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SUPPLEMENTARY INFORMATION
CORPORATE GOVERNANCE AND AUDIT COMMITTEE – 25TH NOVEMBER 2024

AGENDA ITEM 13 -Counter Fraud Update Report April – September 2024

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Leeds City Council

Counter Fraud Update Report – April to September 2024

Corporate Governance and Audit Committee

25th November 2024

COUNTER FRAUD UPDATE REPORT 2024/25

1ST April 2024 to 30th September 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 April to September 2024. This is the first bi-annual update on counter fraud activity for the 2024/25 financial year.
- 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 April and September 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						0
Social care fraud	1					1
Corruption/maladministration						0
Theft				2	2	4
Procurement fraud – Mandate and purchasing cards		1				1
Non-compliance with policies and procedures	1		1	1	1	4
Cheque fraud						0
Health and Safety						0
Misuse of Council funds						0
Value for money		1				1
Debt Fraud						0
Council Tax Fraud						0
Total	3	3	2	3	3	14

- 2.2 The table below compares the number of referrals received over the last 5 financial years to date. We reported on the different factors that may contribute to these differences in the June report to this committee. We review referrals received on an ongoing basis to feed into the risk-based planning of Internal Audit and have now established this approach to address procedural/process related concerns via this method.

2020-2021	2021-2022	2022-2023	2023-2024	2024-25 to date
74	45	61	36	14

- 2.3 We sought to identify the different factors and possible root causes attributable to the variances in the number of concerns recorded each year, this was provided in the June update report. Our reflective learning has resulted in the strengthening of our processes for ensuring concerns are addressed through the most appropriate route therefore 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. Additionally, the approach for feeding into the risk-based planning of Internal Audit where issues are of a more procedural nature is now well established, and the outcome of this work is reported through the quarterly Internal Audit update reports. These may be factors in the reduction in numbers more recently. We continually seek opportunities for improvement and our activities to engage and raise awareness are captured in this report.

