Report for: **INFORMATION**	
Item Number:	

Contains Confidential or Exempt Information	No
Title	Investigation report to March 2016
Responsible Officer	Steven Tinkler, Head of Audit & Investigations
Author	Steven Tinkler, Head of Audit & Investigations, ext 8571, Tinklers@ealing.gov.uk
Portfolio	Cllr Yvonne Johnson - Finance, Performance and Customer Services
For Consideration By	Audit Committee
Date to be Considered	24 May 2016
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	N/A

Purpose of Report:
The attached report provides Audit Committee with an update on the work of
the investigation team for the period 1 April – 31 March 2016.

1.   Recommendation

1.1   It is recommended that for the 12 month period 1 April – 31 March 2016, the
Audit Committee:

- Notes the work undertaken by the Investigation Team

- Reviews team performance

- Reviews the Fighting Fraud & Corruption Locally 2016-19 checklist (Appendix
1)

2.   Reason for Decision and Options Considered

2.1   This is a programmed, periodic report outlining the progress of the
investigations functions against the 2015/16 annual targets.

3.   Key Implications

3.1   The Investigation Team undertakes investigations following allegations of criminal offences committed against the authority. Positive outcomes in respect of detection of fraud have been achieved. A policy of prosecution when sufficient evidence is available and it is in the public interest to do so has been maintained.

4.   Counter Fraud and Investigations Performance & Developments

4.1.1   As previously reported to the Committee, Internal Audit & Investigation services are delivered by the Internal Audit and Investigations Shared Service, which has brought together the Internal Audit and Investigation resources of the London Boroughs of Ealing, Hounslow and Brent.

4.1.2   The Shared Service, hosted by the London Borough of Ealing, enhances the Internal Audit and Investigation services delivered to the three boroughs, by bringing together a wealth of experience, improving overall service resilience, whilst also providing the opportunity to share best practice and harmonise counter fraud processes.

4.1.3   The Shared Service is planning to operate the same case management software across sites which can be accessed remotely, enabling the shared service to achieve better results, more efficiently.

4.1.4   To raise the profile of the Shared Service and its role in fighting fraud, it is important it receives maximum exposure. It is planned to deliver this by having a media campaign, and by updating the fraud reporting portals.

4.1.5   The Shared Service is responsible for the investigation of all types of suspected fraud within the Council, including but not limited to:

- Corporate fraud matters in relation to offences committed by employees;
- Procurement fraud by employees, Contractors or other third parties;
- Fraud within schools;
- Housing related fraud;
- Council Tax Reduction fraud; and
- School placement applications.

4.1.6   The Investigation Team is aiming to improve recovery in respect of proven fraud by using the Proceeds of Crime Act (POCA). The investigation team has three officers who are qualified Financial Investigators, accreditation by the National Crime Agency (NCA).

4.1.7   This resource can be utilised by all internal departments within the Council for financial investigations under POCA. Currently, a number of referrals have been made to the team and which are currently subject to investigation.

The investigation team in line with the governments Assets Recovery Strategy will:

- Make greater use of the investigation of criminal assets in the fight against crime.
- Will recover money that has been made from crime or which is intended for use in crime.
- Prevent criminals and their associates from laundering the proceeds of crime
- Will detect and penalise such laundering where it occurs.
- Will use the proceeds recovered for the benefit of the community.

4.2   Fighting Fraud & Corruption Locally Strategy (FFCL)

4.2.1   In 2016 CIPFA published a new FFCL strategy, for local authorities. This strategy was published in collaboration with local authorities and is designed to help local authorities improve and continue to fight fraud.

4.2.2   To ensure that local authorities have the correct processes and resources in place the strategy recommends Investigation Teams undertake a FFCL checklist to ensure they have a standard to measure themselves against in order to create an effective counter fraud service.

4.2.3   The FFCL checklist has been completed and can be viewed in Appendix 1. As a result of the survey it is intended to create a Shared Service Anti-Fraud strategy which will be put in place by the end of August for all partners to review and adopt, which will therefore address the one area of non-compliance within the checklist.

4.3   Enhanced Vetting (EV)

4.3.1   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.

4.3.2   Reasons for failure to progress into a post have included Benefit and Council Tax fraud, Housing fraud, false employment history, false references and false qualifications.

