

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee:

2020/21 Quarter 3

4th January 2021



Contents

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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 2020). In addition, it provides an opportunity for the Head of Counter Fraud (HCF) and the Deputy Director of Exchequer Services & Business Assurance (DDESBA) 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 During Quarter 3, the BACFT returned to full operations across all counter fraud activity, leading to an **improvement in performance** and **loss prevention savings of £413,251** for the quarter across all areas of work. This brings the total counter fraud loss prevention savings achieved by the BACFT for the 9 month period to **£741,283**, which is a significant step towards meeting the team's financial savings target for the full year of £1m.
- 2.2 The DDESBA can report that as of the start of Quarter 3 the **new BACFT structure has been implemented** with the three new sub-teams: The **Housing Investigations Unit**, **Revenues Investigations Unit** and the **Special Investigations Unit**. Each team is led by an experienced and professionally qualified Counter Fraud Manager and creates a stronger skills-mix within the BACFT together with efficiencies in case handling. This allows the service to better adapt to emerging and critical fraud risks from the pandemic.
- 2.3 Following the introduction of further national Covid-19 related restrictions in November, the government announced **new financial support measures for businesses** in the form of grants schemes, which are paid based on local tier level and which are industry specific. Since their introduction the BACFT has provided **pre and post assurance checks** for all grants being administered, which will continue for the foreseeable future. This provides vital assurance that public funds are being used appropriately and **mitigates the risk of fraud** within these schemes. The BACFT, along with colleagues in Exchequer Services, complete a **monthly report to the Cabinet Office** on the progress of the scheme and assurance over fraud risks provided by counter fraud activity.
- 2.4 In Quarter 3 the BACFT has achieved **the recovery of 5 housing properties**, bringing the **total properties recovered** for 2020/21 to **11**. The team has also successfully prevented **one wrongful Right to Buy application** and **one case of fraudulent sub-letting is currently being taken forward for criminal prosecution**.

- 2.5 Project work covering the area of **Beds in Sheds** has been successfully carried out in Quarter 3, using a range of data, including internal Planning and Revenues information, to identify potential unregistered residential dwellings. This quarter the team found a total of **12 dwellings** which will now be charged Council Tax. This brings the **total number of beds in sheds identified by the BACFT brought into rates for this year to 20**. It also provides assurance to the Council that the issue of unregistered residential buildings within the borough is being appropriately addressed.
- 2.6 Within the broad area of **Social Services**, the BACFT has significantly widened its approach and the scope of work carried out in Quarter 3. This is as a direct result of introducing the **Special Investigations Unit**, which has responsibility for helping management detect fraud in this area. This has had a significant positive impact on financial outcomes as a direct result, with **loss prevention savings totalling £130,635**, already an increase of **157%** on 19/20.
- 2.7 In the lead up to the festive period the BACFT carried out a **successful proactive Blue Badge fraud operation** looking at misuse within the Uxbridge town centre area. This led to a total of **20 badges that were seized** due to either expiry or suspected misuse. Those found to have been misusing a Blue Badge will be either issued with **an official caution and financial penalty or face criminal prosecution**. The BACFT will report on these outcomes in Quarter 4.
- 2.8 In Quarter 3 the BACFT received **138 new referrals** for investigation and, as at 31st of December, is **actively investigating 237* cases of suspected fraud**. 35% of these (84 cases) relate to Housing Fraud, with increased numbers of investigations within Exchequer Services (30% - 70 cases). The remaining cases are largely within the areas of Blue Badge, Social Services and Beds in Sheds.