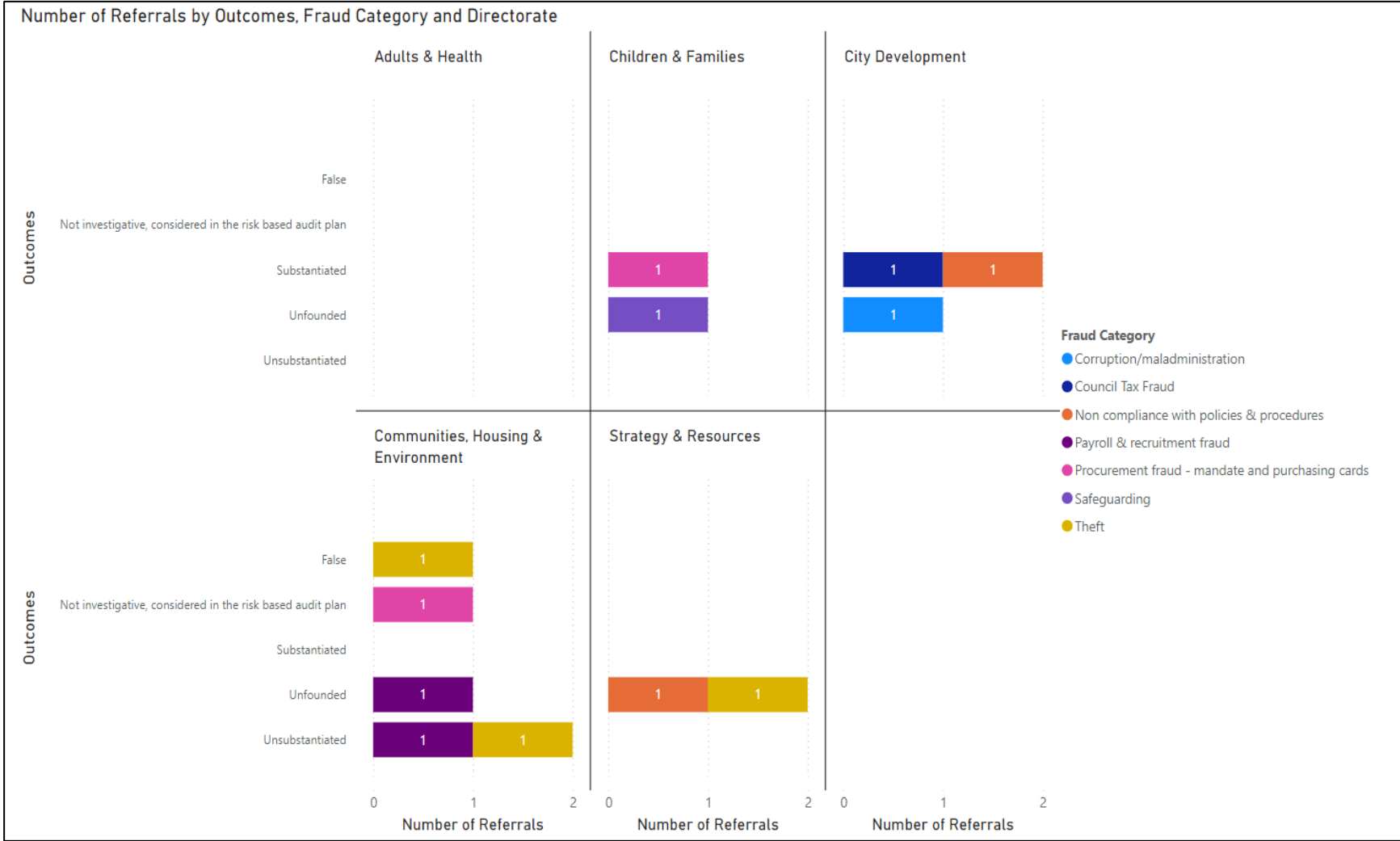
Open Investigations

- 2.4 As at the 30th September 2024, 19 referrals were being investigated. Of these, 9 were opened during the reporting period with the remaining 10 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 12 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 through the Internal Audit Update reports to the Committee.



2.6 In all instances where the attempted fraud has been substantiated, we are satisfied that there has been appropriate reflection and action taken by management to strengthen the control environment where necessary.

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, thirty issues have been identified and as a result £86,432 is currently in recovery¹.

3.4 Data has been extracted from the Council systems for the 2024 exercise and results from these matches are due to be released later in the year.

Awareness Raising

3.6 During the period, our awareness raising activities have included a publication promoting the Whistleblowing Policy and counter fraud and corruption policies such as the Anti Bribery and Anti Money Laundering policies, endorsed by the Counter Fraud Champion (Chair of this committee) for World Whistleblowers Day in June. This communication was made available on Insite and referred to in Manager Communications and Staff Update from the Chief Executive. All staff were encouraged to complete the fraud awareness training².

3.7 As members of the National Anti-Fraud Network (NAFN) we receive regular intelligence alerts on active or reported frauds experienced by other member bodies. This has resulted in the sharing of several fraud risks with colleagues in various departments across the Council for their awareness and consideration of controls in place. Recent communications have resulted in further proactive communications by the service (Licensing) to alert licence holders of potential scams and what to do if they suspect they have been a victim. Intelligence around Council tax refunds scams has resulted in the Council tax team reminding staff of the procedures in place to mitigate this risk. This demonstrates the value of this type of engagement and provides an opportunity for us to provide advice around fraud risks where required.

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 30th September 2024, 846 employees have completed this.

- 3.8 We also engage with other local authorities through the Fraud Investigators Group. More recently we have become members of the Public Sector Fraud Authority Community of Practice group which provides the opportunity to share knowledge and best practice which we can utilise at the Council. This includes any relevant intelligence being shared with the wider audit team.
- 3.9 We continue to work collaboratively with counter fraud colleagues within the Council to share ideas and promote best practice and the fraud awareness training. 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. The established working relationship with the Freedom to Speak Up Guardian also provide an additional source of intelligence where concerns considered to require Internal Audit involvement are discussed, and actions agreed.
- 3.10 One area highlighted as a way of enhancing engagement following the results of the Survey of Internal Control was to refresh our Whistleblowing Protocols which set out the roles and responsibilities for addressing confidential concerns. These were presented to the Corporate Leadership Team and communicated to Chief Officers in July to embed these at the correct level.
- 3.11 Details of the school's fraud awareness training is incorporated in the Internal Audit Page on Leeds For Learning. Since this became available as an e-learning package in February 2024, 32 members of school staff or governors have completed this training with positive feedback.

