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# **Counter Fraud Report 2021/22 including Mid-year update 2022/23**

Audit and Risk Committee

Date of meeting: 18<sup>th</sup> January 2023

Lead director: Amy Oliver, Director of Finance

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## **Useful information**

- Ward(s) affected: All Wards
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- 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 (CIT) for the period 1 April 2021 to 31<sup>st</sup> March 2022, together with a mid-year update for April 2022 – Oct 2022.

## **2. Recommendations**

- 2.1 The Audit and Risk Committee is recommended to receive and comment on the report.

## **3 Detailed Report**

- 3.1 The aim for the CIT is to share and deliver three main objectives:
- building and sharing knowledge about fraud
  - tackling the most serious and harmful fraud threats
  - disruption, prevention, and detection of fraud
- 3.2 The CIT 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. We do this through collaborative working with services, advising on the prevention and detection of fraud through policy development, reviewing application declarations, procedures, and quality checking. This is alongside investigating suspected cases identified through sources such as proactive data matching, quality checks, public and internal referrals.
- 3.3 As well as carrying out investigations, the CIT supported officers to deliver assurances for the various covid business grant schemes administered on behalf of the Government. More recently, CIT have returned to business as usual in terms of their focus. However, the Corporate Investigations Manager has undertaken the role as lead officer for the Council Tax Energy Rebate Scheme, which paid £150 to over 95% of city households from April 2022 onwards.
- 3.4 The team's investigation activity for 2021/22 and 2022/23 to date is summarised in the table overleaf. The number of cases closed out annually differs to the total referrals due to timing differences and cases ongoing at the time of writing. Cases can be screened out with no investigation for numerous reasons including no trace of individual, no benefit in payment, the allegation has already been declared or where there is insufficient evidence to justify a formal investigation.

<b>Case Management</b>	<b>2021/22</b>	<b>2022/23 to date</b>
No. cases referred incl public, data matching, and internal	283	219
Cases screened out – no investigation	139	100
Cases screened out – referred to Department for Work & Pensions for investigation	49	24
Cases closed – not proven	58	40
Cases closed – proven	51	20
Cases closed – prosecution	2	1

- 3.5 The Anti-Fraud, Bribery and Corruption Policy expects members, employees of the Council, its partners and third-party organisations to refer suspected cases of fraud, money laundering, etc. to the CIT. This is demonstrated from the internal referrals by directorates and the presence of staff referrals in the top 5 sources of CIT referrals.

	<b>2021/22</b>	<b>2022/23 (to date)</b>
a. City Development & Neighbourhoods	86	94
b. Corporate Resources	52	23
c. Social Care & Education	5	0
d. Public Health	1	0

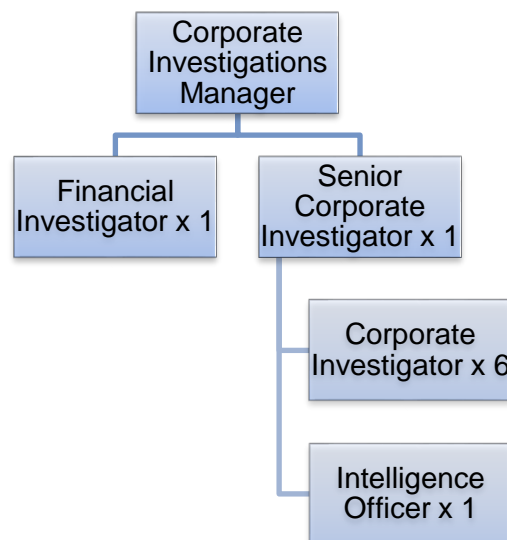
- 3.6 The top five sources of referrals are:

1. Council website (members of the public, businesses, other organisations)
2. Corporate Resources, including Revenues & Customer Support Service and the Business Services Centre (Housing Right to Buy applications)
3. Housing Services
4. Fraud Helpline
5. Council staff

- 3.7 The chart below shows the main investigations closed and ongoing, by case categorisation for 2021/22. Blue badge referrals are down on previous years probably due to the pandemic; however, referrals are now increasing again. There are some timing differences affecting the overall total.



