

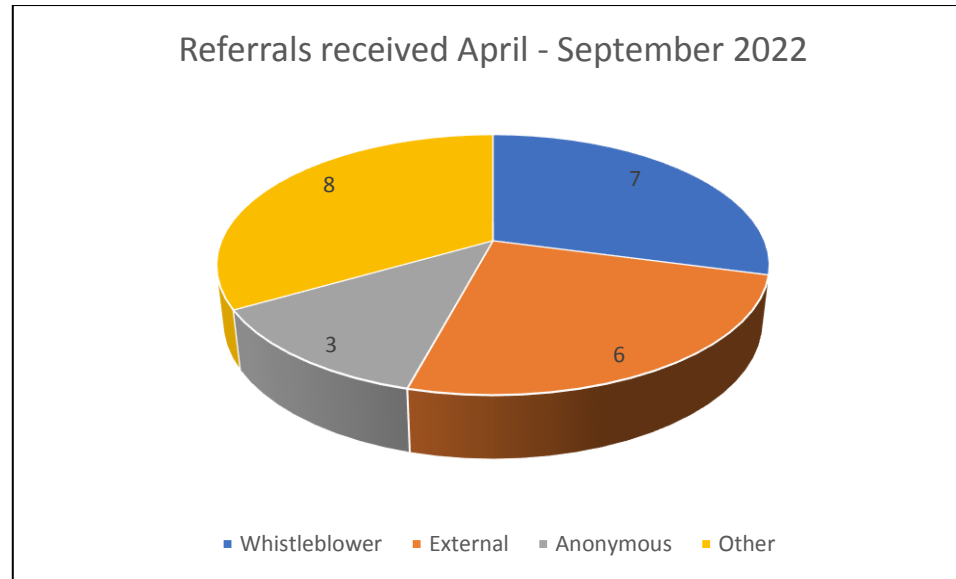
Background

1. Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to 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 plans, resources, and their effectiveness. Effective counter fraud arrangements also link to the ethical standards for members and officers that the public expects.
2. This report is designed to help meet this duty and is designed to give assurances to Committee members surrounding the counter fraud activities undertaken during the period April - September 2022 as part of the counter fraud and corruption assurance block within the Internal Audit Plan. This includes both the reactive and proactive approaches to the Council's zero tolerance to fraud and corruption.
3. Within the audit plan time is set aside to undertake investigations, or reactive work, to look in to 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.
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.
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.

Reactive Anti-Fraud Work

6. Internal Audit are the corporate owners of the Councils' 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. The table below illustrates the referrals received by directorate by the type of the concern raised between April and September 2022. The pie chart demonstrates the referral method. The referrals received through the 'other route' relate to those shared by external agencies, for example the National Anti- Fraud Network, or other Council services seeking advice or assistance.

Referral type	Directorate					Total
	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Resources	
Payroll and recruitment fraud				1		1
Economic and voluntary sector support fraud (Covid and other grants)	1		1	1		3
Staff conduct	1	1		2		4
Corruption/maladministration				1		1
Bribery of an officer			1			1
Theft		1		3	1	5
Procurement fraud - Mandate and purchasing cards					3	3
Non-compliance with policies and procedures					1	1
Payment evasion				1		1
Insurance					1	1
Misuse of Council funds				1		1
Value for money					1	1
Housing tenancy – RTB, subletting, abandonment				1		1
Total	2	2	2	11	7	24



Open Investigations

7. As at the 1st October 2022, 21 referrals were being investigated. 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.

Closed Investigations

8. A total of 23 referrals were closed during the period. The outcomes are shown in the table below by directorate. Where appropriate, the investigation report included recommendations for improvement. These figures include some referrals that were received in the previous financial year.

Referral type	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Resources	Total
Economic and voluntary sector support fraud (Covid and other grants)	1 Not proven			1 proven & steps taken by service to strengthen controls 1 no fraud but steps taken by service to strengthen controls	2 Covid grants in recovery process	5
Payroll and recruitment fraud				1 Not proven	1 Proven employee resigned	2
Staff conduct	1 Unable to prove/disprove steps taken by service to strengthen controls			1 Addressed under another Council policy	1 Addressed under another Council policy	3
Corruption/maladministration				1 Not proven		1
Theft				2 Not proven 1 Proven & steps taken by service to strengthen controls & reported to the police		3
Cheque fraud		1 Proven bank refunded monies				1
Mandate fraud					2 frauds prevented 1 fraud proven and recovery action being taken	3
Non-compliance with policies and procedures			1			1

			Proven & steps taken by service to strengthen controls			
Misuse of Council funds				1 Unable to prove/disprove steps taken by service to review controls		1
Insurance					1 Claim discontinued	1
Health and Safety				1 Proven & steps taken by service to strengthen controls		1
Value for money					1 Addressed under another Council policy	1
Total	2	1	1	10	9	23

9. Due to the continued threat of bank mandate fraud, a comprehensive review of the controls in place was undertaken. The controls in place were deemed adequate, however when compared to the latest methods fraudsters were using to target organisations, this did identify some opportunities where controls could be strengthened. All recommendations raised in the report were agreed by the service and the highest priority recommendations were implemented immediately.