Counter Fraud reviews.

- 3.12 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 identifies the need for further assurance around the arrangements in place to deliver objectives and / or mitigate the risk of error or identify opportunities to strengthen controls. This may result in recommendations or advice to the service.
- 3.13 During the period, an opportunity to strengthen the new starter process for declaring other employment was identified and addressed. This came to light through our liaison with another body as part of the NFI data matching exercise. Our work in this area provides some assurance that risk and the wider impact has been considered in the context of organisational learning.
- 3.14 Additionally, the intelligence received through these channels enables us to highlight the risks to the service and provide specific guidance on what assurance is required to address them. This approach has resulted in positive outcomes where the controls have been strengthened across various Council services including vigilance over the approval process of

overtime claims, ensuring compliance with working practices such as the working time directive and the introduction of regular reconciliations of transactions, for example where income is received.

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.

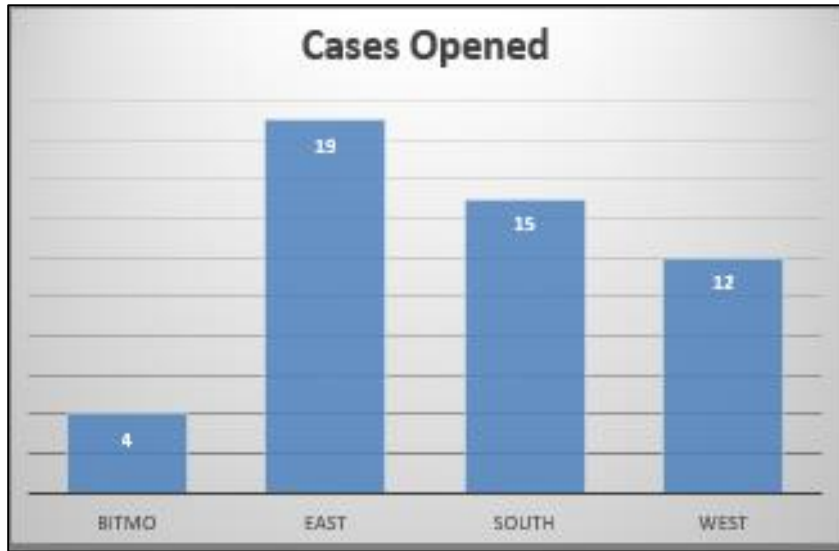
Housing Leeds

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: -

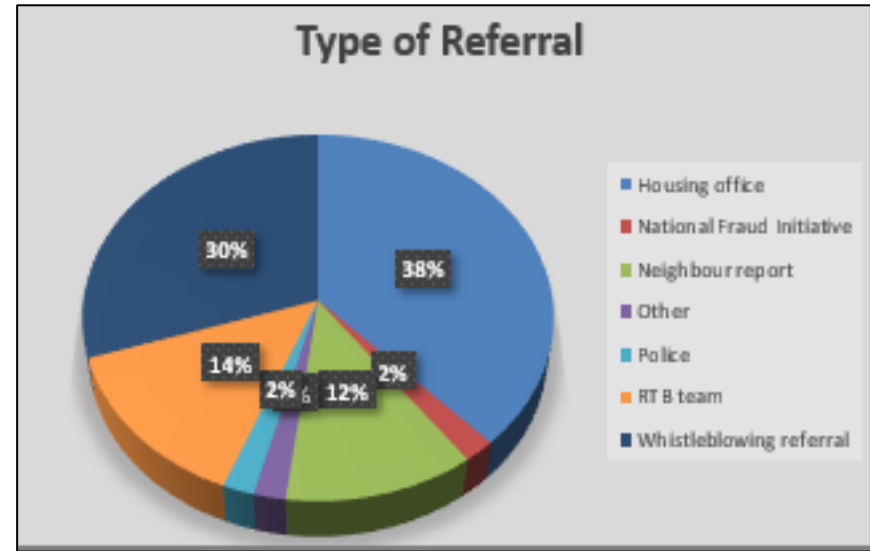
- Application fraud – not telling the truth when applying for a property, for example about how many people live there.
- Subletting fraud – a property is sublet without permission (this is a criminal offence)
- Succession fraud – living in a property after someone has died without the right to do so.
- 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 A new tenancy fraud performance framework has been introduced by the service to aid continual improvement and decision making. The information below summarises the work undertaken between April and September by the Tenancy Fraud officers. It should be noted that where reference is made to Belle Isle Tenant Management Organisation (BITMO), these cases are managed by BITMO staff but as the properties are part of LCC stock these are included in the figures below.

