

# Corporate Fraud Investigation Team Progress Report April to August 2016

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## REASON FOR ITEM

To inform members of the work undertaken by the Corporate Fraud Investigation Team (CFIT) for April to August 2016.

## OPTIONS AVAILABLE TO THE COMMITTEE

The committee is asked to consider and note the Corporate Fraud Investigation Team report.

## INFORMATION

### 1. Roles and Responsibilities

The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Fraud Investigation Team (CFIT) supports this by providing efficient value for money anti-fraud activities and investigates all referrals to an appropriate outcome. The Team provides support, advice and assistance on all matters of fraud risk including prevention, fraud detection, other criminal activity and deterrent measures.

Corporate Fraud Investigation Team activities since April 2016 included:

- Social Housing fraud
- Council Tax/Business Rates inspections
- Single Person Discount (SPD)
- Residency and Verification checks
- Right to Buy investigations
- Proceeds of Crime investigations
- Housing Waiting List
- Enhanced Recruitment Verification
- Council Tax Reduction Scheme (CTR)
- Trading Standards
- Blue Badge
- Bad debts
- Students
- Unaccompanied Asylum Seekers
- Benchmarking

## 2. Corporate Fraud Investigation Team Objectives

The Corporate Fraud Investigation Team aims to maximise income and reduce expenditure for the Council. The team intends to detect and prevent fraud across all Council activities and when appropriate prosecute offenders. The results of the work of the CFIT will ensure Hillingdon is able to achieve the objective of putting residents first.

## 3. Performance Outcomes April 2016 – August 2016

### 3.1 Social Housing Fraud

In October 2013 the Government passed legislation to criminalise sub-letting fraud. On conviction, tenancy fraudsters face up to two years in prison or a fine. Hillingdon will use these powers to prosecute suitable cases.

The CFIT investigates suspected cases of social housing fraud which are identified either by direct referral from Housing Officers, data matching exercises, verification and repairs visits or telephone calls to the fraud hotline. In 2015/16 the CFIT has recovered 74 properties which are now available to be re-let to residents in genuine housing need. From April to August this year 34 properties have already been recovered.

The Audit Commission, in their report 'Protecting the Public Purse 2014' estimated that nationally it costs councils on average £18,000 a year for each family placed in temporary accommodation. The target set by CFIT for 2016/17 is to recover 52 properties (1 a week).

In total since the commencement of this project in 2010 the CFIT have recovered 294 properties which using the Audit Commission calculation equates to savings of just over £5.2 million.



To promote this project the Blow the whistle on Housing Cheats poster appears in Hillingdon People and Council reception areas. This helps to generate calls to the fraud hotline. All referrals are fully investigated.

Examples of combating social housing fraud are also publicised in Hillingdon People. These articles often describe the improved quality of life for Hillingdon residents who have been allocated the tenancy of a recovered property. This generates positive feedback from residents and encourages reporting of suspected social housing fraud.

Table 1 shows the number of properties recovered monthly and the notional savings achieved based on the Audit Commission calculation.

