

# BUSINESS ASSURANCE

## Counter Fraud Strategic Plan 2020/21:

31<sup>st</sup> August 2020



HILLINGDON  
LONDON

[www.hillingdon.gov.uk](http://www.hillingdon.gov.uk)

# Contents

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

**Muir Laurie**

Deputy Director of Exchequer Services & Business Assurance

t: 01895 556132

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

**Zac O'Neil**

Head of Counter Fraud

t: 01895 556828

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

	Page
<b>1. Introduction</b>	<b>3</b>
<b>2. Integration of Approach with IA</b>	<b>3</b>
<b>3. Defining Fraud &amp; Corruption</b>	<b>4</b>
<b>4. Strategic Aims &amp; Objectives</b>	<b>4</b>
<b>5. Corporate Framework</b>	<b>6</b>
<b>6. The Counter Fraud Team Approach</b>	<b>7</b>
<b>7. Acknowledgement</b>	<b>7</b>
<b><u>Appendices:</u></b>	
<b>A - Hillingdon Fraud Universe</b>	<b>8</b>
<b>B - BACFT Operational Work Plan 2020/21</b>	<b>10</b>
<b>C - BACFT Proposed Structure 2020/21</b>	<b>12</b>

## 1. Introduction

### Anti-Fraud and Corruption - Vision and Priorities

- 1.1 Hillingdon Council is the second largest London Borough and a port authority with the UK's main international travel hub within its boundaries. This means that it is faced with significant challenges in ensuring that public finances are protected from fraud and corruption. Fraud is an ever evolving pressure on public sector organisations, with those engaged in it always looking for opportunities to exploit system weaknesses, and gain access to money or valuable information. It is the Council's duty to stop this wherever it can, ensuring that fraud risk is understood, actively prevented and appropriate action taken against those who commit it.
- 1.2 The impact of fraud and corruption threatens the prosperity of the London Borough of Hillingdon (LBH) and its residents, with the potential to erode confidence in the Council as an institution. It also takes money away from essential Council services and reduces the Council's ability to help those most in need. The effects of fraud are often compounded by its link to organised criminal activity and the negative impact on the community and increased levels of related crime. This makes counter fraud work a crucial activity for LBH.
- 1.3 The Council's vision is '*putting our residents first*'. Combating fraud and corruption within its services fully supports this vision. Our priorities are to fully implement a 'zero tolerance' approach to fraud and a Council where fraud and corruption is unable to thrive due to an organisational environment hostile to fraud and its causes. LBH is fully fraud-aware and enabled, preventing fraud through front line defences, advanced and early detection, and appropriate fraud deterrents.

### The Purpose of the Counter Fraud Strategic Plan 2020/21

- 1.4 The Counter Fraud Strategic Plan 2020/21 defines the Council's approach to effectively manage both the internal and external risk of fraud and corruption against the Council and the services it provides to residents. LBH has a statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The Counter Fraud Strategic Plan sets out how LBH will meet this requirement and supports the Council's vision by ensuring there are robust safeguards against the unlawful loss of taxpayer funds.

### The Role of the Business Assurance Counter Fraud Team

- 1.5 The Business Assurance Counter Fraud Team (BACFT) is responsible for delivering the Counter Fraud Strategic Plan and ensuring that the Council meets its statutory objectives in relation to fraud and corruption. A key feature of the Counter Fraud Strategic Plan is the BACFT's Operational Work Plan for 2020/21 (please refer to **Appendix B**). This has been produced using a risk-based approach to the Council's 'Fraud Universe'.
- 1.6 As well as a range of counter fraud activities, the BACFT has historically conducted a range of other types of investigative work which do not necessarily have a criminal or fraud element to them i.e. revenue inspections, disciplinary investigations, etc. The work that the BACFT carries out is set out within the Counter Fraud Strategic Plan. It includes preventative work such as fraud awareness training, advising management on fraud risks and counter fraud controls and ensuring the Council has up-to-date and appropriate investigation policies and procedures.