Housing Leeds

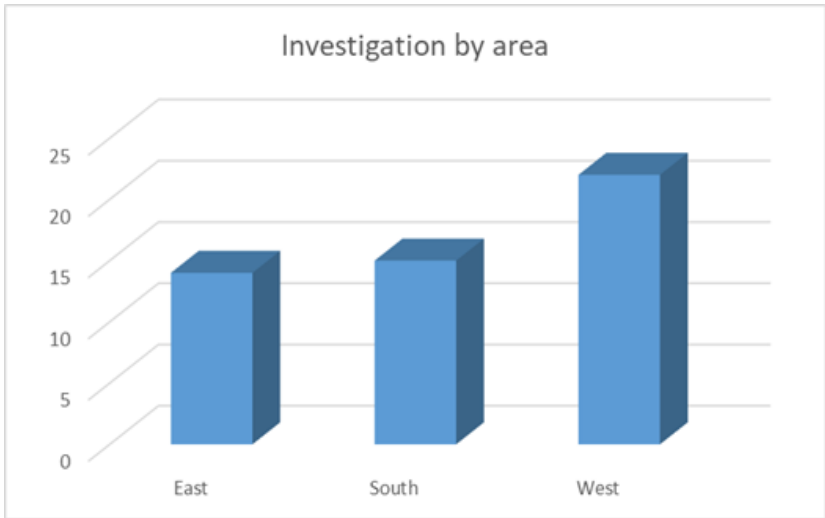
10. Housing Leeds provides a range of tenant and property related services for Council tenants and leaseholders, private rented sector tenants and homeowners. There are three Tenancy Fraud Officers whose role is to prevent and detect housing fraud to ensure that homes are fairly given to the people who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

Tenancy fraud includes: -

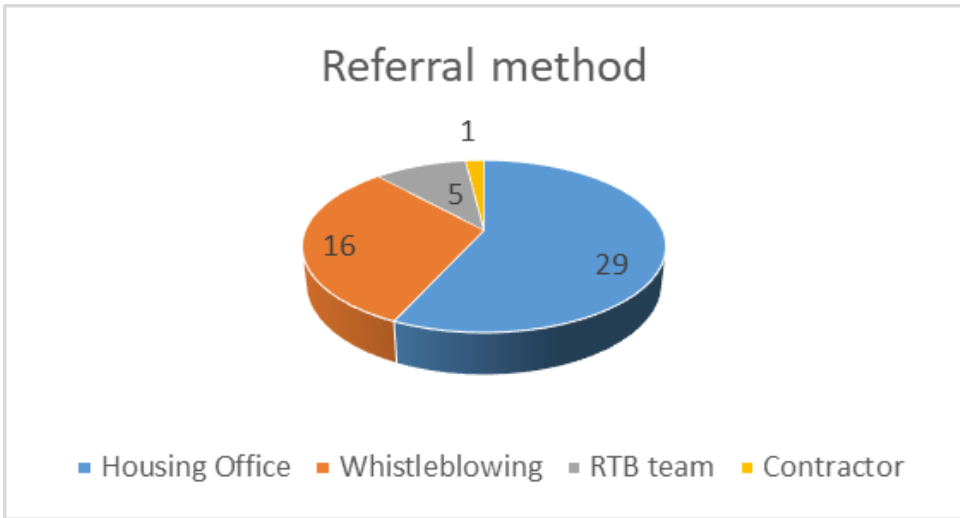
- Application fraud - not telling the truth when applying for a property, for example about how many people live there
- Subletting fraud - a property is sublet without permission (this is a criminal offence)
- Succession fraud - living in a property after someone has died without the right to do so
- 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

11. The information below summarises the work undertaken between April and September by the Tenancy Fraud Officers.

There were 51 new investigations opened in Qtrs. 1 & 2. There are currently 92 cases being investigated citywide.



