

INTERIM CORPORATE FRAUD REPORT

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REASON FOR ITEM

The Committee approved the first Corporate Fraud plan in June 2012. It was designed to provide transparency over the inputs and outputs of fraud work and to help Hillingdon to focus its fraud resources for the future. This interim review provides an update on that plan.

Some recent developments and changes in the wider fraud landscape also need to be brought to the committee's attention, along with the response of officers. The main issues are;

- The Single Fraud Investigation Service (SFIS)
- Publication of the Audit Commission document, Protecting the Public Purse
- Changes in the Regulation of Investigative Powers Act (RIPA), affecting local authorities

OPTIONS AVAILABLE TO THE COMMITTEE

Review the interim fraud report

INFORMATION

1. Progress against the Fraud Plan

1.1. For the 2012-13 Corporate Fraud plan, presented to the Audit Committee in June 2012, officers estimated the time the Corporate Fraud team would spend on various aspects of fraud detection, investigation and prosecution. This section of the report reviews the progress against that plan up to the end of October 2012. These results are presented in summary form in Table 1. Where there is a monetary measure available for success this has been entered. Some estimates of resources have been altered in-year and figures adjusted appropriately. This is explained in more detail in the narrative below.

Table 2 – Estimate Vs Actual Resources and Outcomes

Activity	Estimated Resource (days)	Expected outcome	ESTIMATED SAVINGS £'000	Actual Resource (7 months)	% of Estimate	Actual outcome	% of annual achieved	Savings £000
Benefit Investigation	818	75 sanctions	500	484	101	43 sanctions	57	291 911 ¹
Visiting Programme	812	Increased revenue	300	487	101			
Social Housing Fraud	376 ²	Recover 41 ³ properties	738 ⁴	222	101	28	68	504
Intelligence and Admin	187 ⁵	Calls/ case preparation		110	100			
Internal & other Investigations	100	Dismiss and Prosecute		63	108	1 prosecution ⁶		
Overpayment Recovery	81	Increased recovery	50	33	70	12	24	
Blue Badge Inspections	30	Identify and stop misuse	9	17.5	100	See narrative		3

¹ £291K was the value of the benefit frauds. Taking the annual value of each fraud and extrapolating it over the next three years gives a further saving of £911K of prevented fraud.

² The original estimate was 279 days but the project was extended in-year. The increased resources were seconded from Housing. Figures have been based on the increased resource of 376 days

³ Target increased to 41 properties in-year to account for additional resources

⁴ Increased from £540k to 738K to take account of increased resources

⁵ Original Estimate was 270 days but one member of staff is on a career break so this reduced the number of days available

⁶ There are four on-going cases in this category.

Benefit Fraud

- 1.2. So far this year 43 sanctions have been issued. This is slightly above target but this work can vary though the year because it is very much dependent on the nature of the fraud and court availability.
- 1.3. The breakdown of the figure is 15 successful prosecutions, 15 cautions and 13 administrative penalties. The latter are offered as an alternative to full prosecution. Parties are offered the alternative of court or repaying the benefit and an additional monetary penalty. Legislation has recently changed and there will be no option of a caution going forward. Parties will be prosecuted or offered Administrative Penalties.
- 1.4. The value of the frauds we prosecuted was £290K. Some of these frauds spanned more than one year. These frauds have now been stopped but would have continued had we not taken action. Taking the annual value of each fraud and extrapolating that over three years then the value of prevention is £911K, giving a total saving of £1.2M

Visiting Programme

- 1.5. The visiting programme covers a number of areas which affect council revenues both on the domestic and non-domestic side.
- 1.6. Council tax payers can benefit from over twenty discount schemes. These cover circumstances such as
 - Properties unoccupied and undergoing major refurbishment.
 - Unoccupied and substantially unfurnished (includes new builds) where a maximum of six months discount applies.
 - Unoccupied while awaiting probate – six months maximum
 - Occupied solely by students
- 1.7. Visits are undertaken to ensure that there has been no change in the status of these properties. 3847 visits have been undertaken so far this year
- 1.8. The visiting officers also carry out visits to ensure that the integrity of the council tax base. Officers have identified 690 properties under development that will be expected to be brought into the council tax base in 2013-14. They have also identified sites where there is an intention to build but the actual number to be completed in the forthcoming year is uncertain.
- 1.9. Visits to Domestic rated properties are carried out either because they have been referred to the team for some reason or because the team has identified an issue while carrying out other work in the borough. Examples of referrals could be notifications from Food Hygiene or Planning of an apparent change of use. Changes of use often fall into a different rating category and the council needs to be alert to this. The officers are also the eyes and ears on the ground and take note of changes during their rounds of the borough. For example a car washes

turning up in the car parks of disused properties will be noted by the officers and rating notices issued. So far this year 1537 visits have been carried out under this programme.