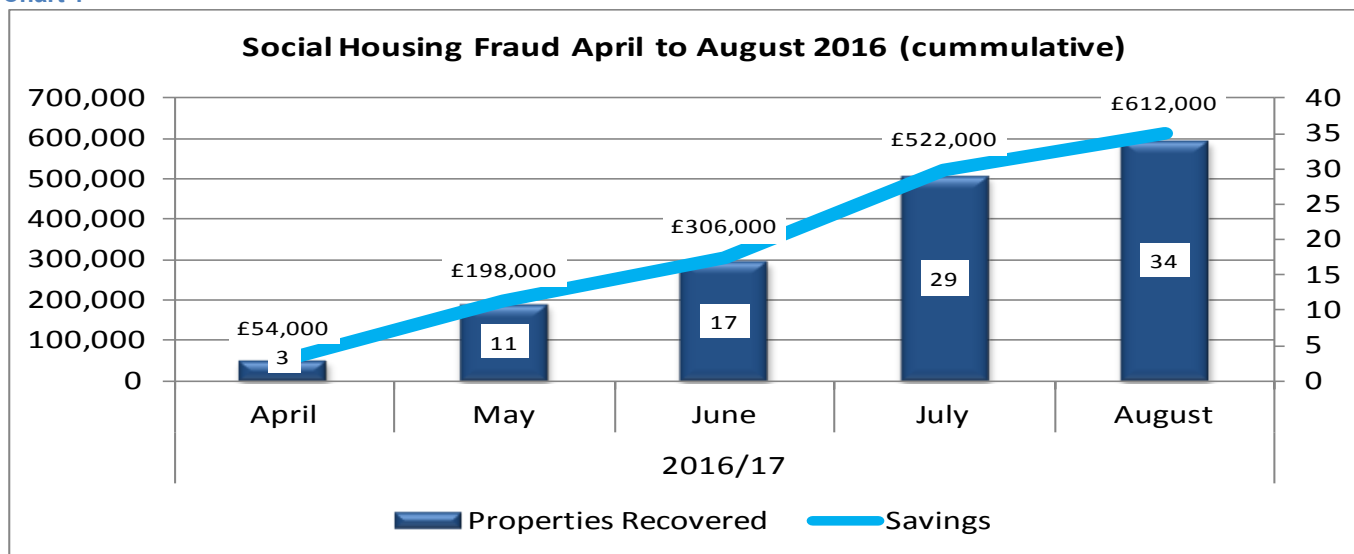
Table 1

Social Housing Fraud – number of properties recovered and savings achieved						
2016/17						
	April	May	June	July	August	Total
Number	3	8	6	12	5	34
Savings	£54,000	£144,000	£108,000	£216,000	£90,000	£612,000

\*The Audit Commission estimates that every property recovered represents a saving of £18,000

Chart 1 shows the cumulative properties recovered and saving since April 2016.

Chart 1



In April 2016 the CFIT commenced a new project in partnership with the Housing repairs service. The repairs service is required to carry out annual Gas Safety checks on all council owned properties. If they are experiencing problems gaining access cases are referred to the CFIT for further investigation. Generally, the properties that the contractor or CHO cannot gain access, have multiple household issues ranging from sub-letting, non-occupation, mental health or vulnerable persons. Some cases include residents in care or hospital.

Since April this year this project has identified 10 cases where the property was unoccupied and was returned to the housing stock for re-allocation.

Generally the repairs service needs authority from the Court to access properties where tenants are not present. This can cost in the region of £900 and is very time consuming. Since April the CFIT through this project have cancelled 4 cases from Court saving the Council both time and money.

### 3.2. Council Tax and Business Rates Inspections

The inspection role for Council Tax and Business Rates within the CFIT is crucial in terms of maximising the Councils revenue income.

From April to August 2016 there have been 5,529 visits. The visiting programme is very intense and officers are trained in all areas of work to ensure an efficient and planned approach to all visits.

Council Tax Inspections are generally reactive and identify the status of those claiming discounts and exemptions. Where the visit establishes the wrong amount of Council Tax is being charged the account is changed and the person re-billed. 3,641 Council Tax inspection visits have been made from April to August 2016. These visits included checks on 514 properties that were recorded as long term empty (properties empty in excess of 6 months). Of these 172 were identified as occupied. This meant that 342 properties were actually unoccupied which was a reduction of 121 on our last Government Return on 5<sup>th</sup> October 2015. The Government rewards Councils for reducing the number of unoccupied properties under the New Homes Bonus Scheme. If this success is maintained the Council will receive approximately £188k per annum from 2017/18.

Business Rate inspection visits are carried out to check occupation status of commercial premises to ensure the Council maximises the non domestic rate revenue. Similarly, the new build visits are carried out to ensure properties are rated for domestic or business rates as soon as they are completed. It is estimated that from January 2016 to March 2017 there will be approximately 1,300 new build properties being developed in Hillingdon. This represents a significant amount of additional revenue. 1,888 visits have been made between April and August 2016 to check Business Rates and New Build Inspections.

