



**Report for:  
INFORMATION**

**Item Number: 10**

<b>Contains Confidential or Exempt Information</b>	NO
<b>Title</b>	Counter Fraud, Intelligence and Investigation Performance Report
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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>	19 September 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:**

The attached report describes the work of the Counter fraud, intelligence and investigation team for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> August 2013.

**1. Recommendation**

It is recommended that for the 5 month period 1<sup>st</sup> April – 31<sup>st</sup> August 2013, Audit Committee:

- Notes the work undertaken by the Counter Fraud, Intelligence and Investigation team.
- Reviews team performance during the same period. (Appendix A)

**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.

### **3.1 Performance against existing targets**

3.1.1 Performance against target for April 2013 to August 2013 is set out in detail in Appendix A. A number of counter fraud drives have been completed or are underway.

### **3.2 Operation Rapport**

3.2.1 Operation Rapport concentrates specifically on identifying and targeting the use of false identities to claim benefits.

- Result of Operation Rapport 1 has been previously reported to the Committee and Operation Rapport 2 commenced in January 2013. The second operation commenced as Intelligence suggested that fraudsters had changed their fraud profile.
- To date 49 claims have been identified as high risk and of these, 2 cases have resulted in fraudulent overpayments of £112 661.75.
- A new process to suspend suspect claims and reduce the amount of benefit paid is being discussed with the Adjudication Team. Explain
- In order to progress Operation Rapport we are obtaining working contacts in the French, Portuguese and Italian Embassies. Effective liaison has already been established with the Home Office Forgery Team.

### **3.3 Document ID Checker**

3.3.1 Audit and Investigation has 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 RAG system. The Council has two ID scanners and training is being rolled out to relevant teams and officers.

3.3.2 Three documents have been identified as suspicious and further checks are being undertaken.

### **3.4 Blue Badge**

3.4.1 Five cases involving Blue Badge misuse were referred to Audit & Investigation between April and August 2013. Two cases were prosecuted, resulting in a suspended custodial sentence and a fine.

### **3.5 CIFAS**

3.5.1 This is a Staff Fraud Database (SFD) and is 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 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.

3.5.3 We have discussed 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 relevant parties before carrying out the match.

3.5.4 In the period, 167 searches have been carried out on the SFD by the Enhanced Vetting Team. 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 Councils 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 and results will be reported to future Audit Committees.

### **3.7 Track a Fraudster**

3.7.1 Audit and Investigation proposed an initiative to match data across a number of West London boroughs. The initiative 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 neighbouring boroughs and enable a check across those boroughs.

3.7.2 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. Data was formally shared between boroughs in March 2013.

3.7.3 This initiative was further discussed at a meeting with the West London boroughs in August 2013 and further refinements to the database were agreed. The fraud hub will go live in September 2013. As the project progresses, further updates will be provided to Audit Committee.

### **3.8 Housing Fraud**

3.8.1 A Housing Fraud Steering Group comprising officers from Audit and Investigation and from Housing continues to meet. 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.

3.8.2 Since April 2013, 9 Council properties have been recovered with 6 cases being prosecuted and the details are set out below:

- Case A - Obtaining a Council tenancy by deception. Sentenced to 10 months imprisonment, suspended for 12 months and 300 hours unpaid work.
- Case B - Obtaining a Council Tenancy and Right to Buy discount by deception. Sentenced to 4 months imprisonment, suspended for 2 years.
- Case C - Benefit Fraud. Sentenced to 130 hours Community Order.
- Case D - Benefit Fraud and Illegal Eviction. Sentenced to 8 weeks imprisonment, suspended for 12 months, 12 months supervision order and 6 months Mental Health order.
- Case E - Illegal Eviction. Sentenced to 3 months imprisonment, suspended for 12 months, 150 hours unpaid work, compensation and costs.

- Case F - Benefit Fraud. Sentenced to 12 months Community Order, 100 hours unpaid work, compensation and costs.

