

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2017/18 Quarter 2 (including the Q3-Q4 Counter Fraud Plan)

18th September 2017



Contents

The Counter Fraud key contacts in connection with this report are:

Muir Laurie

Head of Business Assurance

t: 01895 556132

e: mlaurie@hillingsdon.gov.uk

Martyn White

Senior Internal Audit & Counter Fraud Manager

t: 01895 250354

e: mwhite@hillingsdon.gov.uk

Nicole McLaughlin

Interim Counter Fraud Manager

t: 01895 250369

e: nmclaughlin@hillingsdon.gov.uk

	Page
1. Introduction	3
2. Executive Summary	3
3. Analysis of Counter Fraud Activity in Q2	4
4. Analysis of Counter Fraud Performance in Q2	7
5. Forward Look	7
<u>Appendix A</u> – Q3 to Q4 Counter Fraud Plan	9

1. Introduction

1.1 The Role of the Business Assurance Counter Fraud Team

- 1.1.1 The Business Assurance Counter Fraud Team (BACFT; formerly known as the Corporate Fraud Investigations Team) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the BACFT underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption and other irregularities, including any money laundering activity.
- 1.1.2 As well as counter fraud activity, the team has historically also conducted a range of other types of investigative work which do not necessarily have a criminal element to them i.e. revenue inspections, disciplinary investigations, etc. There is also a range of preventative work that the team is responsible for carrying out, such as fraud awareness training and ensuring the Council has up-to-date and appropriate investigation policies and procedures.

1.2 The Purpose of the Counter Fraud Progress Report to Audit Committee

- 1.2.1 The Counter Fraud Progress Report provides the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all counter fraud work carried out during the Quarter 2 period (19th June to 18th September 2017). In addition, it provides an opportunity for the Head of Business Assurance (HBA) to highlight any significant issues arising from the counter fraud work in Quarter 2.
- 1.2.2 A key feature of the Quarter 2 Counter Fraud Progress Report is the inclusion of the Quarter 3 & Quarter 4 Counter Fraud Plan (please refer to **Appendix A**). This has been produced using a risk-based approach to the Council's recently developed 'Fraud Universe'. This methodology is in line with CIPFA's counter fraud and corruption strategy for local government '*Fighting Fraud and Corruption Locally*' and will help ensure that in future the BACFT's resources are consistently deployed in an effective manner to help the Council achieve its Counter Fraud Strategy.
- 1.2.3 The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the BACFT in meeting its strategic and operational objectives, which provides an opportunity for the HBA to be held to account in this respect.

2. Executive Summary

- 2.1 This is the first Counter Fraud Progress Report to CMT and Audit Committee since the team was transferred to Business Assurance on 1st August 2017. Initial focus by the HBA has been to commence the recruitment process for a Counter Fraud Manager. This follows the decision by the Corporate Fraud Investigations Manager to take early retirement after more than 39 years of service at the Council. An Interim Counter Fraud Manager is now in place and the recruitment process for the permanent post is under way. Additional support is also being provided by the Senior Internal Audit & Counter Fraud Manager who now has line management responsibility for the Counter Fraud Manager post.
- 2.2 Despite going through a period of change, good progress has been made by the team this quarter. As at 18th September, there are **85** ongoing investigations and the vast majority of these (**79 ~ 93%**) relate to different aspects of housing fraud. This includes our preventative (mainly verification) work as well our detection (mainly tenancy) work, where we actively pursue the leads provided by the Intelligence Officers and Visiting Officers/ Inspectors within the team, along with our other sources. Two live cases involve the team working collaboratively with external enforcement agencies. The first case is being led by the UK Border Force and relates to a passport obtained by deception, which in turn was fraudulently used to access LBH social housing. The second case we are working with the Metropolitan Police on an investigation regarding suspected money laundering.

- 2.3 Nevertheless, the main focus of the BACFT's work remains on housing fraud. Further analysis of the BACFT's work in Quarter 2 is included in section 3 of this report below.