- 1.10. Compliance visits are undertaken when Benefit staff are unable to get responses to letters or phone calls to recipients or where complaints have been raised via the hotline alleging benefit fraud. So far this year 359 compliance visits have been carried out. These visits are the first steps in the prosecution cycle. Intelligence gathered is often passed to the Investigation team for further action.
- 1.11. Officers are still investigating methods of measuring the output of this work. It is difficult to measure what would have happened had the visits not been carried out. E.g. would the liable payer have notified the Council of any changes of use or the exact date of occupation or of a change of circumstances that mean that council tax would then be due? Anecdotally at least one London council which abandoned its visiting programme experienced a significant reduction in its domestic and non-domestic rateable base and had to reinstate its programme.
- 1.12. Moving forward maintaining and increasing the Non Domestic Rate base will be vital to council revenues and will need to keep a high profile in anti-fraud work. This is dealt with in more detail later in this report under the section on Protecting the Public Purse.

Social Housing Fraud

- 1.13. This continues to be a successful project. At the start of the year officers were not sure if we had already obtained most of the benefit from this project. Experience showed that this was not the case and Housing agreed to second their officer for the whole year, rather than the six months originally agreed. Resources in the table have been altered to reflect this change and the target increased accordingly. At this stage we are on target to meet and possibly exceed the target.

Internal and Other Investigations

- 1.14. These have taken up more time than anticipate. The varying complexity of these frauds and the unpredictability of occurrences make estimating the time needed difficult. The successful prosecution was of a teacher for ID fraud who was identified through the NFI data matching exercise. She was dismissed as soon she was arrested. She has since received a four-month suspended prison sentence with 50 hours of community service.

There are currently two cases scheduled for trial in March 2013, both of which had originally scheduled for trial in November 2012. Two investigations have not yet reached a trial stage.

- 1.15. In addition to the fraud team work the Internal Audit team have carried out and are continuing with a number of investigations. The outcomes of these are reported quarterly to the Audit Committee. If prosecution is

thought to be appropriate, such cases are then referred to the Corporate Fraud Team.

Overpayment Recovery

1.16. Less time than anticipated has been spent on overpayment recovery as some of the time has been diverted to the visiting programme. However, £12k has been directly recovered this year, which is still below a straight line prediction of around £18k. However, this work fulfils a deterrent role as it seeks to recover the overpayments due to us and sends the message that benefit overpayments are not simply forgotten once the conviction is obtained. No figures have been entered in the savings column for this work as they will have already been counted in initial prosecutions.

Blue Badge Inspections

1.17. One exercise was carried out in July this year. On the day 31 badges were examined and five were seized; of those, four people have been convicted for fraudulent abuse of badges. Six penalty notices were issued on the day.

1.18. The success of the programme and surrounding publicity has also resulted in a number of referrals from the public. As a result of these a further five cases resulted in convictions.

POCA

1.19. In July the council's Proceeds of Crime Officer was transferred to the Corporate Fraud team. Officers are currently looking at ways of presenting meaningful measures for this work as there is a considerable lag between getting convictions, applying to the court for Proceeds of Crime and receiving the money.

2. Partnership Working

2.1. We continue to work in partnership with other local authorities, the police and UKBA. Earlier in the year Hillingdon was asked to become a pilot site for the DWP led Single Fraud Investigation Service, SFIS and agreement for this course of actions was obtained from the Leader. Hillingdon is one of four pilot sites nationwide; the others being Wrexham, Corby and Glasgow. Hillingdon is the only site being managed by a local authority; the others being managed by DWP.

2.2. As a result of this change five members of DWP's benefit fraud team joined Hillingdon's Corporate Fraud team on 5 November 2012 to form a SFIS. Staff working under the SFIS umbrella will investigate the entirety of DWP benefits and the HMRC working families' tax credits. While Hillingdon has always co-operated with other government departments where there were joint interests in a case, this is a new dimension. Hillingdon staff may be investigating cases where there is no Housing or Council tax interest and DWP seconded staff may be investigating issues that would normally have been dealt with solely by Hillingdon staff.

