



Appendix A

Leeds City Council

Counter Fraud Update Report – April to December 2023

Corporate Governance and Audit Committee

12th February 2024

COUNTER FRAUD UPDATE REPORT 2023/24

1st April 2023 to 31st December 2023

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 December 2023.
- 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.

1.6 This report includes the annual update to the Committee on the Council use of Regulation of Investigatory Powers Act 2000 (RIPA).

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 December 2023.

Referral type	Directorate					Total
	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Strategy & Resources	
Economic and voluntary sector support fraud (Covid and other grants)				1	3	4
Payroll and recruitment fraud						
Staff conduct		2	2		1	5
Safeguarding		2				2
Social care fraud	2					2
Corruption/maladministration			3			3
Theft				2		2
Procurement fraud - Mandate and purchasing cards			1	1	1	3
Non-compliance with policies and procedures		1	1			2
Cheque fraud		2				2
Health and Safety						
Misuse of Council funds						
Value for money						
Debt Fraud					1	1
Council Tax Fraud			1			1
Total						27

2.2 The table below compares the number of referrals received by financial year and includes 2023/24 up to the end of December 2023. 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.

2019-20	2020-2021	2021-2022	2022-2023	2023-24 Q1-Q3
46	74	45	61	27

2.3 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.

Open Investigations

2.4 As at the 31st December 2023, 17 referrals were being investigated. Of these, 10 have been newly opened during the reporting period with the remaining 7 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 41 referrals were closed during the period, this includes some referrals that were received in the 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. We are in the process of reviewing the 21,152 matches received for the 2022/23 exercise based on risk. This is an increase from 17,272 quoted in the last report due to release of additional matches.

3.4 To date, twenty issues have been identified resulting in £46,089 currently being in recovery¹. Review of the output of this exercise is still ongoing.

Counter fraud reviews

3.5 During the period we have carried out specific reviews to address areas of identified fraud risk to the authority. The prioritisation of this work considers the use of best practice and our internal risk assessments. Internal fraud is recognised as a key risk across several publications including Cifas latest Fraudscape report, and Internal Audit activity in these areas acts as a key deterrent in accordance the Council's zero tolerance approach. The following reviews have been undertaken during this period:

- Mileage Claims

3.6 Several recommendations were made to strengthen the control environment including improvements to communication, and oversight to support the financial challenge. The review also highlighted considerations around the capabilities of new technology through the core business transformation programme.

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

- Purchasing Cards

3.7 This has resulted in several conversations across the Leadership Team along with the production of dashboard information that will strengthen oversight and challenge. Similar work was undertaken around purchasing card transactions in Schools with key observations and findings reported to the individual schools where required.

Awareness Raising

3.8 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. During the period we have participated in World Whistleblowers Day in June and International Fraud Awareness week in November where we promoted the Fraud Awareness Training ² on Insite. We also raised awareness of the Fraud and Corruption toolkit, available policies and how employees can report concerns.

3.9 We have also contributed an article to the Contract Manager Newsletter to highlight procurement fraud risk and the importance of effective contract management.

3.10 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.

3.11 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.

Counter fraud policy framework

3.12 As part of our refresh programme of the suite of counter fraud and corruption policies, we have undertaken a review of the Anti-Bribery Policy. The review established that it remains in line with current legislation and as such there have only been minor amendments. This includes:

- Strengthening some specific areas of wording

² The Fraud Awareness e-learning training was launched in May 2022, from this time up to the end of December 2023, 785 employees have completed this.

- Aligning the policy with the Council values and expected behaviours
- Including reference to supporting policies and the Fraud Awareness Training
- Including contact details for reporting concerns.

3.13 We have also developed the Policy on a Page which provides the key messages on an easy-to-read document. Both documents will be made available to staff on Insite and will form part of the Fraud and Corruption toolkit.

3.14 The Anti-Bribery Policy and Policy on a Page are appended within this update report for awareness and endorsement.

Moving forward

3.15 There are various other pieces of work ongoing that will provide important assurances around potential areas of fraud risk. Moving forward we are looking at ways to align the counter fraud activities and priorities more closely with the work undertaken across the Internal Audit plan. For example, where emerging fraud risks come to light, we will be looking to utilise the resource across the team to ensure these are considered and incorporated within relevant pieces of Internal Audit work. This will ensure that proactive fraud activity becomes the business of the whole Internal Audit team and maximises synergies across the service.

