



**Report for:  
INFORMATION**

**Item Number: 10**

<b>Contains Confidential or Exempt Information</b>	<b>NO</b>
<b>Title</b>	Counter fraud, intelligence and investigation report to March 2013
<b>Responsible Officer</b>	Nigel Watson, Director of Corporate Finance & Audit
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<b>Portfolio</b>	Finance & Performance, Cllr Yvonne Johnson
<b>For Consideration By</b>	Audit Committee
<b>Date to be Considered</b>	27 June 2013
<b>Implementation Date if Not Called In</b>	N/A
<b>Affected Wards</b>	All
<b>Keywords/Index</b>	Counter fraud, intelligence and investigation

**Purpose of Report:**

This report provides information regarding

- Performance against targets at end March 2013
- Counter Fraud Initiatives
- Housing Fraud
- National Fraud Initiative
- Enhanced Vetting
- Impact of Single Fraud Investigation Service
- Examples of cases concluded
- Update on SNAP Project

**1. Recommendation**

It is recommended that the Committee

- Note the work of the investigation team to March 2013

**2. Reason for Decision and Options Considered**

This is a programmed, periodic report.

**3. Key Implications**

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.

#### **4. Financial**

All investigation activity covered in this report has been delivered within the budget and there are no resource issues. Savings arising from counter fraud activities are set out in the Appendix.

#### **5. Legal**

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**

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

#### **7. Sustainability Impact Appraisal**

Not applicable.

#### **8. Risk Management**

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**

Not applicable.

#### **10. Links to Strategic Objectives**

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**

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:**

Not applicable

#### **13. Property and Assets**

Not applicable

#### **14. Any other implications**

None.

#### **15. Consultation**

Not applicable.

**16. Timetable for Implementation**

Not applicable.

**17. Appendices**

Appendix 1: Counter Fraud report April 2012 to March 2013

Appendix 2: Investigation Team performance April 2012 to March 2013

Appendix 3: Update on SNAP Project.

**18. Background Information**

Past counter fraud papers are available upon request from Sudhi Pathak,  
pathaks@ealing.gov.uk

**Consultation**

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Audit Board		20/06/13	20/06/13	
Director of Corporate Finance and Audit		14/06/13	17/06/13	

**Report History**

Decision type:	Urgency item?
For information For approval	No

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no.:	Report author and contact for queries: Sudhi Pathak, ext: 8571		

## Counter fraud report to March 2013

### Performance against existing targets

1. Performance against target for April 2012 to March 2013 is shown in Appendix 2.

### Counter Fraud Initiatives

2. A number of counter fraud drives have been completed or are underway.
3. Operation Rapport
  - Operation Rapport concentrates specifically on identifying and targeting the use of false identities to claim benefits.
  - An officer has been assigned to work specifically on this operation and has developed close links with the Police, UKBA and the French Embassy.
  - The original Operation Rapport exercise which commenced in 2011 has now concluded. The outcomes from the cases investigated are
    - The use of false identities in 20 benefit claims. Of these 5 claims were stopped from entering into payment and 15 were referred for adjudication.
    - £344,926.04 of fraudulent overpayments were identified.
    - 2 claimants were successfully prosecuted.
    - 2 cases referred to UKBA
    - As a result of the work on operation rapport and the cancellation of benefit claims an annual saving of £167,817 has been made.
  - Processes have been implemented to ensure such claims are suspended as soon as they are identified and referred to A & I.
  - A new Operation Rapport commenced in January 2013. Intelligence suggests that the fraudsters have changed their claim profile. Analysis of claims using this new profile identified 1451 “suspicious” claims requiring further analysis.
  - To date 801 cases have been checked identifying 36 high risk claims.
  - In order to progress these cases we are obtaining working contacts in the French, Portuguese and Italian Embassies. Where contacts have not yet been established we are using UKBA contacts to assist us.
4. Document ID checker
  - Audit and Investigation (A&I) have 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 Red, Amber, Green system.
  - The pilot went live on 02/07/12 and by August was used by A&I Human Resources, Housing Benefit officers and Housing officers.
  - Over 3,000 documents were scanned. 55 documents were identified as being expired. 2 documents were confirmed with UKBA as being false documents.
  - The pilot concluded in January 2013. A tender was undertaken and after evaluating three tenders a three year contract was awarded. The Council now

has two ID scanners and training is being rolled out to relevant teams and officers.

