

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2019/20 Quarter 2

30th September 2019



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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 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 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 DDEBA to be held to account in this respect.

2. Executive Summary

- 2.1 For Quarter 2 of 2019/20 the BACFT has achieved loss prevention outcomes totalling **£493,073**, which is a prudent estimate based on an assessment of the savings associated with case outcomes. This represents a **19% increase over Quarter 1** and is more in line with the BACFT's annual target of £2M. Loss prevention savings this quarter have mainly been achieved through work carried out within Housing Services and Exchequer Services, with NFI data matching yielding results together with ongoing planned proactive projects.
- 2.2 This Quarter a total of **eight council properties have been recovered**, which brings the total properties recovered for the first 6 months of **2019/20** to **12**. This signals an improvement on 2018/19 in terms of half year results, and is attributable, in part, to the tenancy fraud project started at the end of 2018/19, which is now coming to fruition. In addition, the BACFT has investigated and stopped **three cases of Right to Buy fraud** and **three cases of suspected Housing fraud** have been passed to the Council's Legal Team to **instigate criminal proceedings** following the BACFT's investigation.
- 2.3 As of the 30th of September, the remaining staff vacancies within the Verifications and Intelligence sub-teams have been filled and **the BACFT is fully resourced**. This includes the appointment of a Counter Fraud Investigator, a Verifications Officer and an Intelligence Officer. It has allowed a focus on tenancy fraud investigations and the **improving delivery of Revenues Inspections**. Full resource within the Intelligence sub-team has enhanced timescales on verifications work and NFI data matching, as well as supporting proactive loss prevention projects.
- 2.4 Quarter 2 results for the Home Office Immigration Officer (IEO) embedded within the BACFT shows a total contribution of **£72,861** in loss prevention. The IEO continues to work with Council departments on matters involving the immigration statuses of service users, providing a significant benefit to the Council in preventing the misuse of Residents taxes. The IEO is on track for 2019/20 to exceed last year's loss prevention contribution.

- 2.5 There is no further update on the proposal for the Council to join the **London Counter Fraud Hub**. The proposal has received Cabinet Member approval and is now awaiting communication from the lead authority before the contractual paperwork is signed.
- 2.6 The **Business Rates & Council Tax inspections** operational processes are now fully integrated into the BACFT, providing continuity of service in this area. Three Verifications Officers are now fully trained to undertake revenue inspections, with additional training being undertaken currently for the remaining four Verifications Officers and other relevant members of the BACFT.
- 2.7 The **NFI data matches work stream** this Quarter has included new matches against HMRC data recently been made available, and should yield additional financial savings. Outcomes for these matches will be delivered throughout Quarters 3 and 4. The NFI this Quarter has begun to yield much more positive results, with **cashable savings of c£25k** identified in relation to Council Tax Single Person Discount.
- 2.8 In Quarter 2 there have been **109 referrals for investigation** from internal and external sources. At 30th September 2019, there are **69** ongoing investigations. **94%** of these (**65**) relate to different aspects of housing and tenancy fraud.

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 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 As per **Table 1** below, in Quarter 2 the BACFT has successfully recovered **8** Council properties, compared to **4** in Quarter 1. There are **48** ongoing investigations into suspected tenancy fraud and the team are actively pursuing **1** other case for eviction.

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	12	£216k	19	£342k	43	£774K
Total number of ongoing cases	49	£882k	-	-	-	-

* as at 30th September 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 2 the team achieved an outcome of **29%**.
- 3.1.4 In addition tenancy fraud work, the team carry out investigations into suspected **fraudulent Right to Buy (RTB)** applications. This is a process where a tenant can apply to buy their council property under the statutory scheme, at a significant discount from its market value.

- 3.1.5 The RTB scheme operates under strict conditions that must be met by the applicant if they are to qualify for the discount. Fraud is normally committed by applicants who misrepresent their circumstances in order to qualify. The team has so far this year identified and halted **3 fraudulent RTB applications**. This equates to a loss prevention of **£331,500** in discount to the purchase price that would have been given to the buyer. Currently there are **7 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, including announced and sometimes unannounced visits to properties by the Verifications 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 **276** 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	1,059	1,909
Total number verified as accurate	783	1,110
Total number rejected	276	799
% identified by BACFT for rejection	26%	42%

