

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2018/19 Quarter 3

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

Muir Laurie FCCA CMIIA

Deputy Director of Exchequer &
Business Assurance Services (Acting)
t: 01895 556132

e: mlaurie@hillingsdon.gov.uk

Zac O'Neil PIIA CIA

Counter Fraud Manager
t: 01895 250369

e: zoneil@hillingsdon.gov.uk

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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 3 period (1st October to 31st December 2018). In addition, it provides an opportunity for the Deputy Director of Exchequer & Business Assurance Services (Acting) [DDEBA] to highlight any significant issues arising from the counter fraud work in Quarter 3.
- 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 DDEBA to be held to account in this respect.

2. Executive Summary

- 2.1 During Quarter 3 the BACFT has achieved **three successful prosecutions** relating to Housing fraud, Council Tax Reduction fraud and Blue Badge misuse. One of these cases was prosecuted jointly with the Department for Work & Pensions and the Home Office Immigration Service, resulting in the defendant receiving a **three and a half years custodial sentence** for benefits and immigration offences. The other two cases received sentences of **40 hours community service for Right to Buy fraud** and an **£800 fine for blue badge misuse**. Both defendants were required to pay considerable costs, **together totalling £4,500**. We are in the process of publicising these outcomes in the local press and via internal council communications to raise awareness and act as a deterrent to others potential fraudsters.
- 2.2 During this quarter the BACFT has focused on the delivery of a wide ranging housing **tenancy fraud project** and successfully delivered a proactive **blue badge** counter fraud exercise. The team has at the same time continued its fraud prevention and detection coverage through its investigations and verifications activities. This includes carrying out further engagement with the Housing department on increasing referrals and working more effectively together. New areas of verifications work have been designed in different aspects of Housing, with further new work streams due to be implemented in Quarter 4.
- 2.3 Significant progress has been made by the team in meeting the objectives of the **KPIs** implemented at the end of Quarter 1. This has been achieved through the BACFT's commitment to ongoing professional training, developing its knowledge and skills, and reviewing and improving internal processes. In this quarter, one Principal Investigations Officer has completed their **BTEC Level 7 in Investigations**, two have commenced their professional studies and **ten officers** from the Intelligence and Verifications sub-teams have completed their professional studies to become **Accredited Counter Fraud Technicians**. We will be seeking to acquire further benchmarking data in the next quarter relating to London Boroughs counter fraud work for reporting and comparison of our full year performance.

- 2.4 In order to meet the demands of additional work-streams in Quarter 4 and beyond, increases in resource requirement have been identified for Quarter 4 relating to external and internal data matching exercises and a sustained increase in verifications work. This is all totally focussed on maximising loss prevention and fraud detection. The recruitment of an additional **two Principal Investigation Officers** has been approved and these posts will help meet the increase in demand for counter fraud services. These roles will work closely with the Intelligence and Verifications sub-teams.
- 2.5 Having a **Home Office Immigration Enforcement Officer (IEO)** as part of the BACFT continues to help the Council 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 carried out in Quarter 3 includes completing the updates to **all of the Council's investigation related policies**; these have been separately circulated to Audit Committee members for their consideration and review. In addition, a new **electronic document collection** process has been introduced for mobile working in collaboration with ICT. This change improves efficiencies and moves the team closer to fully paperless processes. Further detailed analysis of the BACFT's work in Quarter 3 is included in section 3 of this report.

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, as detailed in the Counter Fraud Strategy for 2018/19, and deploys significant BACFT resource on the prevention and detection of housing fraud.
- 3.1.2 Per **Table 1**, in the 2018/19 financial year to date, the BACFT has successfully recovered **14** Council properties and are actively pursuing a further **2** cases for eviction. A further **29** 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	14	£252k	43	£774k	64	£1,152k
Total number of ongoing cases	29	£522k	-	-	-	-

* as at 31st December 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.

