to changing social, environmental and legislative requirements.
5. Keep up to date and develop our processes for the identification/management of risk.
6. Have in place a defined outline of individual roles and responsibilities.
7. Raise awareness of the need for risk management to those involved in developing the council's policies and delivering services.
8. Demonstrate the benefits of effective risk management by
  - Cohesive leadership and improved management controls;
  - Improved resource management – people, time, and assets;
  - Improved efficiency and effectiveness in service and project delivery;
  - Better protection of employees, residents and others from harm;
  - Reduction in losses leading to lower insurance premiums; and,
  - Improved reputation for the council;
9. Ensure risk assessments (identification of, and plans to manage, risk) are an integral part of all plans and proposals to the Executive; Corporate Management Board and Strategic Directors.

10. Recognise that it is not always possible, nor desirable, to eliminate risk entirely, and so have a comprehensive insurance programme that protects the council from significant financial loss following damage or loss of its assets.

### **Due Diligence**

We need to know exactly who we deal within the council and to protect our organisation from taking on people who are less trustworthy.

The council conducts Due Diligence on all third parties that they form a partnership with. It is encouraged that if there are any material changes to the business or relationship, Due Diligence is re-evaluated to ascertain if the relationship and its risk level have changed.

### **Communication (including training)**

The council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal, including training, that is proportionate to the risks it faces.

The council will ensure that all levels of employees are aware of this policy via the internal processes.

We ensure that fraud and bribery and awareness training is conducted with new staff, existing and members.

### **Monitor and Review**

We face the risk of the effectiveness of our procedures and these may change over time. We will measure the level of fraud and corruption across the Council and introduce and maintain measures ensuring that policies and procedures are kept up to date with any changes in the bribery risk by utilising the full range of integrated actions available to prevent, detect, sanction and seek redress for fraud, bribery and corruption.

We ensure that policies and procedures designed to prevent and deter fraud; bribery and corruption are adopted and consistently implemented across the Council.

For the purposes of this policy fraud, bribery and corruption are defined as follows:

**Fraud** – dishonestly making a false representation, failing to disclose information which there is a legal duty to disclose or abuse of position to make a gain for their self or another, or to cause loss to another or to expose another to a risk of loss.

**Bribery** - giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so.

**Corruption** - Forms of corruption vary, but include bribery, extortion, patronage and embezzlement. By its nature corruption can be difficult to detect as it usually involves two or more people entering into a secret agreement.

## **The Fraud Act 2006**

The act defines fraud as being committed in three main ways:

### **Fraud by false representation**

A person commits an offence when they dishonestly make a false representation and intends by making:

- A gain for himself or another
- Cause loss to another person
- Expose another to a risk

### **Fraud by failing to disclose information**

The offence is committed where a person is dishonestly fails to disclose information where there is a legal duty and intends to do this by making:

- A gain for himself or another person
- To cause a loss or expose another to the risk of a loss.

### **Fraud by abuse of position**

This offence is intended to prevent the dishonest abuse of those in a position who are considered being in a role of trust and safeguarding and not acting against the council financial interests and intends to abuse the position by:

- Making a gain for himself or another
- To cause a loss or expose another to the risk of a loss.

The following actions could constitute a fraud or corruption may include and is not limited to

- Forging or altering council documents or accounts
- Forging or altering cheques, bank drafts or any other financial documents
- Misappropriation of funds or other assets
- Receiving a financial gain from releasing inside knowledge or council activities
- Disclosing confidential information to outside parties
- Failure to declare an interest
- Giving and receiving of high end Gifts and Hospitality in the course of tenders or new business ventures and contracts.

## **The Bribery Act 2010.**

### **Criminal**

The introduction of this new corporate criminal offence places a burden of proof on companies to show they have adequate procedures in place to prevent bribery. The Bribery Act also provides strict penalties for active and passive bribery by individuals as well as companies.

Individuals found guilty can face an unlimited fine and imprisonment up to ten years. Where Leicester City Council itself is found guilty of any of the key offence then the penalty is an unlimited fine.

An employee of the council who performs the function or activity and is in a position of trust, even if it has no connection with the United Kingdom, and is performed in a country

or territory outside the United Kingdom can still be prosecuted under this legislation.

### **Basic Definitions of Bribery:**

- In order to secure or keep a contract
- To secure an order
- Gain an advantage over a competitor
- Giving of facilitation payments to government officials.