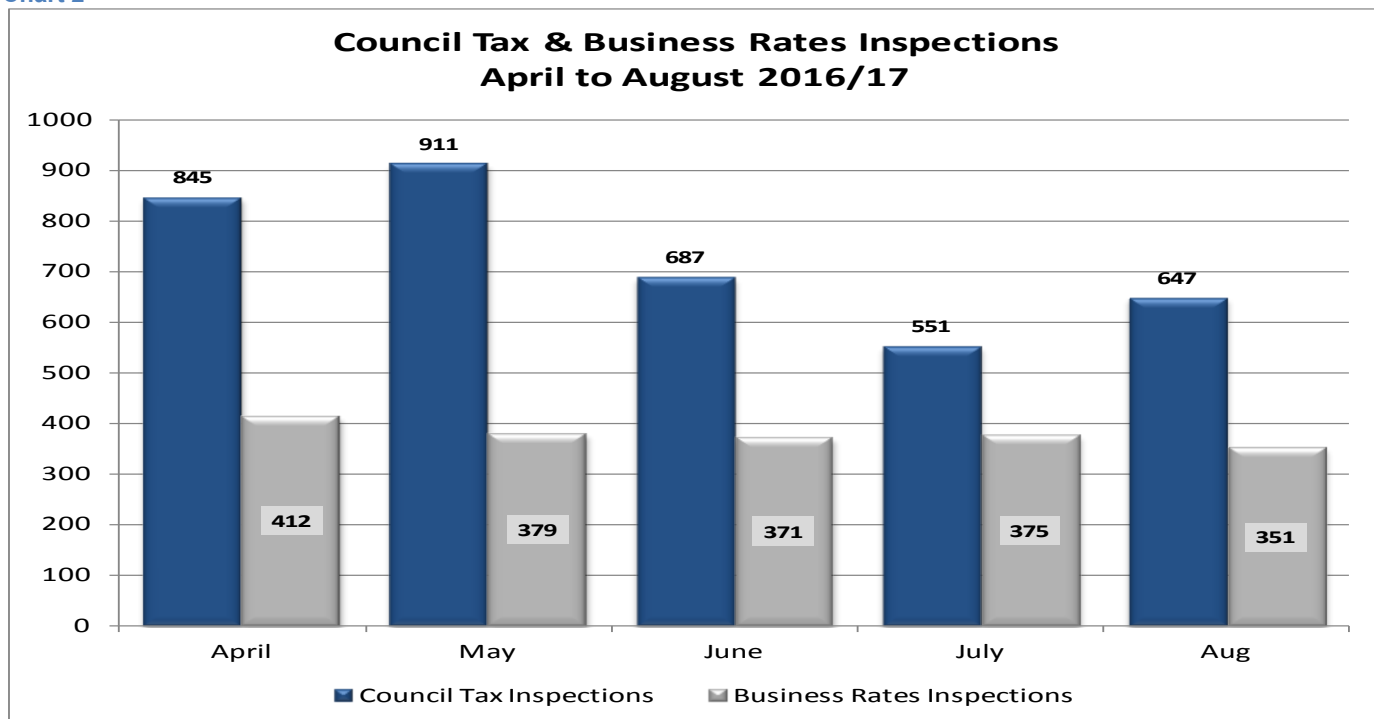
The robust visiting programme continues in 2016/17 working with internal partners such as planning to monitor new developments with the aim of maximising revenue potential. Table 2 and chart 2 show the number of visits carried out each month since April 2016.

Table 2

<b>Council Tax and Business Rates Inspections</b>		
	<b>Number of Council Tax Inspections</b>	<b>Number of Business rates and New Build Inspections</b>
<b>April</b>	845	412
<b>May</b>	911	379
<b>June</b>	687	371
<b>July</b>	551	375
<b>August</b>	647	351
<b>YTD 2016/17</b>	3,641	1,888
<b>Income★</b>	Increase in CT revenue	Increase in Business Rate/New Build revenue

★ Data is not specifically recorded of the increased revenue from CFIT inspections. This additional income contributes to the overall Council Tax and Business Rates revenue.

Chart 2



### 3.3 Single Person Discount (SPD)

The CFIT have been working on a project since January 2015 to identify incorrect claims for Single Person Discount. The project is producing very positive results in terms of reducing the number of SPD claims and generating additional income to the Authority. There are currently 29,762 SPD claims in Hillingdon. Since the commencement of this project SPD numbers are the lowest they have been for the last five years.

The CFIT are operating 5 work streams to match internal data sources against SPD claims.

Under the first work stream Hillingdon First card applications are automatically data matched to SPD records on a daily basis. This process establishes if more than one person is registered for a Hillingdon First card at an address where SPD is being claimed.

The second work stream concerns 'notices of the intention to marry' submitted to the Registrar's Office. Couples have to include their current residence on these applications and these details are matched to SPD claims.

The third work stream involves data matching SPD records with the Electoral register. This establishes if more than one person is registered at an address.