- 3.1.3 The 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 3 the team has achieved **16%** property recovery rate (**19%** for the year to date). The team has commenced **14** new tenancy fraud investigations in Quarter 3, increasing the total number of ongoing investigations in this area to **29**.

- 3.1.4 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 **4** cases of fraudulent RTB applications which have been stopped meaning the prevention of fraud valuing **£415,700** in RTB discount. This includes the **successful prosecution** in Quarter 3 for fraud relating to the RTB scheme. Currently there are **4 ongoing RTB fraud** cases being investigated by the BACFT.
- 3.1.5 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 the Verification Officers carry out confirmation checks, which often includes un-notified visits to 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.
- 3.1.6 Per **Table 2** below, in the 2018/19 year to date, the BACFT has successfully identified **598** 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	1,437	2,485
Total number verified as accurate	839	1,398
Total number rejected	598	1,087
% identified by BACFT for rejection	42%	44%

* as at 31st December 2018

- 3.1.7 Of the **598** cases that have been rejected, **20** applications have been completely closed down. This was due to 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 may well have been successful and the applicant would then have been housed in a Council property.
- 3.1.8 The BACFT Verification and Intelligence sub-teams now cover a wide range of work streams, providing assurance over expenditure of residents' grants for property purchasing and high value expenditure on temporary accommodation. The areas of verification are:
- **First time buyer scheme** - eligibility based grant 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.
 - **Bed & Breakfast accommodation** - residency check of all Bed & Breakfast accommodation on a rolling 8 week basis to provide assurance over expenditure.
 - **Section 17 Accommodation** - residency check of all Section 17 accommodation on a rolling 8 week basis to provide assurance over expenditure.
 - **Social Housing Allocations** - formal verification of all social housing applicants that are actively seeking accommodation to identify suspected fraud or ineligibility.
 - **Section 17 Verification checks** - Initial checks on applicants who approach social care for assistance with accommodation to ensure eligibility.
- 3.1.9 In Quarter 4 the BACFT intends to introduce further verifications processes to cover mutual exchanges and Succession & Assignment for housing.

3.2 National Fraud Initiative - Quarter 3 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 Initiative, the **London Counter Fraud Hub** (LCFH) is a new initiative that brings together London Boroughs with counter fraud specialists and the latest technologies, to help local authorities tackle fraud and corruption. At the centre of the LCFH is an analytics solution that helps prevent, detect and recover losses from fraud. The council is due to begin 'on-boarding' for the LCFH in Quarter 4 and an update will be provided as part of the Quarter 4 Progress Report.
- 3.2.3 The next NFI exercise for LBH is scheduled to be carried out in January 2019. The BACFT are continuing to work through the data matches identified in the 2016/17 match and will begin work on the 2018/19 matches shortly. In line with the Counter Fraud Strategic Plan, we continue to place greater emphasis on the use of data matching and analytics to help prevent and detect fraud against the Council, and identify loss prevention opportunities.

3.3 Blue Badge Fraud - Work in Quarter 3

- 3.3.1 Blue Badge permits provide parking concessions for people with severe mobility problems. Historically the scheme was restricted to people with physical disabilities so they can park closer to their destination than other drivers, as they are less able to take public transport or walk longer distances. However, in the biggest overhaul to the scheme since the 1970s, the new criteria has extended eligibility to people with less visible conditions i.e. people with autism and mental health conditions now have access to Blue Badges, removing the barriers many face to travel.
- 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 work plan with a planned approach of at least one Blue Badge proactive 'operation' per quarter.
- 3.3.3 In Quarter 3, two proactive Blue Badge misuse operations were carried out in Hayes Town Centre and Uxbridge High Street. The results are as follows:
- **130 badges checked** by BACFT officers;
 - **4 criminal investigations** commenced following badge seizure; and
 - **7 financial penalties** of £100 with Simple Cautions administered.
- 3.3.4 The results from proactive projects are in addition to the **successful prosecution** achieved this quarter. An investigation, following a referral from a member of the public, found a person to have repeatedly misused a family member's blue badge in order to park and take the train to work in the city. He pleaded guilty in court and received an **£800 fine** and was ordered to pay **£3,500 in costs** to the Council. These outcomes 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 projects in this area are scheduled for Quarter 4.