- 3.8 The Council continues to benefit from membership of the National Anti-Fraud Network (NAFN), which alerts member authorities to phishing emails and fraud alerts. These alerts are shared across the authority to ensure awareness is raised and efforts to prevent attempted fraud are tackled.
- 3.9 Our Fraud Awareness E-Learning course is offered to all new starters to the Council and will be offered as a refresher course to key roles and services.
- 3.10 The team structure remains unchanged for 2022/23, with two vacancies - one Financial Investigator and one Corporate Investigator.



- 3.11 The work of the Corporate Investigator has been absorbed short term by the remaining members of the CIT and the proactive work has been reassigned in an effort to minimise the impact. However, the loss will be felt in terms of a reduced capacity on the team. The vacancy of the Financial Investigator potentially has a more pronounced impact as this is the only such post. In the short term, AFI services are being purchased externally.
- 3.12 To demonstrate the assurance the team provides, we report the financial savings and loss avoidance, based on typical benchmarks. The target for the team in 2021/22 was £1.5m, with savings and loss avoidance of £1.7m achieved.
- 3.13 The saving target for 2022/23 is again set at £1.5m, which the team is on course to achieve.
- 3.14 Below is a bar chart giving the breakdown of the savings and loss avoidance achieved in 2021/22 by investigation category.



#### **4 Examples of investigations activity during 2021/22**

- 4.1 The work of the CIT primarily includes proactive data matching and reactive referrals received relating to suspected financial irregularities. Detailed below are some of the types of work carried out.

- a. An annual review of empty residential properties to ensure that the council tax discounts awarded are correct. Where a property is identified as being occupied the account is corrected, the property billed and recovery of the council tax owing is pursued, generating nearly £800k under the New Homes Bonus Scheme. There will also be additional revenue from council tax income, subject to collection.
- b. In partnership with the school admissions team, we validate the details submitted in the applications for school places. This ensures that the data submitted on the applications is correct and that the school places allocated are valid. Loss avoidance is assessed at £235k.
- c. As part of the proactive work undertaken, the team works with the Business Services Centre to verify all Council Housing Right to Buy (RTB) applications. This is to ensure that the identification, residency and funding for the proposed purchase are all verified, to determine whether the intended purchases are valid and not as a result of a fraudulent application including money laundering. If fraud is suspected, supporting evidence is gathered and where appropriate interviews under caution are conducted with a view to a prosecution. This work resulted in 14 applications being refused. The associated loss avoidance is assessed at £531k.

## **5 Internal Audit Review**

- 5.1 The Counter Fraud Strategy was reviewed by Internal Audit during 2022. Overall, the auditors concluded there was substantial assurance that the Council's Counter Fraud Strategy and the wider approach to fraud prevention and detection are adequate
- 5.2 A number of recommendations were made to further enhance the strategy, relating to review and refresh of policies, publication of these on the intranet and website, strengthening the website 'zero tolerance' messaging, roll out of staff awareness training, a review of conformance to external standards and reporting to this Committee.
- 5.3 A formal response to the recommendations is in progress, so the report can be finalised and formally issued. Good progress is being made implementing the recommendations.

## **6 The remainder of 2022/23**

- 6.1 The focus for the remainder of 2022/23 is to:
  - Promote the Corporate Fraud webpage from March 2023
  - Continue to promote the Fraud Awareness eLearning course
  - Publicise the Fraud Hotline 0116 454 6490
  - Publicise the Investigations email address – [investigations@leicester.gov.uk](mailto:investigations@leicester.gov.uk)
  - Continue to conduct proactive exercises to identify suspected fraud
  - Implement the remaining internal audit recommendations
- 6.2 In addition, the National Fraud Initiative (NFI) matches via the secure portal will be received at the end of January 2023. The CIT oversees the process and the Management Information returns of these cases by the relevant services. These matches will require the work to be carried out by the relevant service areas to check the matches. Where fraud is suspected, referrals will be made to CIT to investigate.

## **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. The Council's fraud awareness briefings will further enhance good financial control and governance. The activity supporting the covid business grants programme has been particularly significant.

Rohit Rughani  
Principal Accountant – Financial Services

### **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**

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

### **7.4 Climate Emergency implications**

This report does not contain any significant climate emergency implications.

Aidan Davis, Sustainability Officer

### **7.5 Other implications - None**

## **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**