

Consolidated Fraud Report

Contact Officer: Helen Taylor
Telephone: 01895 556132

REASON FOR ITEM

The Audit Committee receives regular reports on the counter fraud measures included in the remit of Internal Audit. This mainly consist of internal proactive audit work aimed at detecting potential fraud, reactive investigations into fraud and irregularity, co-ordinating National Fraud Initiative data returns and the associated follow up work on investigation matches, running awareness programmes across the council, ensuring that policies and procedures are updated on a regular basis and advising managers on the measures they can take to prevent and detect fraud.

However, Internal Audit is only one arm of the council's counter fraud work. Most external fraud is handled by other departments in the council and reported through their Policy Overview Committees. The recent Audit Commission Publication, Protecting the Public Purse, provides a checklist for those responsible for governance, to assess their organisations fraud defences against recommended good practice.

This report matches Hillingdon against this checklist, giving examples and points of action where necessary.

OPTIONS AVAILABLE TO THE COMMITTEE

Note the contents of the report and the level of compliance with the audit commission checklist for those charged with Governance. Monitor actions in the report to ensure anti-fraud measures are given an appropriate profile in the council.

INFORMATION

Consolidated Report on Hillingdon's Counter Fraud Measures in 2009-10

1. Have we committed ourselves to zero tolerance against fraud?

Yes, this is clearly stated in the current anti-fraud strategy at paragraph 3.8 but more importantly it is enacted in practice. We have had two successful prosecutions for internal fraud in the last year. Between 2008-10 four people were dismissed, two resigned prior to a disciplinary hearing and three had formal disciplinary action taken. An allegation of bribery by a contractor's employee was investigated when we brought it to the attention of the contractor and their staff member was dismissed.

2.0 Do we have appropriate strategies, policies and plans?

Yes, we have an anti-fraud and corruption strategy which is supported by codes of conduct, whistleblowing, rules for declarations of interest and gifts and hospitality and a Standards Committee for Members.

Action – The fraud and corruption strategy needs to be revised and procedures need to be reviewed and revised in conjunction with this. - Target now September 2010.

3. Do we have a dedicated counter-fraud resource?

Not in one team, but the main prosecuting team is the Housing Benefit Fraud team with whom Internal Audit has an operational protocol that ensures their trained investigators take forward any staff criminal prosecutions once Internal Audit has amassed substantive evidence. Other prosecuting teams such as Trading Standards and Planning Enforcement are appropriately resourced for their counter fraud work.

4. Do the resources cover all of the activities or our organisation?

Yes

5. Do we receive regular reports on fraud risks, plans and outcomes?

Yes, for internal fraud issues but not for Housing Benefit or other types of prosecutions?

Action/Decision Does the committee think it would benefit from information on the wider fraud activities in the council and if so what form should reporting take and how often should it be received?

6. Have we assessed our management of counter-fraud resources against good practice?

Assessment was carried out against the CIPFA red book 1 standards in 2008-9. Fuller assessment against Red Book 2 guidance is partially completed.

Action – Complete assessment against Red Book 2 and make appropriate amendments to policies and procedures by September 2010.

7. Do we raise awareness of fraud risks including, new staff (including agency staff), existing staff and Members?

Yes, we are continually refining this and improving our methods of delivery. Fraud awareness sessions for managers have been running for the last two years. Courses are programmed to run in September and March each year and all new managers will now be booked on the next available course as part of their induction process. An e-learning programme for staff is available on the intranet and a strategy for ensuring all existing staff complete it in 2010-11 has been discussed with the Learning and Development team. New staff will have it included in their corporate induction.

The Housing Benefit Fraud Team runs an annual seminar for Members on the work that they do. Three times a year they run their 'Bigger Picture' seminar for staff, which also deals with HB fraud.

8. Do we join in appropriately with national, regional and local networks and partnerships to ensure we are up to date with current fraud risks and issues?

Hillingdon chairs the West London Fraud Managers forum, which meets quarterly to compare performance, working practices and review current issues. We are members of Local Authority Investigation Officers Group (LAIOG) London Boroughs Fraud Investigation Group (LBFIG), as well as the National Anti-Fraud Network (NAFN)

9. Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud?

Yes – We work with the local police financial fraud team and the UK Border Agency, other social landlords.

10. Do we identify areas where internal controls may not be performing as intended?

Yes this is done in a number of ways, most obviously by the audit of risk areas. Internal Audit reviews summaries of disciplinary case for potential control failures that may need further investigation. There is also a good culture of managers approaching Internal Audit when they think they have a problem area.

11. Do we maximise the benefit of our participation in the audit commission NFI and receive reports on outcomes?

Yes, this is co-ordinated and monitored by the Internal Audit team. The ICT team provide timely and accurate data downloads for matches and within each department there is a lead person who deals with matches in their area of expertise.

