



**Report for:
INFORMATION**

Item Number: 10

Contains Confidential or Exempt Information	No
Title	Counter Fraud, Intelligence and Investigation Performance Report
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For Consideration By	Audit Committee
Date to be considered	23 January 2014
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	Counter Fraud, Intelligence and Investigation

Purpose of Report:

The attached report describes the work of the Counter fraud, intelligence and investigation team for the period 1 April 2013 to 31 December 2013.

1. Recommendation

It is recommended that for the 9 month period 1 April – 31 December 2013, the Audit Committee:

- Notes the work undertaken by the Counter Fraud, Intelligence and Investigation team.
- Reviews team performance during the same period. (Appendix A)

2. Reason for Decision and Options Considered

2.1 This is a programmed, periodic report.

3. Key Implications

3.1 The work of the Investigation Team has produced positive outcomes in respect of detection of fraud. The team continues to use innovative practices in order to prevent fraud and increase detection rates. The policy of prosecution for detected fraud rather than cautions or penalties has been maintained.

3.2 Performance against existing targets

3.2.1 Performance against targets for April 2013 to December 2013 is set out in detail in Appendix A. A number of counter fraud drives have been completed or are underway.

3.3 Document ID Checker

3.3.1 The Audit and Investigations Team has piloted the use of an ID Document Checker which is used to scan passports and driving licences producing immediate real time verification on the validity of the documents. The results are displayed using a RAG system. The Council has two ID scanners and training is being rolled out to relevant teams and officers.

3.4 Blue Badge

3.4.1 Ten cases involving Blue Badge misuse were referred to the Audit & Investigations team between April and December 2013. As previously reported, two cases were prosecuted, resulting in a suspended custodial sentence and a fine.

3.5 CIFAS

3.5.1 CIFAS is a Staff Fraud Database (SFD) and a data-sharing agreement that enables responsible employers to file proven cases of staff fraud in order to prevent the perpetrator moving unchallenged to a new employer to commit further fraud.

3.5.2 Ealing is the first Local Authority in the country to sign up with CIFAS. Another three local authorities have asked Ealing for information regarding this initiative with a view to joining.

3.5.3 We have discussed with CIFAS the possibility of carrying out an automated match of all Council employees with the SFD. This is in the early stages of development and once we have the details we will discuss with relevant stakeholders before carrying out the match.

3.5.4 In the period, 73 searches have been carried out on the SFD by the Enhanced Vetting Team. Training and awareness will be rolled out to Human Resources so that they can also access the database.

3.6 Data Matching

3.6.1 Tenancy details for the Council's 13,000 properties were submitted to a private sector provider and matched against a number of data sources to provide a financial footprint. Up to 31st March 2013 eight properties were recovered as a result of this exercise. The matching exercise has been repeated for 2013/14 and the data are currently being considered by the Audit and Investigations team. The results will be reported to future Audit Committees.

3.7 Track a Fraudster

3.7.1 The Audit and Investigations team proposed an initiative to match data across a number of West London boroughs. The initiative will result in a database of information relating to Housing Benefit, Tenancies and Waiting Lists. This will allow the comparison of information provided by

individuals to neighbouring boroughs and enable a check across those boroughs.

3.7.2 The database will be checked prior to allocation of a Council House to identify instances where individuals potentially have social housing in more than one borough. Data was formally shared between boroughs in March 2013.

3.7.3 This initiative was further discussed at a meeting with the West London boroughs in August 2013 and further refinements to the database were agreed. The fraud hub is now being used by the Council. As the project progresses, further updates will be provided to Audit Committee.

3.8 Housing Fraud

3.8.1 The Audit and Investigations team continues to have two posts, one funded by DCLG, dedicated to council tenancy related offences.

3.8.2 Since April 2013, 15 Council properties have been recovered with six cases being prosecuted for various offences, including obtaining a tenancy by deception, obtaining a Right to Buy discount by deception, illegal eviction and benefit fraud. Financial losses totalling £248k have been identified. To date, some £46k has been recovered and a further update on this amount will be provided at the next meeting.

3.9 National Fraud Initiative (NFI)

3.9.1 The NFI data matching is carried out every two years. The current exercise used data related to 2012 and was submitted in October 2012. The matches have been analysed and the results were received from the NFI in February 2013 with a second tranche received in August 2013. Performance against the matches is set out at Appendix B.