### **Section 1 of Bribery Act 2010**

General Offence of offering, promising and giving

### **Section 2 of Bribery Act 2010**

Agreeing, Receiving and Accepting

### **Function or activity to which bribe relates**

Any function of a public nature,  
Any activity connected with a business,  
Any activity performed in the course of a person's employment,  
Any activity that is expected to perform in good faith.  
Performing a function or activity that is expected to perform it impartially.

**Section 6** creates an offence relating to the bribery of a *foreign public official*. The definition applies to individuals who hold a position or exercise a public function.

Common examples include:

- Government ministers and civil servants
- Local government members and officials
- Police
- Security agencies such as immigration and border controls

### **Facilitation Payment**

The definition of a facilitation payment is one where a payment is made to a public official intended to secure an official action. These types of payments are a particular form of bribery that may also be referred to as 'kickbacks' and 'backhanders'

### **Section 7**

This section creates the corporate liability for failing to prevent bribery on behalf of the organisation. The council will be liable to prosecution if a person associated with it bribes another person intending to obtain or retain business or an advantage in the conduct of business for that organisation. The council will have a full defence if it can show that despite a particular case of bribery it nevertheless had adequate procedures in place to prevent persons associated with it from bribing.

Please note: **The timing of gifts & hospitality is most relevant shortly before, after or during a tendering process and is inappropriate as this can be construed as a bribe, offered with the intention to 'close a deal'. Therefore staff should not accept any during this process**



## **Summary of Gifts & Hospitality**

All employees must not receive any reward or fee other than their proper remuneration. As a general rule, you should tactfully refuse offers of gifts, hospitality or services from organisations or persons who do, or might, provide work, goods or services to the City Council or who require a decision from the City Council and/or within the tender process.

The full guidance can be found at 7.7 in the Code of Conduct for council employees.

The giving and receiving of cash is prohibited.

It is of vital importance that the possibility of you being deemed by others to have been influenced in making a business decision, as a result of accepting such hospitality, should be avoided at all costs, for your own protection.

All interests you may have must be declared to your line manager by recording them on MyView. If you are unable to access My View a 'Register of Interests form' can be obtained from your line manager and returned to the Employment Services Centre.

## **Responsibilities**

### **Human Resources**

Whilst most individuals appointed into positions within the council are on their own merit and experience, HR are responsible for ensure that all staff are screened and made aware of their responsibility and contractual obligations in relation to anti-fraud, bribery and corruption policies and procedures.

The council has in place a Contra Indicator Risk Assessment Process – Criminal Record Information policy that must be adhered to.

All applicants are required to complete an application form and must declare any criminal convictions. It is a requirement that the council conducts a police check under the Disclosure and Barring Service (DBS).

Further information can be found on this policy under HR Policies.

### **All Staff**

Failing to prevent bribery is an offence on its own, so ALL staff have a requirement to report any suspicious fraud, theft, bribery or corruption. The penalties for not reporting a bribe are of the same level of receiving and giving of a bribe.

It is important that employees do not try to handle the issue themselves.

Poorly managed investigations or improper interference could potentially disrupt prospective criminal investigations/prosecutions. There are a number of procedures which have to be followed.

The council encourages all staff to report any suspicious activities and will be treated seriously and in confidence and will protect those who have done so (even if the suspicion is unfounded and not made maliciously.) This is set out in the Whistleblowing policy.

## **Management**

Managers are in the best position to promote and encourage the reporting of all suspicious activity and provide support to employees.

Managers are responsible for maintaining their own internal controls and identify risks that are exposed and conduct risk assessments where required and all controls are being complied with.

## **Internal Audit**

The function of Internal Audit has been delegated to Leicestershire County Council and as an independent and objective service is there to help the city council achieve its objectives by providing assurance on the management of its risks.

They see how well the procedures and controls in place within the system or process prevent the risk occurring or lessen its potential impact. They do this by testing to see whether the procedures are operating effectively. They report to managers and Members on whether risks have been identified and whether they are being well managed.

## **Corporate Investigation Team**

The Corporate Investigation Team can and will conduct criminal investigations of any internal and external allegation when it is deemed applicable. This is achieved through criminal and/or civil courts. The council will also look to take the appropriate actions of the retrieval of any goods or money.

## **Avenues for reporting any suspicious activity.**

You can report your concerns in a number of ways:

- Contacting Corporate Investigations directly by means of email to the Investigation mailbox or contacting us directly on 0116 454 6490
- Using the Whistleblowing line. This procedure is set out in the council policy.
- Reporting to their line manager or the most appropriate employee.

