

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2019/20 Quarter 3

2nd January 2020



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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 2019). In addition, it provides an opportunity for the Head of Counter Fraud (**HCF**) and the Deputy Director of Exchequer & Business Assurance Services (**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 HCF and DDEBA to be held to account in this respect.

2. Executive Summary

- 2.1 This quarter, the BACFT has improved on the financial outcomes achieved in the previous quarter by **24.6%**, with **loss prevention savings in the October to December 2019 three month period totalling £614,457**. Our work has been carried out across a wide range of services including Housing, Social Care and Exchequer Services and the BACFT is on track to meet its loss prevention savings **target of £2m for the 2019/20 year**.
- 2.2 This quarter a total of **nine council properties have been recovered**, bringing the total number of properties recovered for **2019/20 to 21**. This means that the BACFT has now exceeded its performance for 2018/19 and is as a result of a successful housing fraud project and a focus on improving the number and quality of fraud referrals received. 52 cases of suspected housing and tenancy fraud are still under investigation with further properties expected to be recovered in Quarter 4. In addition, **five cases of suspected housing fraud** have been passed to the Council's Legal Team for **criminal proceedings** following investigation by the BACFT, with court dates now set for Quarter 4.
- 2.3 Year-to-date results for the Home Office Immigration Enforcement Officer (IEO) embedded within the BACFT shows a total contribution of **£287,637** in loss prevention. The IEO continues to work with a range of Council departments on matters involving the immigration statuses of service users, providing a significant benefit to the Council in preventing the misuse of public funds. **The IEO has also improved on his loss prevention contribution** compared to 2018/19, with further financial contributions to be recorded in Quarter 4.
- 2.4 During November, the BACFT launched a **Fraud Awareness Week** during which the team conducted a series of activities to raise colleagues' awareness of fraud and provide practical information on reporting suspected fraud to the BACFT. **Fraud Risk Workshops** have also been held with a range of managers across the organisation and the BACFT conducted a **communication campaign** utilising the all-staff email, posters within the Civic Centre as well as an information stand outside the staff canteen.

- 2.5 Following this work, **17 teams** across the council have registered an interest in receiving fraud awareness training from the BACFT, a number of managers have requested individual consultation on improving fraud controls and fraud referrals to the BACFT have significantly increased.
- 2.6 The BACFT has continued to carry out effective loss prevention in the Revenues Team (in particular Council Tax) through the use of **NFI data matching** and the Verifications service. This has achieved savings of over **£31k** across Single Person Discount and Council Tax Reduction, bringing the total in this area to over **£91k** for the year so far. Proactive projects in the areas of '**Beds in Sheds**' and '**Small Business Rates Relief**' are both underway and the results will be reported in Quarter 4.
- 2.7 In Quarter 3, **159 referrals for investigation** have been received from internal and external sources. As at 31st December 2019, there are **98** ongoing investigations. **57%** of these (**56**) currently relate to different aspects of housing and tenancy fraud.

3. Analysis of Counter Fraud Activity in Quarter 3

3.1 Housing Fraud

- 3.1.1 The main area of work 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 3 the BACFT has successfully **recovered 9 Council properties**, compared to **4** in Quarter 1 and **8** in Quarter 2. There are **50** ongoing investigations into suspected tenancy fraud and the team are actively pursuing **2** cases 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	21	£378k	19	£342k	43	£774K
Total number of ongoing cases	52	£936k	-	-	-	-

* as at 31st December 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 3 the team achieved an outcome of **33%**.
- 3.1.4 In Quarter 3 the BACFT began its first **tenancy fraud project** using **data matching** to highlight properties that are likely to be sub-let or not occupied. Visits are underway to properties identified by the matching and 2 cases have been passed to the Counter Fraud Investigators for further enquiries. The project will be completed within Quarter 4 and results included in the next BACFT progress report.

