

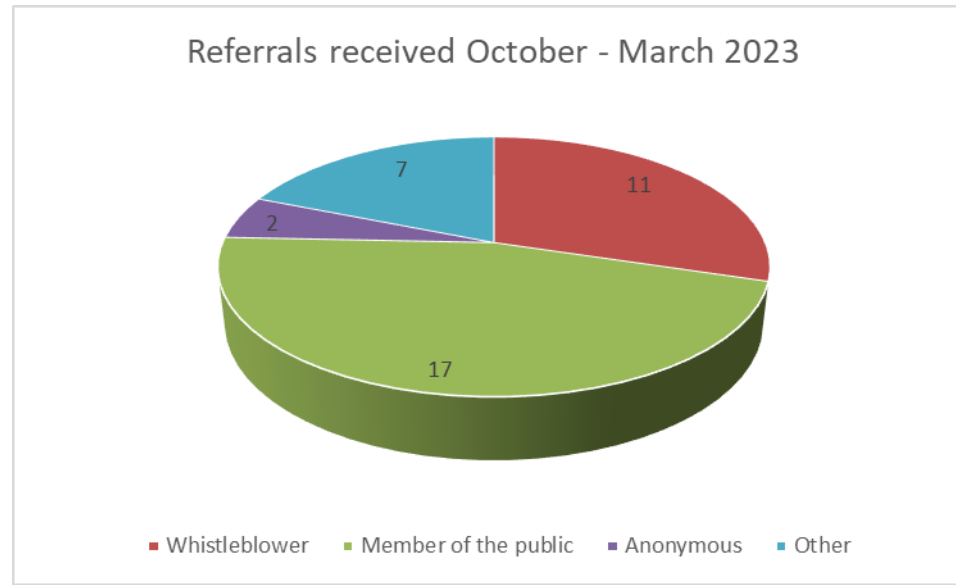
Background

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 October - March 2023 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 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.
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 October and March 2023. 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	Strategy & Resources	
Payroll and recruitment fraud				2		2
Staff conduct		1		1	1	3
Safeguarding		1				1
Social care fraud	1					1
Corruption/maladministration		1				1
Theft			1	1	2	4
Procurement fraud - Mandate and purchasing cards	2		1			3
Non-compliance with policies and procedures		4	2			6
Cheque fraud		1				1
Health and Safety		1	1			2
Misuse of Council funds			1	2	2	5
Value for money		1				1
Housing tenancy – RTB, subletting, abandonment				7		7
Total	3	10	6	13	5	37



Open Investigations

7. As at the 1st April 2023, 28 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 27 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. In the new financial year, when investigations are closed, we will be seeking feedback from whistleblowers regarding their experience of raising concerns in the workplace.

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 Proven legal action being taken to recover funds £3k			1
Staff conduct				1 Not proven 1 Addressed under another council policy		2
Corruption/maladministration		1 Not proven			1 Not proven	2
Theft			1 No loss suffered; control environment strengthened	1 Not proven	1 Not proven 1 Not proven recommendations raised	4
Cheque fraud		1 Proven Monies fully recovered £4k				1
Mandate fraud	1 Proven fraud prevented £5.8k					1
Non-compliance with policies and procedures		1 Not proven			2 Not proven	3
Misuse of Council funds			1 Not proven			1
Bribery of Council officer			1			1

			Not proven (referred to police and no further action taken)			
Payment evasion				1 Referred to external investigative body to investigate		1
Health and Safety			1 Addressed under another council policy			1
Safeguarding		1 Not proven				1
Tenancy fraud				5 Not proven 1 Proven (housing application fraud prevented)		6
Value for money		1 Addressed under another council policy			1 Not proven	2
Total	1	5	5	10	6	27

9. 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 has been 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 are reviewing the

outcomes of the referrals received in the 2022-23 year and will use this analysis to feed into our targeted proactive reviews during 2023-24.