There were 50 new investigations were opened in the period. These are show below by area. There are currently 97 active cases being investigated citywide.



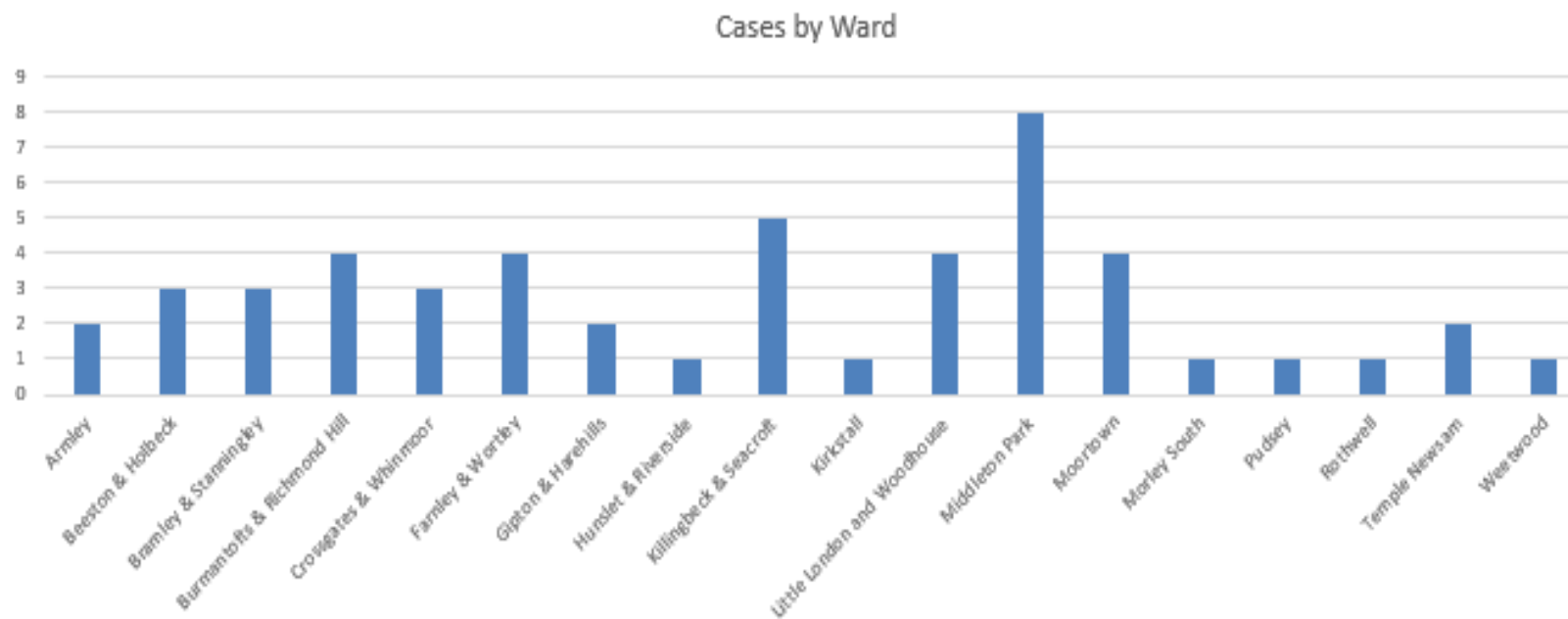
The majority of referrals received were made by the housing office (38%), whistleblowing referral (30%), or RTB team (14%).