- 3.1.5 In addition to tenancy fraud work, the team carry out investigations into cases of suspected **fraudulent Right to Buy (RTB)** applications. Under the statutory RTB scheme Council tenants can apply to buy their council property 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. Fraud is normally committed by applicants who misrepresent their circumstances in order to qualify. The BACFT has so far this year stopped **5 fraudulent RTB applications**. This equates to a loss prevention of **£550,000** in discount to the purchase price that would have been given to the buyer. Currently there are **7 cases of suspected RTB fraud** being investigated by the BACFT.
- 3.1.6 As part of the BACFT's **fraud prevention work** it proactively carries out verifications work on existing Council tenancies and other housing service areas. The BACFT uses the information gathered by Intelligence Officers to conduct necessary checks, including announced (and unannounced) visits to properties by the Verifications Officers. The team also works 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 **436** 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	1,694	1,909
Total number verified as accurate	1,258	1,110
Total number rejected	436	799
% identified by BACFT for rejection	26%	42%

* estimated as at 31st December 2019

- 3.1.8 Of the **436** cases that have been rejected, **9** individuals' applications have been completely closed down. This was due to a range of reasons, such as they do not have 10 years borough 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 The BACFT Key Performance Indicator (KPI) 2a (refer **Table 3** in **Appendix A**) targets a 90% outcome of Housing allocations verifications to be completed within the target date set by the Housing department. In Quarter 3 the team achieved an outcome of **99%**.
- 3.1.10 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.

3.1.11 During Quarter 3 the BACFT achieved another positive outcome with **2 First Time Buyer** applications being closed due to the applicant not meeting the 10 year borough residency eligibility criteria. Grant payments totalling **£39,120** have been prevented from being wrongly provided to the applicants.

3.1.12 As part of the BACFT's ongoing commitment to the prevention of housing fraud, investigations are carried out into suspected fraudulent applications under homelessness legislation, by individuals who have misrepresented their circumstances hoping to gain Council accommodation. This year the team has so far stopped **2 homeless applications** and funding for **3 Bed & Breakfast accommodation**, resulting in loss prevention of **£44,495** in accommodation costs.

3.1.13 In an effort to provide greater value to the Council by the use of verifications processes, the BACFT is currently in discussion with the Disabilities Facilities Grant (DFG) Team surrounding the use of verifications to identify fraudulent DFG applications. The DFG scheme operates within strict eligibility criteria which must be met if applicants are to receive a grant. A pilot project verifying a small number of DFG applications is now reaching conclusion. **13 cases** have been received and are currently under review, with **2** applications so far refused preventing grants totalling **£13,000** from being paid.

3.2 National Fraud Initiative & Internal Data Matching

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 NFI data matches for Hillingdon were received during the first week of February 2019 and in Quarter 3 the BACFT has achieved **loss prevention savings of £23,730** 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.

3.2.3 In August 2019 the **NFI provided new matches utilising data provided by HM Revenues & Customs**. The new data was matched to help identify suspected tenancy fraud and fraudulent council tax discount and exemption claims. The team have been working through the highest risk matches during this quarter. 1 case has been referred to an investigator for suspected subletting of Council accommodation and further updates will be available in the next 3 to 6 months.

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 potential 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 **£388,860 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 the wider value the NFI project has to the Council.

3.3 New Homes Bonus Empty Properties Project

- 3.3.1 The New Homes Bonus (NHB) is a grant paid by central government to the Council to incentivise local housing growth. 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 3 the BACFT has worked alongside colleagues within Exchequer Services to identify properties that were classified as long-term empty and are now occupied. Following initial checks and information gathering by Exchequer Services, the **BACFT has conducted unannounced visits** to properties where it was determined that a visit is required. As a result of this work, the Council's NHB grant for 2020/21 has been calculated at **£1,084,020**, which is **£300k** above the budget figure originally estimated by the Council. This work jointly carried out by BACFT and Exchequer Services directly impacts on the amount of grant, as each long-term empty property that is identified as now occupied subsequently attracts additional grant funding for the Hillingdon taxpayers.

3.4 Revenues Inspections

- 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. Four Verifications Officers are now 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 managers. Paperless inspection processes are in development ensuring the approach is aligned to the Counter Fraud Strategy and the risk based methodology used across BACFT operations. As part of the working relationship between BACFT and Exchequer Services, regular discussions are being held to design and implement new ways of working, to help continually develop and improve processes.
- 3.4.2 In Quarter 3 there has been a focus on identifying '**Beds in Sheds**' within the borough to increase Council Tax revenue. 'Beds in Sheds' is the term used to describe buildings or annexes on private properties that have erected without the Valuation Office being made aware and that can be considered habitable and should therefore be charged Council Tax.
- 3.4.3 A pilot exercise has been conducted and 40 properties have been through intelligence checks to highlight high likelihood properties. A visiting programme is due to commence in January 2020 with outcomes available in the Quarter 4 progress report. To date, **4 Beds in Sheds** referrals have been received and visited by BACFT, with all 4 to be brought into Council Tax.