3.4 Tenancy Fraud Project- Work in Quarter 3

- 3.4.1 This quarter the team started a risk based proactive project conducting residency checks of Council tenancies. The objective of this project is to verify that Council properties are lawfully occupied.

3.4.2 This exercise helps identify fraud being committed through subletting or non-occupation. Our work in this area leads to the recovery of Council properties and the identification of associated loss preventions e.g. Council Tax discounts.

3.4.3 The results of this project to date are as follows:

- 326 properties were visited (over 700 visits in total accounting for multiple visits required to a number of properties);
- 265 properties (81%) were verified as lawfully occupied including 2 tenancies to be downsized and including several cases of unpaid Council Tax (Single Person Discount) and Housing Benefit overpayments;
- 60 properties unable to be verified as yet. These are case where the tenant has not been found at the property despite multiple visits at different times of the day during the week/at weekends. Our intelligence gathering work is well under way and 3 of these cases have already been passed to the Investigations sub for full investigation. As our intelligence gathering work continues on these properties in Quarter 4, it is likely that a significant number of these properties will be identified as illegally sub-let or unoccupied leading us to commence property recovery proceedings; and
- The remaining 1 property is to be returned to housing stock (deceased tenant).

3.5 Immigration Enforcement Officer (IEO) - Work in Quarter 3

3.5.1 Since 16th April 2018, 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 and for assisting in counter fraud work requiring access to home office data.

3.5.2 The IEO has so far provided invaluable assistance in counter fraud work and many other Council service areas, such as Social Care and Housing, by carrying out background checks and carrying out face to face interviews where there is potentially an immigration issue. As a result, the work of the IEO in financial loss prevention across the Council in Quarter 3 is prudently estimated at **£162,432**. Refer to **Table 4** in **Appendix B** for a breakdown of identified loss prevention savings to date.

3.6 Other Counter Fraud Work in Quarter 3

3.6.1 With the drive to improve efficiency and quality of investigations, all BACFT referrals are now robustly risk assessed and intelligence checked before being considered for escalation to formal investigation stage. **In Quarter 3 there were 104 referrals for investigation** from internal and external sources. At 31st December 2018, there were **66** ongoing investigations and **71%** of these (**49**) relate to different aspects of housing and tenancy fraud.

3.6.2 A **Data Protection Privacy Notice** covering **internal data matching** has now been approved. Data Protection Impact Assessments are also required by the Data Protection Act 2018 and will be produced for each new data matching exercise. This means that the BACFT will now be able to fully commence data matching work in Quarter 4, the results of which will be reported to CMT and the Audit Committee.

3.6.3 All of the Council's investigation related policies have now been updated and circulated to Audit Committee members for their consideration, including:

- Prosecution & Sanctions Policy;
- Anti-Money Laundering Policy;
- Anti-Bribery Policy;
- Surveillance Policy;
- Fraud Response Plan;
- Corporate Investigations Protocol; and
- Whistleblowing Policy.

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

- 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 DDEBA to be better held to account by CMT and Audit Committee. Attached at **Appendix A** is **Table 3** which sets out the performance by the BACFT against the KPIs as at 31st December 2018. This includes changes to the presentation as requested by the Audit Committee to include both cumulative and quarterly performance metrics.
- 4.2 As can be seen from **Table 3**, performance for all KPIs has significantly improved from Quarter 3. Despite the improvements to date, there is more work that can and will be done to drive further increases in performance. The HBA remains confident that by the end of the 2018/19 financial year, actual performance against the KPIs will have further improved for the BACFT.
- 4.3 **Appendix B** and **Table 4** provides an overview of the financial performance of the team in 2018/19. This is the first time this has been provided as part of a BACFT progress report, and demonstrates one of the metrics by which performance can be measured.

