



Leicester  
City Council

**WARDS AFFECTED**  
**All**

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

**31<sup>st</sup> July 2015**

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**Counter-Fraud Annual Report 2014 -15**

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**Joint Report of the Director of Finance, the Director of Environmental and Enforcement Services.**

**1. Purpose of Report**

- 1.1. Responsibility for the City Council's counter-fraud work is shared between the Corporate Investigations Team and the Revenues & Benefits Investigations Team both within Financial Services the Trading Standards Team within Environmental Services.
- 1.2. The report, which is attached, provides information on counter-fraud activities during 2014 -15.

**2. Recommendations**

The Committee is recommended to:

- 2.1. Receive the report
- 2.2. Make any recommendations it sees fit either to the Executive or the Director of Finance, Director of Environmental Services.

**3. Summary**

- 3.1. The annual report includes information on reports issued, the main influences on the level and standard of performance during 2014-15 and the key priorities for counter-fraud work in 2014-15. It does not include comment on the Council's Anti-Fraud, Bribery and Corruption Policy which was updated earlier this year.
- 3.2. The key issues identified within the report are:
- 3.3. The continued emergence of new external fraud threats to the Authority, in particular relating to cheque frauds
- 3.4. Continued success by the Revenues & Benefits Investigation Team in achieving high numbers of sanctions
- 3.5. The protection of vulnerable citizens through the work done by the Trading Standards Service
- 3.6. The success of the Tenancy Fraud Team in recovering Council properties

- 3.7. Future plans of the Counter-Fraud Teams.
- 3.8. To deliver effective counter-fraud activities requires significant investment both from managers and from staff generally. Professional development, which is a key component of our counter-fraud work and strategy, must be relevant and topical so requires constant refreshing. New and emerging threats by increasingly sophisticated fraudsters and the opportunities for on line fraud require an equally sophisticated and vigilant response from the Authority. In addition, support from all parts of the Council is essential to ensuring the effectiveness of this work.
- 3.9. 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.
- 3.10. The Revenues & Benefits Investigation Team specifically investigates suspected Housing Benefit and Council Tax Fraud and when appropriate works closely with the Department for Work and Pensions to sanction offenders through prosecution, financial penalties and cautions.
- 3.11. The Trading Standards Service is responsible for fair trading, consumer credit, product safety, food standards, weights & measures and age restricted products.

#### **4. Report**

- 4.1. See the Counter-Fraud Review of the Year 2014-15, attached.

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

#### **5.1. Financial Implications**

Fraud can cause the Council significant loss and activity to prevent and detect fraud is a clear financial investment. Whilst it is impossible to quantify in any reliable way the full implications across the Council, sanctions were issued in relation to £737,755.65 of overpaid Housing Benefit and Council Tax Benefit.

**Colin Sharpe, Head of Finance.**

#### **5.2. 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**

#### **5.3. Climate Change Implications**

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

**Louise Buckley, Senior Environmental Consultant .**

## 6. Other Implications

OTHER IMPLICATIONS	YES/ NO	Paragraph/References Within the Report
Equal Opportunities Policy	No	
Sustainable and Environmental Crime and Disorder	No	
Human Rights Act	Yes	This report is concerned with fraud and corruption, both of which are criminal offences.
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

## 7. Background Papers – Local Government Act 1972

### 7.1. Files held by Revenues and Benefits and Trading Standards

Leicester City Council's Anti-Fraud and Corruption Policy and Strategy

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

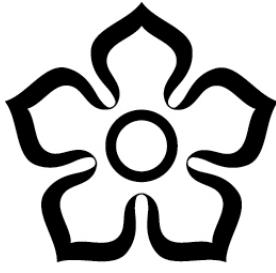
Public Bodies Corrupt Practices Act 1889

Chartered Institute of Public Finance & Accountancy (CIPFA) publication  
*Managing The Risk of Fraud*

