

## **BRIEFING PAPER - CORPORATE FRAUD TEAM**

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### **REASON FOR ITEM**

At the November meeting of this Committee Officers were asked to provide a briefing paper on the Corporate Fraud Team.

### **OPTIONS AVAILABLE TO THE COMMITTEE**

1. The Committee is asked to note the report and to raise any questions it has with the officers present, The Head of Audit and Enforcement and the Corporate Fraud Manager.
2. The Committee is asked to consider any further information or areas it may wish to raise with the officers.

### **INFORMATION**

#### **Background**

1. Although the Committee asked for a paper on the Corporate Fraud Team, officers have interpreted this more widely and provided an overview of Corporate Fraud, which we believe gives a rounded view and a context in which to place the Corporate Fraud Team.
2. Until October 2010 fraud prevention and detection in Hillingdon was dealt with by two different departments; Benefit fraud was the responsibility of the Housing Benefit Fraud team, which reported to Adult Social Care Health and Housing. All other fraud prevention, detection and investigation both internal and external were the responsibility of the Head of Audit, who reported to the Director of Finance and resources. However, a protocol had been established between the two teams in 2006, which set out how the skills of the Benefit Fraud team could be utilised in the investigation of other types of fraud, especially prosecution.
3. As part of the BID process the Housing Benefit Fraud Team was moved in October 2010 to report directly to the Head of Audit and Enforcement, who was now under a direct reporting line to the Deputy Chief Executive - Central Services. This change allowed the formation of what is now the Corporate Fraud team.
4. The creation of the Corporate Fraud Team does not mean that they deal with all aspects of fraud, for example most prevention measures are still dealt with by Internal Audit. This is explained in more detail below.

## **Tackling Fraud - Prevention**

5. Preventing fraud is not the role of the Corporate Fraud Team. Fraud Prevention is a corporate responsibility. Our corporate governance arrangements are a large part of prevention.
6. Policies and procedures set out how the council organises its affairs by providing clear guidance on who can make decisions and at what level. The foundation is Standing Orders and Financial Regulations.
7. Managers have to design procedures in their areas of responsibility so that they prevent and detect fraud. For example the basic purchase control of having different people ordering, approving, receiving and paying for goods ensures that any potential fraud requires the collusion of two or three people.
8. Other forms of prevention are designed to stop fraudsters getting into the council in the first place, for example recruitment checks on references, identity and CRB are all designed to make sure we get the right people from the start. Prevention extends to external fraud too so there is clear guidance for tendering and awarding contracts to make sure the process is fair and transparent.

## **Tackling Fraud - Detection**

9. Detecting fraud is also a corporate responsibility. Managers should ensure that the controls they have put in place to prevent and detect fraud are operating as they intended. If they operate properly they should detect fraud at an early stage after it happens. For example bank reconciliations don't prevent fraud from taking place but they do detect unusual or unauthorised transactions in a timely manner.
10. The council's Whistleblowing policy is also a detect control. It gives assurance to staff that they will not be victimised if they bring legitimate concerns to the attention of management. Staff are often the first to notice things are going wrong, especially where they have concerns about colleagues.
11. Other detect controls are
  - Data matching
  - Programmes of examination in high risk areas.
  - Fraud hotline

Most of these activities are controlled by the Corporate Fraud and Audit teams working together.

## **Data Matching - National Fraud Initiative**

12. Every two years the Audit Commission requests large sets of data from all local authorities, Health authorities, Pension awarding bodies and some other organisation. We send information on such things as Payroll, Pensions, Housing Benefit Claims, Council Tax Single Person Discounts, Creditors, Electoral register and Blue Badge holders.
13. Arranging to obtain and send the data matches is an Audit responsibility.
14. The Audit Commission matches our data to data from all other bodies and sends us lists of 'high risk' transactions. For example they may notify that someone who is working for another authority is claiming Housing Benefit at Hillingdon. This could be a legitimate, for example if the person is working 15 hours a week as a teaching assistant they may still be entitled to benefit. The Audit Commission gives an indication of how likely the match is to be suspect so that high risk matches can be dealt with first.
15. Making sure the matches are investigated is an audit responsibility but basic investigation is often the responsibility of different teams in the council. For example Payroll checks will sometimes reveal that an employee is working for more than one authority.
16. Audit regularly checks that the departments are clearing their high risk matches and investigate if they are not. Matches which look likely to be fraudulent are passed to the Corporate Fraud team for a more detailed examination.

## **Data Matching - DWP information**

17. The DWP provide a Housing Benefit Matching Service (HBMS), where the DWP have matched data to other systems such as working tax credits. We ensure that the claimants have provided us with the correct information.

## **Examination of High risk areas**

18. Within the Council we have a programme of high risk areas that we look at for detecting fraud. Some of this is driven by Internal Audit and some by the Corporate Fraud team. Some areas examined as part of the Internal Audit anti fraud programme include, Staff Expenses, Car Mileage claims, and honoraria payments.
19. More recently the programme of work in high risk areas has been extended to cover other issues. This year the Corporate Fraud Team has been carrying out checks on Blue Badges and Housing tenancies.
20. Blue Badge checks are carried out by the team to ensure that those using them have a legitimate reason for doing so. The checks are carried out in

conjunction with parking services and the police. The checks are well received by the public.

21. A project to check tenant information to that held by one of the big credit checking agencies has been ongoing this year. Where the tenancy data does not seem to match the reference agency's data, specialise officers visit the tenants. This project has the co-operation of housing and one of their staff is seconded to the Corporate Fraud team at the minute to help with the exercise.

