

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2017/18 Quarter 3 (including the Q4 Counter Fraud Plan)

4th December 2017



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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 3 period (19th September to 4th December 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 3.
- 1.2.2 A key feature of the Quarter 3 Counter Fraud Progress Report is the inclusion of the Quarter 4 Counter Fraud Plan (please refer to **Appendix A**). This has been produced using a risk-based approach to the Council's 'Fraud Universe' which is in the process of being developed. 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 - which is also in the process of being updated.
- 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 (as set out in the Counter Fraud Strategy), which provides an opportunity for the HBA to be held to account in this respect.

2. Executive Summary

- 2.1 This is only the second Counter Fraud Progress Report to CMT and Audit Committee since the team was transferred to Business Assurance on 1st August 2017. The recruitment of the new permanent Counter Fraud Manager has now been completed; Zac O'Neil is due to commence with Hillingdon on 11th December. He joins from Wokingham Borough Council and brings a wealth of experience including a track record of successfully managing complex investigations. Zac is an Accredited Counter Fraud Specialist and holds a professional audit qualification, which will help the organisation ensure that in future the Internal Audit and Counter Fraud teams provide a dovetailed approach to their work.
- 2.2 Following the recent office move, a major review of the BACFT structure is now in progress. This is aimed at ensuring that the Council has the right mix of skills and experience to meet the needs of the service moving forward. Running alongside this restructure is the development of the Fraud Universe and the drafting of the Counter Fraud Strategy, as well as updating a number of investigative policies and procedures that underpin the strategy.
- 2.3 During this quarter and significant period of change, reasonable progress has been made by the team. As at 4th December, there are **94** ongoing investigations and **77%** of these (**72**) relate to different aspects of housing fraud.

- 2.4 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, where they are also claiming housing benefits and council tax reduction.
- 2.5 Nevertheless, the main focus of the BACFT's work remains on housing fraud. Further analysis of the BACFT's work in Quarter 3 is included in section 3 of this report below.

3. Analysis of Counter Fraud Activity in Quarter 3

3.1 Housing Fraud - Work in Quarter 3

- 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 **28** Council properties, has **1** case being actively pursued for prosecution and has a further **58** 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	28	£504k	64	£1,152k
Total number of ongoing cases	59	£1,062k	-	£0k

* = as at 4th December 2017

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

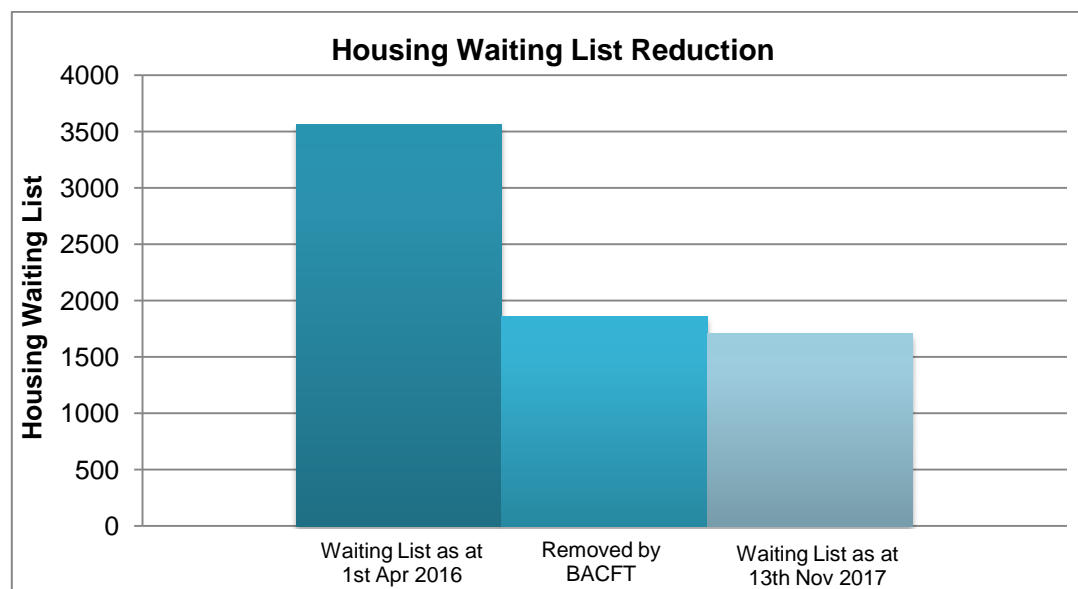
- 3.1.4 A general target for the team of recovering **52** properties per year has historically been set by the previous Manager. However, the HBA is now in the process of reviewing this target alongside other performance measures for the BACFT as a part of a wider review of how and where counter fraud resources are deployed. As per **Table 1** on the previous page, 64 properties were recovered in 2016/17 and the team is on track to achieve at least a similar number in 2017/18, which for both years significantly exceeds the target historically set.
- 3.1.5 As part of the restructure the HBA is looking at how CFT resources are being deployed to ensure that moving forward the team has sufficient resource and the right skills mix to address all key fraud risks. In particular, moving forward there will be a greater focus on **social care loss prevention work**, as well as continuing to maintain a robust approach to the housing fraud risks which the council is exposed to.
- 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 **728** housing tenancy cases that should be rejected for various reasons. In addition there is **1** case being actively pursued for prosecution and a further **4** investigations ongoing.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2017/18 (to date)*	2016/17
Total number of cases reviewed	1,687	2,127
Total number verified as accurate	959	1,184
Total number rejected	728	943
% identified by BACFT for rejection	43%	44%