** = Reported in the Q1 to Q2 2020 Counter Fraud Progress Report was that the team was carrying out 102 active investigations as at 30th September 2020. This figure has since been identified as excluding Housing investigations and therefore the revised figure is 193 active investigations as at 30th September.*

3. Analysis of Counter Fraud Activity in Quarter 3

3.1 Housing Fraud

- 3.1.1 The Covid-19 pandemic continues to create a pressure on the performance of the BACFT in combating housing fraud, in terms of carrying out effective investigations including interviewing those suspected of fraud and recovering properties. Despite this, **housing fraud continues to be the largest area of work for the BACFT**, with the largest allocation of investigative resource and successful outcomes in preventing and detecting fraud in this area in Quarter 3.
- 3.1.2 Provisions within the **Coronavirus Act 2020** have been extended requiring a **notice period for 'Notices of Seeking Possession' of 6 months** for all but 'serious cases'. This includes cases where a tenancy has been obtained by fraud but does not include cases of non-occupation and fraudulent sub-letting, which make up the majority of BACFT housing fraud cases. The courts continue to prioritise serious cases meaning the **BACFT is now pursuing the recovery of properties by other methods**. Whilst impacting on the ability to recover properties by legal action, it has in turn helped to avoid court proceedings and saved on legal costs and officer time.
- 3.1.3 Per **Table 1** over the page, in Quarter 3 the BACFT has successfully **recovered 5 Council properties**. There are **74** ongoing investigations into suspected tenancy fraud and the HIU is actively pursuing legal action on **6** of these cases. As already mentioned in this report, these types of investigations are significantly limited by the ongoing reduced court activity.

Table 1 ~ Housing Tenancy Fraud Cases

Housing Tenancy Fraud Cases	2020/21*		2019/20		2018/19	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of properties recovered	11	£198k	28	£504k	19	£342k
Total number of ongoing cases	74	£1.33m	-	-	-	-

* As at 31st December 2020.

** 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 large 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.

- 3.1.4 As mentioned para 3.1.2, there has been no successful recovery of any properties through the courts in Quarter 3. However, the BACFT were able to conduct more effective investigations prior to the implementation of tighter restrictions in November. A further government review is due in early January 2021 and the BACFT's ability to recover properties in Quarter 4 may be impacted further should tighter restrictions be introduced.
- 3.1.5 The BACFT Key Performance Indicator (KPI) 4 (refer **Table 4** 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 23%**, which is a positive result given the current environmental factors.
- 3.1.6 In addition to tenancy fraud work, the team conducts investigations into cases of suspected **fraudulent Right to Buy (RTB)** applications made under the statutory RTB scheme. This allows Council tenants to 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. In Quarter 3, the BACFT has prevented **one fraudulent RTB application leading to loss prevention of £110,500**. Currently there are a further **8 cases of suspected RTB fraud** being investigated by the BACFT.
- 3.1.7 During Quarter 3, the BACFT conducted a **proactive tenancy fraud project** which involved residency checks for social housing properties. This was carried out in parts of the borough that have been highlighted as a potential hot-spot for tenancy fraud, based on actual data of previous cases. This project was part of a **collaborative approach with the Community Safety Team** and provides assurance to Housing management over tenancies with the highest fraud risk. The project is ongoing and the BACFT have to date conducted **139 visits** to 111 properties. As a result, **two cases are under active investigation and 10 cases remain unverified**, with further checks required. The full results for this project will be reported in Quarter 4.
- 3.1.8 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 to conduct necessary checks, including announced (and unannounced) visits. 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.
- 3.1.9 Per **Table 2** over the page, in the year to date, the BACFT has successfully identified **437** housing register applications that should be rejected for a variety of different reasons.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2020/21*	2019/20
Total number of cases reviewed	1,437	2,295
Total number verified as accurate	1,000	1,697
Total number rejected	437	598
% identified by BACFT for rejection	30%	26%

* As at 31st December 2020.

3.1.10 Of the **437** cases that have been rejected, **13** individuals' applications have been completely closed. 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.

3.1.11 The BACFT KPI 2a (refer to **Table 4** in **Appendix A**) targets an outcome of 95% of Housing allocations verifications to be completed within the target date set by the Housing department. **In 2020/21 the team has achieved an average of 94%**. Whilst this is under target, the team restructure carried out in Quarter 3 required training for staff in new roles which has had a negative impact on performance. The HCF is confident that this is temporary drop in performance which will improve in Q4 now that staff are embedded into new roles.

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 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. The latest **data for the next NFI matching exercise has been uploaded** and the new set of matches for Hillingdon will be received early in Quarter 4. The BACFT will be allocating significant resource to reviewing and investigating matches, the results of which will be reported in Quarter 4.