Case studies:

Candidate A was a temporary officer in a professional position, EV identified Housing Fraud and Council Tax discrepancies dating back over 20 years. The case was referred to the investigation team at Ealing and two other authorities for further investigation. The officer was dismissed with immediate effect.

Candidate B stated that he had a professional qualification specific to his role. EV identified that he had failed the elements of the qualification that he had taken and that he had failed to complete the course. The offer of employment was withdrawn.

4.3.3 The team have worked additional hours and have cleared a record number of cases in this year. This is reflected in the statistics provided below.

1/4/15 to 31/3/16 EV Case Assurance Profile - Cases Complete			
Case Status	Cross Council		
	Total	Temp	Perm
Complete	888	349	539
Pass	747	235	512
Fail	14	3	11
3rd Party Referral*	13	4	9
Withdrawn	22	6	16
Agency Fraud	-	-	-
Assignment Ended**	105	105	-

*3rd Party Referral – represents a suspected fraud that has been identified as result of enquiries for example a benefit fraud by another member of a candidate's household.

**Assignment ended specifically means that whilst enhanced vetting had commenced, the individual assignment had ended before the enhanced vetting activity could be completed. It should be noted that there will always be an element of this particularly in services where there is a high level of short-term placements e.g. Care Workers.

4.4   National Fraud Initiative

4.4.1 The current exercise used data relating to 2014. The Council received 2,801 recommended matches in February 2015. The table below details the progress made on the key reports. The key reports are the reports used by the NFI team to initially assess the Council's progress and are the reports deemed to be the most important based on previous exercise experience.

NFI key reports	Recommended Matches	Initial Evaluation Commenced	Investigation Initiated	Matches Completed / Closed	Matches to Action
Housing Benefit, NFI Id 2,13,14,14.1, 18,20,23	**712**	-	-	-	-
Payroll NFI id 66,70,73,80	**33**	-	-	33	-
Pension NFI Id 52,55,	**49**	-	-	49	-
Housing Tenancy NFI Id 101,103	**14**	-	1	13	-
Right to Buy NFI Id 156	**97**	-	-	97	-
Resident Parking Permits NFI Id 172.3	**35**	-	-	35	-
Private Residential Care Homes NFI Id 173	**15**	-	-	15	-
Duplicate records creditor NFI Id 707,708	**512**	9	-	503	-

- Housing Benefit recommended matches have been referred to the local DWP Fraud and Error Service.

- The National Fraud Initiative 2014 exercise for the LB Ealing has identified a total of £86,450 in fraud and error to date, which is significantly lower than previous years. An explanation for this reduction can be attributed to the fact that Housing Benefit fraud transferred to the DWP Fraud & Error Service.

4.5 **Investigation team performance April to 31 March 2016**

4.5.1 Proved fraudulent gain/losses to 31 March 2016 totals £127,945.

4.5.2 In their Annual Fraud Indicator 2011 the National Fraud Authority estimated that around 500,000 Blue Badges are misused leading to a loss of £46m per year. This equates to a notional loss for a misused Blue Badge of £92.

The 11 Blue Badge cases that resulted in a sanction would therefore provide a notional saving of £1,012.

The Right to Buy scheme helps eligible council and housing association tenants in England to buy their home with a discount, in London, of up to £103,900.

A Right to Buy sale that proceeds based on the provision of incorrect information results in a loss to the authority of a valuable asset at a fraction of its true value.

The 2 Right to Buy applications refused as the result of investigations would therefore provide a notional saving of £207,800.

In their Protecting the Public Purse 2012 publication the Audit Commission identified an average annual notional cost of £18,000 to house a family or individual in temporary accommodation. This average notional cost has been used to estimate the nominal cost to the public purse of housing a tenancy fraudster.

The 9 tenancies recovered following investigation would therefore provide a notional saving of £162,000.

The total of these notional savings for the year to 31 March 2016 is £370,812.

4.5.3 The table below details the performance of the team against the targets that have previously been set.

	2014/15 year-end	2015/16 target	2015/16 actual
5. Intelligence			
Number of new cases started	557	550	**435**
Number of cases passed for investigation	357	375	**236**
Average time from receipt of referral to 'Accepted' and forwarded for investigation	16 days	16 days	**21 days**
6. Investigation			
Number of completed investigations	293	250	**255**
Number of cases where fraud established (balance of probabilities)	56	68	**51**
Number of sanctions applied (includes: Prosecution; Police caution; Disciplinary action; Tenancy application refused; Right To Buy application rejected; Council property recovered; Council Tax Reduction Scheme penalty; Blue Badge warning)	43	68	**38**
Number of council properties recovered (included above)	17	20	**9**

5. Financial

5.1 All investigations activity covered in this report is being delivered within the Audit & Investigations budget.

6. Legal

6.1 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 998 and relevant Employment Law, Fraud Act 2006, Proceeds of Crime Act 2002.