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

Housing Leeds

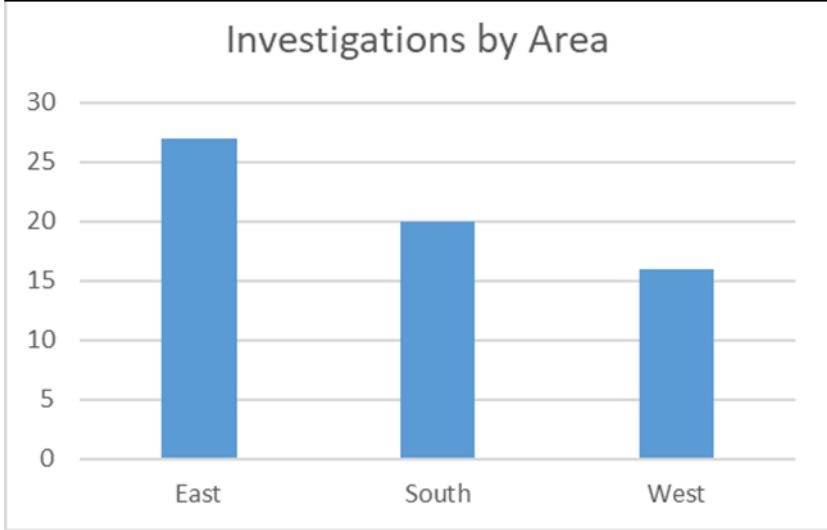
10. Housing Leeds provides a range of tenant and property related services for Council tenants and leaseholders, private rented sector tenants and homeowners. There are three Tenancy Fraud Officers whose role is to prevent and detect housing fraud to ensure that homes are fairly given to the people who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

Tenancy fraud includes: -

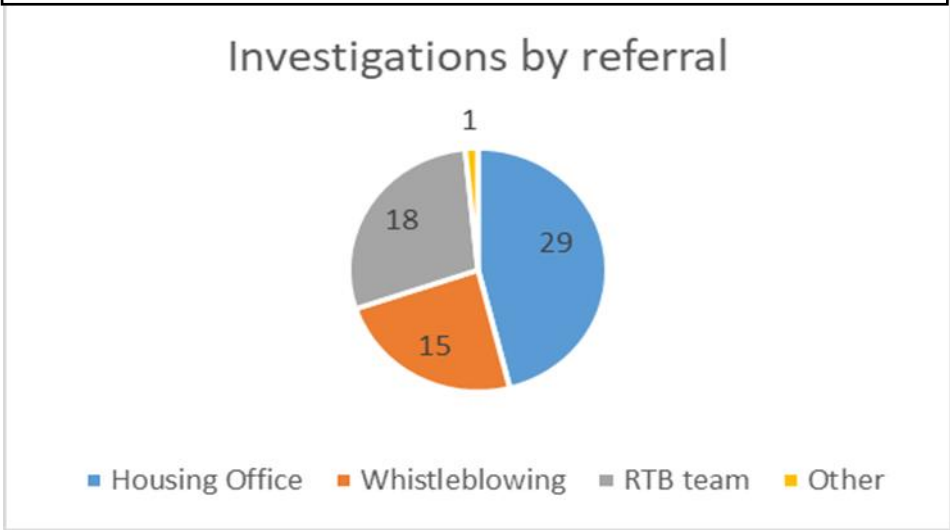
- Application fraud - not telling the truth when applying for a property, for example about how many people live there
- Subletting fraud - a property is sublet without permission (this is a criminal offence)
- Succession fraud - living in a property after someone has died without the right to do so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

There were 63 new investigations opened in Qtrs. 3 & 4. There are currently 85 cases being investigated citywide.



The majority of referrals received in Qtrs. 3 & 4 were made by the housing office (46%) or the RTB team (29%) whistleblowers and other referrals made up the remaining 25%.

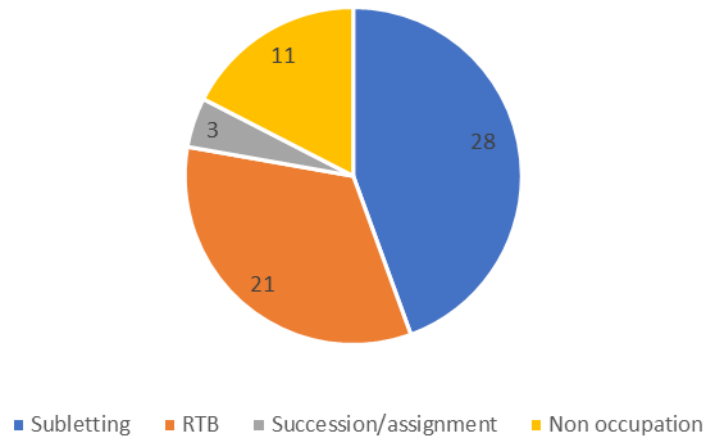


The Tenancy Fraud Officers have continued to prioritise subletting cases and Right to Buy fraud cases.

Subletting has been the most frequent type of investigation in Qtrs. 3 & 4 (45%) followed by right to buy cases (33%).

