

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2018/19 Quarter 1

30th June 2018



Contents

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

Muir Laurie

Head of Business Assurance

t: 01895 556132

e: mlaurie@hillingdon.gov.uk

Zac O'Neil

Counter Fraud Manager

t: 01895 250369

e: zoneil@hillingdon.gov.uk

	Page
1. Introduction	3
2. Executive Summary	3
3. Analysis of Counter Fraud Activity in Q1	4
4. Analysis of Counter Fraud Performance in Q1	8
5. Forward Look	10

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 The BACFT conducts a range of types of investigative work, some of which have a criminal element to them and some which do not 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

- 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 1 period (29th March to 30th June 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 1.
- 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 major restructure of the BACFT has now been completed** with all permanent posts recruited to and all new members of staff in place. The new structure will help ensure that moving forward the team has the right mix of skills, qualifications and experience to meet the changing needs of the Council.
- 2.2 In line with the approved Counter Fraud Strategic Plan, progress has continued to be made on **developing the Council's fraud risk profile and 'Fraud Universe'** through research and ongoing engagement with managers across the Council. This critical piece of work is increasing the awareness and understanding of the fraud risks faced by a range of key Council services. In addition, fraud awareness training sessions have been delivered to a number of key stakeholders, with further training planned throughout the year. This will include document verification training for over a 100 frontline Council staff, run in conjunction with our in-house Home Office Immigration Enforcement Officer. In addition, a fraud awareness training package for managers and fraud risk workshops are under development to further build on the progress already made in this important area.
- 2.3 During this quarter and whilst building the BACFT to full capacity, **good progress has been made by the team** with the CF operational work plan. As at 30th June, there were **49** ongoing investigations and **69%** of these (**34**) related to different aspects of housing fraud. We have successfully focussed on reducing the overall number of cases that reach investigation, with the objective of improving the quality of referrals and therefore improving investigation outcomes. This has been achieved in part as a result of the introduction of a new streamlined fraud referral process. Guidance has been developed and rolled out to Council officers giving better advice on how and when to refer cases of suspected fraud. This is starting to improve the quality and tracking of fraud referrals which is in line with our new working model and has helped the team move towards a counter fraud service provision to a wider range of the Council's service areas.

- 2.4 The team's work continues to include preventative (mainly verification) work, which is due to be further expanded in Quarter 2 to include new areas of verification. This will increase the level of assurance provided to the Council by the BACFT over expenditure on key services. Our investigative work continues to actively pursue the leads provided by the Intelligence Officers and Verification Officers within the team, along with our other sources. In line with the approved Counter Fraud Strategic Plan, **we are seeking to prevent and deter fraud by increasing our enforcement actions**, such as criminal prosecution and financial penalties, where it is appropriate and proportional to do so.
- 2.5 The team has carried out two successful proactive counter fraud projects this quarter relating to 'Section 17' emergency accommodation expenditure and Blue Badge misuse. This has resulted in identification of **£16k** in loss prevention to date, **3** criminal sanctions for misuse of a Blue Badge, as well as the positive **increase in fraud awareness** that these exercises continue to produce. Further proactive projects are underway and several more are planned for Quarter 2. We also have several internal investigations that are ongoing, all of which are risk assessed by the CFT and commissioned by the relevant Council senior manager in a transparent manner.
- 2.6 A key aspect of the Counter Fraud Strategic Plan was **the introduction of a Home Office Immigration Enforcement Officer (IEO)**. Our IEO joined the BACFT on 16th April and his appointment was followed up with an awareness campaign to introduce him to key stakeholders and establish positive engagement with relevant Council teams. Although it is relatively early days, we have already seen very positive results in relation to loss prevention. Having our own IEO provides a vital resource to a range of Council services to protect the public purse and inform decision making that is based on immigration status.
- 2.7 Although the main focus of the team's work this quarter has remained on housing fraud, this is gradually shifting towards a balanced caseload of work across the Council. Further analysis of the BACFT's work in Quarter 1 is included in section 3 of this report below.

3. Analysis of Counter Fraud Activity in Quarter 1

3.1 Housing Fraud - Work in Quarter 1

- 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 and as a result the Council takes tenancy fraud extremely seriously.

