

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2018/19 Quarter 2

30th September 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, there is also a range of preventative work that the team is responsible for carrying out. This includes, 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 2 period (1st July to 30th September 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 2.
- 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 During this quarter the team has completed **one prosecution for housing fraud**. The defendant, Mr Saleban, was **sentenced to 15 months custody**, suspended for 2 years and **ordered to pay the prosecution costs of over £10k**. This positive result has been widely communicated following a successful and proportional criminal investigation conducted by the BACFT.
- 2.2 In this quarter the BACFT has focussed on the delivery of a number of new counter fraud projects as part of the planned increase in proactive counter fraud work. The team has at the same time continued its fraud prevention and detection coverage through its investigations and verifications activities. New areas of verifications work have been started in different aspects of Housing with new verification work also planned within Social Care. **Some additional benchmarking data has been obtained relating to counter fraud activity in other London Boroughs**, although there remains reluctance by some authorities to transparently share their performance data in this area. The benchmarking data helps the BACFT assess its own performance against other London Boroughs, alongside measuring performance against the **BACFT KPIs implemented last quarter**.
- 2.3 Following the **successful recruitment to all vacant position within the BACFT**, the key focus this quarter has been on developing the knowledge and skills of the team. This is an essential element of the BACFT strategy for ensuring that all staff receive appropriate training and development to enable them to provide a professional counter fraud service. **Both Lead Investigators have completed their professional qualification BTEC Level 7 in Investigations this quarter**. Two Principal Investigations Officers have also recently begun studying the same qualification, with one other Principal Investigations Officer planning on commencing their studies for this qualification during Quarter 3. In addition, we have recently developed a partnership arrangement with CIPFA which will see **ten unqualified members of the BACFT complete their studies in Quarter 3 to become Accredited Counter Fraud Technicians**. This represents a significant development and shows a commitment by the Council to providing a professional counter fraud service.

- 2.4 During Quarter 2 the HBA and Counter Fraud Manager have continued working as part of the Government's Counter Fraud **Trailblazer Group**. This involves working in collaboration with counter fraud colleagues from the Cabinet Office, the Treasury, HM Revenue and Customs and a number of other central government and local government organisations to help develop the Counter Fraud profession. This includes developing a new **Counter Fraud Investigator Apprenticeship**, which is linked to the launch of the *Government Counter Fraud Profession* due to launch this month. It is intended that all BACFT officers will eventually formally join the *Government Counter Fraud Profession* once eligible to do so.
- 2.5 Having a **Home Office Immigration Enforcement Officer** (IEO) as part of the BACFT continues to help the Council successfully prevent fraud against Hillingdon taxpayers. The IEO results to date highlight that the financial benefit of having direct access to this resource clearly outweighs the cost. It also demonstrates the value of a collaborative approach to counter fraud work and public service provision which is in line with the Counter Fraud Strategy approved by CMT and Audit Committee in March 2018.
- 2.6 Other work this quarter has included **drafting/updating all of the Council's investigation related policies**. Further detailed 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 faced by the Council 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 being occupied by people who have no right to live there. As a result, the Council takes tenancy fraud extremely seriously and will always take robust and proportionate action to regain possession of properties and recover any unlawful profits made by residents wherever we find any 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** over the page, in the 2018/19 financial year to date, the BACFT has successfully recovered **10** Council properties and are actively pursuing a further **2** cases for eviction. A further **26** 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	10	£180k	43	£774k	64	£1,152k
Total number of ongoing cases	26	£468k	-	-	-	-

* = as at 30th September 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.

