



Report for: Approval
Item Number: 10

Contains Confidential or Exempt Information	NO
Title	Counter fraud, Intelligence and Investigation work plan 2015
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For Consideration By	Audit Committee
Date to be Considered	17 March 2015
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	Counter fraud, intelligence and investigation plan

Purpose of Report:

This report outlines the proposed planned work of the Fraud Team for the year 1 April 2015 to 31 March 2016.

1. Recommendation

1.1 It is recommended that the Audit Committee approves the planned programme of work for 2015/16 (Appendix A).

2. Reason for Decision and Options Considered

2.1 The Counter Fraud Work Plan has been developed in line with the applicable guidance; it reflects the alignment of Fraud Team objectives at the London Borough of Ealing and the London Borough of Hounslow.

3. Key Implications

3.1 The 2015/16 Plan is an indicative plan which is kept under review to ensure that it is aligned to emerging risks. It is subject to revision during the year with approval from the Audit Committee.

4. Performance against existing targets

4.1 Proposed delivery and performance targets are set out within the Fraud Plan (Appendix A).

5. Financial

5.1 Service costs will continue to be contained 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 1998 and relevant Employment Law.

7. Value for Money

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

8. Sustainability Impact Appraisal

8.1 Not applicable.

9. Risk Management

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

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 ensuring it protects public funds and provides value for money

12. Equalities and Community Cohesion

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

13. Staffing/Workforce and Accommodation implications:

13.1 Discussions are currently ongoing with the London Borough of Hounslow regarding the creation of a formal Audit and Counter Fraud Shared Service. It is planned that subject to the completion of all necessary consultation activity with the recognised Trade Unions and staff concerned that the arrangement will go live with effect from 1st July 2015.

Should this proceed, it is anticipated that the current Internal Audit and Counter Fraud staff would transfer to LB Ealing and TUPE would apply.

14. Property and Assets

14.1 Not applicable

15. Any other implications

15.1 None.

16. Consultation

16.1 Not applicable.

17. Timetable for Implementation

17.1 Not applicable.

18. Appendices

18.1 Appendix A: Fraud Plan 2015/16

19. Background Information

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



Counter Fraud Work Plan 2015/16

March 2015

Introduction

This document sets out the Council's Counter Fraud work plan for the 2015/16 financial year. The key challenge in responding to fraud risk is that no two frauds are the same. Fraud comes in many forms and from many sources. The Counter Fraud Team needs to be prepared for and responsive to new fraud risks and challenges as well as proactive in detecting fraud to enable recovery of Council funds from known sources. An important element of the role of the team is preventative – being a visible presence within the Council and across the borough, working alongside external agencies including the Police and the Department for Work and Pensions (DWP) to raise public awareness and prevent fraud before it occurs.

The London Borough of Ealing is working to formalise the shared service with the London Borough of Hounslow bringing together the counter fraud function, sharing resources, experience and expertise to ensure that we have in place a resilient and effective Counter Fraud and Investigation Service. This approach will ensure that the Council has cohesive counter fraud arrangements in place to effectively respond to change and increasing public sector fraud risks. The team remains responsible for all aspects of counter fraud and prosecution activity across 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 in relation to applications, occupancy, sub-letting and Right To Buy applications;
- Council Tax Reduction Scheme applications;
- Blue Badges; and
- School placement applications.

In addition, London Borough of Ealing is a leading authority in providing an Enhanced Vetting function that aims to counter fraud by preventing the recruitment of individuals who do not meet the council's standards of honesty and integrity. The activity in this area, based on the assessment of risk is to undertake enhanced vetting of individuals who are being recruited either on a temporary or permanent basis. This activity continues to be effective and remains a powerful approach to preventing employee fraud.

The Council continues to maintain a zero tolerance policy on fraud and seeks to punish all those who have committed fraudulent acts against the Council. The Council's Counter Fraud Team works to identify losses to be recovered and, where appropriate, will take all necessary and appropriate recovery action in accordance with the Proceeds of Crime Act through financial investigations.

This zero tolerance policy seeks to reassure the users of Council services and employees of the Council that we take a tough stance against fraud.