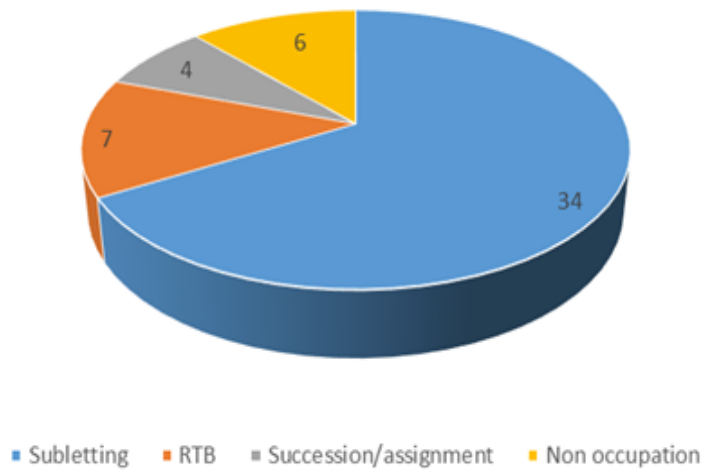
The majority of referrals received in Qtrs 1 & 2 were made by the housing office (57%) or whistleblowers (31%). There was also a referral from a contractor, demonstrating the importance of awareness raising across the service.



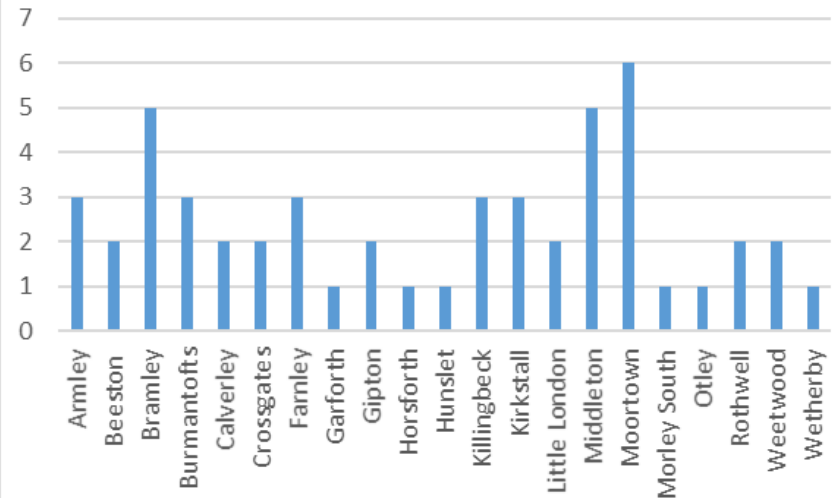
The Tenancy Fraud Officers have continued to prioritise subletting cases and Right to Buy fraud cases. Subletting has been the most frequent type of investigation in Qtrs 1 & 2 (66%).

The highest number of new cases were opened in the Moortown, Middleton and Bramley wards.

Investigation by type



Investigation by ward



8 council properties were recovered as a result of fraud investigations in Qtrs 1 & 2.

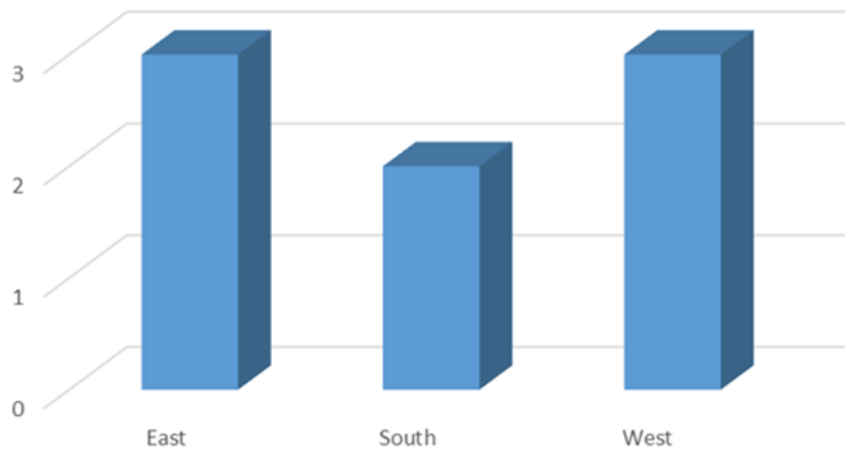
Of the properties recovered 1 has been relet to an applicant with band A additional needs – children, and 1 with band A – medical needs. A RTB fraud recovery has meant that a property that would have been sold for £145k with a discount of 51% can now be relet.

