

Consolidated Fraud Report

Contact Officers: Garry Coote/Simon Bailey
Telephone: 01895 250369/556132

REASON FOR ITEM

Within its regular reports the Audit Committee receives quarterly details of the counter fraud measures and investigations undertaken by Internal Audit and half-yearly reports from the Corporate Fraud Investigation team. This report summarises the proactive and reactive work undertaken in the second half of the year by both teams.

OPTIONS AVAILABLE TO THE COMMITTEE

Note the contents of the report.

INFORMATION

1. Roles and Responsibilities

1.1. The Internal Audit service and the Corporate Fraud Investigation Team were both within the remit of the Head of Audit and Enforcement until late 2012, when the reporting line of the Corporate Fraud Investigation Team was moved to Residents Services. Both Internal Audit and Corporate Fraud Investigation teams work together to provide a range of anti-fraud measures, in order to prevent fraud from occurring and to investigate instances of suspected fraud. This activity includes proactive detection and reactive investigation, and prosecution in appropriate cases. There is a specific remit for the Corporate Fraud Investigation Team to investigate benefit fraud. Other types of fraud often cut across both teams so there is close liaison between them. Whenever a case (excluding Housing Benefits-related) arises that requires investigation, a manager from each team will jointly decide the specific course of action.

1.2. Internal Audit involvement in the second half of the year included:

- internal proactive audit work aimed at detecting potential fraud
- reactive investigations into fraud and irregularity reported through whistleblowing or detected through the audit process
- co-ordination of the National Fraud Initiative data gathering and returns, and the associated follow up work on investigation matches
- provision of awareness programmes across the council
- the regular updating of relevant policies and procedures
- advice to managers on the measures they can take to prevent and detect fraud.

1.3. Corporate Investigation Team duties in the second half of the year included:

- Housing and Council Tax benefit investigations and prosecutions
- Council Tax/Business Rates inspections
- Social Housing fraud investigations and prosecutions
- Blue Badge prosecutions
- internal and external fraud investigations and prosecutions
- delivery of awareness programmes about benefit fraud
- development of anti fraud strategies
- co-ordination and delivery of the Single Investigation Service pilot.

1.4. Hillingdon is committed to zero tolerance of fraud through its anti-fraud and corruption strategy and policies, codes of conduct, gifts and hospitality policy and disciplinary procedure. All policies are regularly updated and have been approved by the Corporate Management Team and endorsed by the Leader of the Council and the Audit Committee.

2. Providing Training

2.1. Training events are organised regularly for specific categories of staff. A fraud awareness session is run for new managers and there is an e-learning programme in place to raise awareness of fraud and corruption issues. This is now mandatory part of the induction process for all new staff. The Corporate Fraud Investigation Manager also delivers a session for staff entitled 'The Bigger Picture', which gives an insight into how benefit fraud affects the council.

3. Networking, Partnerships and the Single Investigation Service

3.1. Officers are involved at local and national level with a wide range of organisations. The Corporate Fraud Investigation Manager is an executive representative on the Local Authority Investigation Officers Group (LAI OG) and is a member and regular attendee of the London Boroughs Fraud Investigation Group (LBF IG). Audit staff keep up to date on anti fraud matters through the London Audit Group and its Procurement Sub-Group.

3.2. At a national level the Council is signed up to the National Anti-Fraud Network (NAFN), which provides access to certain databases for intelligence gathering purposes. The searches meet the standard in the Police and Criminal Evidence Act (PACE). It also provides an intelligence service which exchanges information on common frauds. Notifications are distributed within the council on a 'need to know' basis by the Head of Internal Audit and the Corporate Fraud Investigation Manager.

3.3. The government is currently running four national pilot exercises to establish a Single Fraud Investigation Service. Hillingdon is running the only pilot in London. The pilot brings together the council benefit investigation team with Department for Work and Pensions (DWP) investigation colleagues under a single team, located at the Civic Centre and led by the Corporate Fraud Investigation Manager. The pilot started in November 2012 and is expected to run for at least a year. This is currently a major

aspect of the remit of the Corporate Fraud Investigation Manager because it is essential to shaping the future design of benefit fraud investigations in the future. Hillingdon's selection as a pilot authority was based on the previous high profile success of the team and its reputation nationally for innovative work and results.

