

Leicester  
City Council

**WARDS AFFECTED**  
All

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

**31<sup>st</sup> August 2016**

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**Counter-Fraud Annual Report 2015 - 16**

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**Report of the Director of Finance.**

**1. Purpose of Report**

- 1.1. Responsibility for the City Council's counter-fraud work for the period of this report was shared between the Corporate Investigations Team, the Revenues & Benefits Investigations Team both within Financial Services. Since 1<sup>st</sup> March 2016 the responsibility of investigating benefit fraud has transferred to the Department for Work and Pensions.
- 1.2. The report, which is attached, provides information on counter-fraud activities during 2015 -16.

**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.

**3. Summary**

- 3.1. The annual report includes information on reports issued, the main influences on the level and standard of performance during 2015-16 and the key priorities for counter-fraud work in 2016-17. It does not include comments 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. The departure of the Revenues & Benefits Investigation Team as the DWP transferred the staff members and the responsibility to deal with benefit fraud away from the authority.

- 3.5. Future plans for the Counter-Fraud Teams.
- 3.6. 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 online 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.
- 3.7. 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.
- 3.8. The Revenues & Benefits Investigation Team specifically investigated suspected Housing Benefit and Council Tax Fraud and when appropriate worked closely with the Department for Work and Pensions to sanction offenders through prosecution, financial penalties and cautions.

#### **4. Report**

- 4.1. See the Counter-Fraud Review of the Year 2015-16, 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 £481,000 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.

**Duncan Bell, 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	
	Yes	This report is concerned with fraud and corruption, both of which are criminal offences.
Human Rights Act	No	
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

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

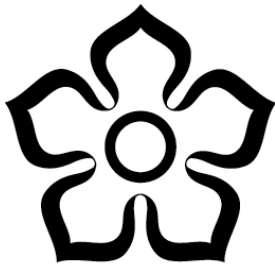
Public Bodies Corrupt Practices Act 1889

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  
2015-16**

## **COUNTER-FRAUD REVIEW OF THE YEAR 2015-16**

### **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 2015-16.
- 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 provided direct support for the investigation, detection, deterrence and prosecution of fraud related to Housing Benefit and Council Tax Benefit.
- 1.4 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 organizations and direct service providers.

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

- 2.1 The Council continues to benefit from having teams of 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 first 12 months of the refreshed team has been extensively occupied by recruitment and training of new investigation officers, the procurement of a case management system and the DCLG intelligence hub software. A new case management system was a requirement to support the criminal investigations conducted by the new team. The market leading software has been purchased on a 5 year contract.
- 2.4 The authority was 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 secured sufficient funding to support four temporary Corporate

Investigations Officers on two year fixed term contracts utilizing the funding received. There have been delays in some of the partner LA's signing the Information Sharing Agreements and others not having provided their data in a timely manner. This has caused a slippage in the full utilization of the software and the manipulation of data. The project is now 12 months old and with a view to supporting the potential effectiveness of the project, the contracts of the investigators are being extended by a further 12 months.

- 2.5 All of the members of the team were trained by an external company as part of the reinvigorated Corporate Investigations Team. This has ensured that both existing and new members of the team are now BTEC accredited in criminal investigations. This will help to ensure that the investigations that are carried out are done in line with current legislation with a view to maximize the prospects of preventing and detecting fraud and where appropriate securing a prosecution.
- 2.6 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 misuse of disabled parking permits and grant aided organizations.
- 2.7 External threats continue to pose a risk to the Council, in particular counterfeit and forged cheques. As the authority is a member of the National Anti-Fraud Network (NAFN) we receive regular alerts to emerging fraud threats. These are then disseminated to key personnel in the Finance division and placed on the intranet for all staff to be aware of.
- 2.8 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 is working towards estimating a financial value on cases for future reports. These estimates will be based on industry standard estimates of fraud based on research and on research based on frauds within LCC.
- 2.9 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.
- 2.10 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 2015-16, 55 such requests for information were processed compared to 56 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.
- 2.11 The CIM is also the City Council's Key Contact for the Cabinet Office's National Fraud Initiative (NFI) data matching exercise.

- 2.12 Matches identified through the Cabinet Office'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.
- 2.13 A new online Fraud awareness training package is being developed which will allow staff to undertake the training package from their desk. This will reduce the amount of time lost for staff attending a formal training setting. We will also be able to record the numbers of staff who have been trained and also record their performance. The team also posts fraud warnings on Interface and the schools Extranet. These are especially useful to alert employees to new and emerging threats.