The Audit Commission publication *Protecting The Public Purse*

## 8. Report Author

### 8.1. Stuart Limb, Corporate Investigations Manager



Leicester  
City Council

**COUNTER-FRAUD  
REVIEW OF THE YEAR  
2014-15**

## **COUNTER-FRAUD REVIEW OF THE YEAR 2014-15**

### **1. Introduction**

- 1.1 This is a report to the Audit & Risk Committee on the work delivered by Leicester City Council's Corporate Investigations Team, Revenues & Benefits Investigations Team and Trading Standards Service during the year 2014-15.
- 1.2 The Corporate Investigations Team (CIT) is an independent appraisal function, established by the Council to investigate suspected financial irregularities involving matters other than Housing Benefit and Council Tax Benefit, conduct proactive fraud-searching exercises and improve fraud awareness amongst employees.
- 1.3 The Revenues & Benefits Investigations Team provides direct support for the investigation, detection, deterrence and prosecution of fraud related to Housing Benefit and Council Tax Benefit.
- 1.4 The Trading Standards Service is responsible for fair trading, consumer credit, product safety, weights & measures and age-restricted products. Food standards in the City is regulated by the Food Safety Team.
- 1.5 Trading Standards Service has been re-configured and the trading standards team now consists of 1 manager, an intel lead officer and 7 investigators (includes 1 term time only and 1 @80% FTE). The team is investigates breaches of consumer protection law and take legal action including injunctions, prosecutions and asset recovery to punish and deter illegal trading. Information and advice to the public on consumer problems is provided nationally by Citizens Advice and regulatory support and training to businesses by the Business Regulatory Support Team on a chargeable basis.
- 1.6 To facilitate their work, Corporate Investigations Officers have access to any relevant City Council information, data and records they require in order to carry out their duties. These rights of access are contained in the City Council's Finance Procedure Rules and extend to relevant information held by partner organisations and direct service providers.
- 1.7 Trading Standards Officers provide information and advice to businesses on regulations; undertake inspections of premises, products, contractual documentation and marketing; investigate possible breaches of the law and take legal action including injunctions, prosecutions and asset recovery to punish and deter illegal trading. Information and advice to the public on consumer problems is provided by Citizens Advice.

### **2 The Year in Summary**

- 2.1 The Council continues to benefit from having teams of fully qualified and experienced Accredited Counter-Fraud Specialists whose skill and ability continues to protect Leicester City Council and its residents from fraud and loss.

## **Corporate Investigations Team**

- 2.2 Following the completion of the Corporate Fraud Review which was concluded in February 2015 the team has been expanded and restructured. The team now comprises of a new Corporate Investigations Manager (CIM), a Financial Investigator, a Senior Corporate Investigations Officer, five Corporate Investigations Officers and two part time clerical support officers who between them work 33 hours per week.
- 2.3 The authority were successful in securing funding from the Department for Communities and Local Government (DCLG) to lead an intelligence hub for all local authorities in Leicester, Leicestershire and Rutland. This project will result in the recruitment of four temporary Corporate Investigations Officers on two year fixed term contracts utilizing the funding received. This recruitment exercise is underway and the procurement of the software has been concluded successfully.
- 2.4 The Corporate Investigations Team receive allegations about and investigate a wide variety of suspected irregularities including cheque manipulation and counterfeiting, thefts, flexible working hours abuse, corruption, contract and procurement irregularities, third party fraud including care home irregularities and grant aided organizations and misuse of City Council vehicles.
- 2.5 External threats continue to pose a risk to the Council, in particular counterfeit and forged cheques.
- 2.6 Whilst it is sometimes possible to quantify losses incurred by the Council as a result of financial irregularities there are many instances where it is impossible to estimate the cost. For example where the procurement of goods or services has not been made in accordance with Council procedures and best value cannot be demonstrated or where it is not possible to determine how long an irregularity has been going on for. The Corporate Investigations Team will be making every effort to estimate a financial value on cases for future reports.
- 2.7 The team makes unannounced visits to Council premises to secure evidence including data held on digital devices. Team members undertake surveillance and interview employees, members of the public and contractors. They liaise with the UK Border Agency, the Council's bank, the police and other external agencies involved in fraud prevention.
- 2.8 The team has investigated a variety of frauds involving employees, contractors and grant aided organizations. Much of the work is complex and involves substantial sums of money.
- 2.9 The CIM 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 authorized by the Director of Finance. During 2014-15, 56 such requests for information were processed compared to 63 in the previous year. The majority of requests were for information from more than one system and some requests were for information relating to a number of users.

