



**London Borough  
of Hounslow**

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

## **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. 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 Hounslow and Ealing. The shared service provides the opportunity for Hounslow 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.

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

How we will address the three strands:

### 6.3 Acknowledge

A review of the Council's counter fraud arrangements against the Fighting Fraud Locally checklist was undertaken in 2016 and the results of this review were reported to the Audit Committee, in June 2016.

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.

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

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.

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.

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

The Council will participate in data matching exercises that use advance analytics to tackle cross-boundary economic crime.

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

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

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

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

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

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   |
|---|---|
| <p><b>Tenancy</b> – Fraudulent applications for housing or successions of tenancy, and subletting of the property.</p> <p><b>Procurement</b> – Tendering issues, split contracts, double invoicing.</p> <p><b>Payroll</b> – False employees, overtime claims, expenses.</p> <p><b>Council tax</b> – Discounts and exemptions, council tax support.</p> <p><b>Blue Badge</b> – 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.</p> <p><b>Grants</b> – Work not carried out, funds diverted, ineligibility not declared.</p> <p><b>Pensions</b> – Deceased pensioner, overpayments, entitlement overstated.</p> <p><b>Schools</b> – Procurement fraud, payroll fraud, internal fraud.</p> <p><b>Personal budgets</b> – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim.</p> <p><b>Internal fraud</b> – 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.</p> <p><b>Identity fraud</b> – False identity / fictitious persons applying for services</p> | <p><b>Business rates</b> – Fraudulent applications for exemptions and reliefs, unlisted properties.</p> <p><b>Right to buy</b> – Fraudulent applications under the right to buy/acquire.</p> <p><b>Money laundering</b> – Exposure to suspect transactions.</p> <p><b>Insurance Fraud</b> – False claims including slips and trips.</p> <p><b>Disabled Facility Grants</b> – Fraudulent applications for adaptations to homes aimed at the disabled.</p> <p><b>Concessionary travel schemes</b> – Use of concession by ineligible person, including Freedom Passes.</p> <p><b>No recourse to public funds</b> – Fraudulent claim of eligibility.</p> <p><b>New Responsibilities</b> – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.</p> <p><b>Commissioning of services</b> – Including joint commissioning, third sector partnerships – conflicts of interest, collusion.</p> <p><b>Local Enterprise Partnerships</b> – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.</p> <p><b>Immigration</b> – Including sham marriages. False entitlement to services and payments.</p> <p><b>Cyber dependent crime and cyber enabled fraud</b> – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.</p> |

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.

7.3 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 Hounslow 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:**

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.

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

The investigation plan details the specific anti-fraud and corruption work the team will deliver during 2017-18.

### **8.2 Councillors:**

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):**

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:

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.

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 Audit:

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 Director of Finance and Corporate Services (Section 151 Officer):

The Director of Finance and Corporate Services liaises closely with the Head of Internal Audit and Investigation on the progress of specific cases.

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@hounslow.gov.uk](mailto:fraud@hounslow.gov.uk)**

If you would prefer to write to us, please send any information to the address below:

Audit & Investigation, London Borough of Hounslow, Civic Centre, Lampton Road, Hounslow, TW3 4DN.

## 10. Whistleblowing

You can either raise your concerns with your line manager, any member of the investigation team or contact one of the post-holders named in the Whistleblowing Policy:

- Head of Internal Audit **020 8583 2350**
- Head of Human Resources **020 8583 3539**
- Head of Internal Governance **020 8583 3974**
- Investigation Team on **0800 328 6453** email [fraud@hounslow.gov.uk](mailto:fraud@hounslow.gov.uk)
- Trade Union staff side member [staffside@hounslow.gov.uk](mailto:staffside@hounslow.gov.uk)

## 11. Reviewing and Monitoring

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



**London Borough  
of Hounslow**

# **2017–18 INVESTIGATION PLAN LONDON BOROUGH OF HOUNSLOW**

| Investigation Type  | Aim   | Desired Outcome  | Implementation Date   |
|---|---|--|---|
| <b>Reactive Investigation Work</b>                              |   |  |   |
| 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 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 (Priority Area)   | 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.   |
| <b>Proactive Investigation Work</b>                             |   |  |   |
| Preventative Strategies: Media & Communications (Priority Area) | <p>Enhance economic crime communication and update literature to include:</p> <ul style="list-style-type: none"> <li>• Disseminate fraud warnings and alerts to relevant managers and officers</li> <li>• Updating the investigation team page on the internet</li> <li>• Develop a fraud and bribery training programme for all staff</li> </ul> | <p>Create a strong anti-fraud &amp; bribery culture within the Council.</p> <p>Raise the awareness of the threat of economic crime against the Council and the correct procedures for reporting crime.</p> <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>Fraud alerts will be distributed throughout the year.</p> <p>Investigation page updated and training developed by June 2017.</p> <p>Fraud campaign and suite of investigation documents completed by September 2017.</p> |

|  |  |  |  |
|--|--|--|--|
|  | <ul style="list-style-type: none"> <li>• Run a counter fraud campaign in the borough</li> <li>• Publicise successful investigation outcomes</li> <li>• Review the Council's suite of investigation documents</li> </ul>  | Provide a visible fraud deterrent by publicising successful criminal investigations to residents online and through local newspapers.  | Outcomes reported throughout the duration of the year. |
| Priority Area: Use of Data Analytics (focusing on Council Tax and Council Tax Reduction) | <p>Ensure we continue to facilitate data and intelligence sharing, using techniques such as data matching and data analytics, to detect economic crime.</p> <p>Targeting:</p> <ul style="list-style-type: none"> <li>• Single Person Discount Fraud</li> <li>• Business Rates Fraud</li> <li>• Housing Fraud</li> <li>• Council Tax Reduction Fraud</li> </ul> | To identify economic crime in an efficient way using advance data analytics in order to identify fraud and error and apply relevant sanctions as required.   | On-going throughout the duration of the work plan.     |
| 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 Hounslow. 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   | Prevent and detect:  | On-going throughout the duration of the year.          |

|                             |   |  |  |
|-----------------------------|---|--|--|
|                             | tenancy audits on Council properties in order to identify housing fraud.  | Key selling fraud<br>Right to buy fraud<br>Sub-letting fraud<br>Succession fraud<br><br>Apply sanctions and recovery of properties when required.  |  |
| 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 such an individual to ensure all potential crimes are identified, not just the one initially referred to us. | 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. |
| 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.<br><br>Prevent this type of fraud occurring in the future. | Initial review to be completed by September 2017   |