### 3.9 National Fraud Initiative (NFI)

3.9.1 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 these are set out at Appendix B.

### 3.10 Enhanced Vetting (EV)

3.10.1 Ealing has a risk assessed process of EV 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 & work history and benefit fraud.

3.10.2 EV now covers all Council departments and both temporary and permanent staff. The Vetting Officer has also been working with HR to ensure that EV is embedded into the process for interim and consultant recruitment.

Enhanced Vetting Activity - 01/04/13 to 31/08/13		
	Temporary Staff	Permanent Staff
Total cases	34	144
Fail	0	4
3 <sup>rd</sup> party referral	0	3
*Candidate withdrawn (post resigned)	3	9
Agency fraud	0	0

\* 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.

### 3.11 Single Fraud Investigation Service (SFIS)

3.11.1 SFIS is initially a partnership between DWP, HMRC and LAs. National rollout is due to commence during 2014/15 with staff remaining employed by their current employer. If SFIS moves to a single employer at a later stage then consideration in respect of TUPE will be applied.

3.11.2 SFIS will investigate social security benefit and tax credit fraud. Its remit does not include investigation of fraud in areas such as Council Tax, Tenancy or Income Tax. However, the DWP are looking into methods to enable cross working between the different teams.

3.11.3 Five pilots are currently in progress with performance measures, policies and procedures being tested prior to national implementation.

## 4. Financial

All investigation activity covered in this report has been delivered within the Audit & Investigation budget and there are no resource issues.

## 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 are 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 A: Investigation Team performance

Appendix B: National Fraud Initiative

Appendix C: Examples of Cases Concluded

## **18. Background Information**

Past counter fraud papers are available upon request from Ewan Taylor, [taylor@ealing.gov.uk](mailto:taylor@ealing.gov.uk)

**Consultation**

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Maria Christofi	Director of Finance	6.09.13		

**Report History**

Decision type:	Urgency item?
For information	No

Authorised by member:	Cabinet member:	Date drafted:	report date:	Report deadline:	Date report sent:
Report no.:	Report author and contact for queries:				
	Ewan Taylor, Intelligence Team Leader, ext 9991				

## Appendix A - 2013/14 Investigation Team Performance

Area	Target 2013/14	Profile	Actual 31 August
<b>Intelligence Team</b>			
Number of new cases started	1,023	426	455
Number of cases passed for investigation	501	208	290
<b>Benefit Investigation Team</b>			
Number of completed investigations ('Accepted' cases closed)	259	107	203
Number of cases where fraud established (balance of probabilities)	144	60	63
Number of cases where sanction applied (prosecution, caution, administrative penalty)	113	47	36*
Fraudulent benefit overpayment	£1,063,477	£443,115	£1,427,796
<b>Corporate Investigation Team</b>			
Number of completed investigations ('Accepted' cases closed)	209	87	79**
Number of cases where fraud established (balance of probabilities)	78	32	21***
Number of cases where sanction applied (prosecution, caution, administrative penalty, disciplinary, council property recovered)	39	16	19
Number of council properties recovered (included above)	19	7	9
Value of Loss Proved	£251,163	£104,651	£215,796

### Commentary

- \*('Number of cases where sanction applied') – Target was not achieved primarily due to HBMS (Housing Benefit Matching Service) matches from DwP having declined in quantity and quality over the period. However, Service provision has improved in recent weeks.
- \*\*('Number of completed investigations') –Target was achieved 2 days after the deadline.
- \*\*\*('Number of cases where fraud established') – Target was not achieved due to an increase in Right to Buy cases where after further investigation, fraud could not be proved.