- 3.1.4 BACFT KPI 5 (refer **Table 4** in **Appendix A**) was set in Quarter 1 at a **20% property recovery rate** for tenancy fraud referrals received. In Quarter 2 the team has only achieved **8.6%** compared to **24%** achieved in Quarter 1. This is despite an increase in referrals this quarter from **38** compared to only **24** in Quarter 1. The performance reduction in Quarter 2 is partly linked to the new risk assessment process. We are currently engaging with the Council's Housing Team to better understand the core reasons for the reduction, but an element of this is the quality of the referrals being passed to the BACFT i.e. 25 of the 38 referrals did not pass our risk assessment stage. Nevertheless, an additional **13** tenancy fraud referrals from Quarter 2 are now ongoing investigations, in addition to **13** ongoing investigations from previous quarters (26 ongoing in total).
- 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 prevention of fraud valuing **£310,800** in RTB discount. Currently **5** Right to Buy cases are being investigated or actively pursued in the criminal court by the BACFT.
- 3.1.6 As part of the BACFT's **fraud prevention coverage** it proactively carries out verification work on existing Council tenancies and other housing services. Using information gathered by the Intelligence Officers and Verification Officers, the BACFT carry out confirmation checks which often includes actual visits to the properties. The team also work with a variety of social landlords and statutory agencies to help detect fraud where information sharing protocols are in place, to try and 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 **286** housing tenancy cases that should be rejected for various reasons.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2018/19 (to date)*	2017/18
Total number of cases reviewed	747	2,485
Total number verified as accurate	462	1,398
Total number rejected	286	1,087
% identified by BACFT for rejection	38%	44%

* = as at 30th September 2018

- 3.1.8 Of the **286** cases that have been rejected, **20** 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 Following agreement with Housing management as part of Quarter 1 planning, three new verification processes have been implemented in Quarter 2. These expand the range of verification work carried out and provide additional assurance over expenditure of grants to residents for property purchasing and high value expenditure on temporary accommodation. The new areas of verification are:
- **First time buyer scheme** - eligibility based grants scheme helping residents who aspire to property ownership to buy their first home;
 - **Right to Buy** - formal verification of every RTB application to identify suspected fraud and ineligibility; and
 - **Bed & Breakfast accommodation** - residency check of all Bed & Breakfast accommodation on a rolling 8 week basis to provide assurance over expenditure.

In Quarter 3 the BACFT intends to introduce further verifications processes to cover mutual exchanges for housing.

3.2 National Fraud Initiative - Quarter 2 Update

- 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 a number of 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 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 for Hillingdon is scheduled for this year and uploading of data for our next exercise will begin in Quarter 3 and then be returned to the Council for review during Quarter 4. For now, the BACFT will continue to work through the data matches identified in the 2016/17 exercise as well as the Housing pilot matches.
- 3.2.4 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 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 with a planned approach of at least one Blue Badge proactive 'operation' per quarter.

3.3.2 In Quarter 2 a proactive Blue Badge misuse operation was carried out at Ruislip Lido. This operation follows on from a successful operation in Quarter 1 resulting in **3 criminal sanctions** for identified misuse delivered in Quarter 2, with **1 financial penalty** for misuse, and **2 ongoing Blue Badge investigations**. The results of the drive are as follows:

- **39 badges checked** by BACFT officers;
- **1 parking contravention notice issued** by attending Parking Enforcement Officer; and
- **1 criminal investigation opened** following badge seizure.

3.3.3 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 Quarters 3 and 4.

3.4 Social Care Fraud - Work in Quarter 2

3.4.1 In Quarter 2 the BACFT carried out a proactive counter fraud project looking at Unaccompanied Asylum Seeking Children (UASC) funding. The team has also agreed to implement a new verifications process in Quarter 3 for Social Care Section 17 (s.17) funding residency checks. This follows on from the successful project in Quarter 1.

3.4.2 **Table 3** below provides the summary results of a proactive counter fraud project was undertaken in Quarter 2 to review all USAC accommodation and expenditure. This is the first time this project has been undertaken and was completed with the assistance of the in-house Home Office IEO.

Table 3 ~ Unaccompanied Asylum Seeking Children Proactive Counter Fraud Project

UASC Funded Accommodation	Q2 2018/19
Total number of cases reviewed	85
Number assessed to continue funding	67
Number of cases recommended for discontinuation of funding ¹	18
Financial value ²	£134,316

¹ The reasons for discontinuation includes the young person either misusing funding accommodation or has status in the UK and therefore should be funded from central government.