3.3 Revenues Fraud & Inspections

3.3.1 The BACFT has been focussing on **Business Rates avoidance** as part of the Quarter 3 coverage. The RIU is currently working closely with colleagues from **Experian** to develop a **new pilot project to identify new unreported businesses within the borough**. This project should help to increase the revenues base and the collection of rates, ensuring the ratings list and internal databases are up to date and complete. An update on performance in this area will be provided in the Quarter 4 progress report.

3.3.2 Per **Table 3** over the page, the RIU has carried out **3,304 inspections** in the year to date, with **1,274 (39%) completed within the target**. A significant effort has been made in Quarter 3 to clear the backlog of outstanding inspections accrued during the first lockdown, whilst incorporating new staff and undertaking essential training. Quarter 3 performance is an improvement over Quarters 1 and 2, with 48% completed within target. The HCF recognises, however, that performance must improve in Quarter 4 in order to meet the KPI 7 (refer to **Table 4** in **Appendix A**) of 95%. The HCF is confident this will be achieved unless the Tier 4 restrictions introduced in December significantly impact the ability to undertake inspections in Quarter 4.

Table 3 ~ Revenues Inspections Performance 2020/21

Revenues Inspections	Q1	Q2	Q3	2020/21*	2019/20
Total number of inspections completed	340	1,431	1,508	3,304	5,592
Percentage within 10-day target	34%	30%	48%	39%	63%

* As at 31st December 2020.

3.3.3 In Quarter 3, proactive project work has been carried out to identify '**Beds in Sheds**' within the borough. 'Beds in Sheds' is the term used to describe habitable outbuildings, or annexes to private properties, erected without the awareness of the Council or Valuation Office. Due to BACFT staff redeployed in Quarter 3, work in this area was on a smaller scale than planned. However, the team **successfully identified 12 unregistered dwellings** and will continue the project into Quarter 4. Whilst the identified increase in yearly revenue is relatively small at **£1,314**, further financial results are pending. The identification of **Beds in Sheds** also has **significant reputational positive impact for the Council** due to its high profile with residents and within all London boroughs, which explains why this line of work is a priority for the BACFT.

3.4 Grants Assurance Work

3.4.1 In Quarter 3, officers from the BACFT have continued to assist in the **verification of several new business grants schemes** introduced in November. A set of six grants were introduced to assist local businesses impacted by the ongoing Covid-19 restrictions. The BACFT have been assisting colleagues in Exchequer Services with the verification of eligibility for payments. So far, a total of **567 verification checks** have been completed. Of those checked, **518 have been verified, 7 have not been verified and 42 are under further investigation**. This work will continue into Quarter 4 due to the requirement for the Council to ensure fraud risk is minimised within these schemes.

3.5 Social Services

3.5.1 During the quarter the BACFT conducted an analysis of counter fraud work within Social Services, with a view to increasing loss prevention activity across both Children's and Adults' Social Care. Discussions with key stakeholders have been encouraging, with new areas of counter fraud work introduced during Quarter 3 within **Financial Assessments and Adult Social Care**. Further engagement is ongoing with new counter fraud activity expected in Quarter 4.

3.5.2 The **Financial Assessments (FA)** team reviews eligibility to receive financial support for care home placements or homecare. There are strict eligibility criteria and the assessment takes into consideration savings, income and assets. In Quarter 3 The BACFT received its first referrals from FA and Adult Social Care resulting in further investigations and **loss prevention savings identified of £53,791 to date**. Two further cases are still under investigation with more referrals from FA anticipated. The BACFT are also working with FA on a pilot to identify fraudulent financial support applications as well as efficiencies and improvements to the visiting process. This pilot will be reported to CMT and the Audit Committee in the Quarter 4 BACFT progress report.

3.5.3 A proactive project conducting **residency checks for Section 17 accommodation** was undertaken by the team in Quarter 3. The objective of this project was to ensure accommodation provided to families under emergency legal provisions continued to be legitimately occupied. During the project **26 visits were conducted with 22 being verified**. A further two were investigated for non-occupation resulting in funding for the accommodation being ended, **saving the Council £27,344 in costs**. A further 2 cases are still under investigation.