- 3.1.3 The BACFT will take robust but proportionate 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'.
- 3.1.4 Per **Table 1** below, in the 2018/19 year to date the BACFT has successfully recovered **7** Council properties and are actively pursuing **3** cases for eviction. A further **31** investigations for suspected tenancy fraud are ongoing.

Table 1 ~ Housing Tenancy Fraud Cases

Housing Tenancy Fraud Cases	2018/19 (to date)*		2017/18		2016/17	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of recovered properties	7	£126k	43	£774k	64	£1,152k
Total number of ongoing cases	34	£612k	-	-	-	-

* = as at 30th June 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** and some as high as **£150k per property** as a representation of property replacement costs.

- 3.1.5 In addition to work on tenancy fraud, the BACFT carries out investigations into suspected fraudulent **Right to Buy (RTB) applications**. This is where a person is applying to buy their Council house under the statutory scheme, and at a significant discount to market values. The scheme operates under strict conditions that must be met by the applicant if they are to qualify for the discount. In 2018/19 to date the team has identified **3 cases of fraudulent RTB applications** which have been stopped meaning the loss prevention of £103,600 per property (**£310,800** in total RTB discount saved). The BACFT has also secured **1 criminal conviction for fraud** this quarter relating to a RTB application.
- 3.1.6 As part of the team'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 team carry out a range of verification checks which often include visits to 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 2018/19 year to date, the BACFT has successfully identified 113 housing application cases for rejection (for various reasons).

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2018/19 (to date)*	2017/18
Total number of cases reviewed	351	2,485
Total number verified as accurate	238	1,398
Total number rejected	113	1,087
% identified by BACFT for rejection	32%	44%

* = as at 30th June 2018

- 3.1.8 Of the **113** that have been rejected, **7** 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.

3.1.9 Without the BACFT enhanced verification checks these applications could have been successfully housed. Overall, our tenancy fraud and verification work this quarter has resulted in **7 housing applications being completely closed down**.

3.1.10 Following a review of the BACFT services provided across the Council, a number of new areas for verification work have been agreed with Housing management. This additional work will facilitate the prevention and detection of fraud and error, as well as helping to ensure that Council services are available to those in genuine need. The ability to include these additional areas within the team's future work plan is as a result of adopting more efficient working practices. This has included a 'patch based' visiting system for the Verification Officers and the implementation of electronic rather than paper based investigation processes. The new areas of housing verification include:

- **First time buyer scheme** - eligibility based grants scheme helping residents who aspire to property ownership to buy their first home;
- **Mutual exchange** - residents moving into LBH properties who must satisfy eligibility criteria before being approved for the exchange;
- **Right to Buy (RtB)** - expanding our existing work in this area to now include formal verification of every single RTB application to identify potential fraud/ ineligibility; and
- **Bed & Breakfast (B&B) accommodation** - expanding our existing work in this area to now include formal residency checks of all B&B accommodation on a rolling 8 week basis to provide assurance over expenditure.

3.2 National Fraud Initiative - Work in Quarter 1

3.2.1 The National Fraud Initiative (NFI) is a data matching exercise now 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. In line with the approved Counter Fraud Strategic Plan, we will continue to place 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 we are still continuing to work through the data matches identified in the 2016/17 exercise and the Housing pilot matches. Following the recent BACFT 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 1

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.

3.3.2 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 operational work plan with a planned approach of one Blue Badge proactive operation per quarter.

3.3.3 In Quarter 1 a proactive Blue Badge misuse drive operation was carried out in Uxbridge town centre. This operation follows on from successes in previous years taking this approach and resulting in criminal prosecutions and sanctions for misuses. The results of the drive are as follows:

- 66 badges checked by BACFT officers;
- 8 parking contravention notices issued by attending parking Enforcement Officers;
- 3 Blue Badges seized for misuse; and
- 3 criminal investigations opened following badge seizures.

3.3.4 In total there are 4 current ongoing Blue Badge investigations. 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 every quarter in 2018/19.

3.4 Social Care Fraud - Work in Quarter 1

3.4.1 In line with the move to a risk based approach, a greater focus on social care fraud has continued this quarter. The risks to the Council in this area are very high as it is an area of significant expenditure, and one where counter fraud work can have a major impact. Our social care work has included an Unaccompanied Asylum Seeking Child (**UASC**) investigation, which resulted in the discontinuation of funding and a financial saving of c£13k. Fraud awareness work in this area has been carried out with relevant stakeholders.