3. Analysis of Counter Fraud Activity in Quarter 2

3.1 Housing Fraud - Work in Quarter 2

3.1.1 The main work stream for the BACFT continues to be in relation to the prevention and detection of housing fraud. The Council is exposed to a number of housing fraud risks and deploys significant BACFT resource on the prevention and detection of tenancy fraud in particular. There are different types of tenancy fraud, but some of the most common are:

- *Unlawful subletting* - where a tenant rents out their home without the knowledge or permission of the landlord;
- Wrongly claimed succession - where the resident dies and someone tries to take over or succeed the tenancy when they are not entitled to;
- *Unlawful non-occupation* - where a person fails to occupy a property as their main and principal home, including abandonment;
- *Key selling* - where a resident is paid to pass on their keys in return for a one-off payment;
- *Unlawful assignment* - where a resident stops using their tenancy as their main or principal home, allowing another person to live there without permission from the Council; and
- *Obtaining housing by deception* - where a person gets a home by giving false information on their housing application.

3.1.2 People who are in genuine need of social housing and on the Council's waiting list will have to wait even longer if Council homes are occupied by people who have no right to live there. As a result the Council takes tenancy fraud extremely seriously and will take robust action to regain possession of properties and recover any unlawful profits made by residents wherever we find evidence of tenancy fraud. Our right to do this has been enforced by the Government in 'The Prevention of Social Housing Fraud Act 2013'.

3.1.3 Per **Table 1** below, in the 2017/18 year to date, the BACFT has successfully recovered **20** Council properties, has **1** case being actively pursued for prosecution and has a further **18** suspected tenancy fraud investigations ongoing.

Table 1 ~ Housing Tenancy Fraud Cases

Housing Tenancy Fraud Cases	2017/18 (to date)*		2016/17	
	Cases	£k/value**	Cases	£k/value
Total number of recovered properties	20	£360k	64	£1,152k
Total number of ongoing cases	19	£342k	-	£0k

* = as at 18th September 2017

** = In 2014, the Audit Commission reported the national average temporary accommodation costs to Local Authorities for one family as **£18k per property**.

3.1.4 A general target for the team of recovering **52** properties per year has historically been set by the previous Counter Fraud Manager. However, the HBA is now in the process of reviewing this target alongside other performance measures for the BACFT as a part of a wider review of how and where counter fraud resources are deployed. As per **Table 1** above, 64 properties were recovered in 2016/17 and the team is on track to achieve a similar number in 2017/18, which for both years significantly exceeds the target historically set.

- 3.1.5 It is the HBA's understanding that (on average) tenancy fraud cases take approximately **3** counter fraud days per investigation to reach property recovery stage. Therefore, given the significant value to the Council of successful repossessions as a result of tenancy fraud, it suggests that perhaps moving forward greater focus should be placed on tenancy fraud work by the BACFT. In addition, despite having **9** qualified fraud investigators within the team, there has actually been **no** successful prosecution in 2017/18 to date and only **2** successful prosecutions in the whole of 2016/17. The HBA understands that this has occurred partly as a result of greater emphasis on other work streams by the BACFT. Both of these matters are being actively being looked at by the HBA and will be linked into the Counter Fraud Work Plan for Q3 & Q4 (refer to **Appendix A**).
- 3.1.6 As part of the BACFT's **fraud prevention coverage** they proactively carry out verification work on existing Council tenancies and the housing waiting list. Using information gathered by the Intelligence Officers and Visiting Officers/ Inspectors, the BACFT carry out verification checks which often includes visits to the properties. The team also work with other social landlords and statutory agencies to detect fraud where information sharing protocols are in place, to make sure the right people are living in Council properties.
- 3.1.7 Per **Table 2** below, in the 2017/18 year to date, the BACFT has successfully identified **507** housing tenancy cases that should be rejected for various reasons. In addition there is **1** case being actively pursued for prosecution and a further **18** investigations ongoing.