The fourth work stream concerns SPD reviews where visits are made to verify occupancy of a property where SPD is being claimed. Properties in the higher council tax bandings are being targeted as is these are found to be incorrect there will be a greater financial return.

A fifth work stream commenced in August 2016. This involves school places applications. Applications include household composition information and this can be data matched against SPD records.

If a suspected SPD fraud is identified the CFIT carries out additional background checks on the claimant, such as housing records, benefit records, school records and Equifax online credit reference checks. A member of the CFIT then contacts the claimant either by telephone, letter or personal visit to discuss the claim and the evidence indicating fraudulent activity. In most instances as a result of this contact, claimants choose to resolve matters swiftly and make arrangements to repay the Council any monies they have previously claimed in discount. They are keen to settle the matter and avoid any legal repercussions.

We have also run some additional in house reports to compare information on different systems.

Since April 2016 the CFIT have cancelled 258 SPD claims resulting in overpayments of £174k as shown in table 3.

Table 3

<b>Council Tax - Single Person Discount – since April 2016</b>		
<b>Workstream</b>	<b>Number of claims stopped</b>	<b>Overpaid SPD</b>
Hillingdon First Card data matching	21	£9k
Notices of intention to marry checks	46	£28k
Electoral registration data matching	145	£107k
SPD reviews	7	£5k
In-house data matching reports	39	£25k
<b>Total</b>	<b>258</b>	<b>£174k</b>

Charts 3 and 4 show summaries of the SPD overpayments and the number of households where claims have been cancelled from the intervention of the CFIT.

Chart 3

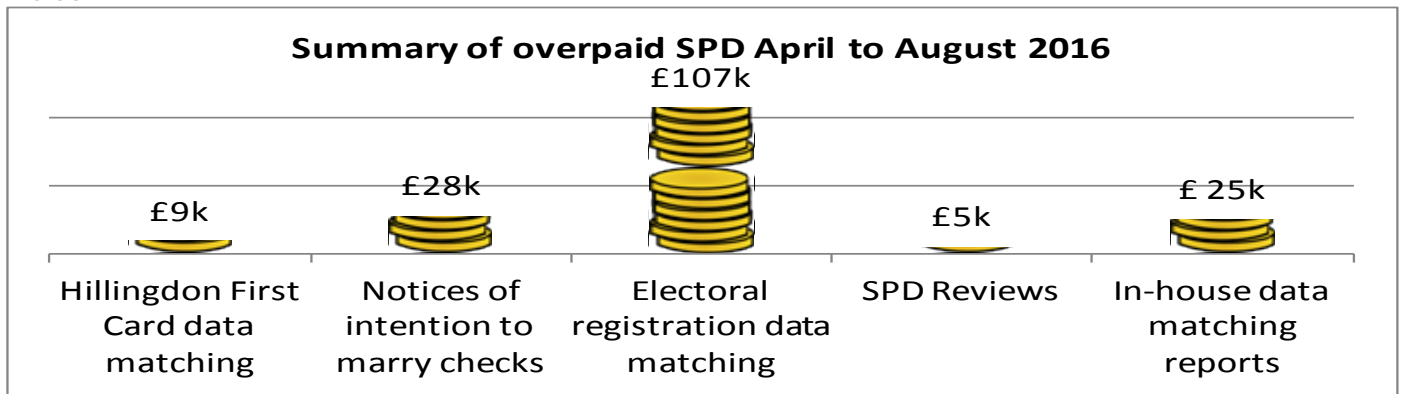
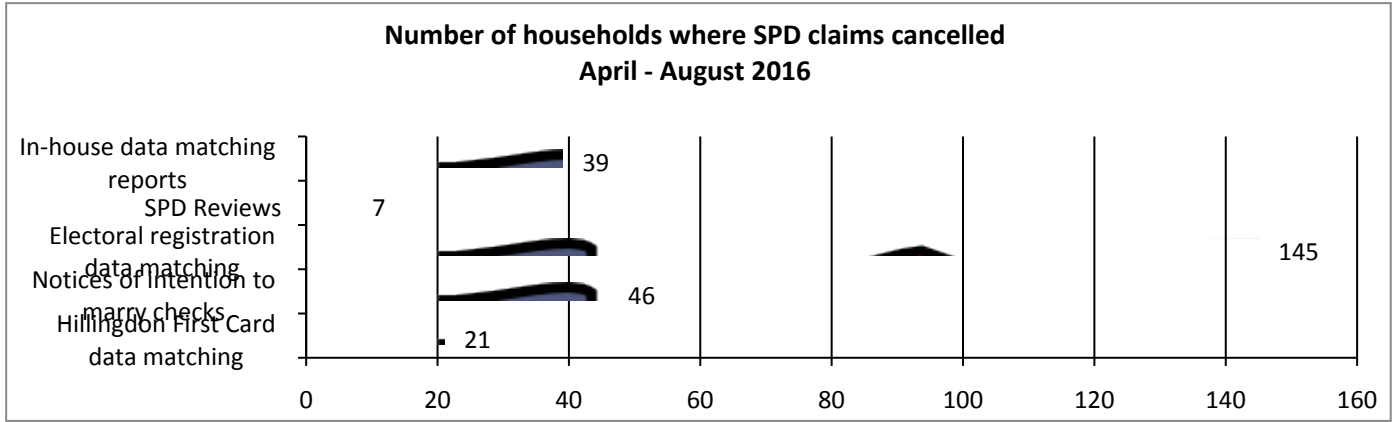