#### 5. Blue badge

- The initial identification of Blue Badge abuse resides within the parking team. The Parking Monitoring Officer has received training in how to collect evidence and identify misuse of blue badges. This officer spends much of his time with Parking Enforcement Officers and also ensures that potential Blue Badge misuse is part of their agenda.
- Cases that warrant investigation or further action are forwarded to Audit and Investigation for further action.
- For 2012/13 16 blue badge cases were referred to Audit and Investigation. In 3 cases the use of the blue badge was found to be fraudulent. 1 case was prosecuted and received a fine of £350.

#### 6. CIFAS

- This is a Staff Fraud Database (SFD) and is a data-sharing scheme 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. An employer accesses the database in order to:
  - check staff fraud records filed by other CIFAS Members. This can be done either to pre-screen applicants or to screen current employees.
  - file data about identified staff fraud cases.
- The SFD can be used to vet permanent staff, contractors and agency workers, offering additional protection for the organisation in these high-risk areas.
- 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 CIFAS.
- We are currently discussing 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 the relevant parties in the Council before carrying out the match.
- To date 58 searches have been carried out on the SFD by the Enhanced Vetting Team. Training and awareness is being rolled out to Human Resources so that they can also access the database

#### 7. Data matching

- Details of the tenancies of the Councils 13,000 properties have been provided to a private sector provider and matched against a number of data sources to provide a financial footprint.
- The Audit Commission have calculated an average savings figure of £18,000 per property recovered.
- In 2012/13 7 properties have been recovered using the data match which resulted in a saving of £126,000.
- The matching exercise has been repeated for 2013/14 and results will be reported to future audit committees.

#### 8. Track a Fraudster

- Following the data matching exercise carried out internally in Ealing, Audit and Investigation proposed a data matching exercise between a number of West London Boroughs.
- The data match 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 differing boroughs and enable a check across neighbouring boroughs.
- The database will be checked prior to allocation of a Council House so identifying instances where individuals potentially have social housing in more than one borough.
- 7 London Boroughs have signed up to take part in the exercise.
- Data was formally shared between boroughs on March 2013. The data analysis identified the following anomalies that will be investigated further.
  - 208 scenarios where someone has a tenancy in one place, and claiming HB at another property
  - 6 internal HB cross overs – i.e. someone claiming HB at different addresses within Ealing
  - 2 cases of someone with a tenancy in another borough and claiming HB from Ealing
  - 1 case of someone claiming HB from another borough and also from Ealing
- The data continues to be refined and the database updated at monthly intervals with input of data from each borough.

## Housing Fraud

### Housing Fraud Investigations April 2012 to March 2013

Properties repossessed to date (not including cases still at Court)	21
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9. There is one dedicated Housing Investigator within A&I with four other corporate fraud investigators also allocated to housing investigations as and when required.
10. In 2011/12 funding was secured from CLG specifically to tackle tenancy fraud. The funding has been used to recruit an additional Housing Investigator for a one year period and the post was successfully filled in January 2012.
11. A further successful bid has been submitted to the DCLG for funding for an additional two years. It is proposed to fund the additional Housing investigator till January 2015.
12. A Housing Fraud Steering Group has been formed comprising of senior officers from Audit and Investigation and from Housing. The steering group provides a strategic overview of Housing Fraud in the Council and tackles operational issues as and when escalated. This ensures best use of resources and the targeting of high risk areas.

## National Fraud Initiative (NFI)

13. Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a bi-annual exercise that matches electronic data within and between audited bodies to prevent and detect fraud.
14. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it indicates that there is an inconsistency that requires further investigation. No assumption is made regarding whether there is fraud, error or another explanation until an investigation is carried out.
15. 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 in February 2013 and are shown in the table below.