At the end of Qtr 2 there were a total of 494 properties recovered since 2008.

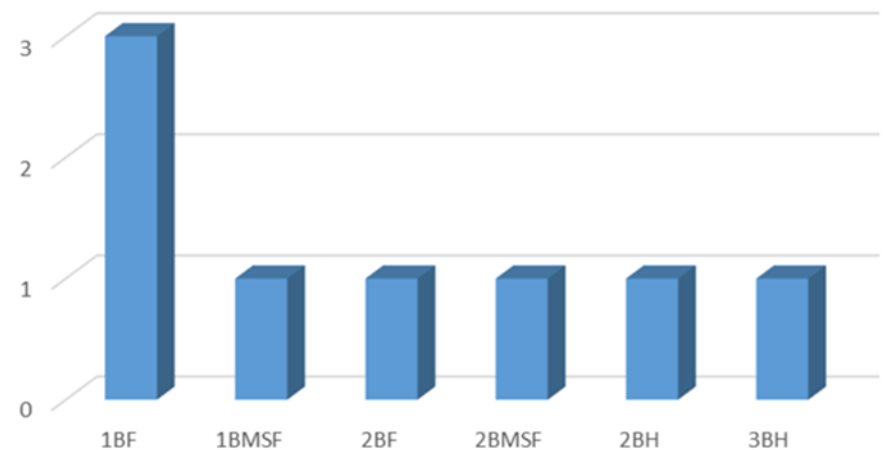
The following properties have been recovered in Qtrs 1 & 2:

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

Properties recovered by area



Properties recovered by type



Insurance Services

12. 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. 1,188 claims were received over the last financial year. These claims are both public liability claims from members of the public, and employer liability claims, property, and motor claims.
13. 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 cases have reached the threshold for legal intervention.

	Public Liability Claims			Employer Liability Claims
	Fraud investigation ongoing	Claims withdrawn	In recovery	In recovery
2017	1	0		
2018	4	1		
2019	2	0	1	1
2020	0	2		
2021	1	2		

14. In the cases where the claims are withdrawn, these have ongoing court involvement as we wish to recover any costs incurred on defending the claim. For the two cases that are in recovery, these relate to claims totalling approximately £12,000 which both have findings of fundamental dishonesty. The concept of fundamental dishonesty means that a personal injury claim can be dismissed due to concerns surrounding the conduct of claimants (for example submitting false documents to support a claim).
15. 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.

Social Care Fraud

16. 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. This is a misuse of Council funds and the direct payment audit team work in partnership with West Yorkshire Joint Services where payments made reach the threshold for criminal investigation.
17. There is currently one direct payment fraud case which is being prepared for prosecution.

Proactive Anti-Fraud Work

18. To help ensure that there is an effective counter fraud culture in place within the Council, we have included time in the counter fraud block of the Internal Audit Plan to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications and our internal risk assessments.

National Fraud Initiative (NFI)

19. 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, Benefits and Housing and Tenancy Fraud) have been working through the matches on a risk basis.
20. Internal Audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. 17,248 matches have been received and 16,883 have been closed. Twenty errors have been identified resulting in the recovery of £40,607¹. We are currently submitting the data for the 2022/23 exercise and expect the results to be available from January onwards.

¹ This relates to Council Tax Reduction Scheme and Housing Benefit claims

Covid 19 Business Grants

21. The Business Rates Section has been progressing the fraudulent cases through the recovery process in accordance with the Government's Debt Recovery Guidance. Once these cases have gone through the three-step process, these debts will be referred to the Department for Business Energy and Industrial Strategy for appropriate action. We have one case that is scheduled to go to court in summer 2023.

Employee outside interests

22. The Fighting Fraud and Corruption Locally 2020 Strategy sets out the importance of having robust arrangements in place for the register of interests to reduce the risk of employee fraud or bribery taking place within a process. This also helps to address the risk of an undue/outside influence over a decision. A significant piece of work was therefore undertaken on employee outside interests. This has looked at the processes in place to manage the risks posed by outside interests, reviewing both the exercises co-ordinated centrally that covers all employees in 'high risk' posts, and the various supplementary activities that are in place within areas of significant risk across the Council. A number of recommendations were made, some of which lend themselves to consideration within the Council's ongoing Core Business Transformation Programme. We have also agreed a number of more immediate actions including within those directorates and service areas that are exposed to an increased level of risk due to the day-to-day activities they are involved in. This work was reported in the Internal Audit Report shared with the Committee at the October meeting.