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. 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: -

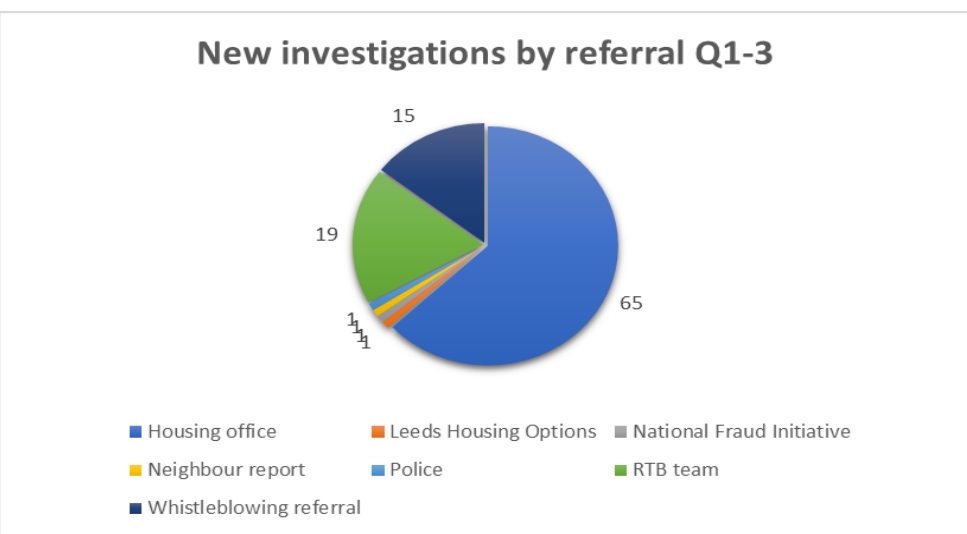
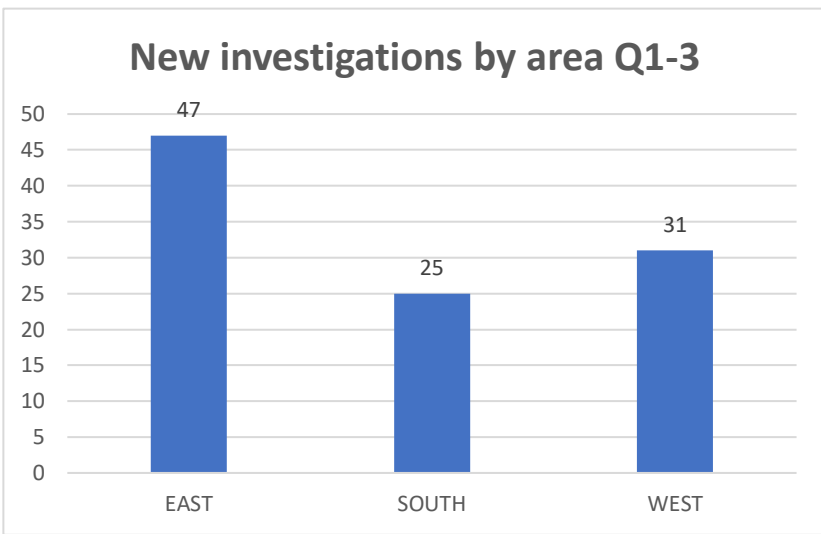
- Application fraud - not telling the truth when applying for a property, for example about how many people live there

- 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 April and September by the Tenancy Fraud Officers.

There were 103 new investigations opened in Qtrs. 1-3. There are currently 104 ongoing cases being investigated citywide.

The majority of referrals received in Qtrs. 1-3 were made by the housing office (63%) or the RTB team (18%).



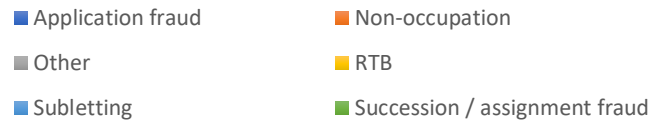
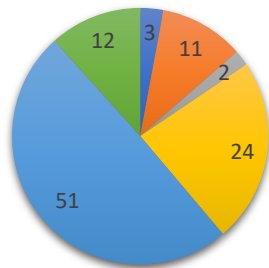
The Tenancy Fraud Officers have continued to prioritise subletting cases and Right to Buy fraud cases.

