

# BUSINESS ASSURANCE

## Counter Fraud Progress Report to Audit Committee: 2019/20 Quarter 1

30<sup>th</sup> June 2019



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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  
t: 01895 556132

e: [mlaurie@hillingdon.gov.uk](mailto:mlaurie@hillingdon.gov.uk)

**Zac O'Neil** PIIA CIA

Head of Counter Fraud  
t: 01895 250369

e: [zoneil@hillingdon.gov.uk](mailto:zoneil@hillingdon.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 1 period (1<sup>st</sup> April to 30<sup>th</sup> June 2019). In addition, it provides an opportunity for the Head of Counter Fraud and the Deputy Director of Exchequer & Business Assurance Services (DDEBA) 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 DDEBA to be held to account in this respect.

## 2. Executive Summary

- 2.1 For Quarter 1 of 2019/20 the BACFT has achieved loss prevention outcomes totalling a prudent estimate of **£412,752**. This represents a significant achievement for the team in light of the ongoing team restructure and current vacancies within the Verifications and Intelligence sub-teams. These outcomes have been achieved through counter fraud work conducted within Housing Services, Social Services, NFI data matching and planned proactive projects. A total of **four council properties have been recovered** this Quarter and as a result of a proactive project **two B&B non occupations were identified**. Further to this, **two cases of suspected tenancy fraud** have been passed to our Legal Team for **instigating criminal proceedings** following investigation.
- 2.2 The initiative of having a Home Office Immigration Officer (IEO) placed within the team continues to assist in preventing fraud against the taxpayers of Hillingdon. This Quarter, the IEO has directly contributed **£142,255** in loss prevention savings through working with Council departments on matters involving immigration status. This is a positive start to the 2019/20 year and represents a marked increase in comparison to previous quarters. A detailed breakdown is included in section 3 of this report.
- 2.3 As part of the planned restructure, the BACFT is currently in the process of recruiting two Senior Verifications Officers and two Intelligence Officers. Once in place, this additional verifications resource will facilitate the return of the **Revenues Inspections** function to the BACFT, as well an increased volume of verifications work in Housing and Social care work streams. The increase in resources will also allow the BACFT to focus greater resource on **data matching** exercises including investigating referrals that will be generated by the **London Counter Fraud Hub**.
- 2.4 The proposal for the Council to join the London Counter Fraud Hub has received Cabinet Member approval and is now awaiting communication from the lead authority before the contract paperwork is signed.

- 2.5 The team is now in the process of transitioning the inspections operational processes to ensure continuity of service. This is **expected to be completed early in Quarter 2** with progress already made and Verifications Officers now undertaking some revenue inspections. All relevant BACFT staff have had, or are in the process of undertaking, training from external providers and/or by key Exchequer Services staff. The Counter Fraud Manager (Verifications) is also leading on developing a new paperless inspection process and ensuring the approach is aligned to the risk based methodology used across the rest of the BACFT operations.
- 2.6 The BACFT has conducted a number of data matching exercises during this Quarter. This has been a mix of **NFI data matching** and **internal data matching** using our in house data matching software - IDIS. Results from the internal exercise are currently being analysed for efficacy and will be reported when available. The NFI has yielded positive results with **cashable savings of approximately £23k** identified this quarter. The BACFT are currently working with colleagues in a range of Council service areas to design data reports for planned internal matching exercises, details of which will be reported in subsequent quarters.

### 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 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 2019/20. The BACFT deploys a significant amount of resource in the prevention and detection of housing fraud.
- 3.1.2 Per **Table 1**, in Quarter 1, the BACFT has successfully recovered **4** Council properties and are actively pursuing **1** other case for eviction. There are **45** ongoing investigations into suspected tenancy fraud.

**Table 1 ~ Housing Tenancy Fraud Cases**

Housing Tenancy Fraud Cases	2019/20 (to date)*		2018/19		2017/18	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of properties recovered	4	£72k	19	£342k	43	£774K
Total number of ongoing cases	46	£828k	-	-	-	-

\* as at 20<sup>th</sup> June 2019

\*\* = 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 Key Performance Indicator (KPI) 5 (refer **Table 3** in **Appendix A**) targets an outcome of a Council property to be recovered for 20% of tenancy fraud referrals received. In Quarter 1 the team achieved an outcome of 23%.
- 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 a process where a tenant(s) can apply to buy their council property under the statutory scheme, at a significant discount from its market value. The scheme operates under strict conditions that must be met by the applicant, if they are to qualify for the discount.