3.10 Enhanced Vetting (EV)

3.10.1 Ealing Council has a risk assessed process of EV for new recruits into both permanent and temporary posts and involves stringent checks to verify the validity of a candidate and their employment application.

3.10.2 Set out below is a summary of the assurance level of cases processed between 1st April and 31st December 2013. A detailed analysis can be found at Appendix C.

2013/14 EV Case Assurance Profile - Cases Complete					
Case Status	Cross Council				
	Number	Temp	%	Perm	%
Pass	281	51	70	230	78
Fail	4	-	-	4	1
3 rd Party Referral	5	2	3	3	1
Withdrawn	18	4	5	14	5
Agency Fraud	-	-	-	-	-
To be Determined	61	16	22	45	15
Not Applicable	-	-	-	-	-
Total	369	73	100	296	100

3.10.3 Commentary

There were 369 cases processed in the period (73 Temporary and 296 Permanent positions). The outcomes were as follows:

- 4 candidates failed the process. Example reasons for failure are set out within the Case Studies section at Appendix D.
- Serious issues were found with 5 candidates' applications which warranted referral to external agencies; and
- 18 candidates withdrew their application for employment rather than be subject to the EV process.

3.10.4 A detailed analysis of the EV team's performance can be found at Appendix C.

3.11 Single Fraud Investigation Service (SFIS)

3.11.1 SFIS, the formation of a single fraud investigation service, a partnership between DWP, HMRC and Local Authorities, covering the totality of welfare benefit fraud was confirmed in the Autumn Statement on Thursday 5 December 2013 by the Chancellor of the Exchequer.

3.11.2 This announcement confirms that SFIS will be launched within the DWP as a single organisation and a phased implementation will commence in from October 2014 – March 2016.

3.11.3 SFIS will operate to a single set of policies and procedures and will provide a nationally flexible service to tackle all welfare benefit fraud.

3.11.4 Prosecutions arising from SFIS investigations will be conducted by the Crown Prosecution Service in England and Wales and the Procurator Fiscal in Scotland.

3.11.5 The DWP recognises there are circumstances where fraud occurs across both local authority services and welfare benefits and thus it remains important to work jointly with LA fraud teams. A joint working group will be set up to pursue this aim.

4. Financial

4.1 All investigation activity covered in this report has been delivered within the Audit & Investigation budget and there are no resource issues.

5. Legal

5.1 Counter Fraud work is carried out in compliance with criminal and civil law and criminal investigation procedures relevant to investigation work including: the Police and Criminal Evidence Act (PACE) 1984, the Criminal Procedure and Investigations Act (CPIA) 1996, the Social Security Administration Act 1992 (as amended), the Human Rights Act 1998, the Regulation of Investigatory Powers Act (RIPA) 2000, the Anti-Terrorism Crime and Security Act 2001, the Public Interest Disclosure Act 1998 and relevant Employment Law.

6. Value for Money

6.1 Compliance with best practice guidance ensures that the requirements of the Accounts and Audit Regulations 2011 are met.

7. Sustainability Impact Appraisal

7.1 Not applicable.

8. Risk Management

8.1 Strong corporate governance including counter fraud and corruption should minimise officer distraction from key corporate objectives as a result of governance failure(s).

9. Community Safety

9.1 Not applicable.

10. Links to Strategic Objectives

10.1 The issues outlined in this report have a particular focus on the Council's ensuring it protects public funds and provides value for money.

11. Equalities and Community Cohesion

11.1 An initial Equalities Impact assessment has been conducted and approved in relation to the Counter Fraud and Corruption Policy.

12. Staffing/Workforce and Accommodation implications:

12.1 Not applicable.

13. Property and Assets

13.1 Not applicable.

14. Any other implications

14.1 None.

15. Consultation

15.1 Not applicable.

16. Timetable for Implementation

Not applicable.