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

- 2.14 As mentioned earlier in the report the duty to investigate benefit fraud transferred to the Department for Work and Pensions on 1st March 2016. As of that date the staff in post transferred to become civil servants under the direct employment of the DWP. Any and all allegations of benefit fraud received or made after 1<sup>st</sup> March 2016 will be passed to the DWP.
- 2.15 During 2015-16 the team issued 79 sanctions which related to £481,028.32 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.
- 2.16 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.
- 2.17 Annual performance statistics for the Revenues and Benefits Team are attached at Appendix 1.

## **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 As part of the work of the team, specifically the financial investigator, the powers under the Proceeds of Crime Act have been fully utilized on appropriate cases. This has resulted in £92,481.24 - Total value of confiscation orders previously granted and paid, £26,886.60 – Income received via POCA incentivization scheme (ARIS) and £24,000.00 – Cost

orders awarded in pursuance of both the criminal and POCA matters.

- 3.3 The Financial Investigator also undertakes work on behalf of Leicestershire County Council under a trading contract which both recharges for his time and also identifies a percentage of the monies recovered through his work. This has also been conducted for Melton Borough Council and we have recently hosted a visit from Stoke City Council who are considering utilising our POCA capacity.

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 01/04/2015	Breakdown not available due to a crossover of Case management systems and the new way in which cases are categorized		21
2	New cases in 2015- 2016			149
3	Cases carried forward at 01/04/2016 (including Advice & Assistance)			45

#### **Performance Indicators**

4	Investigations commenced in less than 10 days (including advice & assistance)	Report not available yet due to cross over of systems
5	Cases open greater than 10 months at 31/03/2016	1
6	Total open cases at 31/03/2016 (including advice & assistance)	45
7	Total cases closed (including advice & assistance)	121
8	Cases registered and closed within 6 months of the commencement of investigation	Report not available yet due to cross over of systems

- 3.4 The number of referrals received last year and the team has increased the number of cases carried forward to the next financial year from 24 to 45.
- 3.5 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.
- 3.6 As the new case management system has been purchased and is now being used a report of management information reports are being developed to provide meaningful statistics on the work of the team. At the time of this report, due to the usage of the previous IT package, statistical reporting on performance has been limited. Future reports will provide more relevant and accurate information.



## **Revenues & Benefits Investigations Team**

3.7 The team secured a total of 79 sanctions during the financial year. The sanctions, against those found to have committed benefit fraud offences, consisted of 10 Formal Cautions (Warnings), 23 Administrative Penalties (Fines) and 46 Prosecutions. (See Table 1 below for the last four years' performance statistics).

## **4. The Year Ahead**

### **4.1 Major objectives for the Corporate Investigations Team for 2016-17 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 continue to investigate and prosecute, where appropriate, fraud offences and fully utilize 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 utilize the DCLG intelligence hub to identify potential irregularities across different data sets and departments within the authority.
- To manage the 2016/17 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.

## **5. Acknowledgment**

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

Stuart Limb,  
Corporate Investigations Manager

## Appendix 1

### REVENUES & BENEFITS INVESTIGATIONS TEAM END OF YEAR STATS

PLEASE COMPLETE/CHECK ALL CELLS IN : GREY  
 Monthly HB figures

Awaiting Registration & Scoring	
HB referrals awaiting registration	29

Registered	This month	YTD	Allocated to IO's	YTD	Screened Out	YTD	Overloaded	YTD
HB files	49	525	19	205	28	306	2	16

Time taken to Allocate & Commence investigations	This month	YTD	cases > than 10 days	YTD
Registered and allocated within 10 days	47	499	2	26
Investigations commenced within 10 days of allocation	16	166	3	42

Closed - (exc. S/O & O/L)	This month	YTD
HB	57	324

Closed - (inc. S/O & O/L)	This month	YTD	Inv's closed >6 mths old
HB	87	646	42

Cases C/F	This Mth
HB	119

Investigations In Progress (exc. Sanctions) -	This Month	> 6 mths old
HB	119	70

Sanctions	Prev. Mth	This Mth	YTD - Total
Cautions Accepted	2	0	10
Administrative Penalties Accepted	0	5	23
Prosecutions - Successful (Guilty)	2	0	46
Total Sanctions	4	5	79
Referred to Solicitors for prosecution this month	7	7	N/A
<b>Total files with Solicitors</b>	28	35	N/A