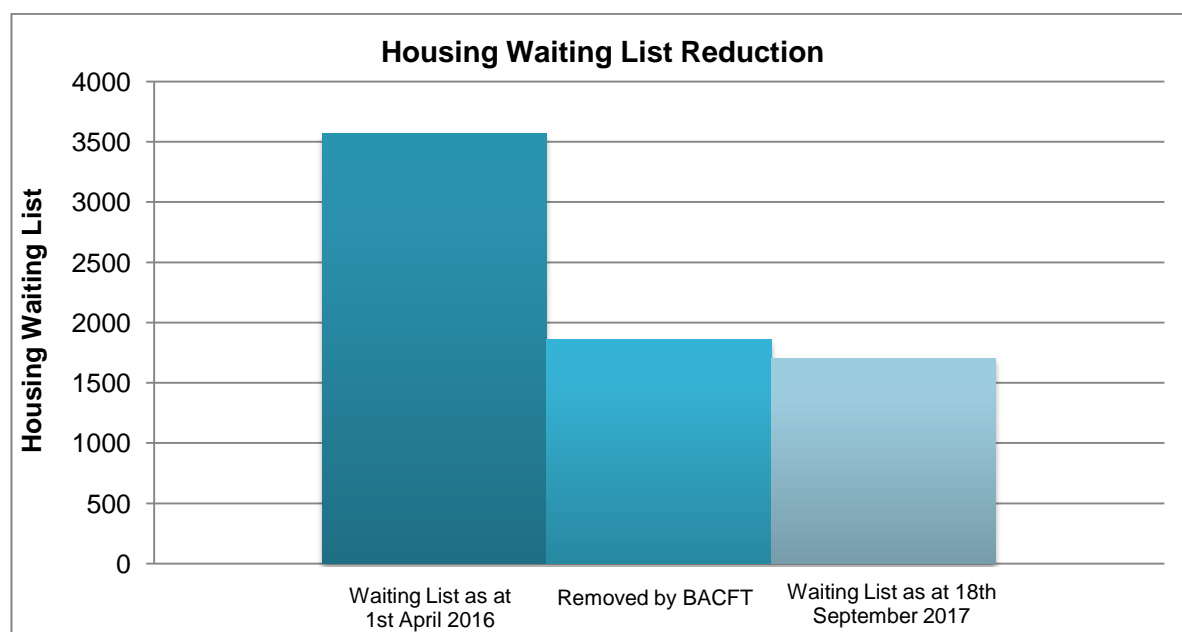
Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2017/18 (to date)*	2016/17
Total number of cases reviewed	1,154	2,127
Total number verified as accurate	647	1,184
Total number rejected	507	943
% identified by BACFT for rejection	44%	44%

* = as at 18th September 2017

- 3.1.8 As at 1st April 2016, the **Council's Housing Waiting List** was **3,567** cases. At 18th September the waiting list has been reduced to **1,705**. The BACFT has been involved in the data verification checks for every single case that has been removed from the waiting list over this period. Whilst the difference is **1,862** cases, this does not take account of all the new cases that have been added to the waiting list which in average month is 21.

- 3.1.9 **Bar Chart 1 ~ Housing Waiting List April 2016 to September 2017**



- 3.1.10 Per **Bar Chart 1** at para 3.1.9, the net reduction in the Housing Waiting List over the last 18 months as a result of the BACFT's verification work is **1,862 cases** and this does not take account of **approximately 380 cases** added to the waiting list during that period. As mentioned earlier in the report, obtaining housing by deception i.e. where a person gets a home by giving false information on their housing application, prevents people who are in genuine need from obtaining social housing. As a consequence, the BACFT has prioritised this work stream over the last 18 months although during Quarter 2 less resource has been spent on this work stream due to the relevant lead investigator being on maternity leave.
- 3.1.11 Due to the preventative nature of this work, it is difficult to attach a monetary value to the reduction in the Council's waiting list. Nevertheless, we know that in 2014 the Audit Commission reported that the national average temporary accommodation costs to local authorities for one family as **£18k** per property.

3.2 National Fraud Initiative - Work in Quarter 2

- 3.2.1 The NFI is a data matching exercise co-ordinated by the Cabinet Office (CO) which is carried out every 2 years. It matches electronic data within and between 1,300 organisations, including councils, the police, hospitals and almost 100 private companies. This helps to identify potentially fraudulent claims and errors. In November 2016 the CO reported that the NFI had helped identify almost £198m in fraud and errors in England.
- 3.2.2 The next NFI exercise is due in 2018/19, although the BACFT are still continuing to work through the data matches identified in the 2016/17 exercise. To date, extra revenue for the Council of **£37k** has been highlighted by the BACFT from the 2016/17 exercise, which would otherwise not have been identified. This figure excludes the electoral registration single person discount cases identified and also does not include any data matching exercises the Council has conducted on its own; this work is progressing.
- 3.2.3 There is now a greater emphasis on data matching in the public sector as a means of preventing and detecting fraud. In addition to the National Fraud Hub, the London Counter Fraud Hub (LCFH) is a new initiative that brings together London Boroughs with counter fraud specialists and the latest technologies, to help local authorities tackle fraud and corruption. At the centre of the LCFH is an analytics solution that helps prevent, detect and recover losses from fraud. Moving forward the HBA will be placing greater emphasis on the BACFT's use of data analytics to help prevent and detect fraud against the Council.