3.4. Officers have excellent relationships with the local police and with the UK Borders Agency. The Police often assist in obtaining court orders for information and, where necessary, in carrying out arrests. The UK Borders Agency work with the Corporate Fraud Investigation Team on projects related to illegal workers and immigration issues. The Team have also worked in partnership with local Housing Associations to help them identify tenancy fraud and take appropriate action.

4. Effectively Employing Resources

4.1. Although in the half year the reporting lines of the Internal Audit and Corporate Fraud Investigation teams changed, the need for regular co-ordination remains and there will be close monitoring to ensure an effective 'seamless' service is maintained. Where audit testing highlights possible fraudulent activity, joint planning means that the most appropriate person, team or combination is deployed at each stage to deal with the matter.

4.2. The fraud risk profile is assessed using tools provided by national organisations, such as the Audit Commission and the National Fraud Authority (NFA). The Audit Commission is still currently responsible for co-ordinating the two-yearly National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

4.3. Internal Audit co-ordinate the data gathering and uploading of council information for the data matching processing, then also co-ordinate the dissemination of the various data-match reports for analysis and investigation across the council. Results from the data-matching exercises are reported in the internal audit progress reports that are presented to each meeting of this committee. The Corporate Fraud Investigation Team makes much use of this data, particularly for benefit matches.

4.4. The National Fraud Authority (NFA) works with wider government, law enforcement, industry and voluntary/charity sectors to coordinate the fight against fraud in the UK. The NFA is responsible for the implementation of the 'Fighting Fraud Together' strategy plan to reduce fraud nationally. It has started to produce guidance on how local authorities can fight fraud. Intelligence from these agencies, the National Anti-Fraud Network and other liaison groups is used to identify emerging risks.

4.5. Using this experience a proactive anti-fraud plan for the Corporate Fraud Investigation Team has been prepared for the year 2013/14 and is separately presented at this meeting. In the second half of 2012/13 further pro-active internal audit work to

detect fraud was undertaken, including employee expenses, use of purchase cards, single tender actions and succession tenancies.

5. Social Housing Fraud

5.1. Hillingdon continues to run its poster campaign, Blow the Whistle on Housing Cheats. The poster is advertised in every issue of Hillingdon People: this generates calls to our fraud hotline where all information received is fully investigated. Our work in this area is to feature in a BBC programme that is due to be aired at the end of this year. We have successfully bid for funding from the Government to support this area of work and will receive £200,000 in two equal annual tranches. This funding will enable the Corporate Fraud Investigation Team to look at other innovative ways to identify and deal with housing-related fraud.

5.2. To enhance our work officers have been working in partnership with the credit reference agency Experian to identify possible fraudulent tenancy activity. This identified a large number of high risk matches and two officers continue to work full time on this project, one of whom has been seconded from Hillingdon Housing Service. As a result of their work, 14 social housing properties were recovered in the second half of 2012/13. These properties had either been sub-let, occupied by non entitled persons such as family members or were empty. They have been returned to the housing stock to be allocated to people with genuine housing need.

5.3. The Audit Commission, in their report 'Protecting the Public Purse 2012' estimated that nationally it costs councils on average £18,000 a year for each family placed in temporary accommodation, therefore using this guidance it is estimated that £252,000 has been saved in Hillingdon by bringing these 14 properties into legitimate use.

5.4. The teams' Social Housing Fraud activity has also featured in articles in Hillingdon People and the Local Gazette. One particular article in Hillingdon People featured a resident who had been housed in one of the recovered properties. They had been in temporary accommodation since 2005. They expressed their pleasure with their new property, because it gave the family a settled life, with the consequent benefits to their children's school and social life.

5.5. The Corporate Fraud Investigation Team has continued to perform particularly well in driving forward this new initiative and Hillingdon has been recognised as a leading Authority in this type of investigation. A number of councils have either visited or called the team to get advice and guidance on how to identify and tackle social housing fraud. The Audit Commission and The Chartered Institute of Housing have had meetings with the Corporate Fraud Investigation Manager to look at Hillingdon's good practice and the successful work in 2011/12 featured on page 39 of 'Protecting the Public Purse 2012'.

