

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit Committee **DATE:** 27th July 2011

CONTACT OFFICER: Charlie McKenna, Benefits & Council Tax Services Manager
(For all enquiries) (01753) 787871

WARD(S): All

PART I FOR INFORMATION

ANNUAL FRAUD & INVESTIGATIONS, RISK & INSURANCE TEAM REPORT

1 Purpose of Report

This report provides an update summary of the performance of the Corporate Investigation, Risk & Insurance Team from the period 1 April 2010 -11.

The team concluded the financial year with the highest levels of performance to date and exceeded the objectives of the Counter Fraud Business Plan 2010-2011.

2 Recommendation

That the Audit Committee notes the performance of the Corporate Fraud Investigations, Risk & Insurance Teams for the financial year 2010 to 2011.

3 Community Strategy Priorities

The activities of the Corporate Fraud Investigation, Risk & Insurance Teams support the following Council key priorities;

Being Safe, Feeling Safe

Reducing fraud and criminal activity by taking legal action and co-operating with external agencies in bringing/holding wrong doers to account for criminal activity

4 Other Implications

(a) Financial

The activities of this service protect the interests of the Council and our residents by reducing fraudulent activity and reducing risks within the town. The Council in some cases receives financial rewards.

By protecting the public purse from fraudulent claims etc, the team's activities promote good corporate governance which in turn underpins service quality and improvement.

Risk Management

<i>Recommendation</i>	<i>Risk/Threat/Opportunity</i>	<i>Mitigation(s)</i>
That the Audit Committee notes the performance of the Corporate Fraud Investigations section for the financial year 2010 to 2011.	Risk of not recognising successful performance of team and future direction. Opportunity to invest in, and promote, the wider remit of the team.	Utilising a professionally trained and skilled investigation team
Loss to the public purse Through fraudulent Benefit claims	Utilising a professionally Trained investigation team to detect and prevent fraudulent claims entering the system Increased losses to the public purse through not safeguarding against fraudulent activity	Promoting fraud awareness training throughout the authority Joint working with counter-fraud officers from DWP and other external agencies Prosecuting offenders through the criminal court where appropriate Creating a “zero tolerance” culture by naming and shaming convicted offenders in local press

(b) Human Rights Act and Other Legal Implications

The team conduct their activities using a number of legal gateways available to them. The Human Rights Act is considered at all times and more so at any time where an application for surveillance is submitted, or an application for information from a communication service provider. In these instances, the information is obtained in line with the Regulation of Investigatory Powers Act with due regard given to necessity and proportionality.

Legal implications will include ensuring Officers are trained to ensure any cases presented to Court, that they have followed the correct procedures and legislative guidelines and that the correct legal advice is gained before taking any such actions.

(c) Equalities Impact Assessment

Equality Impact Assessment for this service area will be carried out as part of service planning. However there are no direct implications explicit in this report.

(d) Workforce

There are no workforce implications included in this report

5 Supporting Information

The service saw a significant increase in HB/CTB claims during the 2009–2010 period which led to increased team targets on previous years. However, the team targets for 2011-2012 have been slightly reduced to take into account an increased focus on achieving prosecutions, which are more resource intensive than the lesser sanction outcomes.

There were some substantial investigations which took place during the past year, some of which created large overpayments of Benefit to be recovered and Financial Investigations which resulted in significant income generation through confiscation and compensation processes. **(Appendix A)**

There are a number of cases currently with the Legal Services department awaiting trial at both Magistrates and Crown Court, and further cases under review with information due to be laid at court. Convictions resulting from proceedings are publicised in the local press to promote the work undertaken by the section, to act as a deterrent, and to encourage members of the public to report suspected benefit fraud.

As the team remit expands to undertake investigation work on behalf of other departments around the Council, additional training and development programmes are underway. This will build upon the existing comprehensive skills and knowledge base of investigation staff in order to be effective in new areas of work, and in line with the requirements of Personal Development Plans.

Overall, the team performed well over the 2010-2011 financial year and met the objectives as outlined in the aforementioned Business Plan for the period.