Chart 4



In cases where there is evidence of serious fraud the CFIT will look to pursue the prosecution of the claimant.



The poster opposite appears in issues of Hillingdon People and notice boards around the Borough to raise the profile of Single Person Discount abuse.

### 3.4 Residency and Verification checks.

The aim of this project is to prevent false claims for housing from people that do not qualify for housing support from Hillingdon. This means people who are misrepresenting themselves as homeless and therefore do not have a genuine housing need.

Since April 2016 there have been 5 bed and breakfast accommodations recovered as they were unoccupied by clients who claimed to have been homeless. In June 2016 all bed and breakfast accommodation was visited to check residency. The visits were carried out by CFIT, Housing Options and Housing Rents staff.

The CFIT will continue to carry out unannounced visits to Bed & Breakfast/Temporary Accommodation to verify residency throughout the year. The average duration of a bed &

breakfast placement is 18 weeks. Therefore for the 5 cancellations so far this year approximately £25,830 will be saved through this activity.

The CFIT are working with Housing Officers to identify applicants where there is a suspicion that a fraudulent claim has been made. This could include applicants submitting false wage slips in an attempt to verify economic activity. This would indicate financial independence which is a condition for some claimants to secure a tenancy and increase welfare benefits. Another example is where people falsely claim they are being evicted from an address in Hillingdon when they have never actually been a resident at this address. They are often giving this fraudulent information to attempt to meet the 10 year residency rule. Officers from the CFIT have trained Housing Officers on the identification of possible fraudulent claims. These cases are then referred to the CFIT for investigation.

From March 2016 the CFIT have taken over the responsibility of verifying the circumstances of people on the housing waiting list prior to their imminent offer of permanent accommodation. This is to ensure they are still eligible before the offer is made. The verification process put in place by the CFIT is more robust and includes a wider range of thorough checks. These checks are being processed quicker and are now carried out within 2 days. Verifications take place over a 24 hour period 7 days a week. The service provided has been well received by residents who have been grateful for the flexibility of visit times to suit their availability. To date 846 verification checks have taken place. Of these 17 were found to not be eligible for housing support.

Table 4

<b>Residency &amp; Verification Check cancellations</b>		
	YTD 2016/17	Savings per week
Temporary Accommodation Cancelled	5	★£1435
CFIT verification check	17	
Total savings		£25,830

★Average B&B placement = 18 weeks calculates to £25,830

### 3.5 Right to Buy

Right to Buy (RTB) applications are verified by the Corporate Fraud Investigation Team. Since April 2016 verifications are being carried out on 35 cases. To date as a result of these verifications 1 RTB application has been cancelled and a further 2 cases are under investigation. The cancelled RTB concerned tenants who put in a RTB claim but did not actually live in the property. A notice seeking possession was served which prompted the keys being returned in the post. The 2 other on-going investigations concern an applicant whose partner appears to have a tenancy with a Housing Association and the other case concerns a potential money laundering case where we are not satisfied on how the RTB application is being funded.

Table 5

<b>Right to Buy Cancellations April to August 2016</b>	
<b>Cancelled Applications</b>	<b>Value of discount</b>
1	£103,900

### 3.6 Proceeds of Crime Investigations (POCA)



The role of the Accredited Financial Investigator (AFI) is crucial in the fight against crime. The aim is not only to prosecute serious offenders but also to look at recovering additional monies where the offender has benefited financially from their crimes and a criminal lifestyle can be demonstrated.

