



Appendix C

Leeds City Council

Counter Fraud Update Report – January to March 2024

Corporate Governance and Audit Committee

24th June 2024

COUNTER FRAUD UPDATE REPORT 2023/24

1ST January 2024 to 31ST March 2024

1 Background

- 1.1 Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. The Council has a zero tolerance stance on fraud and corruption. The CIPFA (Chartered Institute of Public Finance and Accountancy) 2018 Guidance on Audit Committees sets out the role of the Audit Committee regarding 'countering fraud and corruption'. In summary, the Committee should understand the level of fraud risk to which the authority is exposed, and the implications for the wider control environment. This can be undertaken by having oversight of counter fraud activity. Effective counter fraud arrangements also link to the ethical standards for members and officers that the public expects.
- 1.2 This report is designed to help meet this duty and is set out to give assurances to Committee members surrounding the counter fraud activities undertaken during the period January to March 2024. This brings together reporting for the year 2023/24 and, moving forward, we intend to provide a bi-annual update on counter fraud activity.
- 1.3 Within the audit plan, resources are made available to undertake investigations, or reactive work, to look into identified instances of fraud or theft, and to investigate concerns raised by staff or members of the public. To help to ensure controls are in place to prevent fraud from occurring, we also undertake targeted proactive reviews. These are developed from our understanding of the control environment, in addition to our awareness of new and emerging fraud risks.
- 1.4 The Public Sector Internal Audit Standards (PSIAS) set out that the primary responsibility for the prevention and detection of fraud lies with management. Auditors should have sufficient knowledge to recognise the indicators of fraud. This is addressed by having experienced auditors with a variety of qualifications, continuing professional development and attendance at targeted counter fraud training. We can never be complacent, as fraud risks continually evolve. We therefore regularly enhance and develop our counter fraud capability by reviewing the tools and techniques that we use to detect and prevent fraud from occurring in the first place.
- 1.5 In this report, in addition to the work undertaken by Internal Audit, information from other service areas who contribute to the Council's counter fraud assurances is included. This gives a more rounded overview of the work that is being undertaken across the Council on counter fraud activities.

2 Referrals to Internal Audit

2.1 Internal Audit are the corporate owners of the Council's counter fraud policies. The channels where concerns can be raised by both staff and members of the public, include the provision of a dedicated inbox, telephone line, post, and a 'do it online' form for members of staff. We also receive confidential referrals through other routes such as the Freedom to Speak Up Guardian or those shared by external agencies, for example the National Anti-Fraud Network, or other Council services seeking advice or assistance. The table below illustrates the referrals received by directorate and by the type of the concern raised between January and March 2024.

Directorate						
Referral type	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Strategy & Resources	Total
Economic and voluntary sector support fraud (Covid and other grants)				1		1
Payroll and recruitment fraud					1	1
Staff conduct				1		1
Safeguarding		1				1
Social care fraud						
Corruption/maladministration						
Theft				1		1
Procurement fraud - Mandate and purchasing cards				1		1
Non-compliance with policies and procedures		2				2
Cheque fraud						
Health and Safety						
Misuse of Council funds						
Value for money						
Debt Fraud						
Council Tax Fraud						
Total		3		4	1	8

2.2 The table below compares the number of referrals received by financial year. The referrals received during 2020-21 were higher than those in other years, most notably due to concerns being raised regarding covid business grants and other covid

related activity. There was an increase in referrals received in the 2022/23 financial year. This could be attributable to a number of factors, including the increased communication and awareness raising of the channels to raise concerns, the uptake of the fraud awareness training, and the establishment of a Freedom to Speak Up Guardian. We review referrals received on an ongoing basis to feed into the risk-based planning of Internal Audit and during 2023-24 developed this approach further to address procedural/process related concerns via this method.