## Appendix B - Summary of NFI Key Reports - August 2013

NFI key reports	Recommended Matches	Matches In Progress	Matches Completed	Matches to Action
Blue Badge, Travel Passes & Residential Care	2,312	111	36	2,165
Creditors History & Creditors Standing	716	0	40	676
Payroll & Pensions	100	1	39	60
Right to Buy	59	1	57	1
Housing Tenancy	50	4	46	0
Housing Benefit Claimants	1,432	247	1,185	0
Insurance Claimants	8	0	8	0

### Commentary

- Blue Badge, Travel Passes & Residential Care - A new report containing 1768 matches was added to the NFI key report in August 2013 and officers are currently actioning the matches.
- Creditors Report and Payroll & Pension Report - Lack of progress has been addressed directly with the relevant officers.
- The NFI Data match is an on-going exercise and performance will be reported to subsequent meetings of Audit Committee.



## **Appendix C**

### **Examples of Cases Concluded**

#### **Enhanced Vetting**

- 1.1 Candidate A was recruited to a post working directly with vulnerable clients. The candidate gave two former employers as referees. The second reference and the former employer could not be verified. The company given as the former employer was in fact owned by the candidate, the candidate failed to provide any details in regards to the company and his role within it. The offer of employment was withdrawn.
- 1.2 Candidate B was recruited to a post working directly with vulnerable clients. Enquiries revealed extensive benefit fraud in another LA. The offer of employment was withdrawn and the Vetting Officer worked with the other borough to ensure evidence is provided to assist that borough's investigation.

#### **Investigations**

- 1.3 An allegation was received about the illegal eviction of a tenant in private accommodation. It was established that the private landlord had damaged the property, making it uninhabitable and subsequently prevented access to the tenant by changing the locks.
- 1.4 The landlord was interviewed by A&I officers when he denied any wrongdoing. He was prosecuted and found guilty at Ealing Magistrates Court of two counts contrary to the Protection from Eviction Act. He was sentenced to three months imprisonment, suspended for twelve months, 150 hours of unpaid work and ordered to pay £250 compensation and £2,000 costs.
- 1.5 It was established that a Blue Badge belonging to a Nursing Home had been copied by an employee of the Home for the purpose of avoiding parking charges. The employee resigned from the Nursing Home pending the outcome of a disciplinary investigation. Having failed to respond to invitations for interview he was prosecuted for perverting the course of justice.
- 1.6 He pleaded guilty at Isleworth Crown Court and was sentenced to nine months imprisonment, suspended for eighteen months, 100 hours of unpaid work and ordered to pay £1,500 costs.
- 1.7 A LBE Council tenancy was obtained by deception (the tenant already had a council tenancy in LB Brent) and subsequently a Right to Buy discount was awarded for the same property. At the same time a homelessness application was being pursued in LB Hackney.
- 1.8 The total financial loss to the council was calculated as £122k. Following a trial at Isleworth Crown Court the tenant was found guilty of two counts contrary to the Theft Act, which related to the council tenancy and the Right to Buy discount. She was sentenced to 4 months imprisonment, suspended for 2 years.

- 1.9A joint investigation between Ealing and DWP established that a benefit claimant failed to declare that she was renting a flat in Wembley from where she had run a business for 6 years with an annual estimated turnover of some £172k.
- 1.10 The subject was overpaid over £67k in Housing / Council Tax Benefit and over £23k in Income Support. She was charged with 10 counts of making false statements and on 6th June she pleaded guilty at Isleworth Crown Court and was sentenced to 12 months Imprisonment, suspended for 12 months and a 6 month curfew.
- 1.11 A joint investigation by Ealing, Hounslow and the DWP uncovered over £33k in benefits had been fraudulently claimed by a resident of both boroughs due to the failure to declare ownership of several properties throughout West London. He was charged with offences under the Social Security Administration Act. On 29th July he was sentenced to 15 months imprisonment.
- 1.12 A West London resident was the subject of a joint investigation by Ealing and Hillingdon Councils due to the fact that she failed to declare cash held in 8 bank accounts. This resulted in a total overpayment of benefit exceeding £47k. On 5 August 2013, at Isleworth Crown Court, she pleaded guilty to counts of dishonestly failing to declare a change in circumstances and giving a false statement. She was remanded on bail and on 2nd September sentenced to 28 weeks imprisonment, suspended for 12 months.