2.3. The DWPs intention is that all benefit fraud investigation will be under the SFIS by 2015. This will eventually include the new universal credit as it starts to replace other benefits. As a pilot site Hillingdon will be exploring and developing working methods that will eventually be used by all SFIS sites.

3. Protecting the Public Purse

3.1. In November the Audit Commission issued its annual publication, Protecting the Public Purse, (PPP) which focuses on the progress local government has made in tackling fraud. This was circulated to Audit Committee members separately.

3.2. In its summary at pages four and five, PPP includes some recommendations for those charged with governance in local authorities. The first of the recommendations is that PPP checklist is used to review counter-fraud arrangements. Officers have carried out this exercise and the results, with commentary, are in Appendix 1 to this document. Completing this assessment has confirmed that all current fraud risks are being managed

3.3. Some of the emerging risks are already being tackled and others will be planned into the work programme in the coming year. A summary of the status of the emerging risks is below

- ***Business Rates Fraud***

As described earlier in this report, Hillingdon already has an active visiting programme that proactively looks at business rates. The team will be working closely with the Revenues Manager in the coming year to ensure that this programme continues to be effective and is enhanced if issues emerge.

- ***Right to Buy***

We have been carrying out checks on right to buy (RTB) applications, especially where claimants are solely reliant on benefits. This has already prevented one fraudulent RTB case. Internal Audit has reviewed the valuations of properties to ensure that they were in line with market rates.

- ***Social Fund***

Internal Audit will review the proposed system once the scheme has been developed. Work on the operation of the system will be included in the Audit Plan for 2013-14 and it is likely that this will develop into a compliance programme going forward.

- ***Local Council Tax Scheme***

This will also be programmed for a systems audit in 2013-14 when the system is live and results will determine our strategy going forward.

- ***Fraud risk in schools***

We include tests that will identify fraud in our routine audit programme for schools. The document Fraud Risks in Schools was circulated to all schools last year and is available on the HGfL website. We produce regular newsletters for schools alerting them to external fraud risks and circulate fraud alerts to them as we become aware of them.

- ***Grant Fraud***

Internal Audit will add grants to its systems work in 2013-14 and will develop some compliance work going forward.

4. Changes to RIPA legislation

4.1. From 1 November 2012 Changes to the Regulation of Investigative Powers Act (RIPA) have been enacted. The main effect of this is that local authorities can no longer authorised directed surveillance themselves. All directed surveillance must be authorised by a Justice of the Peace. The legislation only applies to non-benefit cases. Any benefit cases will be authorised by the DWP under the powers of the Single Fraud Investigation Service. Arrangements are in place with Legal to deal with non-benefit cases.

Protecting the Public Purse Checklist

Question	Response	Evidence
1. Do we have a zero tolerance policy towards Fraud	Y	Enshrined in anti-fraud and corruption policy and evidenced by action taken when fraud is discovered.
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with fighting fraud locally	Y Y	Yes brought to Audit Committee regularly
3. Do we have dedicated counter fraud staff	Y	
4. Do counter fraud staff review all the work of our organisation?	Y	Fraud plans are in place for the Corporate fraud team and in the Audit team; where individual audits consider the fraud risk and there is a separate detection programme for know risk areas.
5. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes	Y	Biannual reports to audit committee and quarterly updates on the outcomes of investigations.
6. Have we assessed our counter fraud work against good practice	Y	Protecting the Public Purses is used to assist in identifying new and emerging risks and to check that we are tackling all current issues.
7. Do we raise fraud risks with <ul style="list-style-type: none"> • New staff • Existing staff 	Y	E-learning fraud training is included in the induction checklist for new staff. Existing staff have e-learning and Bitesized training form managers.