## 2. Integration of approach with Internal Audit

- 2.1 An element of the overall counter fraud strategy since August 2017 has been to achieve integration between the work of Internal Audit (IA) and the BACFT. This remains an important feature of the counter fraud strategy due to the benefits of an IA service and BACFT that are fully integrated and risk-based, whilst remaining as two distinct functions.

- 2.2 The nature of work of both the IA and BACFT services means a natural alignment can be found in the provision of assurance around risk management. It is intended that through this integration, a counter fraud culture and awareness of fraud will be more easily embedded across the organisation.
- 2.3 The key elements of this approach include:
- A coordinated IA and BACFT annual planning process which is monitored and updated on a quarterly basis;
  - Flexibility of approach on cases of suspected fraud where there are elements falling across both remits;
  - Shared view of fraud risks across the Council and a joined up approach to risk management where fraud risk exists;
  - IA and BACFT utilisation of each other's work, focussing resource towards the highest risk areas providing a greater level of context for investigations and IA reviews;
  - Shared understanding of the emergence of new fraud risks across the Council and within the public and private sector; and
  - A greater level of assurance to Audit Committee/all Members and Senior Managers that fraud risks are being managed appropriately.
- 2.4 This approach has been proven to be more effective in the management of fraud risks. It also provides an efficient use of resource in dealing with fraud and a greater opportunity to minimise the Council's fraud losses.

### 3. Defining Fraud & Corruption

- 3.1 The term '**fraud**' commonly includes activities such as theft, deception, bribery, forgery, extortion, conspiracy, and money laundering. These include, but are not confined to, the specific offences in the Fraud Act 2006. Fraud can be an attempted or actual act committed against the Council and/or its partners.
- 3.2 Fraud was defined in law for the first time with the introduction of the Fraud Act 2006. Fraud essentially involves a dishonest misrepresentation, failure to disclose information or abuse of position, with the intent to make a personal gain for oneself and/or create a loss for another.
- 3.3 **Corruption** is 'the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly'. It is primarily an offence under Bribery Act 2010, although there are other related offences under the Prevention of Corruption Act 1906.

### 4. Strategic Aims & Objectives

- 4.1 The fraud and corruption risks faced by the Council are varied and span across all service areas. Fraud risk is highly sensitive to environmental factors with new challenges in preventing or detecting fraud emerging frequently. It is especially prevalent during circumstances of local or national crisis or emergency, which, given the current global pandemic, means new and previously unrecorded fraud risks for the Council to respond to. An updated assessment of LBH's current fraud risks is documented within the Council's 'fraud universe' (please refer to **Appendix A**).
- 4.2 The aim of our strategic approach is to embed all elements of good practice in counter fraud into the existing governance arrangements for the Council to help achieve LBH's Counter Fraud Strategic Objectives. This will provide assurance to elected Members and Senior Managers that the Council's exposure to fraud risk is minimised.

- 4.3 The **Counter Fraud Strategic Objectives** for LBH are as follows:
1. Maximise loss prevention within Council services through effective counter fraud activity;
  2. Limit the opportunity for instances of fraud and corruption across the Council through effective prevention measures;
  3. Create a strong deterrent effect to fraud and corruption;
  4. Improve the Council's reputation across all stakeholders through the visibility of effective counter fraud activities;
  5. Improve the Council's overall governance arrangements;
  6. Reinforce an organisational culture of zero tolerance to fraud;
  7. Embed and maintain an organisation wide fraud risk awareness; and
  8. Achieve the BACFT Operational Work Plan 2020/21.
- 4.4 To achieve these desired outcomes/strategic objectives, we consider there to be four key elements to this strategy per **Table 1** below.