2019-20	2020-2021	2021-2022	2022-2023	2023-24
46	74	45	61	36

2.3 Acknowledging that the number of referrals has been higher in previous years, we have looked into this to identify some of the root causes. It should be noted that previously we have reported figures for Housing Tenancy (including RTB and sub-letting) fraud within the above table. These now go directly to the Tenancy Fraud team and are reported separately in this update report at sections 4.2 – 4.5. Of the 61 referrals reported in 2022-23, 8 of these related to Housing Tenancy. Alongside our colleagues in the relevant service areas, we have also worked hard to ensure that arrangements to strengthen the control environment are implemented, particularly where we received a number of referrals of a common theme, therefore ensuring there is appropriate learning and reflection around how to prevent attempted fraud at source. We have also increasingly sought to ensure that, where a referral ought to be channelled through a separate process, we are engaging these at source to maximise the effective use of our own resource. We are always mindful to balance the conclusions drawn from a reduction in the number of referrals with the need to ensure that engagement and awareness of the ways in which concerns can be raised is fully effective. This is expanded on later in the report.

Open Investigations

2.4 As at the 31st March 2024, 18 referrals were being investigated. Of these, 5 were opened during the reporting period (Qtr.4) with the remaining 13 carried forward from previous periods. We regularly monitor open investigations to ensure that these are progressed as swiftly as is practical. However, it is inevitable that some cases will be complex in nature and the length of time that it takes to fully conclude will often be outside our control. Investigations are undertaken by either Internal Audit, Human Resources, staff within directorates or a combination of these. In all cases Internal Audit undertake a risk assessment upon receipt of the referral and determine the most appropriate investigative route. We only close investigations where we are fully satisfied all reasonable lines of enquiry have been exhausted and these are reviewed in line with our quality assurance arrangements.

Closed Investigations

2.5 A total of 7 referrals were closed during the period, this includes some referrals that were received in a previous financial year. The outcomes are shown below by directorate and fraud category. Where appropriate, recommendations are agreed to improve the control environment, and these are tracked and reported though the Internal Audit Update reports to the Committee.

Number of Referrals by Outcome, Fraud Category and Directorate



3 Internal Audit Proactive Counter Fraud Work

- 3.1 To help ensure that there is an effective counter fraud culture in place within the Council, we undertake various proactive counter fraud activities. Areas of work are highlighted below.

National Fraud Initiative (NFI)

- 3.2 The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error. Relevant teams within the Council (such as Internal Audit, Welfare & Benefits and Housing and Tenancy Fraud) have been working through the matches on a risk basis.
- 3.3 Internal Audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. To date, twenty-two issues have been identified resulting in £52,717 currently being in recovery¹.

Awareness Raising

- 3.4 In addition to the reactive and proactive work, our counter fraud arrangements include regular communications to staff around current fraud risks, and the signposting of where to report any concerns. Following the endorsement by this committee of the updated Anti Bribery Policy and new Policy on a page, these were published on Insite and included in the Manager Communications which is circulated to all appraising managers to communicate messages to their teams.
- 3.5 Regular meetings with the Freedom to Speak Up Guardian (FTSUG) are held where any concerns that are considered to require Internal Audit investigation are discussed, and actions agreed.
- 3.6 As members of the National Anti-Fraud Network (NAFN) we receive regular intelligence alerts on active or reported frauds experienced by other member bodies. We also engage with other local authorities through the Fraud Investigators Group. Details of the fraud risks are shared with the relevant service. We also share this knowledge across the wider audit team as part of the audit preparation process so any risks can be considered within the scope of a review where relevant. We continue to work collaboratively with counter fraud colleagues within the Council to share ideas and promote best practice and the fraud awareness training². We meet regularly with the Intelligence and Policy Manager who leads on risk management within the council. This is another helpful avenue for horizon scanning on emerging counter fraud risks.

¹ This relates to Council Tax Reduction Scheme and Housing Benefit claims linked to student loans.

² The Fraud Awareness e-learning training was launched in May 2022. As at the 31s March 2024, 815 employees have completed this.