Counter Fraud team objectives and targets for 2015/16

The Counter Fraud Team has the following objectives for the coming year:

- Creation of a formal shared service initially with the London Borough of Hounslow, however discussions are also currently ongoing with the London Borough of Brent. It is anticipated that the arrangement with the LB Hounslow will be in place from 1 July 2015 and it is considered that the benefits delivered through this arrangement include:
 - Improved team resilience through the creation of a larger Counter Fraud team;
 - Sharing of knowledge and best practice leading to the creation of effective standardised counter fraud and investigation activity;
 - Utilisation of a standard case management system; and
 - Flexibility in the deployment of resources across the Councils.
- Maintain and promote a continued cohesive approach for the delivery of Counter Fraud activity within the Councils;
- Support the creation of the London Counter Fraud Hub in respect of data sharing and matching, which is being led by London Borough of Ealing.
- Increase the completion of cross-borough proactive Counter Fraud activity as a positive response to changes in public sector fraud risks;
- Promotion of counter fraud activity and initiatives which specifically will include in 2015/16 the hosting of a counter fraud conference targeting fraud within Schools. It is intended that Governors, Head Teachers and School Business Managers will be invited.
- Improved recovery in respect of proven fraud through the greater use of the Proceeds of Crime Act. Currently three members of the team are currently in the process of undertaking the required Financial Investigator accreditation training.
- In order to maintain highest standards we are completing an assessment of training requirements to development a program of continued professional development within the team.

These objectives will be delivered through the work programme outlined in the following section. The performance of the team will be measured against the following sanction targets:

1. Successful creation of the Counter Fraud Shared Service;
2. Successful accreditation of three Financial Investigators in respect of the Proceeds of Crime Act; and
3. Delivery of 68 Sanctions.

Sanctions include: prosecution, caution accepted, council tax reduction penalty, disciplinary penalty, conditional offer of employment withdrawn, blue badge seized, electoral register removal, right to buy application refused, school placement application refused, tenancy application refused and tenancy recovered.

Alongside the sanctions targets, the Counter Fraud Team will seek to maximize the recovery of Council assets and this will be supported by an investment in the team's capability to undertake work under the Proceeds of

Crime Act. Performance will be reported to the Audit Committee throughout the year.

Counter Fraud Performance Targets

	2015/16 target	2014/15 original	2014/15 revised profile	2014/15 actual
Number of new cases started	550	1000	583	477
Number of cases passed for investigation	375	500	291	311
Average time from receipt of referral to 'Accepted' and forwarded for investigation	16 days	28 days	28 days	16 days
Number of cases where fraud established (balance of probabilities)	68	88	52	44
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 seized)	68	33	26	31
Number of completed investigations.	250	179	149	234
Number of council properties recovered	20	20	16	13

Note: The 14/15 figures above included Housing Benefit cases investigated during 14/15 to the point of transfer of responsibility to the Department of Work and Pensions on 1 October 2014. The revised profile targets for 14/15 and the 15/16 outline performance targets also take into consideration the loss of HB Fraud referrals.

Counter Fraud Work Programme for 2015/16

In its publication The Local Government Fraud Strategy, The National Fraud Authority recommended a three strand approach to countering fraud. The Council has an Anti-Fraud and Corruption Strategy which links our stance on fraud to the three strands and is the basis of this work programme. Our approach to these fraud risks are outlined below:

Acknowledge	Prevent	Pursue
<i>Acknowledging and understanding fraud risks</i>	<i>Preventing and detecting fraud risks</i>	<i>Being stronger in punishing fraud and recovering losses</i>
<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. 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

Acknowledge

Activity	Detail	Target Outcomes
Right to Buy	<p>In the publication Protecting the Public Purse, detected Right to Buy fraud cases for 2014 were worth £12.3m.</p> <p>In view of this fraud risk, we will continue to work with the Right to Buy team to conduct detailed risk based checks into applicants who have, and are in the process of purchasing their council property.</p>	To identify instances of fraud, preventing the transfer of the property under the Right to Buy scheme or to give assurance that the current processes the council operates with regards to processing right to buy applications are mitigating fraud risks.
Concessionary Travel	Fraud risks within the area of concessionary travel have been identified by a number of London Boroughs. The National Fraud Authority in their Review of Fighting Fraud Locally includes a case study of an exercise undertaken by a London Borough which identified fraud in this area.	To identify instances of fraud or to give assurance that the current processes the council operates with regards to processing concessionary travel applications are mitigating fraud risks.

Activity	Detail	Target Outcomes
Social Housing Fraud	<p>We will seek to tackle areas of social housing fraud risk. This includes Housing applications, allocations, the housing waiting list, temporary accommodation and right to buy.</p> <p>The Audit Commission have identified tenancy fraud as the greatest loss to Local Government, estimation that nationally, this type of fraud costs councils £900m annually.</p>	<p>We will aim to prevent and detect false applications for housing and reduce fraud risk in temporary accommodation.</p> <p>We will undertake criminal prosecutions where appropriate having regard for the Fraud Act 2006 and the Prevention of Social housing Fraud Act 2013 and raise awareness of the problem of social housing fraud and the damage it does.</p>
School Fraud	<p>The Audit Commission has stated that the number of fraud cases detected in maintained schools have risen by 6 per cent, worth £2.3m.</p> <p>These frauds are generally committed by staff or contractors. We will seek to tackle this risk of fraud by working with the schools to address weak governance, and respond to concerns.</p>	<p>To identify instances of fraud or to give assurance that the current processes the school operates are mitigating fraud risks.</p>
Procurement	<p>In 2013/14 councils nationally detected 127 cases of procurement fraud worth about £4.5m.</p> <p>There is concern that organised crime is more prevalent in procurement fraud than in other fraud types.</p>	<p>We will be alert to the risk of procurement fraud and deal effectively with any detected cases.</p>