**Table 1 ~ Strategic Elements**



**Risk-based Strategic Fraud Overview:**

- Developing and maintaining an organisation wide fraud risk profile (Fraud Universe). Internal and external data and information is used intelligently and effectively to identify and fully define the key areas of fraud risk for the Council. Changes to these risks are continually monitored and the Fraud Universe updated in line with a current analysis of fraud risk.
- Ensuring the implementation and maintenance of appropriate counter fraud policies, processes and practices as part of a corporate framework to underpin all counter fraud measures and the effective use of deterrents.

**Partnership & Engagement:**

- Building and maintaining strong working relationships with counter fraud stakeholders, obtaining buy-in from residents and colleagues in order to drive a strong counter fraud culture and promote ownership of fraud issues, whilst enhancing the reputation of the BACFT.

- Integration of Counter fraud and IA functions to inform fraud risk assessment methodology, counter fraud planning and internal control recommendations.
- Collaborating with our enforcement partners, including the police, enforcement officers and agencies to enhance investigation activities, lawfully share intelligence and maximise counter fraud outcomes.
- Work jointly with Council colleagues on the design and implementation of counter fraud projects, investigation activity and counter fraud controls, to embed a collaborative approach and enhance the counter fraud environment within the Council.

#### **Prevent, Detect, Pursue & Deter:**

- Embed fraud awareness through an ongoing programme of training and fraud risk control review, championing the implementation and maintenance of effective counter fraud controls.
- Deter fraud through fraud awareness campaigns focussing on key stakeholder groups including, staff, residents and partner organisations.
- Ensure regular communication on fraud referral and whistleblowing processes and fraud issues, both internally and externally, to encourage and maintain levels of fraud and corruption reporting.
- Identifying fraud, corruption and financial loss through a programme of targeted proactive counter fraud projects, targeting the highest fraud risk areas within the Council, as informed by the Fraud Universe.
- Robust and lawful intelligence led investigation of suspected cases of fraud and corruption in line with Council policy and professional good practice, and the application of appropriate sanctions and prosecutions where proportionate and necessary.

#### **Innovation & Modernisation:**

- Utilising existing and new technology to enhance and progressively modernise case management, intelligence gathering and investigative capabilities.
- Streamline operational processes to drive efficiencies, identify smarter ways of working and innovative counter fraud practices aimed at delivering enhanced outcomes.
- Implementation of Council wide data warehousing and data matching, utilising available information sharing and data analysis capabilities, working with internal and external partners, to deliver increased financial savings across all service areas, identify new fraud and error and enhance data management.

## **5. Corporate Framework**

5.1 This strategic plan is part of an established corporate framework of interrelated policies and procedures covering the main elements of the Council's approach to countering fraud and corruption. These include:

- Prosecutions & Sanctions Policy;
- Whistleblowing Policy;
- Corporate Investigations Protocol;
- Anti-Bribery Policy;
- Anti-Money Laundering Policy; and
- Surveillance Policy.

5.2 It is the responsibility of the Deputy Director of Exchequer & Business Assurance Services, together with the Head of Counter Fraud and the Borough Solicitor to ensure this framework is reviewed and updated where necessary for compliance with statutory requirements and best practice in counter fraud and anti-corruption.

- 5.3 Clear information on the Council's approach to combating fraud and error and the related and procedures, will be regularly communicated with all council staff. Clear lines of communication are available for staff and residents to ensure there are no barriers to raising concerns about fraud and corruption. These include.
- Dedicated 'report a fraud' telephone hotline;
  - Form for reporting fraud available to members of staff and members of the public via the Council's website and internally via Horizon with clear guidance;
  - Anti-Money Laundering reporting form with clear staff guidance on when to report; and
  - Fraud Awareness e-Learning package - mandatory for all new staff.
- 5.4 Staff responsibilities in relation to fraud, corruption and money laundering reporting are contained within the staff Code of Conduct and relevant policies. All staff are required to report suspected fraud, corruption and/or money laundering under all circumstances. Failure to do so will be considered a breach of the staff Code of Conduct and may lead to action under the Council's Disciplinary Policy and Procedure.