3.3 Blue Badge Fraud - Work in Quarter 2

- 3.3.1 Blue Badge permits provide parking concessions for people with severe mobility problems. The National Fraud Authority continues to highlight this area as a significant fraud risk, with an estimated average of 20% of blue badges reported to being misused in some way. Although the direct monetary value of Blue Badge Fraud is relatively low, the reputational risk in relation to this area is significant for the Council. As a result, Blue Badge Fraud continues to feature in the BACFT's work plan.
- 3.3.2 Following the success of the last Blue Badge operation carried out during Quarter 1 in conjunction with the Police, a proactive enforcement operation was carried out this quarter, primarily focussed on Uxbridge Town Centre and the car park at Hillingdon Leisure Centre. This was a targeted operation following reliable information gathered by the 'Intelligence Officer(s)' and 'Inspectors' within the team.
- 3.3.3 Once again, a positive outcome was achieved for residents; **3** blue badges were seized, **2** Parking Charge Notices were issued and a further **3** cases were referred for criminal investigation. Two of these cases are currently authorised for prosecution and in the other case the investigation is ongoing. These results reflect positively on how the Council tackles Blue Badge Fraud and provides reassurance to residents that fraud in this area will not be tolerated by this Council. Further proactive operations in this area are scheduled for later this financial year.

3.4 Other Counter Fraud Work in Quarter 2

- 3.4.1 Following the team's move across to become part of the Business Assurance service, a period of change has commenced. The Council ultimately wants to have an IA service and CFT that are integrated, whilst remembering they are two distinct functions. In order to achieve that there will inevitably be a period of transition. During Quarter 2 a service improvement plan has been drafted by the HBA and this is now in the process of being progressed.
- 3.4.2 The BACFT has historically undertaken a wide range of work streams that are not always counter fraud focussed, including Council Tax and Business Rate Inspections. Linked to this, the HBA will shortly be implementing a risk based approach to the deployment of all BACFT resource fraud risk. This will help ensure that in future the Council's exposure to its key fraud risks is being appropriately mitigated.

4. Analysis of the Counter Fraud Team Performance in Quarter 2

- 4.1 There are currently no formal KPI targets in place for the BACFT as a service or as individuals and as a result at this stage the HBA is unable to clearly demonstrate in this report how well the team has been performing. Nevertheless, what can be seen by the results achieved this quarter is that as a service the BACFT has continued to be successful in achieving positive outcomes by preventing and detecting fraud against Hillingdon taxpayers. These successes include:
- **3** blue badges seized;
 - **2** temporary accommodation properties returned;
 - **20** council properties recovered;
 - **3** housing applications rejected;
 - **2** right to buy applications denied;
 - **17** unaccompanied asylum seekers reassessed/cancelled;
 - **223** single person discounts cancelled;
 - **1,755** business rate property inspections completed; and
 - **535** council tax property inspections completed including **2** council tax exemptions cancelled.
- 4.2 The HBA has begun work on developing a meaningful set of Key Performance Indicators (KPIs) for the BACFT. These will include individual targets and team targets and will be primarily focussed on ensuring the BACFT is achieving its key objectives and everyone in the team is operating efficiently.

5. Forward Look

- 5.1 Looking ahead to Quarter 3, there are a number of key priorities for the BACFT. Once the recruitment of the permanent Counter Fraud Manager has been completed, a wider review of the Counter Fraud team structure will be carried out by the Counter Fraud team senior managers, to ensure that the team has the right mix of skills, qualifications and experience to meet the needs of the Council moving forward to deliver its updated Counter Fraud Strategy.
- 5.2 Work is already well progressed on updating the Council's Counter Fraud Strategy (previously known as the Anti-Fraud & Anti-Corruption Strategy). These updates have been proposed by the Interim Counter Fraud Manager to help ensure the Council's Counter Fraud Strategy is in line with current best practice. The updated Counter Fraud Strategy which will be presented to CMT and the Audit Committee for consideration in December 2017.

- 5.3 The CF Strategy will also help inform the 'Fraud Universe' and as highlighted earlier in this report, work is well under way in producing this. This requires an extensive analysis of the fraud risks which the Council is exposed to and compiling this involves a range of methods including discussions with each Corporate Director.
- 5.4 The analysis of fraud risks will inform the Counter Fraud Work Plan (refer to **Appendix A**), which will be presented to CMT and Audit Committee for consideration on a quarterly basis. Delivery of the Counter Fraud Work Plan will form the basis of the proactive counter fraud activity to help ensure that this work is systematically targeting key risk areas. This methodology will be underpinned by a risk based approach to the deployment of counter fraud team resource.
- 5.5 The BACFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during Quarter 2. There are no other counter fraud matters that the HBA needs to bring to the attention of CMT or the Audit Committee at this time.

