



Report for: Approval
Item Number:

Contains Confidential or Exempt Information	No
Title	2017-18 Fraud and Corruption Strategy and Plan
Responsible Officer	Jeremy Welburn, Interim Head of Audit & Investigations Ross Brown, Director of Finance
Author	Jeremy Welburn, Interim Head of Audit & Investigations, ext 8571, Welburnj@ealing.gov.uk
Portfolio	Cllr Yvonne Johnson - Finance, Performance and Customer Services
For Consideration By	Audit Committee
Date to be Considered	28 February 2017
Implementation Date if Not Called In	01 April 2017
Affected Wards	All
Keywords/Index	Fraud and Corruption Strategy and Plan 2017/18

Purpose of Report:
The attached report provides Audit Committee with the Fraud and Corruption Strategy and Plan for 2017-18.

1 Recommendation

- 1.1 Audit Committee is asked to review and approve the Fraud and Corruption Strategy and Plan for 2017-18.

2 Reason for Decision and Options Considered

- 2.1 The Audit Committee is presented with details of the Fraud and Corruption Strategy in Appendix A and the Investigation Plan in Appendix B.

3 Key Implications

- 3.1 The performance of the investigation team during the year is measured by:

- The number of proved cases achieved as a result of investigations; and
- The amount of money identified for recovery

4 Financial

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

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, Fraud Act 2006, Proceeds of Crime Act 2002.

6 Value for Money

- 6.1 Compliance with best practice guidance ensures that the requirements of the Accounts and Audit Regulations 2015 will be met.

7 Sustainability Impact Appraisal

- 7.1 Not applicable.

8 Risk Management

- 8.1 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.

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 objective 'Cost effective use of resources to deliver maximum benefits for residents and business'.

11 Equalities and Community Cohesion

11.1 Not Applicable.

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 Timetable for Implementation

15.1 Not applicable.

16 Appendices

16.1 Appendix A – Fraud and Corruption Strategy

16.2 Appendix B – Investigation Plan

17 Background Information

17.1 Details of internal audit and investigation reports are available to Members upon request from Jeremy Welburn, Interim Head of Internal Audit & Investigations, welburnj@ealing.gov.uk.

18 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	15.02.17	15.02.17	Throughout

Ross Brown	Director of Finance	14.02.17	.15.02.17	Throughout
Cllr Yvonne Johnson	Portfolio Holder – Finance, Performance & Customer Services		N/a	

Report History

Decision type: Approval	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: Jeremy Welburn, Interim Head of Audit & Investigations, ext 8571		



Appendix A

**2017–18 FRAUD AND CORRUPTION
STRATEGY
LONDON BOROUGH OF EALING**

1 Introduction

- 1.1 This document sets out the Council's Fraud and Corruption Strategy, which is the basis for the investigation plan of work for the 2017-18 financial year (Appendix B). The investigation team will support the Council in its statutory obligations under section 151 of the Local Government Act 1972 to ensure the protection of public funds. The key challenge in responding to fraud and corruption risks is that no two crimes are the same. Fraud and corruption comes in many forms and from many sources.
- 1.2 The investigation team is provided by a shared service arrangement between the London Boroughs of Ealing and Hounslow. The shared service provides the opportunity for London Borough Ealing to reduce costs by sharing a single Head of Audit and Investigations and provides a larger resourcing base of investigative officers, improving resilience and allowing for greater access to specialist resources. This arrangement also allows for best practice and intelligence around fraud issues to be shared across both Councils.
- 1.3 The Council maintains a zero tolerance to fraud and corruption and seeks to punish all those who have committed criminal acts against the Council.
- 1.4 This strategy outlines the approach the Council will take to combat fraud and corruption and applies to its Members, Officers, suppliers, contractors, customers or any third parties who attempt to commit crime against the Council.
- 1.5 Ealing Council will be part of the pilot for the London Counter Fraud Hub (LCFH). The LCFH will use data provided by local authorities and other sources to increase the detection and prevention of fraud across London, using advanced data analytics and matching systems. The LCFH will provide further capability to detect and prevent fraud within the Borough.