- 3.7 The results of the Survey of Internal Control reported at section 5 has prompted us to consider how we can further enhance engagement and awareness across key areas.
- 3.8 The school's fraud awareness training that was previously available on Leeds for Learning has now been made available as an e-learning package from February 2024. This now enables to monitor completion statistics. This was promoted to governors and included in relevant newsletters to school business managers and headteachers during February, and we can see that 25 members of staff have completed the training since this date. We are aware that many will have accessed the training through Leeds for Learning previously (and we received positive feedback on the content) but we cannot quantify the uptake from this platform.

Counter Fraud reviews

- 3.9 In addition to carrying out specific investigations into allegations of fraud, there are instances in which our risk assessment of concerns raised to us confidentially through the whistleblowing channels may not identify the need for a dedicated investigation, but still requires assurance around the arrangements in place to deliver objectives and / or mitigate the risk of error.
- 3.10 During the period we carried out a review of this nature within Highways relating to permits. Recommendations were made to strengthen management assurances around compliance and performance monitoring, and to assist with continuous improvement. The implementation of these recommendations is tracked through the recommendation tracking process and these have now been completed. This reflects positively on the way in which intelligence received through these channels can be used to strengthen the control environment.
- 3.11 As reported to this committee in the last update report, we will be looking to utilise the resource across the team to ensure risks are considered and incorporated within relevant pieces of Internal Audit work. Where this is the case, these will be reported in the Internal Audit update report to the committee.

4 Other areas of assurance

- 4.1 There are a number of other areas of activity across the Council that feed into the counter fraud assurances. Reliance has been placed on the integrity of the data provided by the relevant service. Details of this work is included in the report as follows.

Housing Leeds

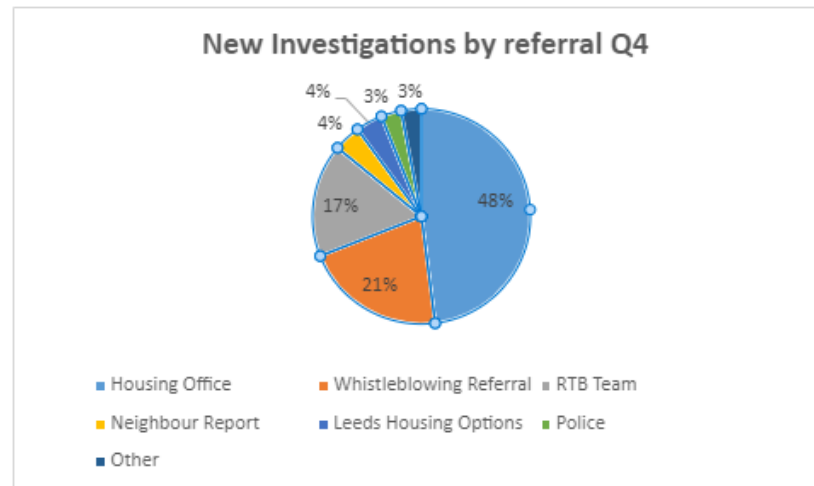
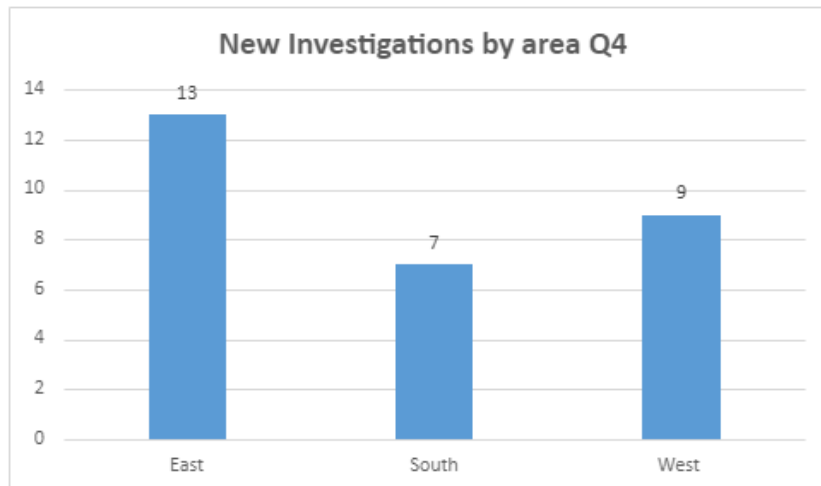
4.2 Housing Leeds provides a range of tenant and property related services for Council tenants and leaseholders, private rented sector tenants and homeowners. There are three Tenancy Fraud Officers whose role is to prevent and detect housing fraud to ensure that homes are fairly given to the people who need them. It is a criminal offence to commit tenancy fraud under the Prevention of Social Housing Fraud Act 2013. Tenancy fraud includes: -