## **Detecting**

The council has in place numerous measures in detecting and preventing fraud, bribery and corruption. The CIT coordinates the National Fraud Initiative (NFI) data matching exercise which is a mandatory exercise as required by the Cabinet Office. The NFI measures and assesses the risk of fraud and corruption using council systems, e.g. exception reporting of payroll data may identify individuals who regularly receive amounts in excess of their contracted salary, indicating potential excessive amounts of overtime and expenses.

The council is currently leading a group of 10 Local Authorities in a project funded by the Department for Communities and Local Government (DCLG) to identify, isolate multiple potential frauds being committed against members in other Local Authorities by verifying applications and also to identify potential irregularities. This project looks to share best practice and create a single intelligence hub which will hold hundreds of thousands of records which can be interrogated.

All other irregularities, including those reported via the Whistleblowing process will be investigated by the Corporate Investigation Team.

## **Whistleblowing**

Leicester City Council is committed to conducting its business with honesty and integrity and it expects all staff to maintain high standards of conduct. All organisations, however, face the risk of things going wrong from time to time, or of unknowingly harboring illegal or unethical conduct. A culture of openness and accountability is essential in order to prevent such situations occurring or to address them when they do occur.

The whistleblowing policy sets out the parameters of reporting any illegal and unethical conduct

The staff is encouraged to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate and that their confidentiality will be respected.

Management are to reassure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken.

The whistleblowing policy however is NOT to be used to raise concerns with personal circumstances, such as the way staff member is treated at work or if they have a grievance against another member of staff.

If a member of staff prefers not to approach their manager, staff can report their concerns directly with the Monitoring Officer.

- External disclosure – The law recognises that in some circumstances it may be appropriate for you to report your concerns to an external body such as a regulator. It will very rarely if ever appropriate to alert the media.

## **Courses of Action**

Under their work section 7.4 of the City Council's Finance Procedure Rules, the Corporate Investigation Team have authority and access at all times to:

- Any City Council property
- Access to all data, records, documents and correspondence relating to any financial or any other activity of the City Council.
- Access to any assets of the City Council
- Require from any member, employee, agent, partner, contractor or persons engaged in City Council business any necessary information and explanation.

### **Disciplinary**

The CIT will make recommendations of disciplinary action as and when it is required to do so.

### **Prosecution**

The Corporate Investigation Team can and will conduct criminal investigations of any internal and external allegation when it is deemed applicable. This is achieved through criminal and/or civil courts

## **Consequences**

Failing to comply and prevent under the Bribery Act 2010 could result in an unlimited fine or imprisonment for an individual and for the council, an unlimited fine.

Failure to adhere to the internal policies and procedures may lead to gross misconduct and the dismissal of the employee.

## **Desired outcomes of the policy**

- A high profile and awareness of fraud, bribery and corruption throughout the Council.
- Greater management awareness of the risk of fraud, bribery and corruption.
- Improved management controls arising from better risk assessments.
- Improved compliance with Council policy, procedures and practices, for example Finance Procedure Rules and Contract Procedure Rules as evidenced by on-going management monitoring, Internal Audit reviews and the level identified fraud and irregularity.

## **Measuring success**

The following indicators will be used to monitor the effectiveness of the Anti- Fraud and Corruption Policy and Strategy:

- The number of suspicions of fraud identified by, or referred to, the Corporate Investigations Team.
- The number of cases investigated in which fraud or corruption is proven.
- The value of amounts misappropriated (of all kinds including employee time), both in absolute terms and as a proportion of the Council's annual budget.
- Periodic surveys by the Corporate Investigations Team to ascertain the level of management's awareness of fraud, bribery and corruption.
- The number of employees disciplined for offences involving fraud, bribery or corruption

## **Review & monitoring of the Policy**

The revisions to the anti-fraud, bribery and corruption policy and the guidance on managing this policy are held with the Audit and Risk Committee.

However, the onus lies with Managers to ensure that they have in place processes that place sufficient measures to ensure compliance with the Bribery Act.

## **Conclusion**

The council is committed to the high profile and awareness of fraud, bribery and corruption. Improved compliance within Council policies and practices, for example Finance Procedure Rules and Contract Procedure Rules, as evidenced by on-going management monitoring, Internal Audit reviews and the level of identified fraud and irregularity and promote its zero tolerance on fraud, bribery and corruption.