2 What is Fraud and Corruption?

- 2.1 All fraud and corruption for the purpose of this strategy will be collectively referred to as economic crime and will cover activities such as theft, deception, bribery, forgery, conspiracy and money laundering. These include, but are not confined to, the specific offences in the Fraud Act 2006, Bribery Act 2010, Theft Act 1968 and Proceeds of Crime Act 2002.

3 Objectives of the Fraud and Corruption Strategy

- 3.1 The objectives of this strategy and plan (Appendix B) are to:
 - Promote a robust anti-fraud & bribery culture, across the shared service.
 - Minimise economic crime across the shared service.

- Encourage individuals to report economic crime and provide them with an effective means of doing so.
- Protect the public purse and the Council's finite resources and minimise the extent of losses through economic crime.
- Enable the Council to apply appropriate sanctions and recover any financial loss, using the Proceeds of Crime Act 2002 or, when it is not feasible, to recover the money through civil proceedings.
- Seek to increase the Council's resilience to economic crime through the raising of fraud and bribery awareness and working with partners and other bodies to encourage collaborative working.
- Proactively deter, prevent and detect economic crime across the shared service.
- Ensure prompt and professional investigation of identified economic crime.
- Continue to harmonise investigation systems and approaches to ensure efficiencies with regards to the delivery of the Audit & Investigation shared service.

4 Key Performance Indicators

4.1 The shared service has performance indicators in place to assess whether performance is effective and efficient. Performance against these indicators will be reported to the audit committee.

- Identify 68 cases of proven economic crime
- Identify a minimum of 14 Proceeds of Crime Act Cases
- Complete a minimum of 162 investigations (Does not include cases referred to other organisations and cases where no further action was taken)
- Minimum of 6 pro-active drives (housing tenancy and blue badge misuse)

5 Damage caused by Economic Crime

5.1 Losses caused by fraud and corruption in the UK are now at an increasingly high level. According to the UK Fraud Costs Measurement Committee and based on research by the University of Portsmouth's Centre for Counter Fraud Studies, the Annual Fraud Indicator 2016 states the annual UK fraud losses could be £193 billion and that public sector fraud is estimated at 37.5 billion per year, which would amount to 20% of UK Fraud.

6 Approach to Economic Crime

6.1 This fraud and corruption strategy is aligned to the CIPFA Counter Fraud Centre 'Fighting Fraud & Corruption Locally' 2016-2019 strategy, which provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities.

6.2 The 'Fighting Fraud & Corruption Locally' 2016-2019 strategy recommends a three strand approach to countering fraud. The shared service has linked our stance on economic crime to the three strands as detailed below and is the basis for the work programme:

Acknowledge	Prevent	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting fraud risks	Being stronger in punishing fraud and recovering losses
<ul style="list-style-type: none"> Assessing and understanding fraud risks Committing support and resource to tackling fraud Maintaining a robust anti- fraud response 	<ul style="list-style-type: none"> Making better use of information and technology Enhancing fraud controls and processes Developing a more effective anti-fraud & bribery culture 	<ul style="list-style-type: none"> Prioritising fraud recovery and the use of civil sanctions Developing capability and capacity to punish fraudsters Collaborating across local authorities and with law enforcement

How we will address the three strands:

6.3 Acknowledge

6.3.1 A review of the Council's counter fraud arrangements against the Fighting Fraud Locally checklist was undertaken in 2016.

6.3.2 We will continue to review the Fighting Fraud Locally checklist to help the Council identify and understand the major risks the Council may be facing and to undertake action plans to address these risks and ensure that the correct range of counter fraud measures are deployed.

6.3.3 The investigation team members will be trained and appropriately qualified Counter Fraud Officers. We will have a financial investigation capability with staff qualified in accordance with Proceeds of Crime Act legislation.