17. Appendices

Appendix A: Investigation Team performance

Appendix B: National Fraud Initiative

Appendix C: Enhanced Vetting Statistics

Appendix D: Examples of Cases Concluded

18. Background Information

Past counter fraud papers are available upon request from Ewan Taylor, taylor@ealing.gov.uk

Appendix A - 2013/14 Investigation Team Performance

Area	Actual 2012/13	Target 2013/14	Profile	Actual 31 December
Intelligence Team				
Number of new cases started	844	1,023	767	793
Number of cases passed for investigation	525	501	375	485
Benefit Investigation Team				
Number of completed investigations ('Accepted' cases closed)	278	259	194	336
Number of cases where fraud established (balance of probabilities)	146	144	108	189
Number of cases where sanction applied (prosecution, caution, administrative penalty)	120	113	84	76*
Fraudulent benefit overpayment	£1,109,038	£1,063,477	£797,607	£2,019,313
Corporate Investigation Team				
Number of completed investigations ('Accepted' cases closed)	252	209	156	143**
Number of cases where fraud established (balance of probabilities)	91	78	58	41***
Number of cases where sanction applied (prosecution, caution, administrative penalty, disciplinary, council property recovered)	43	39	29	32
Number of council properties recovered (included above)	21	19	14	15
Value of Loss Proved	£461,841	£251,163	£188.372	£445,368

Commentary

- *Number of cases where sanction applied, benefit –although the number of completed cases is above target and the number of cases where fraud has been established is also about target, the number of cases where sanctions were applied is below target. This is, in the main, due to the reduction in capacity of the benefits investigations team by a single whole time equivalent due to a vacant post. If the target is pro-rated to take account of this, the revised profile for December 2013 would be 66. Action has been taken to recruit into the vacant post.
- **Number of completed investigations, corporate – There are currently a number of cases completed and waiting for closure. The delay in closing these cases is due to an initial investment of time in the establishment of the fraud team partnership with Hounslow.

- ***Number of cases where fraud established, corporate –The achievement of this target is dependent on the quality of referrals received. The fraud team has reviewed the risk rating it applies to referrals and has determined that it remains appropriate. As can be seen, sanctions and recovery of council properties are both above target which demonstrates that where fraud is established, appropriate action is being taken.

Appendix B - Summary of NFI Key Reports - August 2013

NFI key reports	Recommended Matches	Matches In Progress	Matches Completed	Matches to Action
Blue Badge, Travel Passes & Residential Care	2,312	5	545	1762
Creditors History & Creditors Standing	716	0	716	0
Payroll & Pensions	100	19	62	19
Right to Buy	59	0	59	0
Housing Tenancy	52	4	46	2
Housing Benefit Claimants	1,434	160	1,273	1
Insurance Claimants	8	0	8	0

Commentary

- Blue Badge, Travel Passes & Residential Care - A new report containing 1768 matches was added to the NFI key report in August 2013 and officers are currently reviewing the matches, good progress is being made.
- Creditors Report and Payroll & Pension Report - Good progress has been made since the last report.
- The NFI Data match is an on-going exercise and performance will be reported to subsequent meetings of Audit Committee.

Appendix C – Enhanced Vetting Statistics

2013/14 Enhanced Vetting Case Assurance Profile																		
Case Status	Children & Adults			Corp Res			E&CS			Regen & Housing			Chief Executives			Cross Council		
	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm
Total	225	22	203	57	31	26	32	11	21	53	8	45	2	1	1	369	73	296
Pass	176	14	162	45	24	21	23	7	16	36	5	31	1	1	0	281	51	230
Fail	2	0	2	0	0	0	1	0	1	1	0	1	0	0	0	4	0	4
3 rd Party Referral	3	1	2	1	1	0	0	0	0	1	0	1	0	0	0	5	2	3
Candidate Withdrawn	13	2	11	1	0	1	3	2	1	1	0	1	0	0	0	18	4	14
Agency Fraud	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
To be Determined	31	5	26	10	6	4	5	2	3	14	3	11	1	0	1	61	16	45
Not Applicable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

2013/14 Enhanced Vetting Case WIP Analysis																				
Case Status	Children & Adults			Corp Res			E&CS			Regen & Housing			Chief Executives			Cross Council				
	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	%	Perm	%
Total	31	5	26	10	6	4	5	2	3	12	2	10	1	0	1	59	15		44	
5 days or less	1	0	1	3	0	3	0	0	0	1	0	1	0	0	0	5	0	0	5	11
6 - 10 days	5	0	5	2	2	0	0	0	0	1	1	0	1	0	1	9	3	20	6	14
11 - 15 days	1	1	0	1	1	0	1	0	1	0	0	0	0	0	0	3	2	13	1	2
16 - 20 days	3	0	3	2	1	1	2	0	2	4	0	4	0	0	0	11	1	7	10	23
21-25 days	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
>25 Days	21	4	17	2	2	0	2	2	0	0	1	5	0	0	0	25	9	60	22	50

The target is for 90% of cases to be completed within 20 days of the EV team receiving the referral and supporting documentation from HR. As can be seen above, for cases that remain in progress, the performance is at 40% for temporary staff and 50% for permanent staff. Failure to meet these targets is attributable to:

- Issues with external agencies not responding to the Councils requests for information in a timely manner.
- In quarter 3 alone, 122 cases were referred to the EV team.
- A further 21 cases were referred on 1st Jan 2014.