- Application fraud - not telling the truth when applying for a property, for example about how many people live there
- Subletting fraud - a property is sublet without permission (this is a criminal offence)
- Succession fraud - living in a property after someone has died without the right to do so
- Non occupation fraud - the named tenant permanently living somewhere else
- Right to Buy fraud – false information provided to acquire a property at a discounted price

4.3 The information below summarises the work undertaken between January and March by the Tenancy Fraud Officers.

There were 29 new investigations opened in Qtr. 4. There are currently 98 ongoing cases being investigated citywide.

The majority of referrals received in Qtr. 4 were made by the housing office (48%), whistleblowing referral (21%), or RTB (17%).



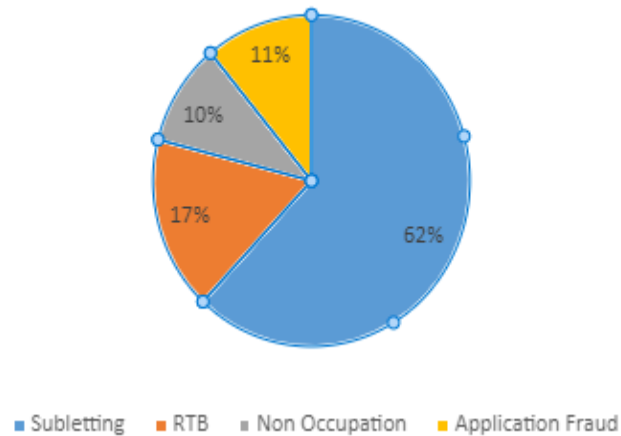
The Tenancy Fraud Officers have seen an increase in subletting and application fraud in the quarter.

Subletting has been the most frequent type of investigation in Qtr. 4 (62%) followed by right to buy cases (27%).

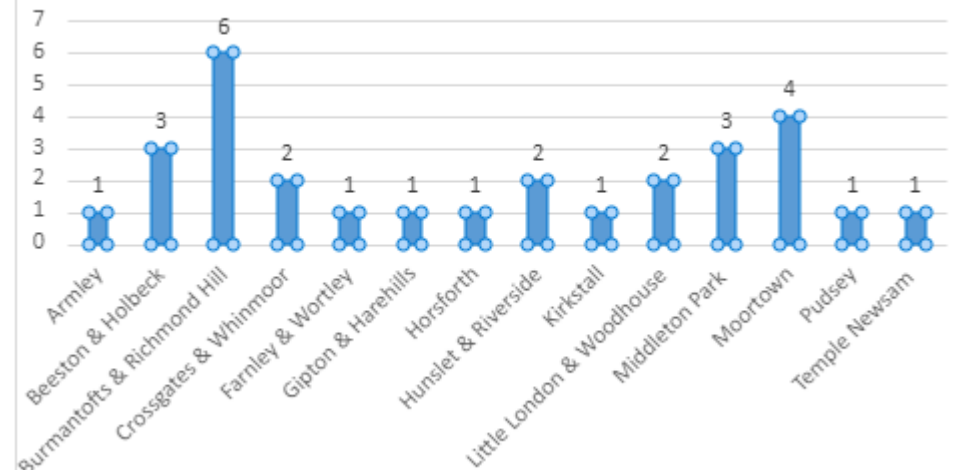
The highest number of new cases were opened in the Burmantofts & Richmond Hill ward.

Investigations were opened in 14 wards across the city in Qtr.4.