## Appendix 1

### Managing the Risk of Fraud and Bribery

Comprehensive advice on managing risk is available on INSITE. This guidance is intended to help Directors and managers manage the risk of fraud and bribery so avoiding the loss of public funds, the risk of prosecution and reputational damage.

#### 1. Identify the risk

- Do you or your team handle cash?
- Do you or your team award contracts, procure goods or services, approve grants, deal with schools admissions, grant licenses, allocate tenancies, approve planning applications, have access to payroll, Housing Benefit and other payment systems?
- Are there any areas within your work area that may face the risk of bribery?

#### 2. Assess the risk

- What is the likelihood of fraud or bribery occurring?
- What would be the impact if it did happen – what losses would the Authority suffer and what consequences might the Authority face?

#### 3. Manage the risk

There are four options available to you once you have completed the steps above.

- Tolerate the risk, in other words accept it
- Treat the risk, take steps to introduce controls to prevent or deter fraud or bribery, and measures to ensure that any fraud or bribery committed is swiftly identified, including those responsible
- Transfer the risk
- Terminate the risk

#### 4. Monitor the Risk

- Have you implemented the chosen control measures? Are the controls working?
- Are there any new problems?

#### 5. Reviewing and Reporting

- All information relating to the identified risk should be recorded on a risk assessment form or risk register and a named individual should be identified who will be responsible for introducing, implementing and managing the effectiveness of each control measure.

## Appendix 2

<http://interface.lcc.local/our-organisation/corporate-resources-and-support/hr-employment-and-organisational-development/human-resources-employment/employee-policies-procedures-and-guidelines/all-policies/appendices/appendix-v/>

## Disciplinary

<http://interface.lcc.local/our-organisation/corporate-resources-and-support/hr-employment-and-organisational-development/human-resources-employment/employee-policies-procedures-and-guidelines/all-policies/appendices/appendix-x/>

For further details on the initial assessment and investigation can be found at <http://interface.lcc.local/our-organisation/corporate-resources-and-support/hr-employment-and-organisational-development/human-resources-employment/employee-policies-procedures-and-guidelines/all-policies/appendices/appendix-v1/>



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# Corporate Complaints (Non- Statutory) 2017/18

Audit & Risk Committee

Date of committee meeting: 12<sup>th</sup> September 2018

Lead director: Alison Greenhill

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## Useful information

- Report author: Nilkesh Patel (Service Improvement Manager)

■ Author contact details: 0116 454 2505

■ Report version number plus Code No from Report Tracking Database: V1

## 1. Purpose of report

The purpose of this report is to update the Audit and Risk Committee on corporate non-statutory complaints in 2017/18; and for members to note the improvements, comment upon our actions from the lessons learned and planned future changes.

## 2. Service delivery

2.1 Since April 2016 we have been operating a single stage non-statutory complaints regime, streamlining the process and providing a flexible approach to handling a complaint dependent upon its nature and complexity. The “triage” process successfully determines the route of the complaint and who will need to be involved. During February 2018, Corporate Complaints transferred to Revenues and Customer Support Service (R&CS), as part of the Business Service Centre Review.

2.2 It should be noted that Statutory complaints relating to Adults and Children are not administered by this team and are investigated through a separate statutory procedure.

2.3 Complaints can be submitted in writing, over the phone, by email and through MyAccount. If the customer presents as vulnerable, for whatever reason, at Granby Street Customer Service Centre they will be supported to make a complaint.

### Structure/Roles and Responsibilities – Corporate Complaints

2.4 The Corporate Complaints Team report to the Service Improvement Manager within R&CS. There are two complaints officers, an admin assistant and an apprentice. They manage a complaints case load, utilising the Firmstep DASH workflow and ensure that responses are co-ordinated with the relevant service/division.

### Summary of the annual complaints for 2017/18

2.5 In 2017/18 the total number of complaints received was 1,485, compared to 1,939 in 2016/17, a reduction of 23%. Of the complaints received, 565 (38%) were “triaged” to the appropriate service to respond as a *request for action* such as provide orange bags or a *service request* usually relating to service delivery. This meant a total of 920 were investigated compared to 1,555 the previous year (excluding *requests for action and service*); a reduction of 635.

2.6 Less than approximately 5 customers are unsatisfied with the *request for action/service* categorisation since we introduced this new procedure. This is because we speak to customer and liaise with the service on behalf of the customer; to ascertain if the action they wish to happen can be completed. If this is the case, we categorise this as a *service request / request for action* and the customer issue is resolved.