## 6. The Counter Fraud Team Approach

- 6.1 In August 2017 the BACFT implemented a risk-based approach to all counter fraud work. This methodology is in line with CIPFA's counter fraud and corruption strategy for local government '*Fighting Fraud & Corruption Locally*'. It helps ensure that the BACFT's resources are consistently deployed in an effective manner to help LBH achieve its overall Counter Fraud Strategic Objective of '*Maximising Loss Prevention*'.
- 6.2 The Head of Counter Fraud has recently commenced a restructure of the CFT in response to the updated fraud risk profile of the Council. The proposal will reduce the overall number of CFT staff, but strengthen the skills mix within the team to ensure sufficient capacity to deal with the range of new and emerging complex fraud risks. This proposed new structure (refer to **Appendix C**) will realign the sub-teams within the BACFT by fraud risk as opposed to function, creating three new investigation units; Housing Investigations, Revenues Investigations and Special Investigations. These three units will each have responsibility for their specified area of fraud risk and cases will be managed as part of a cradle-to-grave process, which reduces the handover of cases between teams and improves efficiency and quality of counter fraud service provided.
- 6.3 This proposed restructure will facilitate efficient delivery of the Operational Plan for 2020/21 (refer to **Appendix B**). This in turn will help the team achieve the Counter Fraud Strategic Objectives (refer to para. 4.2) and the overall aim/desired outcome of maximising fraud prevention and minimising the amount of LBH taxpayers' money lost to fraud.

## 7. Acknowledgement

- 7.1 The Counter Fraud Strategic Plan 2020/21 is due to be considered by Cabinet at its planned meeting on 22<sup>nd</sup> October 2020 and will then be presented to the Audit Committee at its planned meeting on 24<sup>th</sup> November 2020. Once approved, it will then be circulated to key stakeholders.
- 7.2 The BACFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the Council's management as part of the risk-based planning process.

**Muir Laurie FCCA CMIIA**  
**Deputy Director of Exchequer Services & Business Assurance**

31<sup>st</sup> August 2020

**APPENDIX A****HILLINGDON FRAUD UNIVERSE 2020/21**

The fraud risks specific to LBH are set in **Table 2** below, which is a summary of the organisational fraud risk assessment (the Fraud Universe) for the Council.

**Table 2 ~ Summary Risk Assessment**

Fraud Risk Area	Risk Assessment
<b>Covid-19 Global Pandemic</b>	<ul style="list-style-type: none"> <li>• Financial pressures on business community creating higher levels of unemployment and greater numbers of people seeking Housing services and tax exemptions creating higher instances of fraud within related services.</li> <li>• Increased financial pressure on individuals and concerns over money and fear of redundancy leading to higher likelihood and pressure to commit fraud.</li> <li>• Increased urgency of delivery within services leading to reduced due diligence over service delivery and overriding of controls and a greater opportunity for fraud.</li> <li>• Internal changes to working practice such as working from home, staff shortages stretching resources and higher levels of sickness, affecting the operation of preventative controls, decreased monitoring activity and increasing risk of fraud going undetected.</li> <li>• Decreased face-to-face meeting with service users, less availability of original documentation, more provision of services remotely leading to higher likelihood of fraud not being detected.</li> <li>• New provision of business grants and financial or tax relief to businesses together with untested and immature control environment for specific schemes creating new opportunities for fraud to occur.</li> <li>• Higher financial pressure on Council contractors creating increased desire to maximise profit from contracts leading to higher likelihood of misrepresentation and fraud within procurement processes and operation of contracts.</li> <li>• Crisis situation creating increased cyber-crime activity nationally and globally and the higher likelihood of cyber-attack against the Council such as 'ransom-ware' or a Denial of Service attacks.</li> </ul>
<b>Port Authority</b>	<ul style="list-style-type: none"> <li>• Higher numbers of Unaccompanied Asylum Seekers (UAS) approaching the council to non-port authorities, leading to greater levels of fraudulent approach to the Council for services.</li> <li>• Greater levels of service use by individuals where service provision is subject to immigration status leading to more likelihood of misrepresentation to access services where there is No Recourse to Public Funds (NRPF).</li> </ul>
<b>Procurement of Goods and Services</b>	<ul style="list-style-type: none"> <li>• Higher pressure to win government contracts because of financial pressures on businesses linked to Covid-19 leading to pressure to seek to fraudulently manipulate procurement processes.</li> </ul>

*cont.*

cont..