These investigations are complex and are often challenged by the offender which results in lengthy legal processes. Therefore it may take many months for a case to reach court and a confiscation order agreed and paid. Hillingdon Council has two fully qualified AFIs.

Under the Home Office incentivisation scheme, Hillingdon Council receives 37.5% of what it recovers. On 30 June 2016, Hillingdon Council received an incentivisation payment of £126,704.44. We are due to receive an incentivisation payment of £19,657.50 on 30 September 2016. The actual amount received will be slightly less than this as the Home Office are currently top slicing all incentivisation payments in order to fund improvements to the Joint Asset Recovery Database and the Asset Confiscation Enforcement Teams.

Five cases are currently under investigation, three relate to breaches of planning control and two relate to breaches of trading standards legislation and are concerned with persons involved in the supply of counterfeit goods.

### **3.7 Housing Waiting List**

A project was set up by the CFIT in April 2015 to review the current Housing Register Waiting List, at that time there were 3,567 applications on the waiting list. The purpose of the project was to identify through checking council records, such as Council Tax information and electoral registration, people on the waiting list who were no longer entitled to Social Housing. Their circumstances had either changed or they provided false information on their application. Removing these people from the waiting list means that the Council will have an accurate data relating to current social housing needs for effective forward planning.

Since the project commenced on 27<sup>th</sup> April 2015, the CFIT reviewed all cases. Cases where a change was readily identifiable were targeted for investigation and if they were no longer eligible they were removed. This has meant that 1,909 applications have been removed from the waiting list. Of these, 119 have been removed since April 2016. In the process of this exercise the CFIT has also identified 32 cases where the household has been incorrectly claiming Single Person Discount for Council Tax which totals £14.1k. This review project will be ongoing in 2016/17 to carry out enhanced checks on the remaining cases on the waiting list. At 1<sup>st</sup> July 2016 there were 2241 applications on the housing waiting list; this includes new people added to the list since the project began.

### **3.8 Enhanced Recruitment Verification**

HR have presented a report which was approved by the Corporate Management Team in December 2015. A pilot project has been re-scheduled to commence in January 2017, the CFIT will carry out enhanced checks to verify identity, qualification, education documents and employment history. This will ensure eligibility to work and effective recruitment. The CFIT has previously identified staff through routine data matching who were ineligible to work because of their immigration status. Expanding these checks in the recruitment process would prevent the future employment of fraudulent applicants. This would prevent damage to the Councils reputation, reduce unnecessary recruitment costs and ensure the appointment of suitably qualified staff.

### 3.9 Council Tax reduction scheme (CTR)

The CFIT is currently reviewing CTR claims against the National Fraud Initiative (NFI) data matches. All cases where anomalies are identified will be investigated and appropriate action taken. Data from the NFI will be provided in 2017.

### 3.10 Trading Standards

From April to August 2016 there were 125 new complaints and service requests recorded for action. These ranged from reports of sales of age-restricted goods to minors, sales of counterfeit goods, and unsafe consumer products to requests for business advice and guidance.

During this period, as part of our participation in the National Trading Standards Safety at Ports project for which Hillingdon receives funding, officers examined 31 consignments of imported goods at the freight sheds at Heathrow. The purpose of the project is to prevent unsafe consumer goods from entering the country, therefore stopping them before they reach the marketplace. The types of unsafe goods found are typically, electric goods, chargers, LED bulbs, toys and cosmetics. Incorrectly labelled sunglasses have also been a feature recently.

A recent article highlighting this work was recently published in Hillingdon People.

†HILLINGDON safety

Hillingdon People finds out how the council is ensuring dangerous goods are intercepted at Heathrow Airport and prevented from reaching consumers in Hillingdon and across the UK.

In 2015/16, Hillingdon stopped nearly 20,000 unsafe and non-compliant goods, worth approximately £500,000 from entering the country, as part of the National Trading Standards Safety at Ports Project. Many types of goods were recovered, including:

- electrical items, which could cause an electric shock or fire, and/or had inadequate labelling or user instructions
- light bulbs with electrical problems or sharp edges
- toys posing safety risks to children
- cosmetics which contain banned ingredients, such as hydroquinone and mercury in skin lightening products
- jewellery which contains dangerous heavy metals.

