
Counter Fraud Mid-Year Update Report 2020

Audit and Risk Committee

Date of meeting: 24th of November 2020

Lead director: Alison Greenhill

Useful information

- Ward(s) affected: All Wards
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- Report version number: Version 3

1. Summary

- 1.1 The purpose of this report is to provide a mid-year update to the Audit and Risk Committee on the work carried out by the Corporate Investigations Team for the period 1 April 2020 to 30 September 2020.

2. Recommended actions/decision

The Audit and Risk Committee is recommended to:

- a) Receive and comment on the report
- b) Make any recommendations it sees fit to the Executive and/or the Director of Finance.

3. Background

- 3.1 This report includes statistical information on fraud cases identified, referred and, where appropriate, investigated by the Corporate Investigations Team. A report on the Council's counter fraud activity was presented to the Audit and Risk Committee on 22 July 2020 and therefore this report seeks only to update Members on statistical information where it is available.
- 3.2 As part of its work, the Corporate Investigations Team investigates suspected financial irregularities and makes recommendations to reduce the risk of further losses and improve performance, efficiency, effectiveness and economy in the use of resources by the Council.
- 3.3 The work focus during the first half of the financial year has been redirected to provide counter fraud measures associated with the delivery of the Government's support schemes for local businesses as a result of national and local lockdowns during the coronavirus pandemic.

4. Detailed report

- 4.1 During the period covered by this report the Corporate Investigations Team (CIT) have been primarily focused on reactive work as a result of the Coronavirus and associated support schemes. Primarily the work has been the Business Support Grants schemes which saw grants of circa £80m issued by Leicester City Council to local businesses affected by the national and local lockdowns.

- 4.2 A total of 8,458 applications were received from local businesses for financial support. 6,478 applications were received under the main Business Support Scheme, 630 under the discretionary scheme and 1,350 applications were submitted by local businesses under the extended lockdown scheme. As part of these schemes the authority devised and implemented a thorough application process which required documentary evidence to be provided before payments were made.
- 4.3 The bank statements provided as part of the process were verified via the services of a credit reference agency. This allowed an independent check to confirm the validity of the bank account and ownership of the accounts to minimise the risk of losses to fraud. In addition, further verification checks were carried out by utilising the Spotlight tool which was hosted by the Cabinet Office. This IT application confirmed the current trading status and holds the details of the support claimed by the businesses.
- 4.4 As a result of the preventative measures put in place and post payment validation checks to date, suspected criminal investigations into Business Support Grants applications and payments are underway.
- 4.5 The authority also benefitted from membership of the National Anti-Fraud Network (NAFN), which alerted members to phishing emails purporting to be from the business owners which were attempting to obtain unique business account reference numbers. Had these numbers been released this would have assisted the perpetrators to submit false applications. All these requests were refused, and no payments were made.
- 4.6 The team also supported the business grant account fund reconciliations and leads the on-going post payment assurance process required by the Government.
- 4.7 The CIT continues to work across the authority to reduce the risk of loss and fraud; this is a collaborative approach for example verifying Right to Buy (RTB) applications for council homes. All RTBs are subject to background checks and where irregularities or concerns are raised the issues are addressed by Legal Services, the RTB team and corporate investigations. This not only identifies irregularities but provides a higher level of assurance for sales to tenants.
- 4.8 For the period covered by this report the combined loss avoidance and income generated savings is £570,000.

5. Review of Performance

- 5.1 Statistical information on service demand and associated activity for April to September is detailed in the table below.

Registered	149
Screened out	75
Investigations proven	13
Investigations In Progress	145
Cautions Accepted	0
Administrative Penalties Accepted	0
Prosecutions - Successful (Guilty)	0
Total files with Solicitors	4

6 The Year Ahead

- 6.1 The report presented to the Committee on 22 July 2020 outlined the major objectives for the Corporate Investigations Team over coming months. The team will continue to undertake reactive and proactive investigations including data matching exercises to identify and reduce the risk of fraud.
- 6.2 The authority will be required to upload data to the National Fraud Initiative (NFI) portal at the end of October 2020 for matching with other authorities. Matches will be released for checking at the end of January 2021 which will require work to be carried out by the relevant service areas to check the matches. Where fraud is suspected referrals will be made to the Corporate Investigations Team.

7. Financial, legal, equalities, climate emergency and other implications

7.1 Financial implications

Fraud can cause the Council significant loss; hence activity to prevent and detect fraud is a clear financial investment and a key component of good financial control and governance.

Colin Sharpe
Deputy Director of Finance

7.2 Legal implications

Fraud is a criminal offence and therefore represents breach of the law. Other forms of financial irregularity, though not criminal, may be in breach of regulation. The conduct of counter-fraud work of all kinds is bound by law and regulation and the Council is careful to ensure that its activities in this area are properly discharged.

Kamal Adatia
City Barrister & Head of Standards

7.3 Equalities implications

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The report provides a mid-year update to the Audit and Risk committee on the work carried out by the Corporate Investigations Team.

There are no significant equality and diversity implications arising from the report.

Surinder Singh, Equalities Officer

7.4 Climate Emergency implications

This report does not contain any significant climate emergency implications.

7.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

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8. Background information and other papers:

- LOCAL GOVERNMENT ACT 1972
- Leicester City Council's Anti-Fraud, Bribery and Corruption Policy
- Leicester City Council's Finance Procedure Rules
- Leicester City Council's Constitution
- Leicester City Council's Code of Conduct for Behaviour at Work
- Leicester City Council's Information Security Policy Statement
- Leicester City Council's Prosecutions Policy
- Leicester City Council's Investigators Code of Conduct

- Public Bodies Corrupt Practices Act 1889

- Chartered Institute of Public Finance & Accountancy (CIPFA) publication
- *Managing The Risk of Fraud*
- The Prevention of Social Housing Fraud Act 2013

9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

10. Is this a "key decision"?

No