- 3.5.4 As part of counter fraud work within Social Care, the BACFT carries out investigations into suspected fraud within the **Disabled Facilities Grant scheme (DFG)**. The DFG scheme operates within rigorous eligibility criteria which must be met if applicants are to receive a grant. In Quarter 3, the team has **prevented one DFG** from being paid due to irregularities with their income, resulting in **loss prevention to the council of £30,000**.
- 3.5.5 **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 2019 the scheme's eligibility was extended to people with less visible conditions. Residents that have been diagnosed with autism and/or mental health conditions are now able to apply for a Blue Badge.
- 3.5.6 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. In Quarter 3, a proactive **Blue Badge misuse operation** was carried out in Uxbridge High Street in the lead up to Christmas, due to the high risk of misuse at this time of year. The results were as follows:
- **86 badges checked;**
 - **10 expired badges seized** and returned to the Blue Badge team; and
 - **10 cases under further investigation** for suspected fraudulent misuse.

3.6 Immigration Enforcement Officer

- 3.6.1 The BACFT has had a Home Office Immigration Enforcement Officer (IEO) working as part of the team since April 2018, providing 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. Unlike the first lockdown, **there has been no suspension of IEO services due to the current restrictions**.
- 3.6.2 Quarter 3 saw a significant decrease in the number of referrals for the IEO which is likely due to the pandemic restrictions and potentially staff may have thought that access to the IEO had been suspended as per the first lockdown. However, despite the drop in referrals, since returning to full service on 1st July 2020, the IEO has contributed **loss prevention savings of £56,759**. These savings are related to the prevention of Homelessness Applications where the applicant was identified by the IEO to have no recourse to public funds. Please refer to **Table 5** in **Appendix B** for a detailed breakdown of the identified loss prevention savings to date.
- 3.6.3 **To address the reduction in referrals** and increase the IEO's exposure across the Council, the BACFT will engage with a greater number of colleagues in Quarter 4 to further raise awareness of the availability of the IEO across the Council. This should help ensure staff know that IEO services are still available and also encourage growth in referrals resulting in an increase in loss prevention outcomes from the IEO's work, as well as potentially identifying new areas of counter fraud work for the IEO.

3.7 Other Counter Fraud Activities

- 3.7.1 During November the BACFT carried out their annual **Fraud Awareness Week** to coincide with the National Fraud Awareness Week. Covid-19 restrictions presented challenges to the delivery, so an **awareness program was developed around the use of social media**. Internal staff as well as members of the public were engaged with using tweets. Posts were sent daily via social media platforms, informing the public of fraud risks as well as how to contact the BACFT to report suspected fraud. Physical banners were placed across various reception areas across the Council and **fraud awareness sessions** were delivered to various departments including Housing and Social Care.

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

- 4.1 Attached at **Appendix A** is **Table 4**, which sets out the performance by the BACFT against the seven KPIs in the year to date. **5 of the 7 KPIs are at or above targeted performance**, whilst **2 are red**. Performance can be explained in part by the team's redeployment during the Tier 4 restrictions and the integration of the new team structure. In addition, operational restrictions on counter fraud activities due to the pandemic are a contributory factor i.e. visits/inspections, face to face interviews, capacity of the courts to progress cases and teething issues related to introduction of new ICT systems. Pandemic restrictions allowing there is a need to improve performance outcomes in Quarter 4 in a number of areas, especially in the handling and risk assessment of referrals, verification of Housing Allocations and Revenues Inspections. The BACFT will focus on these areas to ensure an improved performance and to maintain the quality of counter fraud services.
- 4.2 **Table 5** at **Appendix B** provides an overview of the financial performance of the team in 2020/21 to date within each of the main areas of counter fraud activity.