Question	Response	Evidence
<ul style="list-style-type: none"> • Elected members and • contractors 		<p>Specific sessions have been run for elected members.</p> <p>A Compliance and Probity section is included in all Invitations to Tender, which asks for assurances on issues such as corruption, fraud and money laundering. Terms and conditions of contract allow Hillingdon the right of access to records and premises and for explanations to be provided when requested.</p>
<p>8. Do we work will with national. Regional and local networks and partnerships to ensure we know about current fraud risks and issues?</p>	Y	<p>LBH is a corporate member of the National Anti- Fraud Network (NAFN), Local Authorities Investigation Officers Group (LAIORG), London Borough's Fraud Investigation Group (LBFIG) and the London Audit Group (LAG) fraud sub-group. We are represented on the executive of some of these bodies and various staff attend meeting and present papers from time to time. We also attend meetings run by the National Fraud Authority.</p>
<p>9. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?</p>	Y	<p>We are currently a pilot site for the new Single Fraud Investigations Service (SFIS). Five DWP staff are now located at Hillingdon. SFIS necessitates significant liaison with DWP and HMRC. We are also working with some other local authorities on investigations of joint concern.</p>
<p>10. Do we identify areas where our internal controls my not be performing as well as intended? How quickly do we take action</p>	Y	<p>Much of this is identified through audit or investigation. Actions plans are agreed and these are monitored by the service and ultimately the audit committee. The committee has the power to ask Officers to appear</p>

Question	Response	Evidence
		before it if resolution does not seem to be given appropriate urgency and the committee has exercised this power in the past.
11. Do we maximise the benefit of our participation in the audit commission National Fraud Initiative and receive reports on our outcomes	Y	Outcomes are reported to the committee. Where a specific case is pursued as a result of and NFI match this is included in the information provided to the committee at the time.
12. Do we have arrangements in place that encourage our staff to raise concerns about money laundering?	Y	These are published on Horizon
13. Do we have effective arrangements for <ul style="list-style-type: none"> • reporting fraud; • recording fraud; and • whistle-blowing 	Y	Set out in the anti-fraud and corruption policy, strategy and guidance. Suspected frauds and irregularities are recorded on appropriate systems and records are kept of whistleblowing allegations. The audit committee receives reports of outcomes of investigations.
14. Do we have fidelity insurance arrangements in place?	Y	
15. Have we assessed our fraud risk since the change in the financial climate?	Y	A structured anti-fraud plan based on risk was presented to the audit committee in June 2012.
16. Have we amended our counter-fraud action plan as a result	Y	See 15
17. Have we reallocated staff as a result	Y	Staff allocation is included in the plan, which indicated the days expected to be spent on various anti-fraud activities in-year
18. Do we take proper action to ensure we only allocate	Y	The housing allocation team apply rigorous checks

Question	Response	Evidence
social housing to those who are eligible?		
19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	Y	We have an extensive anti-fraud detection programme running at the moment. 28 Properties were recovered in the last six months of 2011-12 and 30 properties have been recovered so far in 2012-13.
20. Are we satisfied our procurement controls are working as intended?	Partial	<p>There is an appropriate delegation and authorisation process in place.</p> <p>E-procurement controls for on-line day-to-day purchases are sound..</p> <p>Extensive work has been on-going to tighten controls in the construction area. Rapid improvement events have taken place and root and branch redesign is taking place in the area of major projects.</p>
21. Have we reviewed our contract letting procedures since the investigation by the Office of Fair Trading into cartels and compared them with best practice.	Y	This was done at the time and the project to enhance controls over major construction projects are and continuation of this work.
<p>22. Are we satisfied our recruitment procedures</p> <ul style="list-style-type: none"> • prevent us employing people working under false identities • confirm employment references effectively • ensure applications are eligible to work in the UK; and 	Y	<p>Our identity checks and right to work checks are strong and we impose the same strict conditions on our agencies.</p> <p>We may explore enhanced reference checks as part of our 2013-14 proactive anti-fraud work.</p>

Question	Response	Evidence
<ul style="list-style-type: none"> require agencies supplying us with staff to undertake the checks that we require? 		
<p>23. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice.</p>	Y	<p>Internal Audit has been keeping up to date on developments and has done some work in the area. Some clients have moved over and more will follow this year. This area will be included for a full systems audit in 2013-14 and will be come part of our proactive anti-fraud work thereafter.</p>
<p>24. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?</p>	N	<p>The monitoring officer will ensure that the whistleblowing policy is updated before the end of the financial year.</p>
<p>25. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?</p>	Y	<p>We are current running a pro-active detection exercise in this area.</p>
<p>26. When we tackle housing and council tax benefit fraud do we make full use of;</p> <ul style="list-style-type: none"> National Fraud initiative Department for Work and Pensions Housing Benefit Matching Service Internal data matching; and Private sector data matching 	Y	<p>All of these techniques are used extensively in this area, Often highlighting other frauds in the process of investigation.</p>