

CORPORATE FRAUD TEAM WORK PLAN 2012/13

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REASON FOR ITEM

The Committee is accustomed to reviewing and approving the internal audit plan and since the creation of the Corporate Fraud team in October 2010 it has had greater visibility of the output of that team. Anticipating that Local Authority fraud investigation is likely to be impacted as a result of the DWP's intention to form a Single Fraud Investigation Service (SFIS), the S151 officer and Head of Audit and Enforcement felt that greater transparency was needed over inputs as well as outputs.

The Corporate Fraud Manager was therefore asked to detail his risk assessment and plan for the coming year for review by the Head of Audit and ultimately the Audit Committee. Formalising the plan in this way will not only provide trenchancy over inputs and outputs but ultimately help Hillingdon to focus its resources in the future. Some of this may involve trying to develop better measures for inputs and outputs but in any case this plan provides a benchmark.

OPTIONS AVAILABLE TO THE COMMITTEE

The Audit Committee should review and approve the Corporate Fraud team plan

Background to the Team and Issues Faced

1. Since the Corporate fraud team was created as part of Audit and Enforcement, it has shifted its focus a bit to tackle some of the wider frauds that Councils are subject to. The Fraud Manager bases the assessment of risk on intelligence received both locally and nationally.
2. With the DWP's much heralded move to a Single Fraud Investigation Service (SFIS) (now anticipated to be in 2015) and its intention to incorporate Council teams into its own service, Hillingdon needs to have a clear view of the resources it applies to the various types of fraud. This paper seeks to provide some transparency around the fraud risks the Council faces and how it intends to use our fraud resource going forward. It will also give us a yardstick against which to measure our inputs and outputs in the future.

1. Measuring Fraud

1.1. Measuring the possible extent of fraud is always difficult for the obvious reason that if the Council had perfect knowledge of the extent of fraud it could eliminate it. By necessity, fraud estimates are based on extrapolation of those incidences already identified. To this end, the National Fraud Authority (NFA)

produces an annual fraud indicator which estimates the cost of fraud nationally. Its current estimates of losses directly affecting councils are:

- Benefit Fraud, £1.2 billion
- Housing Tenancy Fraud, £900 million.
- Council Tax Exemptions, £131 million
- Blue Badge, £46 million

1.2. In addition there are some frauds which affect local authorities but are part of the wider picture affecting the public sector,

- ¹Procurement fraud £2.3 billion (£89 million Local Authority)
- Grant frauds £528 million (£41 million Local Authority)
- Payroll £334 million
- Expenses fraud £98 million

1.3. For the first time this year the NFA have introduced a fraud tool that estimates, for some specified frauds, the potential loss by Authority. The table below provides their estimates for Hillingdon.

Table 1 National Fraud Authority Estimate of LB Hillingdon Fraud

	LOWER ESTIMATE	UPPER ESTIMATE
Procurement Fraud	£2,710,000	£4,520,000
Housing Tenancy Fraud	£1,400,000	£2,300,000
Council Tax Fraud	£520,000	£870,000
Payroll Fraud	£460,000	£770,000

2. Allocation of Resources

2.1. The Corporate team comprises of 15 staff, some of whom are on part time contracts. Taking into account leave and other non productive days within the team, there are 2390 working days available to the address the Corporate Fraud Programme.

2.2. Utilising local knowledge and taking into account of the NFA fraud loss profiles, there are obvious areas on which Hillingdon should focus. This information has been used to create a resources plan which is illustrated in the table 2 below. It includes an estimate of the time expected to be spent in each area, the target set for that resource and, where possible, an estimate of the savings to the Council as a result of this work. It is followed by a short narrative about each area of focus.

Table 2 Allocation of Fraud Resources

ACTIVITY	RESOURCE (days)	OUTCOME	ESTIMATED SAVINGS £'000
Benefit Investigation	818	75 sanctions	500

¹ The national estimates indicate confidence levels for figures on four levels from poor to excellent. For procurement and grant fraud confidence level is poor.

Visiting programme	812	Increased revenue	*300
Social Housing Fraud	279	Recover 30 properties	540
Intelligence and Administration	270	Take calls and Prepare cases for investigation	
Internal & other investigations	100	Dismiss and Prosecute as appropriate	
Overpayment recovery	81	Increased recovery	50
Blue Badge	30	Identify and stop misuse Support genuine users	9

*Officers will look to develop measures for this success of these visits in 2012-13. Officers do not currently have a measure business rates visits.