### **Fraud hotline**

22. The fraud hotline is a telephone number that can be used by the public and staff. It can be used to report benefit and other fraud. Benefit fraud is directed to the Corporate Fraud Team and other Fraud is directed to the Internal Audit Team who may direct it to Corporate Fraud if appropriate.

### **Investigating and Prosecuting Fraud**

23. All benefit fraud investigation is carried out by the Corporate Fraud Team. Internal Fraud often has an element of joint working. The Audit team will carry out preliminary investigations to establish the facts and will often assist managers with evidence for disciplinary matters. If there is sufficient evidence to suggest that a criminal prosecution is appropriate all documents are handed over to the Fraud Team who will work on conducting a criminal investigation.
24. The Fraud Team are trained in Interviews under Caution and Police and Criminal Evidence Act (PACE) procedures and the taking of Witness Statements.
25. Obtaining information from banks for Benefit fraud is straightforward. We can obtain details straight from the bank under our own powers. However, if we suspected that a staff member was taking bribes then we need to request that the police obtain details of their bank accounts. We have to be able to satisfy the police that this is justified because they have to seek a court order. So far they have been more than happy to help us when we present a good case.
26. For most fraud we don't go through Crown Prosecution Service (CPS). We are a prosecuting authority in our own right we use our own in-house legal team. All final decisions on whether or not to prosecute are taken by the Legal Team so the division is the same as it would be in the case of the police and CPS, i.e. there is a separation between the investigation and prosecution arms.
27. The Fraud team present a complete case file to legal and that they review it and decide if there is enough evidence to justify a prosecution. They may ask us to get some additional information or if additional information is

available. So for us they perform the role of the CPS – making sure we have a good legal case before we go to court.

## **Achievement**

28. The Corporate Fraud Team do work in specific areas and the achievements this year are outlined below.

## **Benefit Fraud**

29. Joint working with the Department for Work and Pensions, UK Border Agency, Police and our internal legal team continues to be very good and effective. So far this year 75 cases have resulted in a sanction. These were 32 prosecutions, 28 cautions and 15 administrative penalties (fines)

## **Referrals**

30. So far this year 907 referrals have been received and are being investigated. We take all referrals seriously and every piece of information is investigated. This could be as basic as an unannounced visit just to check on the accuracy of the information provided or, where there is more detail and we feel it is appropriate, a full criminal investigation.

## **Blue Badge Checks**

31. Officers carry out random spot checks on a monthly basis. So far 203 badges have been inspected and as a result, 44 badges have been seized. The majority of these have been used by other members of the family/third parties and warning notices have been issued to the badge holders.
32. Seven cases are under criminal investigation and we have a case in court this month.
33. Officers of the team recently appeared in a Panorama programme called; “Britain on the Fiddle“. Their work in this area was filmed for the programme.

## **Sub-lets**

34. Sub-letting of council house properties is a major problem in London. In Hillingdon our Blow the whistle on Housing Cheats publicity campaign has generated 46 referrals. These referrals have been investigated and we have reclaimed twelve properties.
35. We are currently working with Experian (credit reference agency) to cross-match our Housing Tenancy records to try to identify possible sub-lets. So far we have managed to reclaim five properties.

36. As a result of our sub let investigations seventeen properties have been offered to residents with a genuine housing need

### **Identity Fraud**

37. Hillingdon has taken the lead on this type of investigation through a co-operative framework with our Local Police Force, Department for Work and Pensions and UK Border Agency. As a result of this close liaison we have had ten successful prosecutions resulting in prison sentences. Our work in this area has attracted good publicity and Hillingdon recently featured in the TV programme Fake Britain and a Panorama Special “ Britain on the Fiddle “; where members of the team were filmed working in a joint partnership operation.

38. Few other Local Authorities have the mechanisms in place to deal with such cases. As with all our fraud cases, our internal Legal Team have been instrumental in managing the prosecution of these cases.

### **Visits**

39. Visiting Officers form part of the Corporate Fraud team. The majority of the visits are in relation to Council Tax inspections which ensure that the Council maximises its income and maintains an up to date data base. So far this year 8031 visits have been carried out.

40. There are a considerable number of new developments under way in Hillingdon and it is essential that we maintain the visits programmes to ensure that our tax base is accurate. This will be even more important when the pooling of Uniform Business Rates is abolished because Hillingdon will be dependent on accurate records to ensure that it maximises income.

41. Visiting Officers also visit householders to check on Housing and Council tax Benefit claims as part of our fraud detection and prevention measures. So far 406 such visits have been carried out this year. Visiting officers also undertake tenancy visits on behalf of A2 Dominion Housing Association. These are combined with benefits visits and are therefore at marginal cost to Hillingdon and we receive a small amount of income from the A2 for carrying out this work on their behalf.

### **Recovering monies - sanctions**

42. In the current year, the team have raised debts amounting to £393,683 and so far £79,267 has been collected. In a further 25 cases, where those identified as falsely claiming are still on benefits, we have arrangements to deduct penalties from their benefits. These figures are not included in the sums quoted above.

43. In addition there are sometimes cases where we do not proceed to section or prosecution but where claimants agree to pay back monies. In general these are people with excess capital. Sometimes the money is returned to the service or to the DWP, depending on the nature of the offence. In the current year about £150,000 has been recovered in this manner.