Performance Indicators for Corporate Investigation, Risk and Insurance Team activities

Performance of the team is measured by using the Department for Work & Pensions' local Best Value Performance Indicators (BVPI's) from previous years:

2010-2011

BVPI 76C Number of fraud investigations per 1000 caseload - 24.9
BVPI 76D Numbers of successful sanctions and prosecutions per 1000
Caseload – 6.62

Comparative figures for financial year 2009-2010

New referrals recorded for investigation - 854
Investigations concluded – 300
Rejected for investigation - 286
Referred to Visiting Officers – 197
Right to Buy investigations conducted – 10
Staff investigations concluded - 2

Interviews Under Caution conducted 2009-2010

SBC alone - 165
SBC jointly with Dept for Work & Pensions 36

Sanction outcomes 2009-2010

Successful prosecutions - 17
Official cautions - 24
Administrative Penalties - 12
Total – 53

Financial year commencing 2010-2011

New referrals recorded for investigation - 1168
Investigations concluded - 338
Rejected for investigation - 298
Referred to Visiting Officers – 215
Right to Buy investigations conducted – 11
Staff investigations concluded - 2

Interviews Under Caution conducted 2010-2011

SBC alone - 167
SBC jointly with Dept for Work & Pensions - 29

Sanction outcomes 2010-2011

Successful prosecutions - 26
Official cautions - 32
Administrative Penalties - 32
Total – 90

Targets for 2011-2012

The sanction targets for 2011-2012 equate to 56 sanctions (Cautions, Administrative Penalties and Prosecutions) and have been assigned to the individual investigators as follows:

2 x full-time IO's – 10 prosecutions, 10 other sanctions
1 x part-time IO – 8 prosecutions, 8 other sanctions
Total: 56 Sanctions

This is a lower target than the previous year 2010-2011 for several reasons:

- The team is running under strength with one f/t vacancy which should be filled this year, at which point the team target will be reviewed
- The team is taking on less benefit fraud investigation work and more work from other areas of the council
- In addition to sanctions, successes will be measured in other types of outcomes i.e.- refusal or withdrawal of Right to Buy applications due to investigations, Council accommodation being taken back from tenants who are found to be not resident, illegally subletting, or who have made false declarations on housing applications etc
- There is a greater focus on prosecution cases which, in the majority of circumstances, can prove lucrative for the authority through restraint and confiscation proceedings from joint working with the Financial Investigation officers.

Fraud Awareness

Despite having a personal sanctions target, one officer within the team continued to roll out fraud awareness training to front line service staff during the financial year 2010-2011 and this delivery is set to continue for the current financial year.

Prosecutions and Sanctions 2010-2011

Twenty six prosecutions for benefit fraud took place between 1 April 2010 to 31 March 2011. A number of those prosecutions were jointly undertaken with the investigation section of the Department for Work and Pensions (DWP). In the instances where the DWP were the leading party, the Housing Benefit offences would be prosecuted by the DWP on behalf of SBC at zero cost to the authority.

Several significant prosecution cases were published in the local press that were likely to attract public attention and thereby raise benefit fraud awareness in order to promote the work undertaken by the team and encourage the public to report their suspicions.

In addition, 32 Administrative Penalties were issued in order to generate a moderate income back into the Investigation section in order to provide for funding for training and additional security initiatives. An Administrative Penalty is a sanction applied as an alternative to legal proceedings whereby the offender agrees to pay 30% of the fraudulent overpayment in addition to the overpayment itself.

And finally, there were 32 Official Cautions administered to offenders where the offence was admitted at an early stage and / or the offence did not warrant a financial penalty or prosecution in line with the Public Interest Test.

The methods of reporting benefit fraud are by telephoning the publicised Fraud Hotline, Internet referral via the SBC website or by visiting My Council at Landmark Place.

Relevant Policies

The work undertaken by the team is primarily concerned with reducing the risk of loss to the public purse and as such complies with the underlying principles supporting Slough Borough Council.

The Prosecution Policy, which ensures a consistent approach when adjudicating on proven investigations where an offence has been committed. The team has to comply with the Anti Fraud and Corruption Strategy and Whistleblowing policies and as part of the wider Audit strategy.