5.6. Right to Buy and First Time Buyer applications are reviewed and visits are carried out to verify occupancy details. So far no fraudulent claims have been identified.

6. Housing and Council Tax Benefit Fraud

6.1. Benefit fraud continues to be where the bulk of corporate fraud resources are applied.

6.2. Officers use intelligence from the NFI and DWP generated risk cases to focus this work, as well as our well established fraud hotline.

6.3. In the second half of 2012/13 action was taken in 28 serious cases leading to 28 sanctions. These were:

- 8 prosecutions – all successful
- 6 cautions
- 14 administrative penalties.

6.4. Details of prosecutions regularly appear in Hillingdon People and Local Papers. The Council had one interesting case that was reported in the national papers. This concerned a benefit cheat who was working as an actor and claiming benefit. He received a 26 week custodial sentence which was suspended for 24 months. The Corporate Fraud Investigation Manager featured in a BBC programme in February 2013 called "Saints and Scroungers" where he spoke about the fraud case.

6.5. Benefit fraud activity in the second half year generated over £51,000 in overpayments, which equates to nearly £160,000 of saved benefit using an average fraud multiple. All overpayments are monitored on a weekly basis to ensure that the Council recovers as much as possible. All methods of recovery are used, including reductions on future benefits, instalment plans and charges on any property.

7. Proceeds of Crime

7.1. The Corporate Fraud Investigation Team is now in a position to make full use of Proceeds of Crime Act (POCA) powers in appropriate cases (both internal and external). There are currently 8 cases that are being investigated and so far we have received £8,000 income.

8. Council Tax Discount Fraud

8.1. The revenues team have a continuous programme of checking single person discount and other relief, as well as a programme of visits to check suspicious claims. The last available statistics from the Audit Commission show that, from an analysis of its population, Hillingdon could expect to grant Single Person Discounts in the order of 34%. Our actual rate was 29.5%, illustrating that Hillingdon is more likely to be on top of this type of fraud.

9. Other Revenue Protection Measures

9.1. This half year Visiting Officers within the Corporate Fraud Investigation Team carried out 6,659 visits to ensure the council maximises its revenue. The visits address issues in the following areas:

- Business Rates
- Council Tax

- New Build
- Benefit Compliance checks.

9.2. The visiting programme is very intense and staff are trained in all areas of work to ensure an efficient and planned approach to all visits. Work on business rates check on the occupation status of commercial premises to ensure that the council maximises the non domestic rate revenue. Similarly the visits keep track of new build properties to ensure that they are rated for domestic or business rates as soon as they are completed. Council tax visits are generally reactive and confirm the status of those claiming single person and other discounts.

9.3. Benefit Compliance visits relate to checks carried out to verify information about a current claim. Visits requests come from a number of sources, but chiefly from benefit and housing officers, and from calls from the public about possible Benefit abuse.

10. Recruitment Fraud

10.1. Hillingdon has a liaison officer in the UK Borders Agency who makes regular visits to the council. UKBA have been working closely with Hillingdon's HR team to ensure that they are appropriately trained in examining identity documents.

10.2. At the year-end some National Fraud Initiative high risk identity matches were in the process of being investigated. The outcomes will be reported in 2013/14.

11. Blue Badge Fraud

11.1. Blue Badge Fraud is a national problem but it is particularly prevalent in London where fraudulent badges can change hands for hundreds of pounds even in outer London boroughs because they not only give exemption from parking charges but from the congestion scheme.

11.2. Our effective Blue Badge work in the first half of the year was filmed by the BBC and appeared in a Panorama programme screen in late 2012. Results of the work were reported in the first half year report at the December meeting of this committee, although a further three penalty notices and five more prosecutions were instigated in the second half year.

11.3. The Blue Badge checks that officers carried out have been publicised in Hillingdon People. Again this generated positive calls from residents. The Corporate Fraud Investigation Manager has also attended the Disability Forum meetings chaired by Cllr Kemp to highlight the work of the team.

BACKGROUND PAPER

NIL