In a recent project, the team focused on jewellery, with eight out of 11 samples failing tests for containing dangerous heavy metals, such as lead, cadmium and nickel, which can enter the body through contact. Some had in excess of 6,000 times the legal limit.

#### How we stop goods at Heathrow

The council works closely with a range of partners, such as the UK Border Force, HM Revenue and Customs, Medicines and Healthcare Products Regulatory Agency, National Trading Standards and neighbouring local authorities. A single point of contact from National Trading Standards identifies high risk shipments in freight sheds in Hillingdon and refers them to the council for examination. Our assessments are based on the type of goods and previous knowledge of importers. The council will prevent products from entering the market if they are thought to be unsafe.

Officers carry out further checks, such as asking importers for manufacturers' safety certificates and sending sample items away for tests. Goods found unsafe are destroyed and recycled.

Cllr Douglas Mills, Cabinet Member for Community, Commerce and Regeneration, said: "The council is committed to protecting Hillingdon consumers from dangerous products. To the untrained eye, some unsafe goods may appear credible and legitimate, so the work the Safety at Ports Project carries out is extremely important in stopping these from reaching the shops."

#### UNSAFE GOODS SEIZED

Left: hair straighteners  
Above top and far right: toys  
Right and top right: jewellery  
Right: bulbs and electrical items  
Far right: skin lightening products

# Protecting consumers



# FROM UNSAFE GOODS

#### What you can look out for

- electrical items should have a CE mark, a UK three pin British Standard approved plug with fuse and the live and neutral pins should be 9mm from the outside of the plug. Electrical goods should also have meaningful user instructions
- electrical chargers and power supplies should always have a model number and manufacturer's name on it
- toys should also have a CE mark, name and address of the supplier on the packaging and an EN71 toy safety standard on the toy. You should also look for sharp edges or small parts which could be swallowed
- cosmetics should always have an ingredients list and the name and address of the supplier in the EU.



If you suspect businesses or traders are not following consumer protection laws, report them to Citizens Advice consumer helpline on 03454 04 05 06

At the end of June, officers conducted a test purchasing exercise using two 16 year old volunteers who were asked to attempt to buy alcohol from a number of premises about which information had been received. Six premises were visited. One sold a bottle of Smirnoff Ice and a bottle of WKD to the youngsters. Enquiries are ongoing.

In July, a shop owner pleaded guilty in Uxbridge Magistrates Court to possessing and selling counterfeit tobacco which had been concealed around his shop. The goods were discovered and seized during a targeted inspection by Trading Standards Officers using sniffer dogs. The amount seized was 1900g of hand rolling tobacco and 1820 cigarettes - the brands involved included Golden Virginia, Benson & Hedges and Marlboro. The owner stated in mitigation that he had since sold his shop and had minimal income, and was fined £275 and ordered to pay costs of £100 with a victim surcharge of £75.

### **3.11 Blue Badge**

Two targeted operations in conjunction with the police took place in May and June. A proactive operation ran in Uxbridge town centre resulted in 53 badges checked; 1 penalty charge notice (PCN) was issued and 1 criminal investigation was instigated. This case is ongoing. A reactive operation ran as a result of reports received from Hillingdon residents. This operation focussed on badge abuse around a local school. The key suspect was identified, a PCN was issued and the Blue Badge was seized.

Further operations are anticipated before the end of the year.

### **3.12 Bad Debts**

In May the CFIT began working with the Council's Specialist Recovery Team (SRT). The CFIT have taken over cases where it proves difficult to recover the debt even after bailiff involvement. The CFIT have developed a comprehensive investigations process because of their enhanced access to external systems and availability to visit 24 hours a day 7 days a week.

Since the project started in May accounts owing a total of £43k now have direct debits set in place to repay this money.

Based on the success of this project since May the CFIT have set up a project team to manage an intelligence led approach to bad debts. The Team are currently looking at different formats in which to export and manage data on debtors and their debt breakdown. This in turn will support case profiling, allowing CFIT to effectively target resources for the best possible return of revenue to the Council.

### **3.13 Students**

Since April 2016 a new project to look at student council tax exemptions commenced. For the 2015/16 academic year there were 874 properties registered as exempt from Council Tax in Hillingdon, the majority of these are Brunel students. The CFIT have negotiated access to the Brunel student database to facilitate data matching with the Council Tax student list. This matching will take place from September with the new cohort of students. This will also assist the eligible students with claiming the discount as the Council will already have notification from Brunel of their student status.