New Investigations Q4 Types of Fraud



New Investigations by ward Q4



7 council properties were recovered as a result of fraud investigations in Qtr. 4. These can be broken down by area as follows:

- East 2
- South 4
- West 1

At the end of Qtr. 4 there were a total of 528 properties recovered since 2008.

The following properties have been recovered in Qtr. 4:

- 1 x 1 bed multi storey flat
- 1 x 1 bed house
- 1 x 2 bed maisonette
- 1 x 2 bed multi storey flat
- 3 x 3 bed house

4.5 The above information provides the Committee with some assurance that the Council has arrangements in place to identify and address suspected instances of Tenancy Fraud, and that action is taken to recover properties where applicable.

Insurance Services

4.6 Insurance Services procures and manages all the Council’s insurance contracts and provides advice and guidance to all Council services. Most claims are paid from the self-funded insurance provision. These claims include public liability claims from members of the public, employer liability claims, property, and motor claims.

4.7 False insurance claims are recognised as a key fraud risk area in the Fighting Fraud and Corruption Locally (FFCL) strategy. A total of 479 claims were received between January and March 2024 and the volume underlines the importance of remaining vigilant to the risk of fraud. The Council has a robust assessment and checking process in place which identifies claims warranting further investigation. The service work with the Legal Services litigation team and external solicitors where cases reach the point for court intervention. The table below illustrates the claims position to date where the claim has been handled by the Insurance and Legal Section, where the cases have reached the threshold for legal intervention, thus providing some assurance over the counter fraud arrangements in this area.

Year claim relates to	Public Liability Claims			Employer Liability Claims	Motor Claims
	Fraud Investigation ongoing	Claims Withdrawn	In Recovery	In Recovery	In Recovery
2017		2	1	1	
2018	6	4		2	
2019	5	2	1	1	
2020	3	2			
2021	4	2			
2022	4				
2023					

4.8 The work that is undertaken by the service, identifies cases where further investigation is required. Where claims have been found to be fundamentally dishonest, this results in funds being paid back to the Council which can then be spent elsewhere. The concept of fundamental dishonesty means that a claim can be dismissed due to concerns surrounding the conduct of

claimants (for example submitting false documents to support a claim). The full costs associated with defending the claim is calculated at the point that recovery has reached a successful conclusion.

Social Care Fraud

- 4.9 The Council gives money to both adults and children with care needs to manage their support in a way which best meets their requirements. Direct payment fraud can include falsely claiming or misusing direct payments / personal budgets, either by the service user, carer, relatives, or friends. Instances of suspected fraud are to be notified to Internal Audit and these figures are captured in section 2 above.

Welfare and Benefits Service - Council Tax Support and Housing Benefit

- 4.10 This section details ongoing work that has continued during the reporting period. We have been advised that the following areas of activity have taken place:
- The service have continued to undertake targeted reviews and visits to ensure that tenants living in supported housing require and receive more than minimal care, support and supervision, which is a prerequisite in terms of Housing Benefit eligibility. In addition, the service are implementing gateway measures to ensure that Housing Benefit awards for tenants living in supported accommodation are correct. During the period April 23 to April 24 this activity has generated an estimated saving of £202K.
 - The annual Housing Benefit Subsidy Audit where external auditors check a sample of Housing Benefit claims for accuracy and to ensure that the subsidy claimed by the Council is accurate was undertaken and no issues were identified.
 - The service have targeted 269 high risk Council Tax Support claims for review. This exercise resulted in a Council Tax Support saving of £199K.

Covid 19 Business Grants

- 4.11 The Business Rates Section has been progressing the fraudulent cases through the recovery process in accordance with the Government's Debt Recovery Guidance. This involves a three-step debt recovery process before a debt is referred to the Department for Business and Trade (formerly BEIS) for appropriate action.

4.12 There are 24 cases that are being actively pursued by the Business Rates Section to the value of £183k. We have been advised that these cases are currently in the process of being reviewed for referral to the Department for Business and Trade, which would conclude the council's involvement in the cases.