### Justified complaints



2.7 The team determined that of the 920 complaints independently investigated, 26% were justified, a further 26% were partially justified and 48% were deemed as “not justified” and therefore did not find the authority at fault.

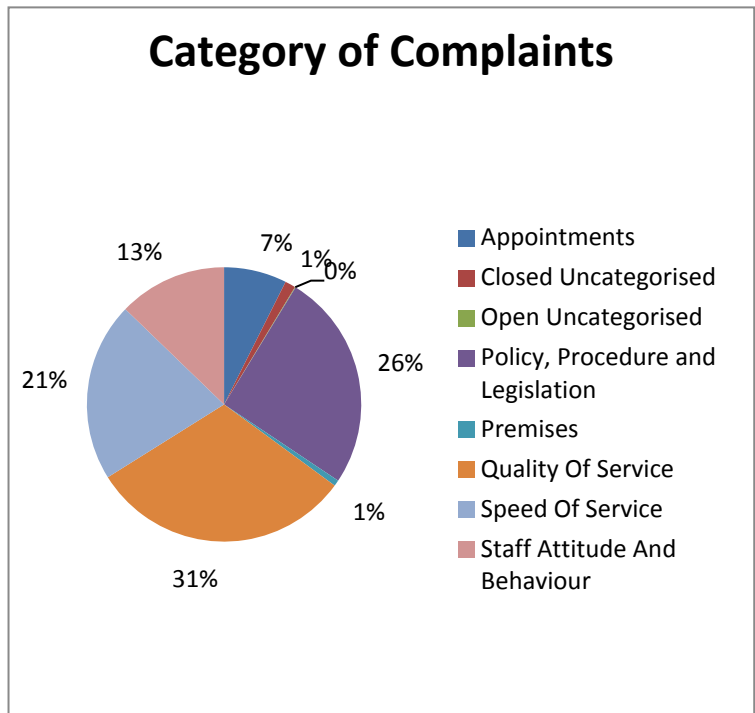
The percentage of complaints found to be justified was slightly lower than the previous year (30%) however the number of complaints received had nearly halved.

The service remains confident complaints that are found to be justified through this independent process are reflective of the service customers receive.

**Why customers complain:**

2.8 Complaints are categorised into the main reasons for the complaint, within a limited list. We categorise each complaint over all the applicable areas that it relates to, therefore the numbers relating to the reason categorisation will *always* exceed the total number of complaints received. These are as follows:

- Appointment
- Policy, procedure and Legislation
- Premises – any complaints relating to leisure centres or premises of LCC
- Quality of Service
- Speed of Service
- Staff attitude and behaviour
- Closed Uncategorised – pending agreement with customer
- Open Uncategorised – where the complaint is still open



The top three categorises of complaint remain, as previously in 2016/17:

1. Quality of service 398 (31%),
2. Policy, procedure and legislation 329 (26%).
3. Speed of service 271 (21%)

The top 15 service areas for which we receive complaints are listed below. Housing Services appear 4 times in the top 6 and Revenues & Customer Services twice. This is unsurprising as they interact with the greatest numbers of customers in demanding areas of council business. It is positive to note Housing repairs complaints have reduced by 33% from the previous year as they have positively engaged with the new triage arrangements. This trend is repeated for Local Taxation complaints, reducing by 47% from 191 to 101 in 2017/18 through improving speed of processing.

<b>Top 15 service areas for complaints</b>	<b>Total</b>	<b>%</b>
Housing repairs	304	33%
Housing Benefits	101	11%
Local Taxation	101	11%
Housing other	89	10%
Housing options	62	7%
Customer services	53	6%
Street scene enforcement	37	4%
Planning management	28	3%
Sports and leisure centres	20	2%
<b><i>Parks and green spaces</i></b>	18	2%
Traffic management	15	2%
Income management	14	2%
Waste management	12	1%
Learning services	12	1%
Licencing and pollution control	6	1%
Remainder	48	5%

2.9 There has been a reduction in the overall number of complaints received over the past year, although we can't isolate a particular reason this is probably as a result of:-

- Services are improving their service offer (Housing and Revenues);
- The on-line triage for reasons why a customer seeks redress has been improved – for example when a customer complains about a decision we now signpost them to the appropriate website; and
- The complaint on-line submission journey may deter customers from making a complaint.

In response to the issue in relation to the customer journey, the Digital Transformation Lead has agreed to undertake a review of the MyAccount customer

journey.