In order to address the outstanding case load, a temporary resource is to be recruited.

2013/14 Enhanced Vetting Case Completion Analysis																				
Case Status	Children & Adults			Corp Res			E&CS			Regen & Housing			Chief Executives			Cross Council				
	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	Perm	Total	Temp	%	Perm	%
Total	194	17	177	47	25	22	27	9	18	41	6	35	0	0	0	309	57		252	
5 days or less	81	10	71	23	12	11	13	4	9	18	3	15	0	0	0	135	29	50	106	42
6 - 10 days	43	4	39	12	10	2	8	3	5	10	2	8	0	0	0	73	19	33	54	21
11 - 15 days	36	2	34	5	1	4	3	2	1	5	0	5	0	0	0	49	5	9	44	17
16 - 20 days	17	1	16	2	1	1	1	0	1	5	1	4	0	0	0	25	3	5	22	9
21-25 days	10	0	10	2	0	2	0	0	0	2	0	2	0	0	0	14	0	0	14	6
>25 Days	7	0	7	3	1	2	2	0	2	1	0	1	0	0	0	13	1	3	12	5

For cases that have been completed, the target has been achieved (97% Temp & 90% Permanent candidates) for the period under review.

Appendix D

Examples of Cases Concluded

Enhanced Vetting

1.2 Case Study A: A candidate was successful for a post working directly with finances for vulnerable clients and stated on their application form that they had successfully completed an HND qualification in Business Administration. Upon investigation, there was no evidence that the candidate had either studied for or completed this qualification. The offer of employment was withdrawn.

1.3 Case Study B: A candidate was successful for a post at Ealing and is also an Ealing resident. Local Authority checks revealed that the council tax payer at this address was claiming Council Tax Discount and Housing Benefit whilst not declaring the candidate.

It was further established that the Council Tax/HB fraud dates back to March 2011 and this is currently being dealt with by the Investigation Team.

Prosecution Cases

1.4 Case Study C: An Investigation was launched when Claimant C applied for a £16,000 discount to purchase a property under the Right to Buy scheme. Despite already owning two properties, the Claimant fraudulently applied for a Council home and was housed in a three bedroom property and falsely claimed £31,131 in housing and Council Tax benefits over five years.

As well as the Benefits claimed, Claimant C gained £125,128 through subsidised rent on the Council property. A confiscation hearing took place in January 2014 and it has been determined and accepted that the Claimant benefitted from relevant criminal conduct to the value of £156,259.

The Claimant was successfully convicted on 11 counts involving Housing and Council Tax Benefit, Housing fraud and attempting to obtain a Right to Buy discount and was given an immediate custodial sentence of 2 years.

1.5 Case Study D: Benefit Claimant D provided false information to claim £3,504 in Jobseekers Allowance and £16,595 in Housing and Council Tax Benefits. The Claimant failed to declare rental income from a property and details of additional bank accounts held.

The Claimant was given a three month prison sentence, suspended for 12 months, and ordered to carry out 100 hours of unpaid community work and pay £400 towards the Council's court costs.

1.6 Case Study E: Benefit Claimant E was successfully convicted after an investigation revealed that they had provided false information to claim £17,705 in Housing Benefits. The property, for which Benefit was being claimed, was actually jointly owned by the Claimant and another individual.

The Claimant was given a 12 week prison sentence, suspended for 12 months, ordered to carry out 200 hours of unpaid community work, pay £478 in court costs and ordered to re pay £17,705 in compensation.

1.7 Case Study F: A non-resident of the Borough who, in challenge to a Penalty Charge Notice (PCN), submitted a fictitious receipt showing that the vehicle had been sold. It later transpired that the vehicle was sold after the commission of the traffic offence.

The non-resident was successfully convicted of dishonestly avoiding the payment of a PCN and was given a Community Service Order of 70 hours unpaid work and ordered to pay £520 in Court costs and a £60 Victim Surcharge. If paid within the requisite 2 weeks, the PCN fine would have been £65.