Subletting has been the most frequent type of investigation in Qtrs. 1-3 (50%) followed by right to buy cases (23%).

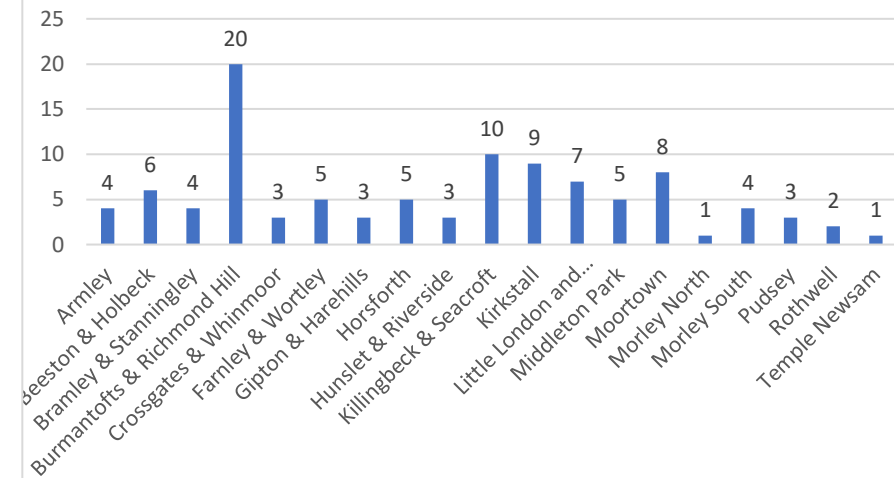
The highest number of new cases were opened in the Burmantofts ward.

Investigations were opened in 19 wards across the city in Qtr.1 – 3.

New investigations Q1-3 - Types of Fraud



New investigation by ward Q1-3



19 council properties were recovered as a result of fraud investigations in Qtrs. 1 - 3. These can be broken down by area as follows:

- East 2
- South 8
- West 9

At the end of Qtr. 3 there were a total of 521 properties recovered since 2008.

The following properties have been recovered in Qtrs. 1 - 3:

- 6 x 1 bed flat
- 1 x 1 bed house
- 4 x 2 bed flat
- 2 x 2 bed house
- 1 x 1 bed multi storey flat
- 1 x 3 bed multi storey flat
- 4 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.
- 4.5 During the period dialogue has been opened with neighbouring authorities and core cities to share good practices in the management of housing tenancy fraud. We will continue to pursue this work and reflect on notable findings and observations with our colleagues in the housing tenancy team.

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 959 claims were received between April and December 2023 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	4	4		2	1
2019	5	2	1	1	
2020	3	2		1	
2021	3	2			
2022	3				
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. 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, these currently total £32,640. 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).

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. 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. Instances of suspected fraud are to be notified to Internal Audit and these figures are captured in the tables at 2.1 and 2.5 above.
- 4.10 We previously reported a separate case which was being prepared for prosecution, this has now been resolved, and money is being recovered by the Council.

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

- 4.11 In previous updates we have referenced work to be undertaken as a result of funding provided by the Department for Works and Pensions. This has resulted in a review of 6,300 Housing Benefit claims during 2023/24 to ensure up to date details are held in relation to claimants. These reviews are now complete, and we have been assured that any discrepancies identified have been corrected. 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.
- 4.12 We have also been advised of the following areas of activity within the service:
- The Welfare & Benefits service were given responsibility for the administration of the Local Welfare Support Scheme during 2023/24 and have subsequently introduced additional measures to help prevent fraudulent applications.
 - The service have also undertaken some proactive work during the year to target Housing Benefit claims with additional adults living in the property. As a result of this exercise, £174K in overpaid Housing Benefit has been identified and will be recovered where appropriate.
 - Proactive work with colleagues in other council departments is ongoing such as Housing to identify and assess eligibility where appropriate.