**Summary of NFI status – for 2012 data**

<b>Matches</b>	<b>Total</b>	<b>Recommended Filter RF</b>	<b>Status</b>	<b>%RF completed</b>
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<b>Blue Badge Parking Permit</b>	597	531	Reviewed 1	0
<b>Creditors History</b>	4119	716	Reviewed 24	3
<b>Concessionary Travel Pass</b>	1	1	Reviewed 0	0
<b>Creditors Standing</b>	2027	0	Reviewed 0	0
<b>Housing Tenants</b>	103	50	Reviewed 51	56
<b>Housing Benefit Claimants</b>	6770	1432	Reviewed 203	3
<b>Insurance Claimants</b>	48	8	Reviewed 44	100
<b>Pensions</b>	151	57	Reviewed 34	60
<b>Payroll</b>	154	43	Reviewed 23	12
<b>Right to Buy</b>	59	59	Reviewed 24	39
<b>Private Residential Care Homes</b>	56	10	Reviewed 0	0
<b>Resident Parking Permit</b>	1	0	Reviewed 0	0
<b>Waiting List</b>	543	0	Reviewed 178	0
<b>Total</b>	<b>14629</b>	<b>2907</b>	<b>582</b>	

## Enhanced Vetting

16. Ealing is an authority committed to robust counter fraud policies. We recognise the greatest expense for a Local Authority is its work force and we endeavour to promote the highest levels of honesty and integrity in our staff.
17. Ealing has a risk assessed process of Enhanced Vetting for new recruits into sensitive posts. This is for both permanent and temporary staff and involves stringent checks to verify the validity of a candidate and their employment application. Reasons for failure have included false identity and counterfeit documentation, false qualifications, false work history and benefit fraud.
18. In December a second Vetting Officer was seconded to the team to deal with increased workload since increasing Enhanced Vetting coverage to all departments. The secondment ended in May 2013.
19. In June 2013 a temporary resource of an Assistant Enhanced Vetting Officer and an administrative post have been appointed. The posts are funded for a period of one year.
20. The Enhanced Vetting service now covers all departments in the Council and both temporary and permanent staff.

Enhanced Vetting Activity - 01/04/12 to 31/03/13		
	Temporary Staff	Permanent Staff
Total cases	34	279
Fail	2	11
3 <sup>rd</sup> party referral	2	10
Candidate withdrawn (post resigned)	6	2
Agency fraud	-	-

21. 'Candidate withdrawn' refers to agency staff who resigned their position or permanent candidates who declined an offer at the point that they were scheduled for enhanced vetting.

#### **Proposed changes to benefit counter-fraud measures.**

22. Universal Credit was originally planned to be introduced gradually across the country and in stages from April 2013 and nationally from October 2013 with Housing & Council Tax Benefit being phased out completely by 2017. The Universal Credit will replace
- income-based Jobseeker's Allowance
  - income-related Employment and Support Allowance
  - Income Support
  - Child Tax Credits and Working Tax Credits
  - Housing Benefit.
23. A paper entitled, 'tackling fraud and error in the benefit and tax credit systems' was issued jointly by the DWP and HMRC in October 2010 proposing a new

Single Fraud Investigation Service (SFIS) to tackle fraud within the planned Universal Credit system.

24. The coalition Government's new strategy for tackling fraud and error in welfare benefits committed to establish a Single Fraud Investigation Service (SFIS) from 2013 to investigate fraud in benefits and tax credits. The new SFIS will be formed by consolidating the benefit / tax credit fraud investigation teams across DWP, Local Authority and HMRC.
25. Chief executives received a formal notice on 01 December 2011 that LA staff will remain employed by LAs, but operating under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under a procedural change.
26. 4 initial pilot schemes are currently underway. This is expected to be increased at a later stage once emerging findings are known. It is anticipated that the lower level design of SFIS will be derived from these pilots. The pilots involve the following LAs;
  - Corby Borough Council
  - Glasgow City Council
  - London Borough of Hillingdon
  - Wrexham Council
27. The implementation date of the SFIS has been moved from April 2013 to April 2014 and will now be a phased implementation.
28. SFIS will not be responsible for investigating any frauds regarding the Council Tax Reduction Scheme. We will be talking to our colleagues in Council Tax to determine how best to tackle any fraud risk in this area.
29. Future Audit Committees will be kept informed of developments.