- 2.10 The CIM is also the City Council's Key Contact for the Audit Commission's National Fraud Initiative (NFI) data matching exercise and coordinates the Council's response to the Audit Commission's annual on line fraud survey.
- 2.11 Matches identified through the Audit Commission's 2014/15 National Fraud Initiative (NFI) exercise continue to be investigated by officers across the Council and notice has been received of the next exercise.
- 2.12 Fraud awareness training has been delivered to 83 employees compared to 114 the previous year. The team also posts fraud warnings on Interface and the schools Extranet. These are especially useful to alert employees to new and emerging threats.
- 2.13 The Corporate Investigations Team will be working with the Housing Department to tackle Tenancy Fraud effectively.

### **Revenues & Benefits Investigations Team**

- 2.14 As mentioned earlier in the report the Corporate Fraud Review has been completed. This has had a direct impact on the resources of the team. The previous Investigations Manager has been appointed to the role of Corporate Investigations Manager and 3 Investigations Officers have been appointed to the roles on the Corporate Investigations Team. This is ahead of the transfer of benefit fraud to the Department for Work and Pensions in March 2016.
- 2.15 The team now consists of an Interim Investigations Manager and 5.14 full time equivalent Investigation Officers. Despite reduced staffing resources, the Revenues & Benefits Investigations Team continued to tackle benefit fraud effectively. In recognition of the decrease in resources the annual sanctions target has been reduced.
- 2.16 During 2014-15 the team issued 141 sanctions which related to £737,755.65 of fraudulently claimed Housing Benefit or Council Tax Benefit. Although this sum is large, it represents less than 1% of the Council's annual expenditure on Housing Benefit and Council Tax Benefit.
- 2.17 After the staff have been transferred to the DWP the duty to investigate benefit fraud will transfer to the DWP. The Corporate Investigations Team will investigate Council Tax Reduction as this is not a benefit and therefore is not in scope of the Single Fraud Investigation Service.
- 2.18 Annual performance statistics for the Revenues and Benefits Team are attached at Appendix 1.

### **Trading Standards Service**

- 2.19 Trading Standards prioritised the following threats to the public in 2014-15:
- Doorstep crime targeting vulnerable citizens
  - Scams

- Counterfeiting, in particular, the supply of illicit tobacco
- Sale of tobacco and alcohol to children
- Car safety and related fraud

2.20 Trading Standards manages its activity in line with the National intelligence Model and undertakes a selection process to determine which cases should be resourced and investigated. The aim is to target problems/individuals that are, or are likely to, cause high detriment to local citizens and reputable businesses. The capacity to take formal enforcement action on a high volume of complex cases is restricted and some investigations have to be postponed to await the availability of resources

2.21 A wide range of frauds have been investigated. Often an investigation that starts looking at what appears to be an isolated breach of consumer protection law uncovers a more extensive fraud.

2.22 As a result of the targeting of our investigative resources, sharing intelligence and increased joint working with partner agencies such as neighbouring Trading Standards Services and Police we have found ourselves to be dealing increasingly with organised crime groups rather than rogue individuals.

2.23 During 2014-15 the Trading Standards Team has been involved in 7 major operations. Some of these operations have been supported by the police and in some cases by what was formerly called the United Kingdom Border Agency.