- 3.1.5 To date the team has identified **1** case of a fraudulent RTB application that has been stopped. This equates to a loss prevention saving of **£110,500** in RTB discount. Currently there are **6 ongoing RTB fraud** cases being investigated by the BACFT.
- 3.1.6 As part of the BACFT's **fraud prevention coverage** it proactively carries out verifications work on existing Council tenancies and other housing service areas. The BACFT uses the information gathered by the Intelligence Officers to conduct necessary checks sometimes including unannounced/unannounced visits to properties by the Verification Officers. The team also work with a variety of social landlords and statutory agencies to help detect fraud where information sharing protocols are in place. This is to ensure that the people residing in Council properties are genuinely entitled to do so.
- 3.1.7 Per **Table 2** below, in the 2019/20 year to date, the BACFT has successfully identified **119** housing register applications that should be rejected for a variety of different reasons.

**Table 2 ~ Housing Tenancy Verification Cases**

Housing Tenancy Verification Cases	2019/20 (to date)*	2018/19
Total number of cases reviewed	358	1,909
Total number verified as accurate	239	1,110
Total number rejected	119	799
<b>% identified by BACFT for rejection</b>	<b>33%</b>	<b>42%</b>

\* as at 20<sup>th</sup> June 2019

- 3.1.8 Of the **119** cases that have been rejected, **7** applications have been completely closed down. This was due to a range 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 verifications checks, these applications may have been successful in obtaining a Council property that they are not entitled to.
- 3.1.9 During Quarter 1 the BACFT and the Housing Register, Allocations and Lettings Team (HRALT) have been working closely and trialling a risk based tenancy verifications pilot. The pilot has been successful in reducing the time required to complete housing verifications checks. As a result, it has been agreed to implement the risk based approach on a permanent basis, with some checks such as for 10 years of residency being carried out by the HRALT.
- 3.1.10 The BACFT 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 main 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 as part of a proactive project;
  - **Section 17 Applications** - Initial eligibility checks on applicants who approach the Council's Social Care team for assistance with accommodation;
  - **Section 17 Accommodation** - residency check of all Section 17 accommodation as part of a proactive project;
  - **Social Housing Allocations** - formal verification of all social housing applicants that are actively seeking accommodation to identify suspected fraud or ineligibility;

- **Mutual Exchange** - Desk checks and unannounced visits to ensure tenants meet the criteria required to exchange; and
- **Succession & Assignment** - Desk checks and unannounced visits, where appropriate, to ensure the applicants meet the relevant eligibility criteria.

3.1.11 During Quarter 1 the team also achieved positive outcomes in other areas of Housing Services. This included **1 First Time Buyer** application being closed due to the applicant having undeclared capital above the threshold for eligibility. This resulted in grant loss **prevention of £19,560** being provided. Currently there are a further 4 First Time Buyer cases under investigation.

### 3.2 National Fraud Initiative - Quarter 1 Update

3.2.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office (CO), which is conducted every 2 years. The NFI matches data from 1,300 organisations, including councils, the police, hospitals and almost 100 private companies to identify potential fraud and error.

3.2.2 There is now a greater emphasis on utilising data matching in the public sector as a means of preventing and detecting fraud. In addition to the NFI, 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. As mentioned earlier, Cabinet Member approval has been obtained and the BACFT are now awaiting further information from the lead London Borough before formally entering into the LCFH.

3.2.3 NFI data matches for Hillingdon were received during the first week of February 2019 and the team has achieved **loss prevention savings of £23,674** in Quarter 1, with **a further 8 cases awaiting a decision**. This is a significant increase on the previous quarter and is line with the Counter Fraud Strategic Plan. Moving forward we intend to place greater emphasis on the use of data matching and analytics to help prevent and detect fraud against local taxpayers' money. It will also be used to identify further loss prevention opportunities and to support upcoming planned projects.

