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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

25th July 2018

Counter-Fraud Annual Report 2017 - 18

Report of the Director of Finance

1. Purpose of Report

- 1.1. The report, which is attached, provides information on counter-fraud activities during 2017-18 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.

3. Summary

- 3.1. The annual report includes information on the performance of the team during 2017-18 and the key priorities for counter-fraud work in 2018-19.
- 3.2. The key issues identified within the report are:
- 3.3. Future plans for the Counter-Fraud Teams.
- 3.4. 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.

3.5. 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.

4. Report

4.1. See the Counter-Fraud Review of the Year 2017-18, 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	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	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

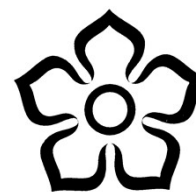
Leicester City Council's Investigators Code of Conduct

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 2017-18

COUNTER-FRAUD REVIEW OF THE YEAR 2017-18

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 2017-18. 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 a team 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 has 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 case management system allows 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 interrogation 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 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 attempted mandate frauds. 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 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.
- 2.9 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 2017-18, 35 such requests for information were processed compared to 29 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 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 team also worked with colleagues from the Revenues & Customer Support section to review empty residential properties across the city. By utilising data matching software the team identified 25 properties that despite being declared as empty they were in fact occupied, this attracted an extra £191,250 in additional funding under the new homes bonus scheme for the authority.

- In an effort to demonstrate the true value of the work of the authority, notional savings figures have been agreed with the Director of Finance on those cases where no actual loss has been incurred but a notional loss/saving has been achieved. These cover such frauds as preventing a false Right to Buy application for a council property, abuse of a Disabled Parking Permit. These notional figures are in addition to those cases where a direct loss has been identified and add value to the efforts to prevent loss or fraud.
- The Proceeds of Crime Act was successfully utilised to recover in full a theft of £49,000 from a former employee who was prosecuted by the authority. The theft was identified and prosecuted and the employee resigned and offered a modest repayment schedule. The authority liaised with colleagues at Leicestershire County Council and funds from the employee's pension scheme were used to repay the theft in full.
- In total the team achieved notional savings of £315,000, identified £117,000 in falsely claimed discounts and reductions on liabilities and £240,000 in additional funding and recovered monies from theft.

4. The Year Ahead

4.1 Major objectives for the Corporate Investigations Team for 2018-19 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 2018/19 National Fraud Initiative exercise, ensuring that all data sets are considered and appropriate action taken where irregularities have occurred.
- To undertake reviews for the other authorities in the Leicester, Leicestershire and Rutland Intelligence Hub into empty residential properties and also to identify where businesses are falsely claiming small business rate relief.
- 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