Performance Monitoring

The Benefits & C-Tax Services Manager monitors the overall performance of the Corporate Investigation, Risk and Insurance team; the Section's day-to-day operational work is managed and monitored by the Investigation Team Leader.

Risk Management Update

This update report focuses on

- the key actions taken in the quarter April 2011 to June 2011
- the proposed actions for the quarter July 2011 to September 2011

- the actions taken to mitigate the risks identified within the Corporate Risk Register
- relevant insurance actions

Key actions taken in the quarter April 2011 to June 2011

A Management Letter type audit was delivered by Deloitte. This “Management Letter” commented upon the compliance of the Council against the BSI Standard for Risk Management (BS31100).

The Management Letter highlighted areas where the risk management process, policy and procedure need to be improved. The main thrust of the recommendations centred around;

- The re-invigoration of the risk management policy and strategy
- Training of members of staff

A report was presented to CMT that outlined the findings of the Management and contained a timetable of actions designed to fill the gaps identified in the Management Letter.

Actions that have already been taken to meet the requirements of BSI Standard for Risk Management include:

- Risk Management and Money Laundering on-line training has been purchased, and tested and is in the process of being rolled out to staff and Members.
- A Draft of a Risk Management Strategy and Policy exist and is currently being moderated.
- A list of strategic risks will be decided upon from the Annual Governance Statement.

The Risks Registers for Community and Well-Being and for Education and Children’s Services were up-dated by the respective Senior Management teams.

A risk register for the Thames Valley Transactional Hub has been created and staff within the Commercial and Transactional Services have been trained to maintain and update the risk register on a regular basis.

Key actions proposed for the quarter July 2011 to September 2011

Undertake the actions as required by the action plan designed to meet the requirements of the BSI Standard for Risk Management

Relevant Insurance Information

Below is a table that shows the number and causes of insurance claims made against the Council in this quarter and the corresponding quarter of last year.

1st April – 30th June 2010		1st April – 30th June 2011	
Cause	Number	Cause	Number
Highways Claims	17	Highways Claims	17
Car Parks	2	Car Parks	2
Supervision at Schools	2	Supervision at Schools	1

Children's Playgrounds	2	Children's Playgrounds	0
Other	4	Other	9
	25		29

6 **Comments of Other Committees**

No other Committees or Panels have been consulted in producing this report

7 **Conclusion**

The Corporate Investigation, Risk and Insurance team will continue to work towards achieving the highest level of standards of investigatory practices to meet government and local targets and to ensure ongoing safeguarding of the public purse.

8 **Appendices Attached**

Appendix A – Financial Investigations Team Results

Financial Investigation Team Results

Context; Monies are received in one of the following way:-

- Compensation where the Council is a victim, the figure can be adjusted for inflation. Typically benefit fraud.
- Confiscation through incentivisation. When a Court makes a confiscation Order, based upon a financial investigation hearing supported by statements. The value of the Order is split between all parties concerned. The Government takes 50%, The Prosecutor 18.75%, The Investigating body 18.75% and HMCS 12.5%. Therefore as a local authority we will receive 37.5% of any confiscation Order. Enforcement of the Orders are conducted by HMCS at Dover. They have the power to appoint receivers and liquidate assets. The bottom lines being if the defendant has the money he will have to pay an Order.
- Also of importance, Slough Financial Investigation Team has the ability to investigate and provide evidence in support of criminal prosecutions, where money laundering and possible confiscations are present.

2009 – 2010 (FI team formed June 2009)

- 2 prosecutions with financial court orders
- £5,500 compensation received
- £93,600 confiscation order value (of which £15,600 is compensation) – unpaid to date but receiver to be appointed

2010 – 2011

- 5 prosecutions with financial court orders
- £30,600 compensation received
- £46,000 confiscation order value, £6,573 paid to date

1/4/11 to 1/6/11

- 4 prosecutions with financial court orders
- £41,100 confiscation orders values, £6446 paid to date
- £27,000 overpayment repayment plus £1,115 interest received through pressure applied by the Confiscation process

9 Background Papers

None