5. Forward Look

- 5.1 Looking ahead to Quarter 4 there are a number of key priorities for the BACFT. These include:
- Complete the **recruitment of two Principal Investigation Officers** to work closely with the Intelligence and Verifications sub-teams;
 - Begin **joint working with the Department for Work and Pensions** on matters involving both Housing Benefit and Council Tax Reduction fraud in order to maximise loss prevention in this area;
 - Lead on the Council joining the **London Counter Fraud Hub** ensuring that the Council is fully prepared to take advantage of all opportunities presented;
 - Carry out **internal data matching processes** to assist in the prevention and detection of fraud and begin work on **external data matching exercises through the NFI**;
 - Continue **engagement with key stakeholders through fraud awareness and risk workshops** to further promote the counter fraud culture within the Council;
 - Review current **counter fraud work-streams** to ensure the effective use of resources, seeking opportunities to **maximise loss prevention opportunities** for the Council through targeting the areas of highest fraud risk.
- 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 3. There are no other counter fraud matters that the DDEBA needs to bring to the attention of CMT or the Audit Committee at this time.

Muir Laurie FCCA CMIIA
Deputy Director of Exchequer & Business Assurance Services (Acting)

14th January 2019

APPENDIX A**Table 3 ~ BACFT Quarter 3 KPIs and Actual Performance**

BACFT KPIs	Target	Q3	YTD
1. Percentage of fraud referrals risk assessed within 3 working days	95%	89%	59%
2. Verification work timescales for completion:			
a. Housing Allocations completion within 3 working days	95%	92%	90%
b. First Time Buyer completion within 5 working days	95%	100%	86%
c. Right to Buy completion within 28 working days	95%	58%	58%
3. Housing Bed and Breakfast clients verified every 40 working days	95%	97%	97%
4. Investigation plan completion within 5 working days of case allocation	95%	87%	56%
5. Tenancy fraud referrals received resulting in property recovery	20%	16%	19%
6. Investigations resulting in sanction (<i>prosecution/penalty/caution</i>)	10%	14%	7%
7. Investigations resulting in loss prevention/financial saving outcome	25%	33%	22%

APPENDIX B**Table 4 ~ BACFT Quarter 3 & Year To Date Financial Performance**

Work area	Description	Q3	YTD
Housing	Right to Buy discounts*	£0	£415,700
	Property Recovery (notional savings)	£72,000	£252,000
	Other savings/loss prevention	£2,547	£18,908
	Prosecution costs	£1,000	£11,353
Social Services	Loss Prevention	£0	£37,917
Revenues	Council Tax Reduction	£14,000	£18,267
	Single Person Discount	£6,712	£12,695
	Council Tax Arrears	£3,793	£10,588
	Housing Benefit Overpayments	£0	£8,244
Blue Badge	Simple Caution & Financial Penalty	£700	£800
	Prosecution Costs Received	£3,500	£3,500
Immigration Officer	Housing First Time Buyer scheme	£0	£35,646
	Housing Homelessness Applications**	£47,978	£47,978
	Asylum Seeking Children Expense***	£30,604	£40,537
	Social Services Section 17 Expense**	£0	£38,271
	IEO Sub Total	£78,582	£162,432
Totals	Loss Prevention	£78,582	£616,049
	Notional Savings	£72,000	£260,244
	Cashable Savings	£27,052	£60,458
	Costs awarded and penalties	£5,200	£15,653
	Total	£182,834	£952,404

* First time buyers - Average grant given per person based on 2016/17.

** Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's business performance team.

*** Cost of accommodation and subsistence per week for one year. This figure is a prudent estimate as the Council can and does often support asylum seeking children until they are 25 years old.