Subletting continues to be the most frequent type of investigation in the period (56%).



The highest number of new cases were opened in the Middleton Park ward.



8 Council properties were recovered as a result of fraud investigations in Qtrs. 1&2. These can be broken down by area as follows:

- East 1
- South 5
- West 1
- BITMO 1

The estimated savings for these properties is £336k based on the standard national formula.

The following properties have been recovered in Qtrs. 1&2:

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

- 4.4 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

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.

- 4.5 False insurance claims are recognised as a key fraud risk area in the Fighting Fraud and Corruption Locally (FFCL) strategy. A total of 743 claims were received between April and September 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	0	2	1	1	0

2018	6	4	0	2	0
2019	3	2	0	1	0
2020	4	2	0	1	0
2021	4	2	0	0	0
2022	7	0	0	0	0
2023	2	0	0	0	0
2024	0	0	0	0	0

- 4.6 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.

Welfare and Benefits Service - Council Tax Support and Housing Benefit

- 4.7 This section details ongoing work that has continued during the period. We have been advised the following areas of activity have taken place:
- The Department for Works and Pensions provided funding for the Council to conduct a review of 5,174 Housing Benefit claims during 2024/25 with a view to ensuring we hold up to date details in relation to claimants. The service has advised they are on track to complete this activity in advance of the 31st March 2025 deadline. The receipt of electronic real time notifications of changes from the Department for Works and Pensions and HMRC mean that there continues to be a lower risk in terms of changes not being identified.
 - Since taking on responsibility for administering the Local Welfare Support Scheme during 2023/24, a risk-based review of all Local Welfare Support activity with a view to implementing measures to reduce the risk of fraud and error has been completed. A Quality Assurance sample checking programme was introduced for 2024/25.
 - The service continues to stay aware of national and local fraud risks, including those relating to a small number of unscrupulous landlords letting their accommodation as supported accommodation to receive enhanced rates of Housing Benefit. The service continues to be proactive through targeted measures to confirm eligibility and ensure awards are correct. Since April, this activity has generated an estimated in year saving of £205K. Work with colleagues in other

Council departments and liaison with the Department for Works and Pensions take place to try and minimise the risk of fraud in this area.

- 4.8 The Department for Work and Pensions have recognised the Council's performance relating to Housing Benefit over the last 12 months, including speed of processing, being indicative of a positive customer experience; a continued focus on reducing fraud, error, and debt; and maintaining a focus on Housing Benefit Debt Recovery.

Covid 19 Business Grants

- 4.9 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.
- 4.10 There are a small number of cases that are still being pursued by the Business Rates Section. We have been advised that these cases are in the process of being reviewed for referral to the Department for Business and Trade, the deadline for which has recently been extended. We will provide an update once these have been concluded.

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 responses and views from Senior Managers about the Council’s approach to counter fraud and corruption were reported in the last updated report to this committee. Whilst the overall response was positive, we identified areas for improvement in relation to embedding the Counter-fraud and Corruption Strategy and Response Plan, Whistleblowing Policy, Anti Bribery Policy, and Anti Money Laundering Policy across all services of the Council. The latest position is provided in the table below so we can keep these in focus. It is intended that the timescale for completion will align with the next Counter Fraud update report due in June 2025, however there will always be the need to balance the resources available to respond to essential counter fraud risks as they arise.

Area	What we said (action required)	What we’ve done (status)
Counter-fraud and Corruption Strategy and Response Plan	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	Initial detailed review has commenced. This has identified the need for a refresh of the strategic approach in order to ensure that this document is up to date

Area	What we said (action required)	What we've done (status)
	reflect on these areas and strengthen awareness and engagement.	and fit for purpose. As a result, there is plenty of further work required.
Whistleblowing Policy	The Whistleblowing Policy is also scheduled for review during 2024/25 and this will give us the opportunity to refresh communication.	As reported at 3.9, the whistleblowing protocols have been refreshed and communicated to Directors and Chief Officers. The review of the Whistleblowing Policy will commence imminently.
Anti-Money Laundering Policy	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.	Not yet commenced as linked to the refresh of the Counter Fraud Strategy.
Anti-Bribery Policy	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.	As above.