3.4.2 **Table 3** below provides the summary results of a proactive counter fraud project undertaken in Quarter 1 to review all Section 17 emergency accommodation. This is the first time this project has been undertaken and was carried out with the assistance of the team's new Home Office Immigration Enforcement Officer.

Table 3 ~ Section 17 Emergency Accommodation

Section 17 Emergency Accommodation Summary Results	Q1 2018/19
Total number of properties reviewed	53
Number assessed to continue funding	50
Number of cases identified to discontinue funding ¹	3
Financial loss prevention ²	£25k

¹ = funding has been discontinued in 2 cases and 1 is awaiting a decision

² = **based on the average weekly cost** of funding Section 17 emergency accommodation

3.5 Immigration Enforcement Officer - Work in Quarter 1

3.5.1 Since 16th April, the BACFT has had an Immigration Enforcement Officer (IEO) working within the team. This initiative provides enhanced access to Home Office data for the purpose of assessing cases involving immigration status. The IEO also provides front line assistance to a range of Council services when dealing with a matter involving immigration status.

3.5.2 To date, the IEO has provided assistance in **185 cases** where requests have been made by Council officers outside of the BACFT. Of these cases the following has been identified:

- **13** instances where all rights have been exhausted or the person is an illegal overstayed in the UK and have no recourse to public funds;
- **4** cases which have been referred to the Immigration Compliance Enforcement team for removal; and
- **2** cases of prevention of First Time Buyer scheme grants application fraud resulting in a **financial loss prevention of approximately £35,646** (average grant is £17,823).

3.5.3 The IEO work is still in the relatively early stages, but further information on case outcomes is continuing to be gathered to provide an assessment of the financial impact of the IEO's role within the BACFT. This data will include circumstances where the Council no longer is required due to status to fund an individual. We will also ensuring that individuals are funded by the National Asylum Seeker Support rather than the Council where appropriate. The IEO has also provided invaluable assistance in the Section 17 proactive counter fraud project, by carrying out background checks on all cases where there is potentially an immigration issue. The IEO is currently working on similar background checks in relation to an upcoming **UASC** proactive project which will be completed in Quarter 2.

3.4 Other Counter Fraud Work in Quarter 1

3.4.1 There is a range of other work that has been carried out by the BACFT in Quarter 1 including Council Tax Relief and Council Tax Reduction Scheme fraud investigations. We also have several internal investigations that are ongoing, all of which are risk assessed by the BACFT and commissioned by the relevant Council senior manager. The financial impacts of these other investigations in Quarter 1 amount to the following:

- **£5.5k** of Council Tax Reduction overpayments identified;
- **£4k** of Council Tax arrears recovered resulting from verifications work; and
- **£6.5k** of Housing Benefits overpayments identified as a consequence of counter fraud work.

3.4.2 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 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 1

4.1 Work has been undertaken this quarter to produce **a formal set of KPIs** relevant to counter fraud work which will allow measurement of team performance and enable the BACFT and the HBA to be better held to account by CMT and the Audit Committee. The proposed KPIs (as set out at **Table 4** below) have been formulated against the context of benchmarking information obtained for other similar size and structure counter fraud services.

4.2 **Table 4** below contains the proposed BACFT formal KPIs and the Quarter 1 actual performance against these KPI targets.

Table 4 ~ BACFT Proposed KPIs and Q1 Performance

Counter Fraud KPIs (Proposed)	Target	Q1
1. Percentage of fraud referrals risk assessed within 3 working days	95%	36%
2. Verification work timescales for completion:		
a. Housing Allocations completion within 3 working days	95%	88%
b. First Time Buyers completion within 5 working days	95%	N/A ³
c. Right to Buys completion within 28 working days	95%	N/A ³
3. Housing Bed and Breakfast clients verified every 40 working days	95%	N/A ³
4. Investigation plan completed within 5 wrk'g days of case allocation	95%	N/A ³
5. Tenancy fraud referrals received resulting in property recovery	20%	33%
6. Investigations resulting in sanction (<i>prosecution/penalty/caution</i>)	10%	1%
7. Investigations resulting in loss prevention/financial saving outcome	25%	16%

N/A³ = data is not yet available as this work has not yet begun or the process is not yet in place.