2.24 Nineteen interviews under caution in fraud related investigations were undertaken

2.25 To ascertain whether fraudulent activity was being undertaken and take possession of evidence five Magistrates Warrants were obtained and executed. Following the execution of a warrant and seizure of material there is normally a forensic examination of computers and mobile phones to identify evidence of wrong doing and any other associates.

2.26 On one occasion this year Trading Standards responded to urgent police request for assistance where the police had uncovered Trading Standards breaches during the course of their duties. This incident related to a suspected clothing counterfeit operation. We have also delivered a rapid response to a doorstep crime incident.

2.27 In Feb 2015 we successfully made a referral of one of our fraudulent car traders to the East Midlands Trading Standards scambusters team due to the size/scale of the investigation and potential detriment which was not limited to local citizens but had victims nationwide. We have seconded an officer to assist with this investigation.

2.28 Trading Standards has continued to prioritise the protection of vulnerable citizens from doorstep crime. In early 2015 three separate individuals were prosecuted by LCC for fraud associated in the carrying out of building/home maintenance contracts to local residents.



### 3. Review of Performance

#### Corporate Investigations Team

3.1 The Corporate Investigations Team considers all cases of non-Housing Benefit suspected fraud and irregularity referred to it. Referrals are scored according to the seriousness of the allegation. In some cases an investigation is undertaken, in others, managers are given advice and assistance to enable them to take appropriate action, not only to deal with the matter of concern but also to help prevent recurrences.

3.2 The team has a number of performance targets which are reflected in the table below.

Table 1: Caseload statistics for the Corporate Investigations Team 2014-15

<b>File Holdings</b>		<b>Investigations</b>	<b>Advice &amp; Assistance</b>	<b>Total</b>
1	Cases brought forward at 01/04/2014	18	12	31
2	New cases in 2014- 2015	23	47	70
3	Cases carried forward at 01/04/2015 (including Advice & Assistance)	18	12	21

#### Performance Indicators

4	Investigations commenced in less than 10 days (including advice & assistance)	65
5	Cases open greater than 10 months at 31/03/2015	4
6	Total open cases at 31/03/2015 (including advice & assistance)	21
7	Total cases closed (including advice & assistance)	80
8	Cases registered and closed within 6 months of the commencement of investigation	58

		<b>Target</b>	<b>Actual</b>
9	Percentage investigations commenced within 10 days	90%	93%
10	Reports issued within 20 days of closure	90%	100%
11	Investigations closed within 6 months of investigation commencing	100%	73%
12	Files open more than 10 months old at year end	0%	19%

- 3.3 The number of referrals received last year and the team has reduced the number of cases carried forward to the next financial year from 47 to 24.
- 3.4 The team continues to work closely with management and in many cases issues that have arisen as a result of the investigation are addressed before the investigation is concluded. This approach means that management is more actively involved and that the Corporate Investigations are able to deal with more cases.

### **Revenues & Benefits Investigations Team**

- 3.5 The team secured a total of 141 sanctions during the financial year. The sanctions, against those found to have committed benefit fraud offences, consisted of 20 Formal Cautions (Warnings), 52 Administrative Penalties (Fines) and 69 Prosecutions. (See Table 1 below for the last four years' performance statistics).
- 3.6 The agreement that the Authority has with the Department for Work and Pensions (DWP) that joint investigations led by the Council are prosecuted via our own Legal Services Section and those investigations led by the DWP are prosecuted via The Crown Prosecution Service (CPS) continues to work well. This arrangement allows greater control over the time taken to conclude proceedings and is in keeping with the true spirit of joint working.
- 3.7 There are currently no national targets for benefit fraud investigations. This has led some local authorities to reduce the resources applied to benefit fraud. However, the Revenues & Benefits Section recognises the need for a fully staffed Investigations Team.
- 3.9 The Council continues to benefit from successful prosecutions being reported in the local media on a regular basis. Publicity raises awareness within the community and hopefully acts as a deterrent to would be fraudsters.