6.4 Prevent

6.4.1 CIPFA have stated that in 2016 too much focus has been given to investigating fraud rather than preventing it in the first place. Therefore, the Audit & Investigation shared service will aim to improve training to stop economic crime at the outset, and emphasis will be shifted to stopping and preventing economic crime at the point of origin.

6.4.2 We will ensure that Councillors, staff, contractors and clients of the Council are supported to take the right approach and that a robust anti-fraud & bribery culture and clear whistleblowing arrangements continue to be effective. Awareness training will be provided.

6.4.3 A deterrent effect can be achieved by publicising criminal investigation work and all successful prosecutions.

6.4.4 The Council will participate in data matching exercises that use advance analytics to tackle cross-boundary economic crime. This will include being a pilot borough in the development of the London Counter Fraud Hub that will increase the ability to match data across London.

6.4.5 We will constantly review incoming referrals to identify patterns and areas of concern affecting fraud risks.

6.4.6 The investigation team will work in a professional manner in order to ensure we prevent economic crime occurring which will reduce losses across the shared service, which in turn will ensure the investigation team are value for money and cost effective.

6.5 Pursue

6.5.1 We will apply effective sanctions to all individuals or organisations that commit economic crime against the Council.

6.5.2 Investigation work historically has been done in a reactive manner; we aim to work more proactively to combat economic crime across the service.

6.5.3 We will work with other law enforcement agencies to identify the full extent of the crime.

6.5.4 We will deploy our full resources across the shared service to recover ill-gotten gains from criminals using the powers available under the Proceeds of Crime Act.

7 Fraud Risks

7.1 The Fighting Fraud & Corruption Locally' 2016-2019 strategy details the following areas as significant risk to Local Authorities:

Known Fraud Risks Remaining Significant	Emerging / Increasing Fraud Risks
Tenancy – Fraudulent applications for housing or successions of tenancy, and subletting of the property.	Business rates – Fraudulent applications for exemptions and reliefs, unlisted properties.
Procurement – Tendering issues, split contracts, double invoicing.	Right to buy – Fraudulent applications under the right to buy/acquire.
Payroll – False employees, overtime claims, expenses.	Money laundering – Exposure to suspect transactions.
Council tax – Discounts and exemptions, council tax support.	Insurance Fraud – False claims including slips and trips.
Blue Badge – Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees.	Disabled Facility Grants – Fraudulent applications for adaptations to homes aimed at the disabled.
Grants – Work not carried out, funds diverted, ineligibility not declared.	Concessionary travel schemes – Use of concession by ineligible person, including Freedom Passes.
Pensions – Deceased pensioner, overpayments, entitlement overstated.	No recourse to public funds – Fraudulent claim of eligibility.
Schools – Procurement fraud, payroll fraud, internal fraud.	New Responsibilities – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.
Personal budgets – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim.	Commissioning of services – Including joint commissioning, third sector partnerships – conflicts of interest, collusion.
Internal fraud – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit while working.	Local Enterprise Partnerships – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.
Identity fraud – False identity / fictitious person applying for serv	Immigration – Including sham marriages, false entitlement to services and payments.
	Cyber dependent crime and cyber enabled fraud – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

Fighting Fraud Locally 2016-2019 Image.

7.2 The investigation team will provide advice, knowledge and support to the Council in managing these risks. We will also review fraud risks at a national level and local level. The fraud landscape is always changing and the investigation team will keep up to date with these changes through training; attendance at relevant fraud conferences; and, by keeping up to date with best practice and legislative changes.

The key risks identified above have been reflected in the plan of investigative work for 2017-18, included in Appendix B.

8 Council Responsibilities for Fraud and Corruption

All Members and Officers of Ealing Council have an implicit responsibility regarding identifying and responding to fraud and corruption. The following summarises the key responsibilities of Members and Officers regarding fraud and corruption:

8.1 Investigation Team

8.1.1 The investigation team will work with all key stakeholders to achieve the aims of this strategy, including through fraud training; briefing sessions; and, issuing fraud alerts. The team will provide a comprehensive investigation function to the Council to investigate alleged acts of fraud, bribery and corruption with the aim of reducing losses.

