

BUSINESS ASSURANCE

Counter Fraud Progress Report: 2017/18 Quarter 4

29th March 2018



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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) 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 BACFT 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 have up-to-date and appropriate investigation policies and procedures.

1.2 The Purpose of the Counter Fraud Progress Report

- 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 4 period (5th December 2017 to 29th March 2018). 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 4.
- 1.2.2 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 Strategic Plan), which provides an opportunity for the HBA to be held to account in this respect.

2. Executive Summary

- 2.1 The new permanent Counter Fraud Manager (Zac O'Neil) joined the Council on 11th December 2018 and the restructure of the BACFT is now well progressed, with job offers to the eight successful candidates having all been recently accepted. The new structure will help ensure that moving forward the Council has the right mix of skills, qualifications and experience to meet the needs of the service.
- 2.2 Also during Quarter 4, work on producing the Counter Fraud Strategic Plan has been completed (*see separate item for approval by CMT and Audit Committee*). Running alongside this work has been the process of building the Council's fraud risk profile and the development of the Fraud Universe. The risk profiling work has included review of relevant key documents and meetings with senior managers as part of the integration of the Internal Audit and Counter Fraud annual planning cycle.
- 2.3 In addition, we have started a programme of increased engagement with teams across Council to help improve fraud awareness across the organisation. This has included delivering fraud awareness training to key stakeholders, introducing a Fraud Alert service and updating a number of the Council's investigative policies and procedures that underpin the Counter Fraud Strategic Plan; this work is ongoing.
- 2.4 During the significant period of change this quarter, reasonable progress has been made by the team. As at 21st March, there are **84** ongoing investigations and **90%** of these (**76**) relate to different aspects of housing fraud. This includes our preventative work as well our detection work, where we actively pursue the leads provided by the Intelligence Officers and Verification Officers within the team, along with our other sources. We also have several internal investigations ongoing, including one at an LBH school. Further analysis of the BACFT's work in Quarter 4 is included in section 3 of this report below.

3. Analysis of Counter Fraud Activity in Quarter 4

3.1 Housing Fraud - Work in Quarter 4

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 **43** Council properties, and has a further **64** suspected tenancy fraud investigations ongoing. This includes **1** case that is now in court and being actively pursued for prosecution in conjunction with the Home Office and the DWP.

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	43	£774k	64	£1,152k
Total number of ongoing cases	64	£1,152k	-	£0k

* = as at 21st March 2018

** = In 2014, the Audit Commission reported the national average temporary accommodation costs to Local Authorities for one family as **£18k per property**. We continue to use this prudent estimate for reporting purposes, although across London a number of authorities are reporting that the true cost of each tenancy fraud case is more accurately estimated as **£94k per property**.

3.1.4 A general target for the team of recovering **52** properties per year was set by the previous Manager. However, the HBA and Counter Fraud Manager are now in the process of reviewing this target alongside other potential performance measures for the BACFT as a part of a wider review of how and where counter fraud resources are deployed.

3.1.5 As per **Table 1** above, 64 properties were recovered in 2016/17. The 43 recovered to date in 2017/18 is in the context of the team going through a period of significant change including implementation of a risk-based approach and a major staff restructure.

- 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, 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 **1,087** housing tenancy cases that should be rejected for various reasons. In addition, there is **1** case being actively pursued for prosecution and a further **3** investigations ongoing.

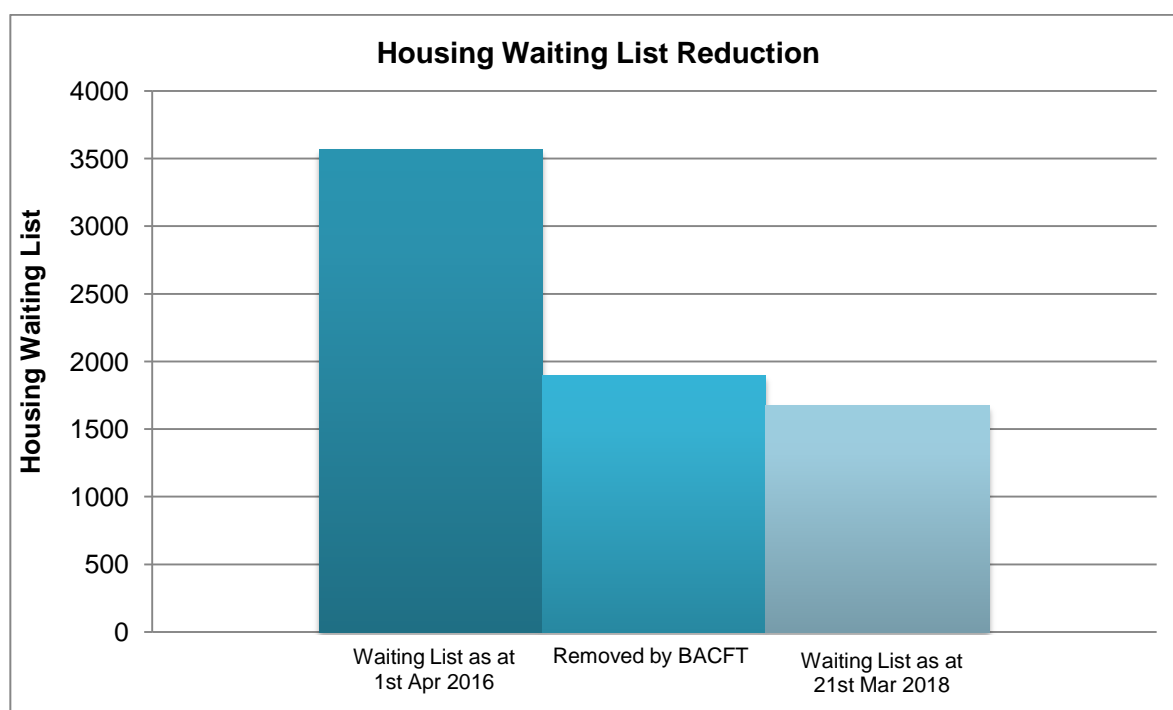
Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2017/18 (to date)*	2016/17
Total number of cases reviewed	2,485	2,127
Total number verified as accurate	1,398	1,184
Total number rejected	1,087	943
% identified by BACFT for rejection	44%	44%