7. Value for Money

7.1 Value for money reviews have been identified within the audit plan.

8. Sustainability Impact Appraisal

8.1 Not applicable.

9. Risk Management

9.1 The Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

10. Community Safety

10.1 Not applicable.

11. Links to Strategic Objectives

11.1 The issues outlined in this report have a particular focus on the Council's organisational improvement objective 'Becoming a high performing organisation, focused on the needs of its communities'.

12. Equalities and Community Cohesion

12.1 Not Applicable.

13. Staffing/Workforce and Accommodation implications

13.1 Not applicable.

14. Property and Assets

14.1 Not applicable.

15. Any other implications

15.1 None.

16. Timetable for Implementation

16.1 Not applicable.

17. Appendices

17.1 Not applicable.

18. Background Information

18.1 Past counter fraud papers are available upon request from Steven Tinkler, tinklers@ealing.gov.uk.

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Ian O'Donnell	Executive Director of Corporate Resources			Throughout
Mick Bowden	Interim Director of Finance			Throughout
Cllr Yvonne Johnson	Portfolio Holder – Finance, Performance & Customer Services			

Report History

Decision type:	Urgency item?		
For information	No		
Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no:	Report author and contact for queries:		
	Steve Tinkler, Head of Audit & Investigations, ext 8571		

Item	Yes	No	Commentary
The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	☒	☐	Fraud plan created linked to 'The Local Government Fraud Strategy'. Activity reported quarterly to Audit Board and Audit Committee.
The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks.	☒	☐	
There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and this checklist.	☒	☐	Reports to Audit Committee as above. Assessment against this checklist to be submitted in report to May 2016 committee.
There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	☐	☒	A shared Anti-Fraud strategy will be developed for all partners to review and adopt, which can then be reviewed annually to ensure it is fit for purpose.
The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	☒	☐	Employee handbook Code of Conduct Whistleblowing Policy Disciplinary Policy Bribery & Counter Fraud Policy
The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	☒	☐	
Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	☒	☐	
Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	☒	☐	

Item	Yes	No	Commentary
The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	☒	☐	
The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: • codes of conduct including behaviour for counter fraud, anti-bribery and corruption • register of interests • register of gifts and hospitality.	☒	☐	
The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed.	☒	☐	Dedicated officers within A&I carry out enhanced pre-employment vetting of candidates.
Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	☒	☐	
There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	☒	☐	Fraud awareness talks are given on an ad-hoc basis
There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	☒	☐	
Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	☒	☐	
Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	☒	☐	
There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes	☒	☐	

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activities undertaken by contractors and third parties or voluntary sector activities.			
Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	☒	☐	
Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	☒	☐	
There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.	☒	☐	
All allegations of fraud and corruption are risk assessed.	☒	☐	All allegations received are recorded and risk assessed.
The fraud and corruption response plan covers all areas of counter fraud work: • Prevention • Detection • Investigation • Sanctions • Redress	☒	☐	
The fraud response plan is linked to the audit plan and is communicated to senior management and members.	☒	☐	
Asset recovery and civil recovery is considered in all cases.	☒	☐	
There is a zero tolerance approach to fraud and corruption which is always reported to committee.	☒	☐	
There is a programme of proactive counter fraud work which covers risks identified in assessment.	☒	☐	
The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	☒	☐	
The local authority shares data across its own departments and between other enforcement agencies.	☒	☐	
Prevention measures and projects are undertaken using data analytics where possible.	☒	☐	A number of London boroughs, led by Ealing Council, are collaborating on the development of The

Item	Yes	No	Commentary
			London Counter Fraud Hub.
The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	☒	☐	
There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	☒	☐	All Ealing Council investigation officers are qualified Accredited Counter Fraud Specialists
The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	☒	☐	
The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for: • surveillance • computer forensics • asset recovery • financial investigations	☒	☐	Three A&I officers have undertaken training with the National Crime Agency, allowing their use of the powers under the Proceeds of Crime Act to recover the proceeds of criminal conduct.
Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	☒	☐	