



**Report for:
INFORMATION**

Item Number: 09

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| Contains Confidential or Exempt Information | NO |
| Title | Counter fraud, intelligence and investigation report to March 2014 |
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| Author | Ewan Taylor, Intelligence Manager – Fraud Team |
| Portfolio | Finance & Performance, Cllr Yvonne Johnson |
| For Consideration By | Audit Committee |
| Date to be Considered | 24 June 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 March 2014.

1. Recommendation

1.1 It is recommended that for the 12 month period 1 April 2013 – 31 March 2014, the Audit Committee:

- Notes the work undertaken by the Counter Fraud, Intelligence and Investigation team.
- Review 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 the prevention and 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 March 2014 is set out in detail in Appendix A. In addition a number of counter fraud drives have been completed or are underway, these include:

3.3 Document ID Checker

3.3.1 The Audit and Investigations Team has implemented 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 Council has two ID scanners which are used by front line services including the Housing and Human Resources teams, in addition to the Fraud team. The Fraud team provides training and support to officers across the council who use the ID scanners.

3.4 Blue Badge

3.4.1 Fourteen cases involving Blue Badge misuse were referred to the Audit & Investigations team between April 2013 and March 2014. Three cases have been successfully prosecuted, resulting in a suspended custodial sentence in one case and a fine in the other two.

3.5 CIFAS

3.5.1 As reported to previous Audit Committee meetings, 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 In the year, 375 searches have been carried out on the SFD by the Enhanced Vetting Team as part of their vetting checks. 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 which has resulted in the instigation of six investigations. The results will be reported to future Audit Committees.

3.7 Track a Fraudster

3.7.1 The Audit and Investigations team is taking part in an initiative to match data across a number of West London boroughs. The initiative has involved the creation of a database of information relating to Housing Benefit, Tenancies and Waiting Lists. This allows the comparison of information provided by individuals to neighbouring boroughs and enables a check across those boroughs.

3.7.2 Once fully implemented, 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; work is currently taking place to increase the level of data being shared and to roll out the use of the database by Housing Application Officers to prevent housing fraud from taking place.

3.8 Housing Fraud

- 3.8.1 The Audit and Investigation team continues to have two posts, one funded by DCLG, dedicated to investigating council tenancy related offences.
- 3.8.2 April 2013 and March 2014, 21 Council properties have been recovered with nine 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 £575k have been identified.

3.9 National Fraud Initiative (NFI)

- 3.9.1 The NFI data matching is carried out every two years. The most recent exercise used data related to 2012. This match has now concluded which resulted in identifying £353k of fraud, error and overpayments.
- 3.9.2 We will be submitting the data for the NFI 2014/15 match in October. This data will be analysed and results will be reported in future audit committees.

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 Reasons for failure have included undeclared criminal records, Benefit and Council Tax fraud, false submissions to DBS, false qualifications and counterfeit documents.

An analysis of the EV team's performance can be found at Appendix B. EV case studies can be found at Appendix C, case study 3 & 4.

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 Las, covering the totality of welfare benefit fraud was confirmed in 2013 by the Chancellor of the Exchequer.
- 3.11.2 The announcement confirmed that SFIS will be launched within the DWP as a single organisation and a phased implementation will commence from October 2014 – March 2016.
- 3.11.3 The Chief Executive was informed in May 2014 that the implementation date for Ealing is 1 October 2014.
- 3.11.4 At present the impacts and options of SFIS are being explored which includes the broadening of counter fraud activity delivered by the team. Any transfer of employees will be in accordance with the Statutory Staff Transfer Scheme.

3.12 Head of Audit and Investigation post

3.12.1 During 2013/14, the Council has been sharing the Head of Audit and Investigation position with the London Borough of Hounslow. This arrangement was approved by the Audit Committee in March 2013 and was for an initial period of one year.

3.12.2 In March 2014, the Audit Committee approved a proposal for the current arrangement to be extended for a further six months with effect from 1 April 2014, subject to a full business case being drafted for the partnership arrangement.

4 Financial

4.1 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 Appendix A.

