

Leicester  
City Council

**WARDS AFFECTED**  
All

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

**28 June 2017**

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**Counter-Fraud Annual Report 2016 - 17**

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**Report of the Director of Finance.**

**1. Purpose of Report**

- 1.1. The report, which is attached, provides information on counter-fraud activities during 2016 -17 and is confined to the City Council's Corporate Investigations Team within Financial Services.

**2. Recommendations**

The Committee is recommended to:

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

**3. Summary**

- 3.1. The annual report includes information on the performance of the team during 2016-17 and the key priorities for counter-fraud work in 2017-18.
- 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. Future plans for the Counter-Fraud Teams.
- 3.5. 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.

- 3.6. 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.
- 3.7. 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 2016-17, 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 the work of the Corporate Investigation Team helps to provide a deterrent and a function to tackle fraud once it is discovered.

**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

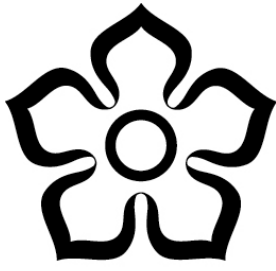
Leicester City Council's Investigators Code of Conduct

Public Bodies Corrupt Practices Act 1889

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

## 8. Report Author

### 8.1. Stuart Limb, Corporate Investigations Manager



Leicester  
City Council

**COUNTER-FRAUD  
REVIEW OF THE YEAR  
2016-17**

## **COUNTER-FRAUD REVIEW OF THE YEAR 2016-17**

### **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, during the year 2016-17. It does not include any reference to the work of the Trading Standards Team as they were unable to provide any information for inclusion in this report.
- 1.2 The Corporate Investigations Team (CIT) is an independent appraisal function, established by the Council to investigate suspected financial irregularities, conduct proactive fraud-searching exercises and improve fraud awareness amongst employees.
- 1.3 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 help protect Leicester City Council and its residents from fraud and loss.

#### **Corporate Investigations Team**

- 2.2 The team have been investigating a wide range of types of cases including Business Rate, Council Tax Reduction, Thefts and Financial Investigations utilizing the Proceeds of Crime Act (POCA). The new case management system is now embedded into the working practices of the investigations team which is allowing the investigations to be fully compliant with the legislative requirements of recording criminal investigations.
- 2.3 The authority continues to lead of the regional intelligence hub for all local authorities in Leicester, Leicestershire and Rutland. This is funded by successful bids made to the Department for Communities and Local Government (DCLG). This project has been arduous and time consuming in terms of other Local Authority's delay in 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.
- 2.4 It is anticipated that the project will extend for a further 2 years utilizing the remaining DCLG funding for the benefit of all LA's within the hub. Assurances have been received from the partners that they will ensure that the data is provided in a timely manner moving forward.
- 2.5 All members of the investigations team are trained and BTEC accredited in

criminal investigations. This helps to ensure that the investigations are carried out 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 regularly 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 2016-17, 29 such requests for information were processed compared to 55 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.

### **3. Review of Performance**

#### **Corporate Investigations Team**

- 3.1 The Corporate Investigations Team considers all cases of 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 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 2016-17

**Performance Indicators**

1	Cases brought forward at 01/04/2016	40
2	New cases in 2016- 2017	275
3	Cases open greater than 6 months at 01/04/2016	32
4	Total open cases at 31/03/2017	73
5	Total cases closed 2016 - 2017	206

3.3 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.

**4. The Year Ahead**

**4.1 Major objectives for the Corporate Investigations Team for 2017-18 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 and the help, co-operation and support of Members and officers of the City Council.

Stuart Limb,  
Corporate Investigations Manager