² Young people receiving funding can receive funding from the ages of 18 through to 25. The value of loss prevention is therefore cumulative. For reporting purpose, only one full year of average funding value has been used (£7,462).

3.5 Immigration Enforcement Officer - Work in Quarter 2

3.5.1 Since the 16th April, the BACFT has had a Home Office IEO working as part of the team. The purpose is to provide enhanced access to Home Office data for the purpose of assessing cases involving immigration status, for assisting in counter fraud work requiring access to home office data. The IEO is also provides front line assistance when dealing with a matter involving immigration status.

3.5.2 As of 30th September, the IEO has provided assistance in **362 cases** where requests have been made by Council officers outside the BACFT. Of these cases the following outcomes have been identified:

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

- 3.5.3 Further information on case outcomes is continuing to be sought from services to provide an assessment of the financial impact of the IEO's presence within the BACFT. This will include circumstances where the Council no longer is required to fund an individual due to status and also for individuals that should be funded by the National Asylum Seeker Support (NASS), rather than the Council where appropriate.
- 3.5.4 The IEO has provided invaluable assistance in proactive counter fraud projects by carrying out background checks on all cases where there is potentially an immigration issue. As a result of the IEO work financial loss prevention valued at approximately **£82,000** has been identified. In addition to the First Time Buyer scheme savings, this is made up of prevention of Social Care s.17 and UASC expenditure.

3.6 Other Counter Fraud Work in Quarter 2

- 3.6.1 With the drive to improve efficiency and quality of all investigations, **all BACFT referrals are now being robustly risk assessed and intelligence checked** before being considered for escalation to the formal investigation stage. **In Quarter 2 there were 103 referrals to the team** from internal or external sources. Nevertheless, the newly embedded risk assessment approach has actually reduced the overall number of ongoing full investigations. As a result at 30th September, there are **46** ongoing investigations and **69%** of these (**32**) relate to different aspects of housing and tenancy fraud.
- 3.6.2 As a result of the intention to **introduce internal data matching** to the scope of the BACFT operational plan, work has been carried out on implementing a Data Protection Privacy Notice to cover this area of work. Data Protection Impact Assessments have also been undertaken as required by GDPR in order to start to process data for data matching purposes. The BACFT is now ready to commence this data matching exercise in Quarter 3 and will report to CMT and the Audit Committee at the end of the next quarter.
- 3.6.3 This quarter the BACFT has carried out four proactive counter fraud projects including the University Bursary scheme. As part of this work the team successfully prevented one bursary from being granted to an ineligible candidate.
- 3.6.4 Other work by the BACFT this quarter has included drafting/updating all of the Council's investigation related policies which includes:
- Prosecution, Sanctions and Enforcement Policy;
 - Anti-Money Laundering Policy;
 - Anti-Bribery Policy;
 - Surveillance Policy;
 - Fraud Response Plan;
 - Internal Investigations Protocol;
 - Whistleblowing Policy; and
 - BACFT Code of Ethics.

These are all in the process of being produced and will be circulated with key stakeholders, including the Audit Committee for comment over the next month.

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

- 4.1 In Quarter 1 KPIs for the BACFT were agreed and implemented to allow effective measurement of BACFT performance and enable the team and the HBA to be better held to account by CMT and Audit Committee. Attached at **Appendix A** is **Table 4** which sets out the actual cumulative performance by the BACFT against the KPIs as at 30th September 2018.