Benefit Fraud

2.3. Hillingdon council pay £192 million in housing benefit alone so this is the main focus of investigation work. A target of 75 sanctions has been set which covers Prosecutions, Cautions and Administrative Penalties. Much of the work in this area is preventative or disruptive in nature. In other word visits and check make people think twice about committing fraud in the first place. Last year Officers dealt with over one thousand fraud referrals, each referral is investigate by either a visit or full criminal investigation.

2.4. Sanctions are employed when Officers detect serious abuse and a full criminal investigation is undertaken. In line with DWP policy Officers intend to use less cautions and more administrative penalties. Administrative penalties allow the claimant to settle the overpayment and pay an additional fine without the need for a full court hearing. Full criminal prosecutions will continue to be taken in serious cases.

Visiting programme

2.5. Officers will continue to manage a visiting programme to cover the areas of, Business Rates, Council Tax, New Build and Benefit Compliance checks. Visiting officers check commercial and industrial premises to ensure that the council is getting its full rateable value. Officers don't currently gather data to show how effective this programme is. This area will become more important as the council moves towards a more localised system for Non Domestic Rates. Data sets will be developed in 2012-13 to measure the effectiveness of the preventative and detective work in this area.

Social Housing Fraud

2.6. As reported in the consolidate fraud report, Hillingdon is one of the leading authorities in the country dealing with tenancy fraud. This year Officers have set a target to recover 30 properties. Based on the Audit Commission estimate that that the average cost of housing a family in temporary accommodation is £18,000, this would generate £540,000 in

savings. It also sits very well with our priority of putting people first by providing quality permanent homes for families.

Intelligence and Administration

2.7. Within the team dedicated officers take calls from the public and carry out preliminary checks as a result of these calls, e.g. checking addresses and benefit information the Council holds on alleged fraudsters and preparing files for visiting officers. They assist in maintaining case files and are a vital part of the fraud team. The value of this work is in the quality of information passed to visiting officers and investigators. No separate monetary target is allocated to this area.

Internal fraud and other Non-benefit Investigations

2.8. Cases of internal fraud are rare but Hillingdon pursues these vigorously when they are identified. Similarly the Council pursue cases involving suppliers, be they contractors or third sector providers. There are a number of cases in progress and Officers will continue to investigate any that come to light. As well as the obvious financial damage, this type of fraud can impact on our reputation as a well run and managed council. The Fraud team work is reactive, while prevention and detection is incorporated in the Internal Audit Plan.

Overpayment recovery

2.9. A number of measures will be employed to maximise recovery of fraudulent overpayments. This will include visits to those on agree payment plan where there appear to be problems with compliance. For the first time the Council will extend overpayment recovery to include bankruptcy assessments in cases where the Authority is pursuing outstanding Council Tax revenue. Officers will be exploring and extending our use of the Proceeds of Crime Act to ensure that the Council maximise recovery, particularly where it has not previously employed it such as in the illegal back garden developments arena.

Blue Badge Abuse

2.10. Officers plan to carry out three major Blue Badge checks during the year. Ten Officers will take part on each exercise and will conduct random Blue Badge checks in different areas around the Borough. Appropriate action will be taken on individuals caught abusing the system. Blue Badges can trade on the black market for hundreds of pounds. Our estimate is based on the assumption that each badge seized yields savings of £300. This programme also puts people at the centre of our strategy but ensuring that spaces are available for those who need them and that those who abuse the system are suitably punished.

3. Other overlapping work

3.1. Running through all our work there are a number of themes that are drawn attention to below because they are part of the wider anti-fraud picture.

Partnership working

3.2. Officers will continue to work with our partners in the DWP, Police, UK Border Agency to ensure that the Council achieves the desired results. Officers will also be working with other anti-fraud organisations such as NFA,

NFI, NAFN Audit Commission and the London and national fraud investigators groups to ensure that Hillingdon makes the most of intelligence available. Officers will continue to work with Experian to identify potential Social Housing Fraud cases.

Publicity

3.3. Working closely with colleagues in Corporate Communications, will continue to publicise the success of our anti-fraud work to residents through all types of media.

3.4. Officers will work with the Audit Commission and NFA to publicise and get credit for our innovative programmes such as our Social Tenancy and Blue Badge work. Officers will be continuing to work with Panorama on a forthcoming documentary.