* estimated as at 30th September 2019

- 3.1.8 Of the **276** 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's enhanced verifications checks, these applicants may have been successful in obtaining a Council property that they were not entitled to.
- 3.1.9 During Quarter 2 the Housing Register, Allocations and Lettings Team (HRALT) and BACFT have implemented a fully risk based approach to tenancy verifications work, following a successful pilot in Quarter 1. Further risk based checks are under review to continue to reduce verification turnaround times. During this review, KPI 2a [as was] (refer to **Table 3** in **Appendix A**) was highlighted as obsolete due to the target of a 3 day turnaround often not providing the best outcome in terms of meeting the timescales required by the HRALT.
- 3.1.10 As a result, working with Housing managers, **a new operational objective of carrying out verifications checks within a target date set by the HRALT** has been introduced. This is reflected in the revised KPI 2a (refer to **Table 3** in **Appendix A**). The BACFT now has the flexibility to triage the most urgent cases which will in turn mean that most, if not all, verifications checks are completed within the timescale required by Housing.
- 3.1.11 The BACFT 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.

3.1.12 During Quarter 2 the team achieved another positive outcome with **1 First Time Buyer** application being closed due to the applicant not meeting the 10 year residency criteria for eligibility. This resulted in prevention of a grant payment of **£19,560** being provided to the applicant.

3.2 National Fraud Initiative & Internal Data Matching - Quarter 2 Update

3.2.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office and is conducted every 2 years. The NFI matches data from over 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 BACFT has achieved **loss prevention savings of £25,135** in Quarter 2 in the area of **Council Tax** (Discounts and Exemptions). This year the BACFT has placed a 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.

3.2.4 The NFI data matching project, as coordinated by the BACFT, returns matches that are utilised by Council teams other than the BACFT to identify error and financial loss. Using NFI data matches across Council departments has enabled the Council to make additional savings to those identified by the BACFT. **The Cabinet Office has reported** that in 2019/20 to date, the Council has achieved financial loss prevention savings of **£301,322 across all areas of NFI work**. This figure is not included in the savings reported by the BACFT as the Cabinet Office's calculation includes extrapolation across a number of years, whilst the BACFT has adopted a more prudent methodology. However, this figure is relevant as it demonstrates that the NFI project has a wider value to the Council.

3.3 New Homes Bonus Empty Properties Project - Quarter 2 Update

3.3.1 The New Homes Bonus (NHB) is a grant paid by central government to local councils to incentivise housing growth in local areas. It is based on the extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use.

3.3.2 During Quarter 2 the BACFT has worked alongside colleagues within Exchequer Services, to identify properties that were empty and are now occupied, meaning that they will count towards the NHB. Desk-top enquiries and information gathering has been completed by Exchequer Services, whilst the BACFT have conducted unannounced visits to properties where checks have indicated that a visit is required. This project is ongoing and outcomes will be included in the Quarter 3 progress report.

3.4 Revenues Inspections - Quarter 2 Update

3.4.1 The **Business Rates & Council Tax inspections** operational processes are now fully integrated into the BACFT, providing continuity of service in this area. Three Verifications Officers are now fully trained to undertake inspections and all relevant BACFT members of staff have undertaken, or are in the process of undertaking, training from external providers and/or by Exchequer Services staff. Paperless inspection processes are also in development ensuring the approach is aligned to Counter Fraud Strategy and the risk based methodology used across BACFT operations. As part of the close working relationship between BACFT and Exchequer Services, regular discussions are being held to design and implement new proactive counter fraud projects such as '**Beds in Sheds**' and the '**Review of Empty Properties**' to help increase revenue and prevent loss for the Council.

3.5 Immigration Enforcement Officer - Quarter 2 Update

3.5.1 Since 16th 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. 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 2 is prudently estimated at **£72,861**. Refer to **Table 4** in **Appendix B** for a detailed breakdown of the identified loss prevention savings to date.

3.5.2 This Quarter the IEO has attended Social Care team meetings to promote his services. The IEO has also been part of the 'All Staff Email' to remind staff of the availability of his service and to reach new members of staff who may not have been aware. In Quarter 2 immigration enquiries have predominantly been received from Housing Services, resulting in **9 Homeless Applications being closed**. Applicants were found to be not eligible as they had no right to access public funds.

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

4.1 In 2018/19 the BACFT agreed and implemented a set of KPIs for to allow effective measurement of team 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 6 KPIs in Quarter 2. As discussed at para. 3.1.8, KPI 2a has been reviewed and amended so that the KPI relates to the percentage of verifications completed within the target date as set by the HRALT. This better meets the requirements of Housing Services to improve void turnaround times and allows the BACFT to better focus its resources.