### 3.14 Unaccompanied Asylum Seekers

In May 2016 the CFIT was asked by the Corporate Director of Children's Social Care to work with staff to verify the circumstances of asylum seekers financially supported by social care.

Checks identified 18 cases for investigation and to date just under £67k has been saved. Another 5 cases are pending further information and are likely to result in savings.

During these investigations the CFIT liaised with the Police to have an Albanian young person arrested and deported after he was found to be using false documents and driving illegally.

Proactive visits have also highlighted clients who were not residing in the accommodation provided and cases where subletting had been identified. Visits will now be made to all asylum seekers accommodation to verify occupancy.

All the savings we have logged are based on payments that were due to be paid for this financial year 2016/17.

### 3.15 Benchmarking

Benchmarking would enable an assessment of the success of fraud detection in Hillingdon and judge the performance of the CFIT. Currently there is no readily available benchmarking data as this has not been a government requirement.

The CFIT in Hillingdon has taken the initiative and is joining with several other neighbouring Authorities to share information to facilitate benchmarking. This will take some time to develop as the metrics need to be agreed to ensure we are all using the same criteria to measure performance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) are currently gathering some data from Local Authorities which will enable some benchmarking to take place.

Updates on benchmarking will be included in future reports.

## 4. CFIT Work Plan for 2016/17

The following Work Plan provides an indication of the CFIT planned work programme for 2016/17.

	What difference will this make
<b>Housing</b>	
Housing verifications	<ul style="list-style-type: none"><li>• Allocation to residents in genuine Housing need</li></ul>
Bed & breakfast checks	<ul style="list-style-type: none"><li>• Ensure residents eligibility to the service</li></ul>
Temporary accommodation	<ul style="list-style-type: none"><li>• Ensure residents eligibility to the service</li></ul>
Social Housing Fraud	<ul style="list-style-type: none"><li>• Recovery of unlawful use of Council properties</li><li>• Allocation to residents in genuine housing need</li></ul>
Housing waiting list	<ul style="list-style-type: none"><li>• Ensure residents eligibility to the service, reduction in waiting list</li></ul>
Housing applications	<ul style="list-style-type: none"><li>• Ensure residents eligibility to the service</li><li>• Allocation to residents in genuine Housing need</li></ul>

Right to Buy	<ul style="list-style-type: none"> <li>• Ensure residents eligibility</li> </ul>
<b>Council Tax Revenue</b>	
Single Person Council Tax Discount	<ul style="list-style-type: none"> <li>• Ensure residents eligibility to the discount</li> <li>• Increased revenue</li> </ul>
Student Council Tax Discount	<ul style="list-style-type: none"> <li>• Ensure residents eligibility to the discount</li> <li>• Increased revenue</li> </ul>
Council tax inspections	<ul style="list-style-type: none"> <li>• Increased revenue</li> </ul>
Business rates inspections	<ul style="list-style-type: none"> <li>• Increased revenue</li> </ul>
<b>Targeted projects</b>	
Blue Badge checks	<ul style="list-style-type: none"> <li>• Reduction in misuse of scheme, increase parking availability to genuine badge holders</li> </ul>
Enhanced recruitment verification	<ul style="list-style-type: none"> <li>• Suitable qualified staff recruited</li> <li>• Protect Council reputation</li> <li>• Reduction in recruitment costs</li> </ul>
Proceeds of Crime investigations	<ul style="list-style-type: none"> <li>• Increase revenue</li> <li>• Prevents future abuse</li> </ul>
Recovery of bad debts	<ul style="list-style-type: none"> <li>• Increase revenue</li> </ul>
Data matching	<ul style="list-style-type: none"> <li>• Increase revenue</li> <li>• Ensure residents eligibility to services</li> </ul>
Trading Standards investigations	<ul style="list-style-type: none"> <li>• Reduction in abuse of legislation, eg selling of illegal tobacco or alcohol</li> </ul>
Mobile working	<ul style="list-style-type: none"> <li>• Improved efficiency, increased checks and investigation capacity</li> </ul>
Cross departmental working	<ul style="list-style-type: none"> <li>• Ensure residents eligibility</li> <li>• Increase revenue</li> <li>• Appropriate use of Council funds</li> </ul>