* = as at 21st March 2018

- 3.1.8 Of the **1,087** that have been rejected, **47** 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 March 2018**



- 3.1.10 As at 1st April 2016, the Council's Housing Waiting List was **3,567 cases**. As at 21st March 2018 the waiting list has been reduced to **1,673**. 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** above, the net reduction in the Housing Waiting List over the last two years as a result of the BACFT's verification work is **1,894** cases and this does not take account of the cases added to the waiting list during that period. We confirmed that since 1st April 2017 there have been a total of **707** new cases added to the Housing Register.

- 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. We are also aware that across London a number of authorities are reporting that the true cost of each tenancy fraud case is more accurately estimated as **£94k** 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. Linked to this, we are in the process of liaising with the Council's Housing Team with a view to revising the BACFT's approach in relation to the review of the Housing register.

3.2 National Fraud Initiative - Work in Quarter 4

- 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. As part of the Counter Fraud Strategic Plan 2018/19, we will be placing greater emphasis on the use of data analytics to help prevent and detect fraud against the Council.
- 3.2.3 The next NFI exercise is scheduled for 2018/19, although the BACFT are still continuing to gradually work through the data matches identified in the 2016/17 exercise and the Housing pilot matches. Following the recent restructure, the Council's Revenues & Benefits team now review all Single Person Discount (SPD) and Council Tax Relief (CTR) data matches. As part of the new risk based approach to the deployment of BACFT resources, SPD and CTR cases will only be referred to the CFT where fraud, rather than error, is suspected.

3.3 Blue Badge Fraud - Work in Quarter 4

- 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 successful Blue Badge operations carried out by the BACFT during Quarters 1 and 2, 2 cases of fraudulent use have received official Cautions with a further 3 cases commencing investigation following referral. These cases are progressing well and the ongoing results reflect positively on how the Council tackles Blue Badge Fraud, providing reassurance to residents that fraud in this area will not be tolerated by this Council.

3.4 Social Care Fraud - Work in Quarter 4

- 3.4.1 In line with the move to a risk based approach, a greater focus on social care fraud has commenced this quarter. Whilst it is still relatively early days, our social care fraud work to date has prevented losses of **£64k**. We also have 2 Unaccompanied Asylum Seeker fraud cases and 1 Direct Payments fraud case that are ongoing investigations.

3.5 Other Counter Fraud Work in Quarter 4

- 3.5.1 There is a range of other work that has been carried out by the BACFT in Quarter 4 including Council Tax Relief and Right to Buy investigations. As well as our Housing verifications coverage, we also have several internal investigations ongoing. One of these is a whistleblowing investigation in relation to alleged breaches of financial regulations and safer recruitment procedures at one of our maintained schools.
- 3.5.2 In addition, the BACFT **staff restructure** has been completed this quarter, which will ensure that the team has the right mix of skills, qualifications and experience to meet the needs of the Council moving forward. Further, the **Counter Fraud Strategic Plan 2018/19** has been completed this quarter which has been produced using a risk-based approach to the Council's 'Fraud Universe'.
- 3.5.3 As part of the move to a risk based approach several lower risk work streams have been reduced, or in some cases have ceased to be undertaken by the BACFT this quarter. This includes Single Person Discount data matches which 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 4

- 4.1 Historically there have been no formal KPI targets in place for the BACFT as a service or as individuals, making it difficult to transparently demonstrate actual performance. However, these are now under development by the HBA and the new Counter Fraud Manager and will include individual targets and team targets. The KPIs will be primarily focussed on ensuring that everyone in the team is operating efficiently and the BACFT is achieving the overall counter fraud strategy of maximising fraud loss prevention for the Council. The new **KPIs will be introduced early in Quarter 1 2018/19** and actual performance against these KPIs will be included in the next progress report.
- 4.2 Undoubtedly the staff restructure of the team has impacted available resource during Quarter 4. This in turn, along with the change to a risk-based approach, has had a negative impact on some of the results and outcomes achieved. Nevertheless, what can be seen by the results achieved this quarter and in the 2017/18 year to date (*as highlighted in section 3 of this report*) is that the team has continued to be successful in achieving positive outcomes by preventing and detecting fraud against Hillingdon taxpayers.

5. Forward Look

- 5.1 As well as the introduction of formal KPIs, over the next 3 months there are a number of key priorities for the BACFT, which include:
- Induction of **eight new members of staff**;
 - Complete the update of all Council **Counter Fraud related policies**; and
 - Further embed the new **Counter Fraud processes and methodology** currently being implemented within the team, including the risk-based approach to all referrals.
- 5.2 In addition, from 16th April 2018 the Council will have a Home Office **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 4. 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

29th March 2018