Muir Laurie FCCA, CMIIA
Head of Business Assurance

18th September 2017

APPENDIX A**COUNTER FRAUD WORK PLAN - 2017/18 QUARTER 3 & 4**

Set out below is the **DRAFT** Counter Fraud Plan for all BACFT work commencing in Quarter 3 and 4. This will form the basis of the BACFT proactive activity in the period 1st October 2017 to 31st March 2018.

Fraud Risk - Planned Work	Rationale	Risk Assessment
Tenancy Fraud - The BACFT will continue to review all tenancies to detect any illegal sub-letting of Council Houses.	Our data matching work continues to highlight a significant number of suspicious cases. Positive outcomes for the Council continue to be achieved in this area.	HIGH
Unaccompanied Asylum Seekers (UAS) - The BACFT will continue to review UAS cases to ensure all welfare benefits entitlements are fully being realised.	In 2016/17 we identified 64 cases for investigation saving the Council £192k. 18 cases have been identified so far this year saving the Council a further £55k.	HIGH
Housing Right to Buy (RtB) - The BACFT will continue to target suspicious RtB claims.	In 2016/17 the BACFT verified 92 Right to Buy applications, of which 7 were cancelled. The total amount of discount saved for 2016/17 was £710k. Positive outcomes for the Council continue to be achieved in this area.	HIGH
Single Person Discount (SPD) - The BACFT will review a sample of SPD cases informed by our intelligence gathering.	SPD cases for investigation continue to be identified by the BACFT Visiting Officers and Intelligence Officers. By reducing the number of SPD claims we generate additional income to the Council. In 2016/17 there were 583 SPD claims cancelled resulting in overpayments being returned to the Council of £313k.	MEDIUM
Blue Badges - The BACFT will review a sample of current blue badges to confirm their legitimacy.	Potential loss of legitimate car parking income due to fraudulent use of Blue Badges. Also provides visible assurance to residents that LBH operates a zero tolerance approach to fraud.	MEDIUM
UK Right to Work - The BACFT will conduct verification checks to ensure that any LBH employees in care homes have the right to work in the UK.	Our intelligence gathering indicates there is a risk that LBH may be employing some care workers who are without proper eligibility /right to work in the UK.	MEDIUM
Prevention - The BACFT will carry out proactive prevention work focused upon improving the Council's preventative processes in order to increase the Council's resilience to fraud.	Staff are often the first line of defence in preventing fraud. The Financial Regulations within the Council's Constitution places the responsibility for fraud prevention on all employees. Staff awareness of their responsibilities in relation to preventing and reporting fraud needs to be strengthened.	MEDIUM

APPENDIX A (cont'd)**COUNTER FRAUD WORK PLAN - 2017/18 QUARTER 3 & 4 (cont'd)**

Fraud Risk - Planned Work	Rationale	Risk Assessment
Housing Register Waiting List - The BACFT will continue to review all those on the Housing Register to ensure they genuinely entitled.	To identify those who are not entitled to Social Housing through the cross checking of Council records and our other intelligence. Very positive outcomes achieved for the Council although significantly reducing as awareness increases.	MEDIUM
Housing Applications, Assignments & Successions - The BACFT will review these cases to prevent false claims for housing from people who are misrepresenting themselves as homeless. This involves verifying the circumstances of people on the housing waiting list prior to their imminent offer of permanent accommodation.	In 2016/17 there were 16 bed and breakfast accommodations recovered which were unoccupied by clients who claimed to have been homeless. The average duration of a bed & breakfast placement is 23 weeks at an average nightly charge of £46. Therefore for the 16 cancellations achieved by the BACFT in 2016/17, approximately £118k was saved. Our intelligence tells us this continues to be a significant risk in this borough.	MEDIUM
National Fraud Initiative (NFI) - Delivery of the Cabinet Office's NFI.	This is a statutory requirement and has resulted in a number of positive outcomes for the Council in the past.	MEDIUM

N.B. As per para 5.3, the BACFT is in the process of performing an extensive analysis of fraud risks. This is based on discussions with senior managers and a review of the relevant fraud literature including an analytical review of the areas where fraud has been experienced by local authorities over the last 3 years. The Fraud Universe, once complete, will fully inform future Counter Fraud Planning.