**Table 2 ~ Summary Risk Assessment (cont.)**

Fraud Risk Area	Risk Assessment
<p><b>Statutory Duty to Provide Social Housing</b></p>	<ul style="list-style-type: none"> <li>• Higher levels of housing need and homelessness claims in the borough linked to Covid-19 pressures leading to increased levels of fraud within housing.</li> <li>• Higher levels of housing need, asylum claims and homelessness linked to Covid-19 leads to higher levels of expenditure on temporary accommodation and Section 17 funded accommodations and associated fraud.</li> <li>• Availability of low cost social housing leads to greater numbers of individuals seeking housing form the Council and high pressure to misrepresent circumstances within the process.</li> <li>• Increased pressure on Housing services requiring greater use by the Council of temporary accommodation and reduced ability to monitor use and occupation, and increased likelihood of misuse going undetected.</li> </ul>
<p><b>Social Care Provider</b></p>	<ul style="list-style-type: none"> <li>• High costs of social care provision leads to greater pressure to misrepresent circumstances in relation to assets and income in the financial assessment process.</li> <li>• Inability of vulnerable individuals to properly manage Direct Payments meaning greater involvement of family members and 3<sup>rd</sup> parties to manage payments, leading to increased risk of opportunistic misappropriation of funding by a 3<sup>rd</sup> party.</li> <li>• Absence of appropriate financial control or appropriate monitoring, or operation of existing control, leading to the increased risk of inappropriate Direct Payments expenditure and misappropriation of funding.</li> <li>• Access to Council services by individuals subject to immigration status checks leads to risk of misrepresentation of status in order to access services where there is NRPF.</li> </ul>
<p><b>Revenue Collection Authority</b></p>	<ul style="list-style-type: none"> <li>• Availability of new business grants linked to Covid-19 and pressure to pay out support to businesses leads to increased risks to misappropriation of funding by organised criminals and companies not eligible for funding.</li> <li>• High cost of rateable value of business premises leads to the risk of fraudulent misrepresentation of circumstances to take advantage of reliefs.</li> <li>• Pressure to reduce individual costs against the cost of Council Tax leads to the wrongful claiming of single person discount, and lost revenue across a large number of residential addresses.</li> <li>• Council Tax costs and Business Rates leads to the risk of deliberate avoidance of completion of new build properties and lost revenues for the Council.</li> </ul>

**APPENDIX B****COUNTER FRAUD TEAM - OPERATIONAL WORK PLAN 2020/21**

Set out below is the **Draft** BACFT Operational Work Plan for the key proactive projects and investigative work due to be carried out in 2020/21.