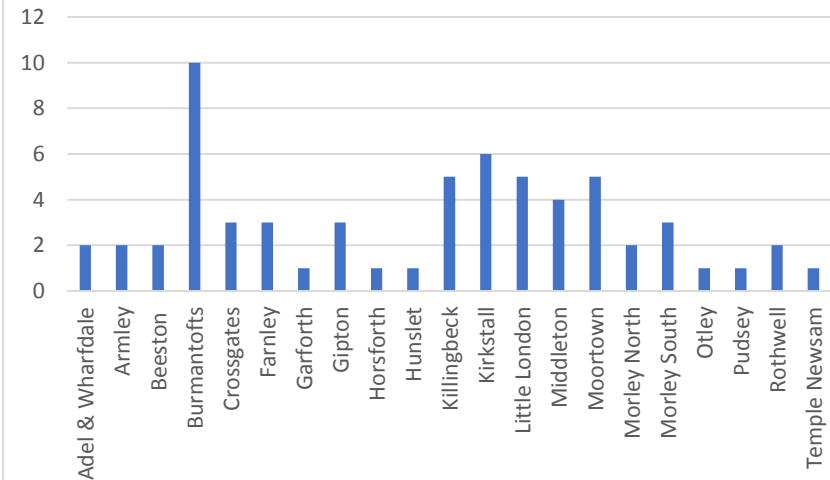
Succession/ assignment and non-occupation fraud accounted for the remaining 22% of cases.

Types of fraud



The highest number of new cases were opened in the Burmantofts, and Kirkstall wards.

Cases opened by ward



12 council properties were recovered as a result of fraud investigations in Qtrs. 3 & 4.

1 has been relet to a band A applicant and the rest remain in void.

5 of these have been readvertised and 3/5 of the properties have been offered to applicants all in band A priority need.

At the end of Qtr. 4 there were a total of 502 properties recovered since 2008.

The following properties have been recovered in Qtrs. 3 & 4:

3 x 1 bed flat

1 x 1 bed multi storey flat

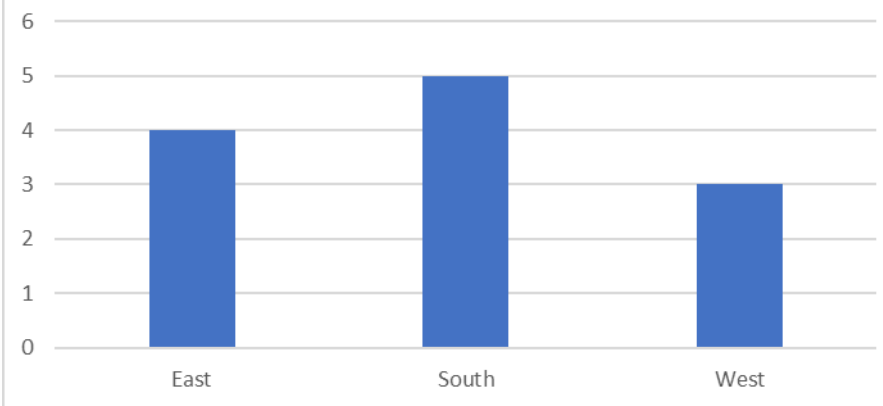
2 x 2 bed flat

2 x 2 bed house

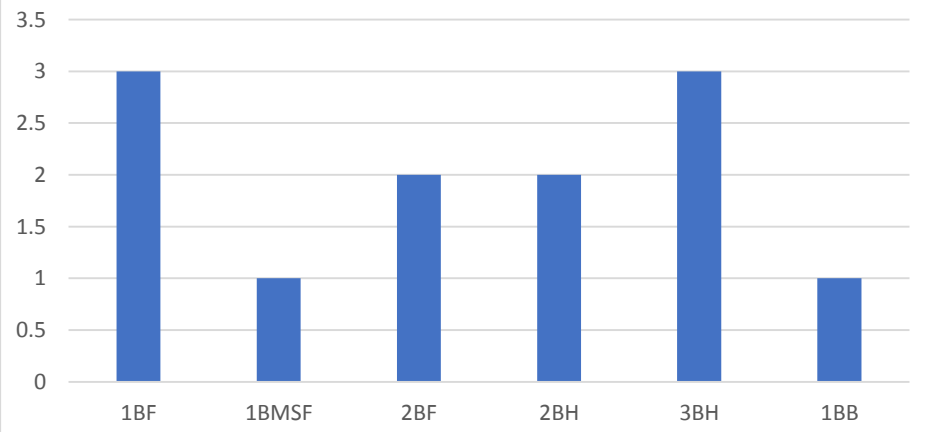
3 x 3 bed house

1 x 1 bed bungalow

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. 1,395 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		2	1	1
2018	4	4		2
2019	3	2	1	1
2020	1	2		
2021				
2022				
2023				