Hillingdon was at the forefront of the Single Person Discount match, having suggested it to the Audit Commission and agreeing to pilot it in Hillingdon; and exercise which saw £1.4 m Hillingdon discounts being removed in 2006-7 and a further £356k removed in 2009-10. By subsequently rolling the exercise out to all councils the Audit Commission has recently published figures showing £62m was identified from this exercise in 2008-9.

Hillingdon will continue to take part in new matches.

12. Have we reassessed our fraud risks because of the recession?

We continually review our fraud risks and look for new ways of detecting and preventing fraud. No particular action has been taken as a result of the recession though we are more aware of the heightened risk.

13. Have we amended our counter fraud action plan as a result?

As per above we are continually reviewing and revising our counter fraud plans and actions.

14. Have we reallocated staff as a result?

Not applicable.

15. Do we take effective action to ensure that social housing is allocated only to those in need?

Yes – Hillingdon successfully applied for a grant of £50k to run a publicity campaign to publicise social housing fraud, called Blow the Whistle on Housing Cheats. The money is used for partnership working with social landlords in Hillingdon. We are currently arranging to carry out visits on behalf of one social landlord on a contract basis.

Housing Application verification visits are made to all new applicants that go onto the housing register to ensure that their details are correct and to confirm the eligibility of their application--in 2009-10 we identified 474 fraudulent applications which has reduced the number of people on the housing register. The Audit Commission estimates that it would cost £4,000 to recover possession of a property which has been illegally obtained. Based on this estimate the potential cost to Hillingdon could have been £1,896,000 if these applications had not been cancelled.

16. Do we take effective action to ensure that social housing is occupied by those to whom it is allocated?

The ALMO and RSL's are responsible for doing their own check but we are working with them to assist in detection. This approach will obviously be reviewed when the housing management function returns to LBH.

17. Are we satisfied that payment controls are working as intended?

As part of routine audits Internal Audit review payment controls in various systems across the authority. The NFI did not identify any particular concerns in this area.

18. Have we reviewed out contract letting procedures against the good practice guidance issues by the office of Fair Trading to reduce the risk of illegal practices such as cartels?

We have fundamentally reviewed the way we handle all contracts over the last 18 months. All tender contracts are now advertised on the London Tenders Portal, an electronic system with full transparency. A full review against the OFT guidance has not yet been undertaken.

Action – Conduct a formal review of our processes against the OFT good practice guide.

19. Are we satisfied that our recruitment procedures are; preventing employment of people working under false identities; validating employment references effectively and ensuring applicants are eligible to work?

We have a liaison officer in the Borders and Immigration Service 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.

Recruitment has recently been centralised and all identity documents are now checked centrally by trained staff.

20. Where we are moving to direct payments (for example, social care) have we introduced suitable and proportionate control arrangements in line with recommended practice?

Yes, to advise on controls and risks, a member of the Internal Audit is embedded in the project team responsible for introducing direct payment. They have attended awareness sessions and training events with Social Services staff so are well aware of risks and issues that need to be addressed.

21. Are we effectively controlling the discounts and allowances we give to council tax payers?

Yes, since our early success with Single Person Discount we have continued a programme of checking other reliefs. In 2009-10 exercises were conducted to verify those claiming reliefs for Disabled Persons, Empty Properties, In Care Exemption, Repossessed or classed as Repossessed properties, Under Eighteens and occupiers who are Dependent Relatives. All other classes will be reviewed next year, with a particular emphasis on students.

This is all part of a rolling programme to ensure that discounts entitlements are reviewed and renewed regularly.

22. Are we satisfied that we are doing all we can to tackle housing and council tax benefit fraud?

Yes, in 2009-10 there were 18 prosecutions, 50 cautions and 39 administrative penalties (fines) imposed for Housing Benefit Fraud. Overpayments identified as a result of fraud amounted to £375,000

In total the Housing Benefit Fraud team carried out 12,851 visits as follows

- Council Tax checks 8776
- Housing waiting list application checks 3464
- Blue Badge/Benefit verification 611

The results of Blue Badge/Benefit verification were;

- Blue Badge checks, during 2009/10 checks identified that 5 badges were being used illegally. These holders have received warning letters regarding misuse of their badge. The result of this activity is that more disabled bays should be available for genuine disabled users and discounts on parking and congestion charging are not now available to these fraudsters.
- Benefit verification visits identified £474,000 as being overpaid in benefit and is now being recovered.

23. Do we have a reporting mechanism that encourages our staff to raise their concerns about money laundering?

Yes, Head of Audit and Head of Revenues are money laundering reporting contacts. One report has been made this year.

Action – Need to raise awareness of money laundering issues throughout the council.

BACKGROUND PAPERS

Audit Commission document - Protecting the Public Purse, local government fighting fraud.