3.5 Immigration Enforcement Officer

- 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, the IEO's financial loss prevention work across the Council in Quarter 3 is prudently estimated at **£72,519**. Please 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 Children Social Care team meetings to promote his services. Immigration enquiries have predominantly been received from Housing Services, resulting in **3 Homeless Applications being closed**. Applicants were found to not be eligible as they had no right to access public funds.
- 3.5.3 In addition, as part of our agreement with the Home Office, the IEO has provided **document verification training sessions** to relevant members of Council staff, including colleagues within HR and Housing. Further training is being offered in Quarter 4 for all Council staff where document checking is a part of front line functions.

3.5.4 Finance monitoring reports indicate an **under-spend in the area of asylum of £400k to the forecast budget in Quarter 4**. This is attributable to a number of factors related to the recovery of rent arrears and a more robust approach to the financing of accommodation for asylum claims.

3.5.5 A clear direct link from this asylum budget under-spend to the work of the IEO is not possible and as a result it has been excluded within the loss prevention figures for the IEO's work. However, since the IEO joined the BACFT, the number of **UASC in shared accommodation has fallen by 45% from 134 in 2016 to the current figure of 73**. This is as a result of a range of measures put in place including advertising the IEO's presence across the Council, fraud awareness training and the BACFT working more closely with colleagues in Social Care.

3.6 Social Care

3.6.1 As part of verifications work the BACFT conducts initial eligibility checks on applicants who approach the Council for **accommodation under the Section 17** emergency provisions. 7 applications have been reviewed in Quarter 3, with 1 application being cancelled due to the family having undeclared funds to pay for their own accommodation. This has prevented a loss to Hillingdon taxpayers of **£8,095.71**. The BACFT also receives referrals from social services regarding other suspected fraudulent activity. 2 cases have been successfully investigated for falsely claiming funds and non occupation of accommodation, saving an estimated **£12,882**.

3.6.2 A proactive project conducting a residency check for all Section 17 funded accommodation has commenced this quarter. This is to ensure the occupation of accommodation and give assurance over Section 17 expenditure. Out of hours visits are being conducted to confirm residency. The project is ongoing and results will be available in Quarter 4.

3.7 Blue Badge Fraud

3.7.1 Blue Badge permits provide parking concessions for people with severe mobility problems. Historically the scheme was restricted to people with physical disabilities related to mobility allowing them to park closer to their destination. However, in the biggest overhaul to the scheme since the 1970s, the new criterion has **extended eligibility to people with less visible conditions. Residents that have been diagnosed with autism and or other mental health conditions are now able to apply for a Blue Badge**.

3.7.2 The direct monetary value of Blue Badge Fraud is relatively low but the reputational risk in relation to this area is significant for the Council. Consequently, Blue Badge Fraud continues to feature in the BACFT's work plan with a planned approach to conduct proactive Blue Badge 'operations'.

3.7.3 In Quarter 3, a proactive Blue Badge misuse operation was carried out in Uxbridge High Street. The results were as follows:

- **62 badges checked** by BACFT officers;
- **4 Expired badges seized** and returned to the blue badge team; and
- **4 Cases under investigation** for misuse, with outcomes expected to be reported in Q4.

3.8 Other Counter Fraud Activities

3.8.1 During the last week of November the BACFT launched their inaugural **Fraud Awareness Week**. An information stand was set up outside of the staff canteen manned by the BACFT. Advice and guidance was provided to colleagues who came to speak to members of the team. This has led to staff within a number of service areas registering their interest in receiving Fraud Awareness Training for their teams and the increase in numbers of fraud referrals received for the end of the Quarter.

- 3.8.2 As part of Fraud Awareness Week, two **Fraud Risk Workshops** have been delivered to senior members of staff aimed at increasing awareness of the risk of fraud, identifying new risks and opening up a discussion with managers about how to best address specific risks for respective services. 26 senior members of staff attended and have provided positive feedback, with further workshops to be arranged for the new year and Fraud Awareness sessions organised with a number of teams during Q4.