* = as at 4th December 2017

- 3.1.8 Of the **728** that have been rejected, **41** have had their applications completely closed down. This was as a result of a variety of reasons i.e. they do not have 10 years residency, they have no immigration status, they own a property elsewhere, or they have over £30k in savings or assets. Without the BACFT enhanced verification checks these applications could have been successfully housed.
- 3.1.9 **Bar Chart 1 ~ Housing Waiting List April 2016 to December 2017**



- 3.1.10 As at 1st April 2016, the Council's Housing Waiting List was **3,567 cases**. As at 4th December 2017 the waiting list has been reduced to **1,702**. 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. 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 **1,865 cases** and this does not take account of the cases added to the waiting list during that period. There have been a total of **617** new cases that have been added to the Housing Register just since 1st April 2017.
- 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.
- 3.1.12 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. Unfortunately, due to two members of staff on maternity leave as well as an above average level of staff sickness in the team this quarter, there has been a lack of available resource for this work stream in recent weeks. The HBA expects this situation to improve in quarter 4.

3.2 National Fraud Initiative - Work in Quarter 3

- 3.2.1 The National Fraud Initiative (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 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 relatively 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.
- 3.2.3 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 and the Housing pilot matches. Moving forward the Council's Revenues & Benefits team will be reviewing single person discount data matches and these will only be referred to the CFT where fraud is suspected.

3.3 Blue Badge Fraud - Work in Quarter 3

- 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 in Quarter 2, primarily focussed on Uxbridge Town Centre and the car park at Hillingdon Leisure Centre. 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.

3.3.3 A further **2** cases have commenced investigation this quarter following referrals. These ongoing 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. A further proactive operation in this area is scheduled later this month.

3.4 Other Counter Fraud Work in Quarter 3

3.4.1 As already mentioned, the CFT is going through a period of significant change. The CFT service improvement plan has continued to be updated this quarter and is being progressed. The Council ultimately wants to have an IA service and CFT that are fully integrated and risk-based, whilst remembering they are two distinct functions. In order to achieve this there will inevitably be a short term period of transition where CFT loss prevention work outcomes are not as good as the HBA or the Council would hope.

3.4.2 In addition, the BACFT has historically undertaken an unusually wide range of work streams that are not always counter fraud focussed, including Council Tax and Business Rate Inspections. Following the introduction of the BACFT risk based approach, several lower risk work streams have been reduced, or in some cases have ceased to be undertaken by the BACFT i.e. single person discount data matches are now dealt with by the Council's Revenues & Benefits team. This strategic change in emphasis will help ensure that in future the Council's exposure to its key fraud risks is being appropriately considered by the BACFT.

4. Analysis of the Counter Fraud Team Performance in Quarter 3

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. In addition, the operational strategic objectives of the service are in the process of being updated as part of the review of the Counter Fraud Strategy.

4.2 Nevertheless, what can be seen by the results achieved this quarter and in the 2017/18 year to date 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 as at 4th December 2017:

- **5** blue badges seized;
- **2** temporary accommodation properties returned;
- **3** bed & breakfast accommodation properties returned;
- **28** council properties recovered;
- **5** housing applications rejected;
- **5** right to buy applications denied;
- **18** unaccompanied asylum seekers reassessed/cancelled;

4.3 Results achieved in Quarters 1 & 2 also included:

- **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.

4.4 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 the CF Strategy key objectives and everyone in the team is operating efficiently. These KPIs will be in place by 1st April 2018 at the latest.

5. Forward Look

- 5.1 Looking ahead to Quarter 4 and in advance of 2018/19, there are a number of key priorities for the BACFT that naturally the recently appointed Counter Fraud Manager is keen to contribute to. These include:
- Complete the **staff restructure** including any required recruitment to ensure that the team has the right mix of skills, qualifications and experience to meet the needs of the Council moving forward;
 - Complete the update of the Council's **Counter Fraud Strategy** (previously known as the Anti-Fraud & Anti-Corruption Strategy);
 - Complete the update of all Council's **Counter Fraud related policies**;
 - Embed the new **Counter Fraud processes and methodology** currently being implemented within the team, including the risk-based approach to all referrals; and
 - Complete the **Fraud Universe** in advance of compiling the risk-based Annual Counter Fraud Work Plan for 2018/19;
- 5.2 In addition, discussions are at an advanced stage with the Home Office regarding having an **Immigration Enforcement Officer** on site at the Civic Centre full-time. Early pilots of this initiative have demonstrated that having immediate access to Home Office data facilitates prompt and accurate decisions which significantly reduce fraud and error in relation to housing and social care expenditure. In addition, having an Immigration Enforcement Officer presence within the reception area has proven at other authorities to act as a strong deterrent for those wishing to make fraudulent housing and/or social care claims against local authorities.
- 5.3 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 3. 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

4th December 2017

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

Set out below is the **DRAFT** Counter Fraud Plan for all BACFT work commencing in Quarter 4. This will form the basis of the BACFT proactive activity in the period 1st January 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 and other intelligence gathering 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
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
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 historically, although results are significantly reducing as awareness increases.	MEDIUM

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

Fraud Risk - Planned Work	Rationale	Risk Assessment
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 gathering 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. 5.1, 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.