

London Borough of Islington

Internal Audit

Fraud Investigation Report

April 2015 to November 2015



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1. Introduction

1.1. Purpose of this report

This report summarises the work that the Council and Internal Audit (Investigations) have undertaken from April 2015 to September 2015. It provides details on the work undertaken so far in reviewing and changing the Council's Anti-Fraud strategy, details of the changes within Housing Benefit Fraud Investigation (with staff transferring to the Department of Work and Pensions, Single Fraud Investigation Service) and details of anti-fraud work undertaken by Internal Audit Investigations. There is also a report on Whistle Blowing.

2. Anti Fraud Strategy

2.1. Background

In December 2014, Internal Audit submitted a report to CMB on fraud investigation. The report described how a unified corporate approach to fraud investigation and prevention created opportunities to change Islington's counter fraud approach to ensure that the Council met its objectives and was getting value for money. CMB agreed that closer working and utilising the expertise of the fraud investigation community within the Council, signified an opportunity to refresh the anti-fraud strategy to strengthen the Council's stand against fraud.

2.2. Approach and Progression

To progress, the Corporate Director for HASS set up a short term project group to:

- a. Agree a fraud strategy covering priorities, joint planning, and collaboration.
- b. Develop a training and awareness programme
- c. Agree an implementation plan for the strategy
- d. Agree governance arrangements, including rapid deployment of skilled staff when there are spikes in specific areas.
- e. An Anti-Fraud Strategy and implementation plan was designed and formally agreed through CMB in June 2015 and the Trade Unions at the Joint Secretaries Meeting in July.
- f. A Corporate Prosecution and Enforcement Policy has been written and agreed through Legal Services. It is necessary to set the standards and guidelines that will assist in the decision making process when prosecution or enforcement action is necessary as part of the commitment to protecting the Council's funds, assets and reputation.
- g. A Fraud Response Plan is currently being written. This will enable all who need to refer a potential fraud, the knowledge of where to refer it to. To complete this work, we are working on identifying the fraud risks associated with each Directorate. From this we will be able to name the risk and give guidance of where to refer fraud cases, if the need arises.
- h. Work is currently being undertaken to identify the training needs of all Council Directorates. We have provided all Council DMT's with a list of Teams within their Directorates and asked them to identify the training needs of their teams by fraud risk. We have asked them to think about the work which they undertake and evaluate which level of fraud awareness training their staff will need.
- i. The Council's fraud forum has been revived and led by the Corporate Director HASS, which has become part of the governance arrangements. The first meeting was held on the 28th September 2015, with a subsequent meeting held on the 19th November.
- j. The Strategy adheres to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and fits into the National Strategy of "Fighting Fraud Locally," in ensuring that leaders of public sector organisations take responsibility to embed effective standards for countering fraud and corruption in their organisations and to support good governance in demonstrating effective financial stewardship and strong public financial management. The governance arrangements will ensure that this happens.
- k. A robust Council-wide fraud reporting mechanism will be available to comply with the governance arrangements.

2.3. Anti-Fraud Strategy – Aims and Objectives

Through this Strategy the aims and objectives are to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Islington residents and visitors.
- The strategy is linked to current corporate policies.
- Create and promote a robust 'anti-fraud' culture across the organisation which highlights the Council's zero

tolerance of fraud, corruption and theft through service area management teams.

- Strengthen governance and fraud reporting.
- Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled.
- Ensure that an appropriate level of fraud training, dependent on fraud risk is given to all staff.
- To actively work with Schools, Tenancy Management Organisations and the Voluntary Sector to promote fraud awareness.
- Proactively deter, prevent and detect fraud, corruption and theft.
- Investigate suspected or detected fraud, corruption and theft.
- Enable the Council to apply appropriate sanctions and recover all losses.
- Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity.
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity and ensuring the rights of people raising legitimate concerns are properly protected (whistleblowing). However, the Council will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, disciplinary or legal action may be taken.
- Work with partners and other investigative bodies to strengthen and continuously improve the Council's resiliency to fraud and corruption.

3. Housing Benefit/Council Tax Benefit/Council Tax Reduction Fraud

3.1. Ongoing Fraud Work: Post transfer of staff and work to the Department of Work and Pensions. Current position.

The Single Fraud Investigation Service (SFIS) has taken over the investigation of Housing Benefit and residual Council Tax Benefit fraud from 1st August 2015. There are now no Benefit Fraud Investigators within the Council, having transferred the resource to the DWP.