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

- 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, the HCF and the DDEBA to be better held to account by CMT and Audit Committee.
- 4.2 Attached at **Appendix A** is **Table 3**, which sets out the performance by the BACFT against the six KPIs in Quarter 3. The team's performance against its KPIs has now significantly improved when compared to 2018/19 and is on track to improve further in Quarter 4. In particular, **6 of the 8 KPIs have exceeded performance targets for this quarter**, whilst the remaining 2 areas will receive a greater focus by the HCF in Quarter 4. The KPI related to 'investigations resulting in sanction' should be read in the context of the number of cases that are currently subject to criminal proceedings that will likely conclude in Quarter 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, the focus on developing new ICT based solutions to revenues inspection work will continue, alongside proactive projects for **Beds in Sheds** and **Small Business Relief**. Verifications Officers will continue to receive training on the Revenue Inspections functions to enhance their knowledge and skills particularly in relation to complex cases.
- 5.2 A new **Tenancy Fraud residency check project** is currently in the planning stages. The project will verify that Council tenants are in occupation as well as identify any unlawfully sublet properties. Where the team establishes non-occupation, the overall objective will be to recover properties so they can be provided to LBH residents genuinely in need of them.
- 5.3 As part of our commitment to the **NFI**, new data matches becoming available this month will be a focal point within Quarter 4. These matches have in past years provided many successful financial outcomes and we expect similar results for the forthcoming financial year. The BACFT are also in discussion with the Cabinet Office regarding LBH becoming a pilot site for new innovative data matching for **DFGs** and **Beds in Sheds**.
- 5.4 The BACFT will deliver a proactive project reviewing expenditure and accommodation of **Unaccompanied Asylum Seeking Children (UASC)**. This will provide financial savings and continued assurance over this area of Council expenditure.
- 5.5 Four members of BACFT will be undertaking their **Accredited Counter Fraud Technician** training during Quarter 4. This further underlines the Council's commitment to ensuring that it has a **professional Counter Fraud Team** with **highly skilled and qualified officers** to prevent fraud against LBH taxpayers. 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 Q3. 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.

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2nd January 2020

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

BACFT KPIs	Target	Q1	Q2	Q3	19/20	18/19
1. Percentage of fraud referrals risk assessed within 3 working days	95%	94%	100%	100%	98%	66%
2. Verification work timescales for completion:						
a. Housing Allocations completion within the target date set by Housing. ¹	95%	² 90%	96%	99%	95%	² 90%
b. First Time Buyer completion within 5 working days	95%	100%	100%	100%	100%	90%
c. Right to Buy case completion within 28 working days	95%	64%	78%	100%	81%	54%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	94%	89%	94%	67%
4. Tenancy fraud referrals received resulting in property recovery	20%	23%	29%	33%	28%	18%
5. Investigations resulting in sanction (prosecution/penalty/caution)	10%	8%	0%	0%	3%	6%
6. Investigations resulting in loss prevention/financial saving outcome	25%	23%	47%	30%	33%	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 3 2019/20 Financial Performance**

Work Area	Description	Quarter 3	2019/20
Housing	Right to Buy discounts	£218,500	£550,000
	Property Recovery (notional savings)	£170,095	£386,095
	Other savings/loss prevention	£68,450	£139,129
	Prosecution costs	£0	£0
Social Services	Loss Prevention	£20,978	£20,978
Revenues	Council Tax Reduction	£5,311	£5,708
	Single Person Discount	£26,658	£85,457
	Council Tax Arrears	£3,246	£5,845
	Council Tax Exemptions	£0	£1,005
	Beds in Sheds	£4,791	£4,790
	Housing Benefit Overpayments	£23,909	£33,781
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**	£24,287	£116,018
	Asylum Seeking Children Expense***	£48,232	£157,496
	Social Services Section 17 Expense**	£0	£14,123
	IEO Sub Total	£72,519	£287,637
Totals	Loss Prevention	£311,998	£858,614
	Notional Savings	£207,004	£432,877
	Cashable Savings	£95,455	£228,934
	Costs awarded and penalties	£0	£200
	Total	£614,457	£1,520,625

* 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.