8.1.2 The Fraud Manager will advise Directors of all instances of economic crime in their service area.

8.1.3 The investigation plan (Appendix B) details the specific anti-fraud and corruption work the team will deliver during 2017-18.

8.2 Councillors:

8.2.1 The Members must lead by example, maintaining high standards in integrity, honesty and accountability. Councillors must declare all potential conflicts of interest and any gifts and hospitality offered or received. Councillors should also report any concerns regarding fraud, bribery or corruption.

8.3 All Staff (including contractors):

8.3.1 Employees are a very important element of fighting economic crime within the Council and are the first line of defence. Staff should report concerns immediately to their line manager or, if they are not happy talking to their line manager, they are expected to raise their concerns directly with the investigation team or by using the Whistleblowing procedure (Section 10 below).

8.4 Managers:

8.4.1 Managers are required to report all instances of economic crime or suspected economic crime without delay to the investigation team, who will offer advice on the best method of dealing with the allegation. Managers should not discuss the matter with members of their team or colleagues. This allows for a consistent approach to dealing with alleged crime within the Council.

8.4.2 Managers should also ensure adequate processes are in place to prevent economic crime occurring and that checks and supervision work in a way to prevent or detect fraud, bribery and corruption activity.

8.5 Internal Audit:

8.5.1 The Audit Team will continue to work closely with the investigation team. The 2017/18 audit plan will utilise upon the investigation work undertaken by the investigation team, where relevant, and the risk register to ensure the coverage of key fraud risks and to ensure important detection controls are in operation.

8.6 Executive Director of Resources (Section 151 Officer):

8.6.1 The Section 151 Officer liaises closely with the Head of Internal Audit and Investigation on the progress of specific cases.

8.6.2 They will ensure the Council has adopted an appropriate fraud and corruption strategy and that there are effective internal controls in place to prevent and minimise the loss of public money to economic crime.

9 Reporting Fraud, Bribery and Corruption

9.1 If you suspect fraud, bribery or corruption has taken place against the Council you can raise your concerns via one of the channels below:

- The Investigation Team on **0800 328 6453** email fraud@ealing.gov.uk
- If you would prefer to write to us, please send any information to the address below:

**Audit & Investigation, Perceval House, 14/16 Uxbridge Road,
Ealing W5 2HL.**

10 Whistleblowing

10.1 You should raise your concerns as soon as they arise with the Director of Legal and Democratic Services or the Head of Internal Audit and Investigations.

- The Director of Legal and Democratic Services can be contacted on **0208 825 8615**
- The Head of Internal Audit can be contacted on **0208 825 8571**

10.2 If you prefer you can report your concern directly to your manager. Your manager will then notify the Head of Internal Audit or the Director of Legal and Democratic Services about the concerns, when they were raised and by whom. Alternatively, you may wish to contact the Audit and Investigation team on **0800 328 6453** or send an email to fraud@ealing.gov.uk.

11 Reviewing and Monitoring

11.1 The current version of this strategy can be found on the intranet and will be reviewed annually. Investigation work will be evaluated through the implementation of this strategy and through work identified in the fraud plan in Appendix B. Performance will be monitored by the Audit Committee.