4.2 The team's performance against its KPIs has now improved when compared to 2018/19 and is on track to improve further in Quarter 3. **5 of the 8 KPIs now exceed performance targets for the year** but there are still areas requiring a greater focus in Quarter 3, which has been identified and communicated to all relevant BACFT staff. This performance is despite several vacancies within the Intelligence and Verifications sub-teams during the majority of Quarter 2. The KPI related to investigations resulting in sanction should be read in the context of a number of cases that have been progressed for criminal prosecution and will likely conclude in Quarters 3 and 4.

- 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 3, a new initiative will be introduced to keep the immigration status of unaccompanied asylum seeking children funded by the Council under regular review. This will identify those receiving support whose status has changed to having recourse to public funds, and therefore no longer require financial assistance from the Council. This provides a significant **saving of £9,933 on average per case** and is calculated based on the average cost per child per year.
- 5.2 As part of our agreement with the Home Office, the IEO will be providing document **verification training sessions** to relevant members of Council staff. The first of these sessions has been arranged for colleagues within HR and Housing, and is due to take place in October 2019.
- 5.3 As part of the strategy of engagement and partnership working with Council colleagues to increase referral rates and meet the strategy of an embedded counter fraud culture, the BACFT will deliver a **comprehensive programme of fraud awareness and fraud risk management workshops** across council departments in Quarter 3. This will include internal and external communication to residents about fraud issues, providing information on the BACFT and counter fraud work across the Council.
- 5.4 **Fraud Risk Workshops** are being designed as part of the programme, which will facilitate the identification of the highest fraud risks within key Council service areas. Workshops will promote effective fraud mitigation controls, be used to update the 'Fraud Universe' and drive future proactive counter fraud work. The workshops will also aim to increase managers' awareness and ownership of fraud risks, and improve governance.
- 5.5 As part of the programme, **Fraud Awareness Sessions** are being designed to be delivered by BACFT staff to all relevant teams within high fraud risk service areas. These sessions will highlight the fraud that may occur, encourage positive fraud prevention activities and ensure that Council colleagues understand how to respond to suspected fraud.
- 5.6 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 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

30th September 2019

APPENDIX A**Table 3 ~ BACFT Quarter 2 KPIs and Actual Performance**

BACFT KPIs	Target	Q1	Q2	19/20	18/19
1. Percentage of fraud referrals risk assessed within 3 working days	95%	94%	100%	97%	66%
2. Verification work timescales for completion:					
a. Housing Allocations completion within the target date set by Housing. ¹	95%	² 90%	96%	93%	² 90%
b. First Time Buyer completion within 5 working days	95%	100%	100%	100%	90%
c. Right to Buy completion within 28 working days	95%	64%	78%	71%	54%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	94%	97%	67%
4. Tenancy fraud referrals received resulting in property recovery	20%	23%	29%	26%	18%
5. Investigations resulting in sanction (prosecution/penalty/caution)	10%	8%	0%	4%	6%
6. Investigations resulting in loss prevention/financial saving outcome	25%	23%	47%	35%	22%

¹ This KPI has been updated this quarter on review of verifications performance and the needs of Housing Services. The previous KPI was "Housing Allocations completion within 3 working days".

² The performance for Q1 and for 2018/19 is shown against the previous KPI of completion within 3 working days.

APPENDIX B**Table 4 ~ BACFT Quarter 2 2019/20 Financial Performance**

Work Area	Description	Q2	2019/20
Housing	Right to Buy discounts	£221,000	£331,500
	Property Recovery (notional savings)	£144,000	£234,000
	Other savings/loss prevention	£19,760	£69,117
	Prosecution costs	£0	£0
Social Services	Loss Prevention	£0	£0
Revenues	Council Tax Reduction	£0	£397
	Single Person Discount	£29,295	£60,279
	Council Tax Arrears	£0	£2,599
	Council Tax Exemptions	£0	£1,005
	Housing Benefit Overpayments	£6,157	£9,872
Blue Badge	Simple Caution & Financial Penalty	£0	£200
	Prosecution Costs Received	£0	£0
Immigration Officer	Housing First Time Buyer scheme*	£0	£0
	Housing Homelessness Applications**	£72,861	£91,730
	Asylum Seeking Children Expense***	£0	£109,263
	Social Services Section 17 Expense**	£0	£14,123
	IEO Sub Total	£72,861	£215,116
Totals	Loss Prevention	£293,861	£546,617
	Notional Savings	£150,157	£225,872
	Cashable Savings	£49,055	£133,398
	Costs awarded and penalties	£0	£200
	Total	£493,073	£906,087

* First time buyers - Average grant given per person based on 2018/19.

** 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.