Activity	Detail	Target Outcomes
Personal Budgets	As the use of personal budgets has expanded since 2007 the number of cases of detected fraud has also risen. In 2013/14 these cases nationally were worth £6.2m.	We will be alert to the risk of fraud and will ensure that proper safeguards are in place proportionate to risk and in line with good practice
Council Tax Discount	Councils nationally detect more Council Tax discount fraud than any other type of non-benefit fraud. Despite having the lowest average value of non-benefit frauds, in 2013/14 these cases were worth £16.9m.	We will continue to investigate cases of Council Tax Discount fraud and impose appropriate sanctions.

Prevent

Activity	Detail	Target outcomes
To continue to deliver Fraud Awareness training and to raise awareness of the team's activities across the Council, in order to identify new areas of activity for us.	This work seeks to raise the profile of counter fraud, additionally we will seek to reinforce messages about the standards of behaviour expected from staff, ways to consider fraud risks and how and when to report suspicions of fraud. We will also ensure key messages from recent publications are included. This is a vital means of shaping the culture of the organisation.	Managers and staff are aware of fraud risk and the key messages are disseminated to teams. We will request feedback from delegates on fraud awareness training courses.
To undertake a publicity campaign within the community to raise the profile of the Council's counter fraud team and fraud hotline.	We will deliver a campaign during the year that will publicise the fraud hotline and the fact that the Council takes fraud and corruption seriously. In addition to a poster campaign in the community we will seek to use notice boards within Perceval House itself.	We will record the source of referrals in order to help gauge the success of the publicity.

Activity	Detail	Target outcomes
Enhanced Vetting	We will continue to provide an Enhanced Vetting service across the Council. We plan to ensure that all temporary roles are captured by our process. We will consider expanding our service to Ealing schools. We will also consider working across the shared service for roles in Children's and Adults services to create a gold standard in safeguarding recruitment.	We will continue to investigate applications for employment within the council and ensure they meet the highest standards.
Schools Fraud Conference	During 2015/16 we will seek to host a Counter Fraud Conference in respect of potential fraud within Schools. We will invite School Governors, Head Teachers and Business / Finance Managers.	Improved reporting and investigation of potential fraud within Schools.

Pursue

Activity	Detail	Target outcomes
We will allocate resources to investigate anomalies raised by the National Fraud Initiative data matching exercise.	<p>The Audit Commission initiative is run every two years, although ad hoc matches are now also conducted throughout the intervening years.</p> <p>The National Fraud Initiative will transfer to the Cabinet Office in April 2015.</p> <p>During 2015/16 we will be investigating various anomalies across a range of data matches that will be provided to the council. We will work with internal departments and external organisations in order to undertake risk assessments on the matches we have received.</p>	To identify fraud, error and overpayments.

Activity	Detail	Target outcomes
<p>We will carry out large scale, pro- active counter fraud operations in order to raise the profile of the team in the community and with other stakeholders. In order to detect cases of fraud that is not otherwise identified.</p>	<p>We will carry out at least one operation per quarter, based on intelligence, local knowledge and previous experience.</p>	<p>Activity in this area will include: Blue badge enforcement, recover social housing and apply sanctions as necessary. Raise the profile of the Counter Fraud partnership working.</p>
<p>We will undertake an exercise to verify the identity of prospective employees.</p>	<p>The Credit Industry Fraud Advisory Service (CIFAS) reported the results of a poll that indicated people’s greatest fear is having their personal information stolen and used for impersonation. We will provide support to Human Resources in order to verify identity documents that are presented to them as part of the recruitment process.</p>	<p>We hope to reassure the Council that we are aware of the risk of identity fraud and we are seeking to tackle it. In addition, this type of exercise sends a deterrent message to would be fraudsters.</p>
<p>Continue to investigate instances of Council Tax Reduction fraud.</p>	<p>We will work closely with our partners in the Department for Work and Pensions (DWP) and participate in the Housing Benefit Matching Service (HBMS) and the National Fraud Initiative (NFI) data match.</p>	<p>To identify fraud and apply sanctions where required.</p>