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 cases that are in recovery, these relate to claims totalling £21,140 which 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 team successfully won a civil case against a spurious compensation case. A claim was brought against the council for personal injuries, the claimant stating they had fallen on an uneven manhole cover in the city centre and had sustained a knee injury. When the inconsistencies were raised with the claimant the claim was dropped. The council asked the Court to rule on whether the claimant had been dishonest in pursuing the claim, in order to discourage further spurious claims against the council and to protect public funds. Due to inconsistencies in the claim, the claimant was ordered to pay the council's legal costs of the proceedings to the value of £10,750 and the claim was concluded by the Judge as being fundamentally dishonest.
16. 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

17. 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 teamwork in partnership with West Yorkshire Joint Services where payments made reach the threshold for criminal investigation.
18. There is currently one direct payment fraud case which is being prepared for prosecution.

Proactive Anti-Fraud Work

19. 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)

20. 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.

21. Internal Audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. Twenty-one errors have been identified resulting in the recovery of £64,210¹. Review of the output on this exercise is now complete and work is focused on the new matches.

22. The data for the 2022/23 exercise has been received which includes 17,272 matches. These are being reviewed on a risk basis.

Internal Audit Bank Mandate Review

23. All the recommendations made in the Bank Mandate Fraud report, as referenced in the previous counter fraud update report, have been implemented. We have continued to proactively seek new ways to ensure staff within Directorates are aware of their responsibilities in this area. This has included a targeted communication sent to managers around the importance of staff following procedures. We will be requesting that all existing FMS users with specific access rights complete the fraud awareness training. We have agreed with management that the fraud awareness training will be completed prior to a new user being granted access to update creditor bank details in FMS (this is restricted access). These steps should increase awareness of the fraud risks facing the council and further promote the importance of following procedures to prevent fraud.

¹ This relates to Council Tax Reduction Scheme, Housing Benefit claims and a duplicate creditor payment

Internal Audit Schools Purchasing Cards Review

24. We are undertaking a review on purchasing card spend at schools where the card authoriser (or coding delegate) is in a less senior position than the cardholder, and therefore potentially not in a position to challenge expenditure, in order to provide assurance that the purchases are appropriate for the school. The outcome of this work will be included in the next update report.

Welfare and Benefits Service - Council Tax Support and Housing Benefit claims review

25. The Welfare and Benefits Service have undertaken a proactive data matching exercise. This work has identified Council Tax Support claims with potential undeclared earnings. A total of 3,333 claims have been reviewed and this has resulted in £1,990,077 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.

26. The Department of Work and Pensions have provided funding for the Council to conduct a review of 6,300 Housing Benefit claims, with a view to ensuring that we hold up to date details in relation to claimants. We will use systems available to us to verify details provided by the claimant. Assessment staff continue to verify details provided by applicants against data held by the DWP and HMRC, including earnings and benefit income data. The receipt of electronic real time notifications of changes from the Department for Work and Pensions and HMRC mean that there continues to be a lower risk in terms of changes being unreported.

Covid 19 Business Grants

27. The Business Rates Section has been progressing the fraudulent cases through the recovery process in accordance with the Government's Debt Recovery Guidance. There are 29 cases that are being actively pursued by the Business Rates Section to the value of £279k. Once these cases have gone through the three-step debt recovery 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.

Awareness Raising

28. In addition to the reactive and proactive work, our counter fraud arrangements include regular communications to staff of current fraud risks, and the signposting of where to report any concerns. During the period we have supported a communication sent to all FMS Leeds users relating to the risk of bank mandate fraud by including this in the Fraud Awareness article on Insite in February. The same article also included details of the updated and approved Anti-Money Laundering Policy and Policy on a page. This policy has been linked to the Fraud and Corruption toolkit, along with links to the Anti-Money Laundering and Terrorist Financing training and the Fraud Awareness Training package.
29. We have regular meetings with the Freedom to Speak Up Guardian (FTSUG) where any concerns that are considered to require Internal Audit investigation are discussed and actions agreed.
30. 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 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 training. Developing these relationships will enhance our ability to identify and respond to emerging fraud risks.
31. The Fraud Awareness Training package specifically tailored for School Staff and Governors was successfully launched on the Leeds for Learning platform as an interactive video. This training 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 has received positive feedback to date.

Counter fraud policy framework

32. A review of the Anti-Bribery and Corruption Policy has taken place and is currently in the process of consultation with key officers prior to being presented to members at this Committee.

Regulation of Investigatory Powers Act 2000

33. 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.
34. 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 September 2022). In addition, there has been no use of the powers to obtain communications data over the same period.