5. Forward Look

- 5.1 As we look forward to Quarter 4, the BACFT will continue to face challenges with the ongoing restrictions due to Covid-19, meaning all visits and interviews have been suspended. The BACFT will therefore be concentrating on a desk-based investigative approaches for all cases and project work whilst the restrictions remain in place, and will be **exploring methods of conducting investigations, interviews and inspections remotely**.
- 5.2 **Data matching projects** are being planned for Quarter 4 including the **National Fraud Initiative (NFI)** data matching exercise. Staff will assess matches to identify financial savings in areas such as Revenues, Housing and Social Care. The **key fob data analysis project** scheduled for Quarter 3 will now be conducted in Quarter 4, with the aim to continue the team's proactive and risk-based approach to tenancy fraud.
- 5.3 In Quarter 4 the BACFT will deliver further **Fraud Awareness programmes** to colleagues within the council, including virtual awareness sessions and virtual fraud risk workshops specific to fraud risks within different service areas. The BACFT will also make **greater use of the council's social media platforms** in order to raise fraud awareness internally and externally. Whilst intended to generate a greater number of fraud referrals going forward, it will also provide another platform for the BACFT to interact with residents and promote counter fraud issues.
- 5.4 The BACFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during Quarter 3. There are no other counter fraud matters that the DDESBA needs to bring to the attention of CMT or the Audit Committee at this time.

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

4th January 2021

APPENDIX A**Table 4 ~ BACFT Quarter 3 KPIs and Actual Performance****

BACFT KPIs	Target	Q1	Q2	Q3	20/21**	19/20
1. Percentage of fraud referrals risk assessed within 3 working days	95%	43%	100%	94%	77%	98%
2. Verification work timescales for completion:						
a. Housing Allocations completion within the target date set by Housing.	95%	95%	99%	91%	94%	95%
b. First Time Buyer completion within 5 working days	95%	100%	N/A*	29%	33%	100%
c. Right to Buy case completion within 28 working days	95%	N/A*	100%	100%	100%	81%
3. Investigation plan completion within 5 working days of case allocation	95%	69%	86%	100%	86%	94%
4. Tenancy fraud referrals received resulting in property recovery	20%	50%	34%	28%	37%	28%
5. Investigations resulting in sanction (prosecution/penalty/caution)	10%	N/A*	6%	11%	8%	3%
6. Investigations resulting in loss prevention/financial saving outcome	25%	75%	33%	54%	47%	33%
7. Revenues inspections completed within 10 days of raising	95%	34%	30%	48%	39%	63%

* N/A indicates where no work was carried out in the quarter due to no new cases or that the team did not carry out any work due to redeployment.

** As at 31st December 2020.

APPENDIX B**Table 5 ~ BACFT Quarter 3 2020/21 ~ Financial Performance**

Work Area	Description	Quarter 1	Quarter 2	Quarter 3	2020/21*
Housing	Right to Buy discounts	£103,900	£0	£110,500	£214,400
	Property Recovery (notional savings)	£36,000	£72,000	£90,000	£198,000
	Other savings/loss prevention	£0	£5,384	£24,061	£29,446
Social Services	Section 17	£0	£0	£27,344	£27,344
	Financial Assessments	£0	£0	£53,791	£53,791
	Disabled Facilities Grants	£0	19,500	£30,000	£49,500
Revenues	Council Tax Reduction	£1,487	£1,425	£0	£2,913
	Single Person Discount	£8,157	£1,900	£7,927	£17,982
	Council Tax Arrears	£3,180	£1,185	£5,884	£10,249
	Beds in Sheds	£0	£14,579	£1,314	£15,894
	Housing Benefit Overpayments	£2,934	£9,000	£10,640	£22,575
	Small Business Rates Relief (SBBR)	£0	£0	£27,503	£27,503
	NNDR	£0	£0	£2,509	£2,509
	Business Directory	£0	£0	£12,118	£12,118
Blue Badge	Simple Caution & Financial Penalty	£0	£100	£200	£300
Immigration Officer	Housing Homelessness Applications**	£0	£47,299	£9,460	£56,759
Totals	Loss Prevention Savings	£103,900	£66,799	£282,659	£453,357
	Notional Savings	£38,934	£81,000	£100,640	£220,575
	Cashable Savings	£12,824	£24,474	£29,752	£67,051
	Costs awarded and penalties	£0	£100	£200	£300
	Total	£155,659	£172,373	£413,251	£741,283

* As at 31st December 2020.

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