## **4. The Year Ahead**

### **4.1 Major objectives for the Corporate Investigations Team for 2015-16 are:**

- To support the Council in its efforts to deal with fraud and irregularity whether internally focused or from customers or other third parties against the Council.
- To investigate and prosecute where appropriate fraud offences and fully utilize the Proceeds of Crime Act to recover losses and ill gotten gains.
- To undertake further professional training courses for the Investigators to reinforce their accredited professional qualifications.
- To support the Director of Finance by identifying high fraud risk areas and working with management to mitigate those risks.

- To raise awareness, particularly at schools, of the increase in cheque irregularities
- To manage the 2014/15 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.
- To provide advice and assistance to managers in those cases where an investigation is not undertaken.

**4.2 Major objectives for the Revenues & Benefits Investigations Team for 2015-16 are:**

- To continue to uncover and take action against those found to be committing benefit fraud.
- To ensure that appropriate sanctions are imposed in line with the Council's Prosecution Policy.
- To participate in the NFI exercise in relation to benefit matches and raise investigations on appropriate cases.
- To identify, through the use of data matching, potential fraudulent claims for Single Person Discount and investigate accordingly.
- To take all necessary steps ahead of the implementation of the Single Fraud Investigation Service.

**4. The Year Ahead**

**4.3 Enforcement priorities for the Trading Standards Service for 2015-16 are to tackle the following:**

- Doorstep crime targeting vulnerable citizens including rapid response to incidents
- Facilitating the setting up No Cold Calling Zones
- Tackling scams – responding to referrals from the national scams hub
- Counterfeiting, in particular, the supply of illicit tobacco and counterfeit goods with significant health & safety risks
- Sale of tobacco and alcohol to children
- Car safety and related fraud
- Illegal money lending

Capacity building priorities include:

- Giving the public a 'scams reporting' functionality in the Love Leicester App.
- Introducing an IT case management system that can accommodate complex investigations and facilitate the production of case files/bundles for Legal Services
- Establishing referral and joint working arrangements with the Police for regional/national level serious operating from Leicester City
- Establishing referral arrangements with Action Fraud Intelligence Hub.

## **5. Acknowledgment**

5.1 The Director of Finance acknowledges the efforts of all members of the Corporate Investigations Team, Revenues & Benefits Investigations Team, Trading Standards and the help, co-operation and support of Members and officers of the City Council.

Caroline Jackson  
Head of Revenues and Customer Support

Roman Leszczyszyn  
Head of Regulatory Service

## Appendix 1

Awaiting Registration & Scoring	
HB referrals awaiting registration	29

PLEASE COMPLETE/CHECK ALL CELLS IN : GREY

Monthly HB figures

Figures in 'BLUE' are formulas (DO NOT OVERTYPE)

Registered	This month	YTD	Allocated to IO's	YTD	Screened Out	YTD	Overloaded	YTD
HB files	36	729	14	340	16	376	0	4

Time taken to Allocate & Commence investigations	This month	YTD	cases > than 10 days	YTD
Registered and allocated within 10 days	33	716	2	19
Investigations commenced within 10 days of allocation	11	243	2	59

Closed - (exc. S/O & O/L)	This month	YTD
HB	40	521

Closed - (inc. S/O & O/L)	This month	YTD	Inv's closed >6 mths old
HB	56	904	21

Cases C/F	Prev. Mth	This Mth
HB	239	224

Investigations In Progress (exc. Sanctions) -	This Month	> 6 mths old
HB	224	105

Sanctions	Prev. Mth	This Mth	YTD - Total
Cautions Accepted	1	1	20
Administrative Penalties Accepted	8	11	52
Prosecutions - Successful (Guilty)	3	5	69
Total Sanctions	12	17	141
Referred to Solicitors for prosecution this month	7	6	N/A
<b>Total files with Solicitors</b>	58	58	N/A