### **Examples of Cases Concluded**

30. An anonymous allegation made to the Chief Executive led to the investigation of a person in receipt of a care package from Ealing Council Social Services. It was established that the individual was the outright owner of two residential properties that she had failed to declare, making her ineligible for assistance. The financial loss to Ealing Council was £71,082. She was prosecuted and pleaded guilty at Ealing Magistrates Court to two counts contrary to the Fraud Act 2006. She was committed to Isleworth Crown Court where she was sentenced to 12 months imprisonment, suspended for 18 months, and a 4 month curfew between 8 p.m. and 6 a.m. Following a confiscation order made by the court the whole loss was re-paid to the council.
31. A data matching exercise indicated that a LBE tenant had financial links to another address. An investigation established that he was residing in his council property but had previously been absent for long periods. This meant he had been overpaid £11,256 in Housing Benefit and Council Tax Benefit. He was

prosecuted and pleaded guilty at Ealing Magistrates Court to one charge contrary to the Social Security Administration Act 1992. He was sentenced to a 12 month Community Order, a Curfew Order between 7 p.m. and 7 a.m. was imposed for 4 months and he was electronically tagged.

32. An individual appealed against a Penalty Charge Notice, stating that her car had broken down. An investigation established that the documentation from a breakdown company she supplied in support of her appeal was forged. She admitted her actions when interviewed and was offered and accepted a police caution to conclude the matter.
33. An Ealing resident submitted documentation from a university stating he was a postgraduate student and was therefore awarded a Council Tax exemption. However an investigation found that the documentation was forged and that the individual was in fact a practising medical doctor. The loss to the council over a period of four years was £5,243 and a decision was made to prosecute. The individual pleaded guilty at Ealing Magistrates Court to two counts contrary to the Fraud Act 2006. He was sentenced to 12 weeks imprisonment suspended for 12 months, a Community Order for 200 hours unpaid work and ordered to pay £200 costs. The GMC has been informed of the outcome.
34. Following a call to the 'Hotline' an investigation was started into the use of a Blue Badge parking permit. The Individual was found unlawfully using the permit to attend his gym. A prosecution ensued. The individual pleaded guilty at Ealing Magistrates Court to two counts contrary to the Road Traffic Act 1984. He was sentenced to a £200 fine and ordered to pay costs of £150.
35. Two residents were found guilty of benefit fraud after creating multiple identities. Along with officers from the DWP Organised Fraud Team and Richmond Council, Ealing Council's Audit and Investigation Team carried out an investigation. It was found that one of the residents had changed his name by Deed Poll and claimed that this was his landlords name. It was also found that the residents wife had declared the new name as her landlord. It was further found that she had failed to declare two full time jobs since 2007 and had used multiple identities to claim other benefits simultaneously. As a result £42,943 Housing Benefit and £1,920 Council Tax Benefit was overpaid. Both were given custodial sentences. One received 14 months and the other received 16 months.

## Investigation Team performance April 2012 to March 2013

	Target 2012/13	Profile	Actual to year-end
<b>Intelligence</b>			
Number of new cases started	934 3 year average	934	844 <sup>3</sup>
Number of cases passed for investigation	455 3 year average	455	525 <sup>4</sup>
New initiatives	4	4	4 <sup>1</sup>
<b>Investigation, benefit</b>			
Number of completed investigations (‘Accepted’ cases closed)	402 Benchmark	402	278
Number of cases where fraud established (balance of probabilities)	158 3 year average	158	146
Number of cases where sanction applied (prosecution, caution, administrative penalty)	121	121	120
Fraudulent benefit overpayment	£850,000	£850,000	£1,109,038
<b>Investigation, corporate</b>			
Number of completed investigations (‘Accepted’ cases closed)	48 Benchmark	48	252
Number of cases where fraud established (balance of probabilities)	67 3 year average	67	91
Number of cases where sanction applied (prosecution, caution, administrative penalty, disciplinary, council property recovered)	20 Benchmark	20	43
Number of council properties recovered (included above)	19 3 year average	19	21
Value of loss proved (any benefit overpayment included above)	£108,000 Benchmark	£108,000	£461,841
<b>Metropolitan Police secondee</b>			
Value of loss proved (benefit + corporate included above)	£62,000	£62,000	£283,106 <sup>2</sup>

<sup>1</sup> Callcredit London Fraud Hub, Right To Buy pilot, CIFAS employee data base, NFI Housing register pilot

<sup>2</sup> 70088 £8,077,  
80594 £141,055  
90039 £7,425  
90273 £55,137  
100365 £71,082  
110597 £330

<sup>3</sup> Benefit 602  
Corporate 242

4	Benefit	302	(50%)
	Corporate	223	(92%)