Welfare and Benefits Service - Council Tax Support review

23. The Welfare and Benefits Service have commenced a proactive data matching exercise. This work is ongoing, and the initial results are included in the table below for information. This work has identified Council Tax Support claims with potential undeclared earnings. So far this has resulted in £660k being added back to the Council tax bills. This in effect means that additional income will be available to the Council which previously was not identified.

Number of proactive CTS reviews undertaken	794
Number where an unreported change was identified	744
Value CTS debits (added back to the Council Tax bill)	£660,199.51
Average CTS debit per unreported change	£877.36
Number where the customer is still working	657
Number where earned income is high enough to reduce CTS entitlement to NIL	516

Awareness Raising

24. Included in our counter fraud arrangements are the regular communications to staff of current fraud risks, and the signposting of where to report any concerns. During the period we have promoted the Fraud Awareness Training package which is available to staff on the Performance and Learning System, including encouraging managers of staff with no digital access to present this at team meetings. We also reminded staff of our counter fraud policies and how to raise concerns. The June promotion was timed to coincide with World Whistleblower's Day with a further communication in September that included a reminder to staff to be vigilant of bank mandate fraud. Staff were also made aware of the requirement of the Council to submit data to the Cabinet Office for the National Fraud Initiative (NFI) data matching exercise.
25. We have regular meetings with the Freedom to Speak Up Guardian (FTSU). Any concerns that are brought to her attention that are considered to require Internal Audit investigation are discussed and actions agreed.
26. As members of the National Anti-Fraud Network (NAFN) we receive regular intelligence alerts on active or reported frauds experienced by other member bodies. Details of the fraud risks are shared with the relevant service. We are exploring further ways which we can work with services to raise awareness around the type of fraud risks that may occur within their processes and to ensure adequate controls can be implemented by those responsible. As a first step this has included working with risk

colleagues to highlight to senior management that fraud and corruption risks should be reviewed on a regular basis to ensure that they remain in focus, and to gain assurance that any new fraud risks have been considered and addressed. A reminder to this effect has been included in the latest directorate management team risk reports. We also work collaboratively with counter fraud colleagues within the Council to share ideas and promote best practice and the fraud awareness training. Developing these relationships will enhance our ability to identify and respond to emerging fraud risks.

27. We have developed a Fraud Awareness Training package specifically tailored for schools. This aims to provide staff with an understanding of the importance of tackling fraud, bribery and corruption and includes information on the key fraud risks affecting schools, indicators of fraud, and how staff should raise any concerns. The training includes scenarios that are relevant to staff within their roles in the school environment. This will be tested by some school's staff prior to being launched and made available on the Leeds for Learning platform.

Counter fraud policy framework

28. As part of our refresh programme of the suite of counter fraud policies, we have undertaken a review of the Anti-Money Laundering Policy against legislation and best practice, in conjunction with the Money Laundering Awareness Officer in Legal Services. Alongside the policy review we have examined controls within higher risk areas to assess their adequacy. The outcomes of these reviews were included in the Internal Audit Report shared with the Committee at the October meeting. The findings from the reviews were that there were appropriate and proportionate anti money laundering arrangements in place. This includes an awareness of the risks, customer due diligence, record keeping, monitoring, reporting lines, and general awareness and training.

29. Minor amendments have been made to the policy itself. They have been made in accordance with the updated legislation, and the CIPFA publication "Combatting Financial Crime, Practical Advice for the Public Sector". The changes are very minor and don't change any of the underlying responsibilities or requirements of staff. Other amendments have been made such as updating for contact details and the availability of training on PAL. The updated policy has been discussed at the JCC Trade Union meeting and is attached at Appendix B. Members are asked to endorse the policy and policy on a page. Members are also asked that any future minor changes to the policy are agreed by the Chief Officer Financial Services. A delegated decision to approve the policy will then be taken by the Chief Officer Financial Services.

30. A review of the Anti-Bribery and Corruption Policy has commenced. This will be reviewed alongside a self-assessment against best practices including the Bribery and Corruption assessment template produced by government. Once this review has completed, relevant consultation will take place and the updated policy presented to members at this Committee.

Regulation of Investigatory Powers Act 2000

31. In the most recent inspection report issued by the Office of Surveillance Commissioners, it was recommended that Members should receive regular reports about the use of the Council's surveillance powers under RIPA.

32. The Head of Service (Legal) has confirmed that there have been no applications for directed surveillance or covert human intelligence source (CHIS) authorisations since the previous update was provided (which covered the period to March 2022). In addition, there has been no use of the powers to obtain communications data over the same period.