12 References / Further Reading

Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019

Annual Fraud Indicator 2016

CIPFA Counter Fraud Centre - The Financial Cost of UK Public Sector Fraud

National Crime Agency – Economic Crime Command



Appendix B

**2017–18 INVESTIGATION PLAN
LONDON BOROUGH OF EALING**

Investigation Type	Aim	Desired Outcome	Implementation Date
Reactive Investigation Work			
All crime types	To investigate all suspected economic crime committed against the Council, by risk assessing and reacting accordingly to all instances of internal and external crime. To utilise the London Counter Fraud Hub, of which we are a pilot borough, to enhance our ability to identify fraudulent activity.	To identify all economic crime committed against Council and to ensure appropriate penalties are issued in accordance with the law, and actively recover any losses and obtain compensation by utilising our in-house financial investigation officers.	On-going throughout the duration of the year.
Housing	To effectively work with the housing investigation team to deal with the detection and investigation of all aspects of tenancy fraud and to prosecute when required.	Prosecute where appropriate all aspects of tenancy fraud and utilise our in-house financial investigation officers to recovery any losses.	On-going throughout the duration of the year.
Proactive Investigation Work			
Media & Communications	Enhance economic crime communication and update literature to include: <ul style="list-style-type: none"> Disseminate fraud warnings and alerts to relevant managers and 	Create a strong anti-fraud & bribery culture within the Council. Raise the awareness of the threat of economic crime against the Council and the correct procedures for reporting crime.	Fraud alerts will be distributed throughout the year. Investigation page updated and training developed by June

	<p>officers</p> <ul style="list-style-type: none"> • Updating the investigation team page on the internet • Develop a fraud and bribery training programme for all staff • Run a counter fraud campaign in the borough • Publicise successful investigation outcomes • Review the Council's suite of investigation documents 	<p>A greater understanding of economic crime risks within services to identify instances of crime.</p> <p>Increase in investigation referrals being made to the investigation team.</p> <p>Provide a visible fraud deterrent by publicising successful criminal investigations to residents online and through local newspapers.</p>	<p>2017.</p> <p>Fraud campaign and suite of investigation documents completed by September 2017.</p> <p>Outcomes reported throughout the duration of the year.</p>
<p>Use of Data Analytics, including the London Counter Fraud Hub</p>	<p>Ensure we continue to facilitate data and intelligence sharing, using techniques such as data matching and data analytics, to detect economic crime. The development of the London Counter Fraud Hub will be a key method we will utilise to expand our capabilities in this area. Our position as a pilot borough means that we will be able to actively influence and drive this development.</p> <p>Targeting:</p> <ul style="list-style-type: none"> • Single Person Discount Fraud • Business Rates Fraud • Housing Fraud 	<p>To identify economic crime in an efficient way using advance data analytics and through the development of the London Counter Fraud Hub in order to identify fraud and error and apply relevant sanctions as required.</p>	<p>On-going throughout the duration of the work plan.</p>

	<ul style="list-style-type: none"> • Council Tax Reduction Fraud 		
Investigation reporting	To maintain and enhance the Councils investigation reporting arrangements, and promote this across the Shared Service.	Identify economic crime quickly and prevent further loss to the Council.	On-going throughout the year.
Blue Badge Misuse	Conduct a minimum of 4 Blue Badge pro-active drives across the borough to identify Blue badge misuse.	Identify blue badge misuse and provide a visible deterrent that blue badge misuse will not be tolerated in LB Ealing. Where possible applying relevant sanctions, including criminal prosecutions.	A minimum of 1 every three months
Housing Tenancy Audits	Using fraud indicators and warning signs to conduct targeted tenancy audits on Council properties in order to identify housing fraud.	Prevent and detect: Key selling fraud Right to buy fraud Sub-letting fraud Succession fraud Apply sanctions and recovery of properties when required.	On-going throughout the duration of the year.
Holistic Investigations	When investigating an individual for one type of crime, applying a holistic approach to ensure that all other potential crimes that may be committed by this individual are explored and investigated. We will take a 360 degree view of	Identify previously unreported wrongdoing, applying sanctions and recover monies owing to the Council, preventing further loss to the Council.	On-going throughout the duration of the work plan.

	such an individual to ensure all potential crimes are identified, not just the one initially referred to us.		
Early education entitlement	In 2016/17 a fraud risk was identified in relation to funding for Nurseries. It is therefore intended to conduct a piece of work at the Council to ensure we assess this risk and establish if this fraud has occurred in the borough.	Identify any cases where money may have been claimed from the Council incorrectly and recover the money and apply the relevant sanctions. Prevent this type of fraud occurring in the future.	Initial review to be completed by September 2017