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 will be 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

16.1 Not applicable.

17 Appendices

- Appendix A: Investigation Team performance
- Appendix B: Enhanced Vetting Statistics
- Appendix C: Examples of Cases Concluded

18 Background Information

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

Appendix A - 2013/14 Investigation Team Performance

| | 2012/13 year-end | 2013/14 target | 2013/14 year-end |
|---|---------------------|-------------------|---------------------|
| Intelligence | | | |
| Number of new cases started | 844 | 1,023 | 1,017 |
| Number of cases passed for investigation | 525 | 501 | 623 |
| Investigation, benefit | | | |
| Number of completed investigations (‘Accepted’ cases closed) | 278 | 259 | 452 |
| Number of cases where fraud established (balance of probabilities) | 146 | 144 | 145 |
| Number of sanctions applied (prosecution, caution, administrative penalty) | 120 | 113 | 99 |
| Fraudulent benefit overpayment | £1,109,038 | £1,063,477 | £2,368,416 |
| Investigation, corporate | | | |
| Number of completed investigations (‘Accepted’ cases closed) | 252 | 209 | 208 |
| Number of cases where fraud established (balance of probabilities) | 91 | 78 | 63 |
| Number of sanctions applied (prosecution, caution, administrative penalty, disciplinary, council property recovery) | 43 | 39 | 50 |
| Number of council properties recovered (included above) | 21 | 19 | 21 |
| Value of loss proved (benefit overpayment included above) | £461,841 | £251,163 | £775,959 |

Appendix B – Enhanced Vetting Statistics

| 2013/14 EV Case Assurance Profile - Cases Complete | | | | | |
|--|---------------|----------|----------|-----------|----------|
| Case Status | Cross Council | | | | |
| | Total | Temp | % | Perm | % |
| Total | 552 | 131 | | 421 | |
| Pass | 460 | 92 | 70 | 368 | 87 |
| Fail | 8 | - | - | 8 | 2 |
| 3rd Party Referral | 11 | 4 | 3 | 7 | 2 |
| Withdrawn | 22 | 5 | 4 | 17 | 4 |
| To be Determined | 27 | 6 | 5 | 21 | 5 |
| Assignment Ended | 24 | 24 | 18 | - | - |

| Directorate Trend Analysis | Case | Total Cases | % |
|-------------------------------|------|----------------|----|
| Total | | 552 | |
| C&A | | 316 | 57 |
| CR | | 112 | 20 |
| E&CS | | 40 | 7 |
| R&H | | 82 | 15 |
| CExec | | 2 | - |

| 2013/14 EV Case Completion Performance Analysis | | | | | |
|---|---------------|-----------|-----------|-----------|-----------|
| Case Status | Cross Council | | | | |
| | Total | Temp | % | Perm | % |
| Total | 526 | 125 | | 401 | |
| 5 days or less | 238 | 55 | 44 | 183 | 46 |
| 6 - 10 days | 112 | 28 | 22 | 84 | 21 |
| 11 - 15 days | 74 | 6 | 5 | 68 | 17 |
| 16 - 20 days | 35 | 6 | 5 | 29 | 7 |
| 21 - 25 days | 23 | 6 | 5 | 17 | 4 |
| > 25 days | 44 | 24 | 19 | 20 | 5 |
| Target | 90% | | 76 | | 91 |

Appendix C - Examples of Cases Concluded

1. Following a referral from the Council Tax Department, an investigation was instigated in respect of claimant A, who had failed to declare the fact her partner, a caretaker for the Council had been resident for over 7 years. The total overpayment of benefit exceeded £25k. Claimant A was charged with 3 counts of false representation, and was sentenced to 12 weeks custody suspended for 18 months and ordered to fulfil a 260 hour unpaid work requirement. In addition she was ordered to pay a contribution of £520 towards costs.
2. A joint investigation with the DWP was instigated as it was alleged that claimant C had failed to declare employment. During interview a full admission was secured and an overpayment of benefit in excess of £6k assessed. He was subsequently convicted and given an 18 month suspended sentence.
3. Enhanced Vetting checks for a senior manager identified that the candidate did not have the qualifications stated in their application and that the candidate had also submitted counterfeit documents. The offer of employment was withdrawn and after further investigation by the Corporate Fraud Team the candidate was given a police caution.
4. Enhanced Vetting checks for a candidate for a position of significant trust identified an eight year benefit fraud which is currently being investigated by the Benefit Fraud Team. The offer of employment was withdrawn.