### 3.3 Blue Badge Fraud - Work in Quarter 1

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, 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 criterion has extended eligibility to people with less visible conditions. In particular, residents that have been diagnosed with autism and/or mental health conditions are now able to apply for a Blue Badge.

3.3.2 The direct monetary value of Blue Badge Fraud is relatively low compared to other types of fraud such as housing or social care. Nevertheless, the reputational risk in relation to this area is significant for the Council and residents. As a result, Blue Badge Fraud continues to feature in the BACFT's work plan with a planned approach to conduct Blue Badge proactive 'operations' with a risk based approach.

3.3.3 In Quarter 1, a proactive Blue Badge misuse operation was carried out in Uxbridge High Street. The results of that exercise were as follows:

- **71 badges checked** by BACFT officers;
- **2 Financial penalties issued** following badge seizure; and
- **2 Expired badges seized** and returned to the Council's Blue Badge team.

3.3.4 It is important to highlight that since the BACFT introduced proactive Blue Badge operations, the **instances of misuse have been gradually reducing**. This indicates a positive impact within the borough and greater public awareness of this issue. This reflects 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. The BACFT will continue to carry out proactive work in this area in 2019/20 based on an assessment of high risk areas for blue badge misuse.

### 3.4 Bed & Breakfast Residency Project - Work in Quarter 1

3.4.1 During Quarter 1 the BACFT carried out a risk based proactive project conducting residency checks of emergency accommodation provided to Housing and Social Care service users. The objective of this project was to verify that the emergency accommodation was being lawfully occupied. This exercise helped to identify any fraud being committed through subletting or non-occupation.

3.4.2 Our work in this area led to the cancellation of emergency accommodation and the identification of associated loss prevention e.g. Council Tax discounts. Specifically, the results to date are as follows:

- **178 properties visited** (over 275 visits in total, accounting for multiple visits where needed);
- **170 properties verified** as lawfully occupied (including **3 Single Person Discounts ended** at a saving of £608);
- **6 properties yet to be verified** - these are cases where the tenant has not been found at the property, despite multiple visits at different times of the day on different days of the week including weekends; and
- **2 emergency accommodations cancelled** preventing a loss of over £18k.

3.4.3 Regarding the 6 cases still to be verified, our intelligence gathering work has been completed and all of these cases are subject to ongoing investigative work. An update on these 6 cases will be included in the Quarter 2 progress report.

3.4.4 At the end of Quarter 4 2018/19 the BACFT started a **proactive project conducting residency checks for temporary accommodation**. The project was introduced to ensure that all the expected tenants are in occupation, to identify any unlawfully sublet properties and to establish non-occupation with the intention to recover the property. The results to date are as follows:

- **218 Properties visited** - over 300 visits in total accounting for multiple visits;
- **214 properties verified as lawfully occupied** - including **2 referrals made to Social Care** regarding safeguarding issues; and
- **4 properties subject to ongoing investigation** for suspected non-occupation or illegal sub-let.

### 3.5 Immigration Enforcement Officer - Work in Quarter 1

3.5.1 Since 16<sup>th</sup> April 2018, the BACFT has had a Home Office Immigration Enforcement Officer (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 issues and for assisting in a range of counter fraud work.

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. As a result, financial loss prevention across the Council in Quarter 1 is prudently estimated at **£142,255**. Refer to **Table 4** in **Appendix B** for a detailed breakdown of the identified loss prevention savings to date.

3.5.3 This Quarter the IEO conducted a compliance review into Unaccompanied Asylum Seeker Children (UASC) who are being supported by the Local Authority. This involved confirming their current immigration status of child. The results of this review were **10** UASC cases were found to have recourse to public funds and no longer needed financial assistance from the Council. These cases have been passed to the finance team for review and the associated saving to the Council is estimated to be **£99,330**.

### 3.6 Other Counter Fraud Work in Quarter 1

3.6.1 With the drive to further improve the efficiency and quality of investigations, all BACFT referrals are now robustly risk assessed and intelligence checked before being considered for escalation to the formal investigation stage. In Quarter 1, there were **112 referrals for investigation** from internal and external sources. At 20<sup>th</sup> June 2019, there are **62** ongoing investigations. **94%** of these (**58**) relate to different aspects of housing and tenancy fraud.