5 Survey of Internal Control

5.1 The Survey of Internal Control (SIC) is used to gain some assurance as to whether systems of internal control are embedded and functioning. The survey asked Senior Managers about the Council's approach to counter fraud and corruption, seeking views on whether controls are embedded and applied across services regarding Counter-fraud and Corruption Strategy and Response Plan, Whistleblowing Policy, Anti Bribery Policy and Anti Money Laundering Policy. The results in respect of each of these areas are provided below:

Counter-fraud and Corruption Strategy and Response Plan

5.2 This strategy sets out the reactive and proactive approaches we take and are going to take to tackle the risk of fraud and corruption. The fraud response plan provides guidance of how allegations will be managed when received. Results of the survey across all Directorates are provided below:

All Directorates	2023		2024	
Well Embedded	42	(35%)	52	(38%)
Fairly Embedded	44	(37%)	66	(48%)
Not Embedded	17	(14%)	9	(7%)
Don't Know	17	(14%)	11	(8%)
Total	120		138	

The results show a significant overall improvement, however there remain a number of respondents that have said that arrangements are not embedded (or that they don't know) which provides us with an insight as to where we may have opportunities to improve. Upon analysis, these responses are distributed across pockets of activity in different Directorates rather than being contained in any one specific area. The strategy itself is due for review in 2024/25 and is one of our first priorities to refresh. This will give us the opportunity to reflect on these areas and strengthen awareness and engagement.

Whistleblowing Policy

- 5.3 The Whistleblowing Policy sets out the type of concerns which are reportable under this policy and provides guidance on how these concerns can be raised and escalated. Effective whistleblowing arrangements are a vital component of good governance.

All Directorates	2023		2024	
Well Embedded	66	(55%)	80	(58%)
Fairly Embedded	48	(40%)	49	(36%)
Not Embedded	1	(1%)	4	(3%)
Don't Know	5	(4%)	5	(4%)
Total	120		138	

Whilst a minority of service areas have indicated that arrangements are not embedded, we take this feedback seriously as an opportunity to reflect and improve. The Whistleblowing Policy is also scheduled for review during 2024/25 and this will give us the opportunity to refresh communication.

Anti-Money Laundering Policy

- 5.4 This policy covers how we adhere to the Proceeds of Crime Act 2002. Money laundering involves concealing the source of money or property that has been obtained from criminal activity.

All Directorates	2023		2024	
Well Embedded	47	(39%)	55	(40%)
Fairly Embedded	38	(32%)	55	(40%)
Not Embedded	18	(15%)	14	(10%)
Don't Know	17	(14%)	14	(10%)
Total	120		138	

The increase in the number and proportion of responses confirming that arrangements are either well embedded or fairly embedded is welcomed. It should be noted that money laundering risks are heightened within specific functions and not all departments will necessarily face these risks within their areas of activity. We have reviewed the areas highlighted within our

most recent money laundering risk assessment and can provide reassurance that respondents in these areas have confirmed arrangements are well embedded. Within the refresh of our Counter Fraud Strategy we will be drawing on the results of the survey, alongside other assurances, to determine how we ensure that these arrangements continue to be effective in the areas that they need to be.

Anti-Bribery Policy

5.5 This policy explains what we do to protect against bribery and what the responsibilities are of each individual.

All Directorates	2023		2024	
Well Embedded	45	(38%)	63	(63%)
Fairly Embedded	44	(37%)	55	(40%)
Not Embedded	14	(12%)	10	(7%)
Don't Know	17	(14%)	10	(7%)
Total	120		138	

The results again show a positive direction of travel overall. We were able to confirm that officers overseeing the areas of highest recognised risk (for example but not limited to Procurement and Planning) have confirmed that arrangements are well embedded. For any public authority there can be no room for complacency and the values of the organisation reinforce the importance of being open, honest and trusted in all roles. As highlighted at 3.4 above, the Anti-Bribery Policy has recently been refreshed and re-communicated and opportunities to further embed arrangements will form part of our work on the overall Counter Fraud Strategy.