Internal Audit (Investigations) has employed one of the Housing Benefit Investigators in the role of the Single Point of Contact (SPOC) role between the Council and SFIS. This Officer will also take on some Corporate Fraud Investigations.

There is still a legislative requirement within the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 that, from the 1st April 2013, local authorities will undertake fraud prevention, detection and prosecution work in relation to the localised Council Tax Reduction Scheme (CTRS). SFIS has no legal power to investigate Council Tax Reduction cases. The investigation of fraud against CTRS will be undertaken by the Council's Internal Audit Investigation officers.

The Council has appointed the Internal Audit Investigation officers as "Authorised Officers" who are authorised to obtain specific information in relation to Council Tax Reduction investigations. Authorised powers are set out in The Council Tax Reduction scheme (Detection of Fraud and Enforcement) (England) Regulations 2013 in accordance with section 14A of the Local government Finance Act 1992.

Concerns have been raised with SFIS management regarding responses to the fraud referrals made since transfer. From 20 referrals made, only 2 have been progressed to investigations. The cases which are referred go through a triage process, to ensure that only quality referrals are made.

SFIS stated that there was currently a backlog of some 7,000 referrals, resulting in delays of 6-7 weeks at the Referral Centre. There were no guarantees that if cases reached the investigators, that it was possible that no investigation would take place due to lack of investigative resources. It was confirmed that there is currently no provision for feedback on the progress of referrals from LA's other than an automated email to acknowledge receipt of the referral at the Referral Centre.

SFIS have requested documents and system information on 45 cases (cases not referred by the Council). It was acknowledged that Islington response times and quality of information supplied to SFIS was one of the best in London.

Responsibility for maintaining benefit fraud awareness within Finance Operations will lie jointly with SFIS and Internal Audit.

4. Anti-Fraud work: Internal Audit/Housing Investigations

4.1. Schools Admissions Service

Investigators have been working closely with the Schools Admissions Service. A referral pathway has been opened and the Admissions Team will now contact Internal Audit on a regular basis to assist in confirming whether applications are genuine. We have encouraged some self-reliance in giving them tools to undertake further checks such as access to the

CRM system and encouraged them to use the internet and social media for open source information.

We have also assisted in putting together a strong anti-fraud message for next year's Admissions Brochure.

4.2. No Recourse to Public Funds (NRPF)

Work with the NRPF team has commenced with scoping out how Internal Audit can assist in preventing fraud. We have provided them with relevant fraud awareness, false document and false identity training in September 2015. We have also opened a referral pathway into Internal Audit, where cases can be reviewed and advice given to the Team.

4.3. Fraud Awareness Training

Internal Audit and Housing Investigations provided fraud and identity fraud awareness training to Council officers involved in Right to Buy in August 2015. This included officers from Valuations and Legal Services.

A fraud awareness presentation was made at the Schools Business Managers conference in June 2015. The presentation was schools orientated and gave an overview how fraud, both internal and external could affect Schools.

4.4. Fraud Cases

Internal Audit currently has 23 live investigations. (Four cases carried forward from 2014/2015) 2 cases have been reopened after receiving new information. 11 cases are complex frauds. 2 Cases are with the Crown Prosecution Service. 2 Cases are with the Police.

4.5. Caseload referred 2015/2016

Caseload	No.	Directorate	No.
Total Cases Referred	41	HASS	15
Current Live Investigations	21	E&R	7
Total Cases Investigated	20	CE	8
Total Closed: Irregularity	7	Children's	3
Total Closed: Advice Given	10	Education	4
Total Closed: No Fraud Found	4	Finance	4

4.6. Housing Investigations Team

Housing Investigations had 117 live cases at the end of October 2015. As a result of their investigations, 52 properties have been returned to the Council.

LBI Cases- Civil	Apr	May	Jun	Jul	Aug	Sep	Oct
Cases brought forward	115	120	110	112	96	95	99
Cases referred	22	15	11	21	9	22	26
Cases closed	17	25	9	5	10	18	8
Cases carried forward	120	110	112	96	95	99	117
Total possessions obtained by HIT	8	10	6	9	6	9	4
LBI Cases- Criminal							
Cases brought forward						2	2

In addition, the team have 2 ongoing criminal investigations under the Prevention of Social Housing Fraud Act. Information has been laid and summonses issued by Highbury Magistrates Court in one case. Case was adjourned in October 2013 with a hearing date due in November 2015. The 2nd case has been referred to Legal.