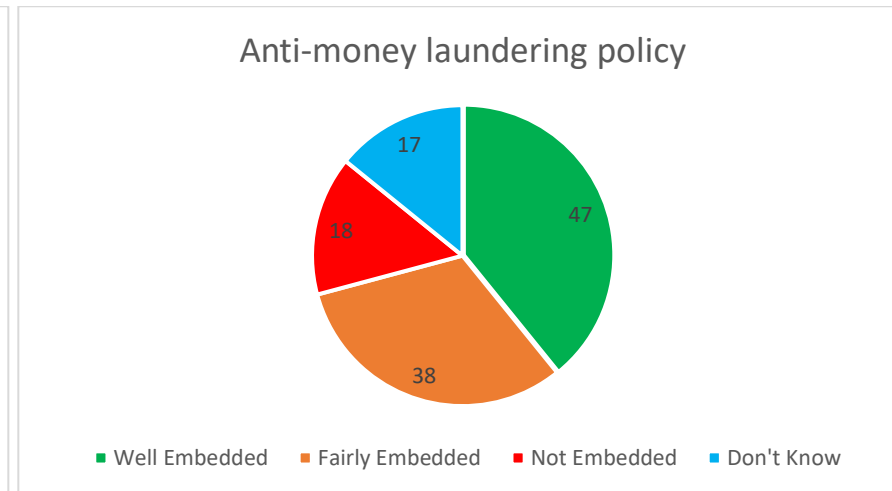
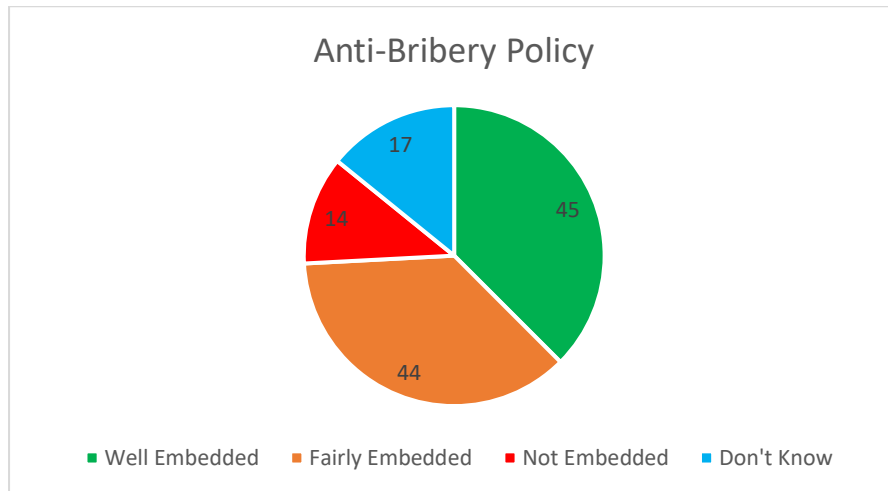
Covid 19 Business Grants

- 4.13 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, Energy and Industrial Strategy for appropriate action.
- 4.14 There are 28 cases that are being actively pursued by the Business Rates Section to the value of £277k. We have been advised that approximately 70% of the cases have had all the required action and are currently being reviewed for referral to the Department for Business, Energy, and Industrial Strategy as above.

5 Survey of Internal Control

- 5.1 The Survey of Internal Control (SIC) is used to gain operational 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 including the Council's Counter-fraud and Corruption Strategy and Response Plan, Whistleblowing Policy, Anti Bribery Policy and Anti Money Laundering Policy. The responses are shown below:





- 5.2 The results show that overall the suite of counter fraud policies are embedded across the organisation with the majority of respondents confirming the Whistleblowing arrangements are generally well embedded. This gives some assurance that staff are aware of the policy and how to report concerns of wrongdoing in the Council.
- 5.3 It has highlighted some areas where we can strengthen awareness of the arrangements which will be addressed through increased Directorate engagement, and efforts to promote the Fraud Awareness Training. At the time of reporting, we are reviewing the areas in which it is clear there are opportunities for further engagement to understand the root causes and risk posed. We will reflect on this and will review the impact of steps taken through future responses to the survey.