## 4. Analysis of the Counter Fraud Team Performance in Quarter 1

4.1 In 2018/19 the BACFT agreed and implemented **7 KPIs** for 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 6 KPIs in Quarter 1. As the team are no longer visiting B&B accommodation on a rolling programme, what was **KPI 3** (Housing Bed and Breakfast clients verified every 40 working days) **has been retired** and the remaining KPIs renumbered accordingly.

4.2 The Team's performance has seen some improvement, but there are areas requiring greater focus in Quarter 2 which has been communicated to all relevant staff. This performance is in the context of four vacancies within the Intelligence and Verifications sub-teams and the fact that there has been no significant drop in overall performance.

4.3 **Table 4** at **Appendix B** provides an overview of the financial performance of the team in 2019/20 within each of the main areas of counter fraud activity.

## 5. Forward Look

5.1 Looking ahead to Quarter 2 of 2019/20, there are a number of key priorities for the BACFT. These include:

- Progress joining the **London Counter Fraud Hub** to ensure that the Council is fully prepared to take advantage of all opportunities presented;
- Carry out **internal data matching exercises** to assist in the prevention and detection of fraud and continue to work on **external data matching exercises through the NFI**;
- Carry out proactive counter fraud exercises within the high risk areas of '**Beds in Sheds**' and '**Empty Properties**' for Council Tax purposes;
- Complete the **Recruitment to the four vacancies** within the team;
- **Increase fraud awareness** by conducting fraud awareness sessions with key teams across the Council;
- Continued **engagement with key stakeholders on fraud risks** and the facilitation of fraud risk workshops;
- Continue to review current **counter fraud work streams** to ensure the effective use of resources and seek opportunities to **maximise loss prevention** in the areas of the highest fraud risk;
- Ensure the smooth transition of the **Revenues Inspection** function into the BACFT operations and continue to review and improve processes in this area; and

- Progress **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.

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 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**

30<sup>th</sup> June 2019

**APPENDIX A****Table 3 ~ BACFT Quarter 1 KPIs and Actual Performance**

BACFT KPIs <sup>1</sup>	Target	Q1	18/19
1. Percentage of fraud referrals risk assessed within 3 working days	95%	94%	66%
2. Verification work timescales for completion:			
a. Housing Allocations completion within 3 working days	95%	90%	90%
b. First Time Buyer completion within 5 working days	95%	100%	90%
c. Right to Buy completion within 28 working days	95%	64%	54%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	67%
4. Tenancy fraud referrals received resulting in property recovery	20%	23%	18%
5. Investigations resulting in sanction ( <i>prosecution/penalty/caution</i> )	10%	8%	6%
6. Investigations resulting in loss prevention/financial saving outcome	25%	23%	22%

*As per para 4.1 the BACFT are no longer visiting B&B accommodation on a rolling programme and instead are conducting proactive visit projects during the financial year, hence what was KPI 3 (Housing Bed and Breakfast clients verified every 40 working days) has been retired and the remaining KPIs renumbered accordingly.*

**APPENDIX B****Table 4 ~ BACFT Quarter 1 Financial Performance**

Work Area	Description	Q1
<b>Housing</b>	Right to Buy discounts	£110,500
	Property Recovery (notional savings)	£72,000
	Other savings/loss prevention	£49,096
	Prosecution costs	£0
<b>Social Services</b>	Loss Prevention	£0
<b>Revenues</b>	Council Tax Reduction	£397
	Single Person Discount	£30,984
	Council Tax Arrears	£2,600
	Council Tax Exemptions	£1,005
	Housing Benefit Overpayments	£3,715
<b>Blue Badge</b>	Simple Caution & Financial Penalty	£200
	Prosecution Costs Received	£0
<b>Immigration Officer</b>	Housing First Time Buyer scheme*	£0
	Housing Homelessness Applications**	£18,869
	Asylum Seeking Children Expense***	£109,263
	Social Services Section 17 Expense**	£14,123
	<b>IEO Sub Total</b>	<b>£142,255</b>
<b>Totals</b>	Loss Prevention	£252,755
	Notional Savings	£75,715
	Cashable Savings	£84,082
	Costs awarded and penalties	£200
	<b>Total</b>	<b>£412,752</b>

\* 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.