

---

# **Counter Fraud Report 2020**

Audit and Risk Committee

Date of meeting: 21<sup>st</sup> July 2021

Lead director: Colin Sharpe

---

## Useful information

- Ward(s) affected: All Wards
- Report author: Stuart Limb (Corporate Investigation Manager)
- Author contact details: (0116) 454 2615 / 37 2615 [stuart.limb@leicester.gov.uk](mailto:stuart.limb@leicester.gov.uk)
- Report version number: Version 1

### 1. Summary

- 1.1 The purpose of this report is to provide information to the Audit and Risk Committee on the work carried out by the Corporate Investigations Team for the period 1 April 2020 to 31<sup>st</sup> March 2021.

### 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 Chief Operating Officer/s151 officer or Deputy 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.
- 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 financial year had to be 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 resulting from the Coronavirus and associated support schemes. In particular, grants of over £140m have been issued by Leicester City Council to local businesses affected by the national and local lockdowns, implementing a succession of Government funded support schemes.
- 4.2 More than 15,400 applications were received from over 7,000 businesses for financial support. 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 have been kept to a minimum.
- 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 legitimate 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 The Corporate Investigations Manager considers management requests for access to employees' emails, Internet access, computers and the building access system (which gives staff access to council buildings) information before they are authorised by the Director of Finance. The majority of requests were for information from more than one system and some requests were for information relating to a number of users.
- 4.9 For 2020/2021 the combined loss avoidance and income generated savings is £959,000.

## **5 The Year Ahead**

### **5.1 Major objectives for the Corporate Investigations Team for 2021-22 are:**

- To support the Council in its efforts to deal with fraud and irregularity whether internally or externally focussed against the Council.
- To continue to investigate and prosecute, where appropriate, fraud offences and fully utilise the Proceeds of Crime Act to recover losses and ill-gotten gains.
- To support the Director of Finance by identifying high fraud risk areas and working with management to mitigate those risks.
- To manage the 2021/22 National Fraud Initiative exercise, ensuring that all data sets are considered and appropriate action taken where irregularities have occurred.
- To continue to work in conjunction with Housing Services to review the Authority's housing stock of approximately 22,000 properties in an effort to identify potential tenancy fraud.

## **6. Financial, legal, equalities, climate emergency and other implications**

### **6.1 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. The activity supporting the covid business grants programme has been particularly significant.

Colin Sharpe  
Deputy Director of Finance

### **6.2 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

### 6.3 Equalities implications

The report provides an annual 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

### 6.4 Climate Emergency implications

This report does not contain any significant climate emergency implications.

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

## **7. 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

## **8. 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

## **9. Is this a "key decision"?**

No