Counter Fraud Activity	Planned Work	Outcomes 19/20	Risk
<b>Tenancy Fraud &amp; Housing Investigations</b>	The BACFT will continue to detect illegal sub-letting and non-occupation of Council properties as referred by colleagues and residents. This also includes false applications for housing, assignment and succession.		
<b>Social Housing Residency Checks</b>	A risk based approach to tenancy residency checks working with Housing team and using tenancy fraud data to identify hotspots. This will be delivered as part of proactive projects work	28 properties recovered, £504K notional savings	<b>HIGH</b>
<b>Housing Key Fob Data Review</b>	A new initiative to analyse data held by the Council to identify fraud. The BACFT will review all key fob activity of residents in social housing, to identify suspected subletting or non-occupation due to access and use patterns.		
<b>Housing Right to Buy (RTB)</b>	The BACFT will continue to provide a risk based verifications service of all RTB applications to identify fraud and where appropriate actively investigate applications found to contain suspected misrepresentation.	6 applications closed, £658K loss prevention	<b>HIGH</b>
<b>Social Services S.17 Emergency Funding</b>	Desk based checks to confirm eligibility of applicants requiring emergency accommodation and support from Social Care.	2 applications cancelled, £16K in savings	<b>HIGH</b>
<b>Unaccompanied Asylum Seeking Children (UASC) Status Checks</b>	The embedded Immigration Enforcement Officer will periodically check the status of all UASC clients, this helps identify those who's status allows them to access national schemes funding and no longer require funding by the Council.	17 cases identified saving £157K	<b>HIGH</b>
<b>NFI Bi-annual Exercise</b>	Continuous work on statutory data matches from the Cabinet Office, which will be investigated as an ongoing project throughout 20/21. The matches provide a significant contribution to savings areas such as Housing and Revenues.	£159K loss prevention	<b>HIGH</b>
<b>'Beds in Sheds' - Unregistered Residential Dwellings</b>	The Revenues Investigations Unit will identify unlawful and unregistered residential dwellings in order that properties are brought within Council Tax banding and evasion pursued as investigations. Any enforcement action on planning issues will be referred to Planning Enforcement and Housing Standards.	10 cases identified, revenue of £17K	<b>HIGH</b>

*cont.*

cont..

**COUNTER FRAUD TEAM - OPERATIONAL WORK PLAN 2020/21 (cont.)**

Counter Fraud Activity	Planned Work	Outcomes 2019/20	Risk
<b>Revenues Inspections and Investigations</b>	In 2020/21 the BACFT will continue to deliver all inspections for Business Rates and Council Tax, and develop an investigations approach to Business Rates and Council Tax avoidance and illegal evasion. Proactive projects work is planned in the area of new build properties and Business Rates avoidance.	Not available for 2019/20	<b>HIGH</b>
<b>Council Tax Discounts &amp; Exemptions</b>	A proactive desk top data review of discounts and exemptions utilising data held in-house. All discounts found to be fraudulent will be referred to Exchequer Services for removal of discounts and investigated for fraud where appropriate.	£132K in loss prevention savings	<b>HIGH</b>
<b>Empty Properties/ New Homes Bonus</b>	A yearly proactive project to maximise the grant received from Central Government by identifying empty properties that are now occupied, alongside monitoring new build properties for completion. The Net number of properties brought back into occupation by the Council attracts a grant from central government.	Over £300K above Finance Team forecast in NHB grant	<b>MEDIUM</b>
<b>Housing Verifications</b>	The BACFT will continue to verify applicants who apply for social housing, mutual exchange or succession/ assignment.	23 applications closed and 3 cases referred for investigation	<b>MEDIUM</b>
<b>First Time Buyers Verifications</b>	Desktop based checks to confirm eligibility of applicants who apply for the scheme, leading to investigations where fraud is suspected. Grants of up to £22K are issued to First Time Buyers within the Borough.	4 applications cancelled, £78K saving	<b>MEDIUM</b>
<b>First Time Buyers Residency Checks</b>	Post purchase residency checks to verify occupation, as continued residency for a set period is a mandatory scheme condition. Any properties where subletting or non-occupation is identified will be further investigated and the grant will be sought for recovery.	1 prosecution and 1 grant actively seeking recovery	<b>MEDIUM</b>
<b>Blue Badge Operations</b>	Bi-annual Blue Badge enforcement projects to confirm lawful use of Badges in identified misuse hotspots. A visual presence to provide assurance to residents that the Council takes Blue Badge Fraud seriously and deter misuse across the borough.	3 financial penalties, 6 seized badges	<b>LOW</b>

**APPENDIX C**

**COUNTER FRAUD TEAM – PROPOSED STRUCTURE 2020/21**