2.10 The team has developed a reporting regime to provide statistical information, at different levels, about the complaints received. In particular, the Service Improvement Manager now has regular meetings with services which receive the highest volumes of complaints (Housing Services and R&CS) to work on how to reduce the issues customer face on a regular basis. The arrangements are summarised in the table below.

Reporting Regime		
	Frequency	Purpose
Chief Operating Officer	Annual	Scrutiny
Corporate Management Team	Annual	Scrutiny
Divisional Directors and Relevant Heads of Service	Quarterly	Scrutiny and to action upon as required
Assistant Mayor for Neighbourhood Services Cllr Kirk Master	Quarterly	Scrutiny
Audit & Risk Committee	Annual	Governance

### 3. Lessons Learned

3.1 Working with other services to understand their business over the last financial year, we have learnt what triggers complaints and where changes can be made to make a difference in our divisions. These include:

- Being proactive to tackle personal injustice: typically the customer wants to be listened to, offered an apology and an opportunity to appeal or request a review of their case. These represent opportunities to mitigate a complaint, usually over the phone.
- Recommendations for service improvements arising from complaint investigations: a review of policies, change to practices, training staff, and raising awareness of issues within the authority and to the public.

### 4. Future Changes:

4.1 There are 5 actions which will make a difference to delivery without compromising the benefits of complaints. These are:

1. Complaints prevention activity to be introduced to services/divisions. As part of the triage process some comments/complaints can be resolved via a quick phone call or email. The complaints officers have trialled this with a few service areas; the process is working well and efficiently in terms of complaints resolution with anecdotal feedback from the customers at the time of the triage indicating a good level of customer satisfaction. This activity has resulted in a reduction in complaints within the services. Therefore we intend to embed this customer liaison into the triage procedure.

2. Service Improvement meetings have been undertaken with the services that receive the largest proportion of complaints. This is an on-going development to improve complaint handling and deliver meaningful customer focussed service improvements.
3. Corporate Complaints Policy. We are considering introducing a Corporate Complaints Policy. This will ensure we meet the good practice outlined by the Local Government Ombudsman (LGO), and comply with our obligations on fairness, transparency and accessibility under (amongst others) the Human Rights Act 1998, the Equalities Act 2010 and the Data Protection Act 2018. The policy would ensure we are complying with the standards the LGO expects of local authorities. The policy is expected to benefit both officers and members of the public as it will outline and clarify the complaints process; ensuring we are fair, open and consistent in our decision making. This will also enable us to manage customer expectations effectively in relation to their complaint. The Complaints Policy will be submitted to this committee for review before publishing on the Council website.
4. We are considering introducing procedures to identify vexatious complainants and set out how these are managed. The procedures will be published on the council's internal intranet site only.
5. The Service Improvement Manager will review the categorisation of complaints to improve analysis.

## **5. Risk and issues:**

5.1 Corporate Complaints handling is continuing to deliver the original aims of reducing complaints and delivering service improvements. The operational risks remain around complaint volumes should they begin to rise through an unforeseen circumstances or as a result of staffing resources. It is a small, effective team and the loss of one officer would inevitably have a negative impact on the delivery of the service.

5.2 Vexatious complainants are a drain on resources both for the Service Improvement Manager who acts a single point of contact and the service areas (multiple service areas are usually involved) attempting to resolve the complaints. This is an issue which will remain despite the introduction of written procedures; however clarity over the administrative arrangements will be widely available which ensure all services are aware of the procedure for dealing with these complainants.

5.3 A formal Corporate Complaints Policy would reduce any procedural risk.

## **6. Financial, legal and other implications**

### 6.1 Financial implications

There are no significant financial implications arising directly from this report –  
Colin Sharpe, Head of Finance, ext. 37 4081.

## 6.2 Legal implications

There are no legal implications arising directly from this report –  
Kamal Adatia, City Barrister & Head of Standards, ext. 37 1401.

## 6.3 Climate Change and Carbon Reduction implications

There are no significant climate change implications associated with arising from this report.

Aiden Davis, Sustainability Officer, ext. 37 2284

## 6.4 Equalities Implications

There are no equality implications, this being an update report.

However, when work on a Corporate Complaints Policy commences it would be useful to complete an equality impact assessment in order to demonstrate that the consideration of equalities impacts has been taken into account.

Surinder Singh Equalities Officer Tel 37 414

## 6.5 Other Implications

N/A

## **7. Summary of appendices:**

None.



# Appendix G

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted





By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted



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