- 4.3 It is still relatively early days to be measuring actual performance against these KPIs and as can be seen at **Table 4** actual performance to date varies significantly across the range of KPIs. For **KPI 5 (Tenancy fraud referrals received resulting in property recovery)** a **20%** KPI target has been proposed. This is based on the **24%** achieved in 2017/18 and an expectation that our work on tackling tenancy fraud will continue to drive down instances of fraud by providing an ongoing deterrent. However, in Quarter 1 the team has achieved **33%** which is an improvement on 2017/18 represents a positive achievement for the team.
- 4.4 We have also carried out an extensive exercise this quarter to gather benchmarking data for London counter fraud teams. This information proved to be very challenging to obtain, as we found reluctance from most London authorities to share their counter fraud results with us. Nevertheless, we managed to obtain a comprehensive set of benchmarking data that was publicly available in relation to 'tenancy fraud number of properties recovered in 2016/17'. The results of this benchmarking exercise are set out in **Table 5** below:

Table 5 ~ Benchmarking Data: No. of Tenancy Fraud Properties Recovered in 2016/17

No.	Council	No. of Recovered Properties
1	Camden	110
2	Hackney	103
3	Southwark	89
4	Lambeth	73
5	Hillingdon	64
6	Enfield	59
7	Waltham Forest	49
8	Wandsworth	48
9	Haringey	48
10	Croydon	45
11	Tower Hamlets	44
12	Greenwich	39
13	Hammersmith & Fulham	21
14	Lewisham	19
15	Richmond upon Thames	16
16	Westminster	13
17	Harrow	13
18	City of London	11
19	Merton	10
20	Sutton	9
21	Bexley	6
22	Hounslow	6
23	Newham	5
24	Ealing	5
25	Barking & Dagenham	*
26	Barnet	*
27	Brent	*
28	Bromley	*
29	Havering	*
30	Islington	*
31	Kensington & Chelsea	*
32	Kingston upon Thames	*
33	Redbridge	*

* = 2016/17 data for these 9 London authorities was not publicly available and to date we have been unable to obtain the data from them directly.

- 4.5 From this benchmarking data we can see that in 2016/17 the BACFT's performance was well above the **average of 39 properties** recovered and in fact LBH was the **5th highest performing council** in London for this data set. However, further analysis work is ongoing to see the detail that sits behind this data i.e. we are trying to accurately establish how many dedicated housing fraud investigators authorities such as Camden have so we can calculate how many properties are recovered per counter fraud f.t.e. member of staff. We also noted that most authorities reported an average notional financial saving per property of £94k, although this figure varied significantly from as low as £3k per property recovered to £150k per property. At LBH we continue to use the Audit Commission's figure of £18k which for 2016/17 (64 properties) equates to **£1,152k** of notional savings.
- 4.6 In advance of the Quarter 2 progress report, we are in the process of obtaining further benchmarking data analysis to help us establish and transparently demonstrate exactly how well the BACFT is performing. It is clear that the time taken on the restructure of the service has negatively impacted the outcomes for Quarter 1. A significant proportion of CF staff have been undergoing training and requiring induction support in their new roles. This was against a backdrop of major change initiatives such as the move to a risk-based approach and implementing paperless investigations. All this has had a detrimental impact on some of the results and outcomes achieved this quarter.
- 4.7 Nevertheless, the team is now at full strength and what can be seen by the results achieved this quarter, (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 Looking ahead to Quarter 2 there are a number of key priorities for the BACFT. These include:
- Train and embed the **nine new members of staff** to ensure they are fully operational as soon as possible;
 - Complete the update of all Council **Counter Fraud related policies**;
 - Further embed the new **Counter Fraud processes and methodology** currently being implemented within the team, including the risk-based approach to all referrals;
 - Fully implement the use of **internal data matching processes** to assist in the prevention and detection of fraud; and
 - Broaden the scope of **engagement with key stakeholders through fraud awareness and risk workshops** to deliver counter fraud services and promote a counter fraud culture within the Council.
- 5.2 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 1. 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

30th June 2018