- 4.2 As can be seen from **Table 4** actual performance for all KPIs is significantly lower in most areas of the desired standard of performance. Nevertheless, as highlighted earlier in this report, a strategic move to a risk-based approach has been implemented and significant investment in training and developing the BACFT staff has been required. Both of these initiatives will help the Council deliver a much higher level of performance in the longer term. The HBA remains confident that by the end of the 2018/19 financial year actual performance against the KPIs will have significantly improved for the BACFT.
- 4.3 In addition, during Quarter 1 we carried out an exercise in gathering benchmarking data comparisons with other London Borough counter fraud teams. During Quarter 2 we have continued to seek to obtain benchmarking data relating to counter fraud activity. In particular, following the request from Audit Committee members for comparison data concerning housing stock for London boroughs, this data has been obtained for the majority of London boroughs (refer to **Table 5** at **Appendix B**).
- 4.4 **Table 5** provides a summary for London boroughs of the number of council properties recovered by counter fraud work, against the total housing stock for each London borough (as at 2016/17). What can be seen from this table (as per **Table 6** at **Appendix C**) is that **Hillingdon is amongst the highest performers in London** in this area of counter fraud work. The results achieved this quarter demonstrate a positive direction of travel and that overall 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 3 there are a number of key priorities for the BACFT. These include:
- Further progress towards a **fully qualified professional team** of Investigators, Verification Officers and Intelligence Officers;
 - Continue embedding the new **Counter Fraud processes and methodology** within the team, including the risk-based approach to all referrals;
 - Fully introduce 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 further promote the counter fraud culture within the Council;
 - Begin planning the process of **joint working with the Department for Work and Pensions** on benefit fraud affecting the Council, due to commence in Quarter 4; and
 - Carry out **counter fraud** work on areas of highest risk to **maximise loss prevention opportunities** for 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 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

30th September 2018

APPENDIX A**Table 4 ~ BACFT KPIs and Quarter 2 Actual Performance**

KPIs	Target	Q2
1. Percentage of fraud referrals risk assessed within 3 working days	95%	51%
2. Verification work timescales for completion:		
a. Housing Allocations completion within 3 working days	95%	89%
b. First Time Buyer completion within 5 working days	95%	71%
c. Right to Buy 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 completion within 5 working days of case allocation	95%	25%
5. Tenancy fraud referrals received resulting in property recovery	20%	8.6%
6. Investigations resulting in sanction (<i>prosecution/penalty/caution</i>)	10%	4.5%
7. Investigations resulting in loss prevention/financial saving outcome	25%	16%

³ = data is not yet available as the Civica process for reporting is currently in development with ICT.

APPENDIX B**Table 5 ~ Benchmarking Information for Properties Recovered in 2016/17**

No.	Council	Total Stock	Recovered Properties	%
1	Merton	60	10	16.67
2	Bexley	90	6	6.67
3	City of London	440	11	2.50
4	Hillingdon	9,940	64	0.64
5	Enfield	10,080	59	0.59
6	Waltham Forest	9,740	49	0.50
7	Camden	23,080	110	0.48
8	Hackney	21,780	103	0.47
9	Tower Hamlets	11,690	44	0.38
10	Croydon	13,800	45	0.33
11	Lambeth	23,720	73	0.31
12	Haringey	15,420	48	0.31
13	Wandsworth	16,800	48	0.29
14	Harrow	4,840	13	0.27
15	Southwark	38,550	89	0.23
16	Greenwich	21,550	39	0.18
17	Hammersmith & Fulham	12,300	21	0.17
18	Sutton	5,980	9	0.15
19	Lewisham	14,420	19	0.13
20	Hounslow	12,920	6	0.05
21	Ealing	11,910	5	0.04
22	Newham	15,810	5	0.03
23	City of Westminster	11,890	13	0.11
24	Richmond upon Thames**	0	16	N/A
25	Barking & Dagenham*	*	*	N/A
26	Barnet*	*	*	N/A
27	Brent*	*	*	N/A
28	Bromley*	*	*	N/A
29	Havering*	*	*	N/A
30	Islington*	*	*	N/A
31	Kensington & Chelsea*	*	*	N/A
32	Kingston upon Thames*	*	*	N/A
33	Redbridge*	*	*	N/A

** = Councils are able to investigate Housing fraud on behalf of social landlords and recover properties on their behalf. This is normally done in return for nomination rights on properties or as a commercial service.

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

APPENDIX C**Table 6 ~ Benchmarking Data No. of Tenancy Fraud Properties Recovered in 2016/17**

No.	Council	No. of Recovered Properties in 2016/17
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.