6 Regulation of Investigatory Powers Act 2000

- 6.1 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.
- 6.2 The Regulation of Investigatory Powers Act 2000 (RIPA) is designed to ensure that public bodies respect the privacy of members of the public when carrying out investigations, and that privacy is only interfered with when the law permits and there is a clear public interest justification.
- 6.3 RIPA provides an authorisation process for certain types of surveillance and information gathering, and that process can be used as a defence against human rights claims. At present, the Council is entitled to authorise its own directed surveillance

and can also authorise the use or conduct of a CHIS (covert human intelligence source) under RIPA, and the Council's RIPA policy contains a number of safeguards against the over-use of these powers.

- 6.4 In addition, local authorities can only authorise directed surveillance for preventing or detecting "serious crime" which is defined as criminal offences punishable by at least 6 months imprisonment, or certain other specified offences, and the use of a CHIS can only be authorised for the purpose of preventing or detecting crime or of preventing disorder. RIPA also now specifies that a directed surveillance or CHIS authorisation cannot take effect until such time as a Justice of the Peace (JP) has made an order approving the authorisation.
- 6.5 In practice, the only Services who have used directed surveillance previously as part of their investigations have been those involved in combatting anti-social behaviour or dealing with environmental health issues. However, the Council's RIPA policy encourages the use of RIPA as a last resort only, and the "default position" in all Services now is to undertake investigations overtly. In addition, there is occasional use of directed surveillance in relation to the investigation of insurance claims, and by West Yorkshire Trading Standards. There has been only one directed surveillance authorisation (in relation to a Trading Standards matter) in the last 7 years, and no CHIS authorisations.
- 6.6 As described above, given the terms of the RIPA policy, and the Council's Values, the "default" position is that overt methods should be used in all but exceptional cases. In addition, the grounds for authorising surveillance are limited, and approval by a JP is now also required in all cases. Therefore, it seems unlikely that the Council's use of RIPA powers will increase.
- 6.7 In addition, given the Council is effectively a non-user of these powers, it would take quite a lot of resource to get the necessary arrangements in place if a Service wanted to start using these powers again. For example, staff in the relevant Service would need to be trained as applicants, and a minimum of 2 authorising officers at Head of Service level, would need to be re-trained in order to deal with directed surveillance authorisations, and costs would also be incurred in making applications to the Magistrates Court. Therefore, any Service which proposed to use these powers would need to be clear about why this was necessary, and how they would meet the costs of putting the necessary arrangements in place.
- 6.8 In relation to the acquisition of communications data, the Investigatory Powers Act 2016 now requires all local authorities to be party to a collaboration agreement. In practice this means becoming a member of National Anti-Fraud Network (NAFN) and using their Single Point of Contact (SPoC) service. However, these agreements have to be certified by the Secretary of State and are subject to review every 3 years. The NAFN SPoC would then scrutinise the Council's applications, and then applications would have to be submitted to the OCDA (Office for Communications Data Authorisations) for authorisation. There is also a limitation that if the data sought is wholly or partly "events data", in other words if it identifies or describes an event whether or not by reference to its location, then the Council's purpose would have to be preventing or detecting "serious crime", which is basically an offence which carries a prison sentence of at least 12 months.

- 6.9 The relevant Code of Practice says that in addition the SRO, or person of equivalent rank should be made aware of applications before they are submitted to the OCDA, and that the officer “verifying” the application are of “an appropriate rank”. Although it is a little unclear quite what the IPC expect by way of verification, and how this fits with the SPoC oversight, it can be assumed this means a senior manager would need to be nominated to carry out this role.
- 6.10 Therefore, before the Council could start to use these powers again, if not already a member the Council would need to join NAFN, enter into a collaboration agreement and get it certified by the Secretary of State, train a number of staff to be applicants, nominate and then train one or more senior managers so that they can verify applications, and get approval from the SRO and City Solicitor for these arrangements.
- 6.11 Given the amount of resource all of this would be likely to take, and the Council’s policy to use covert methods only when there is a clear case for saying overt methods will not suffice, a Service would need to be very clear about how they were proposing to use these powers over the life of the collaboration agreement, and how they would meet the costs of these arrangements.
- 6.12 Legal services have 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 2023). In addition, there has been no use of the powers to obtain communications data over the same period.