

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee:

2020/21 Quarter 4

1st April 2021



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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 4 period (1st January to 31st March 2021). 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 4 (Q4).
- 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 Q4 it was necessary for the **BACFT to alter operations in line with tighter Government Covid-19 restrictions**, creating a situation similar to the previous lockdown in March 2020. Visiting functions and direct engagement with the public was reduced in Q4, but unlike the previous lockdown, after reassessing Covid-19 related operational risks, **the BACFT was able to maintain a higher level of activity than before**. However, the challenge to the delivery of counter fraud services has increased in comparison to Q3.
- 2.2 The DDESBA can report that **in Q4, the BACFT has delivered £262k in loss prevention and financial savings** across Council services. **Total savings delivered for 2020/21 are over £1m**, meaning that the **target for the year has been met**, which is a significant achievement for the BACFT and the Council considering the current government restrictions and the significant impact on counter fraud work caused by the pandemic.
- 2.3 In Q4 the BACFT has continued to assist Exchequer Services in the provision of assurance over the various **Covid-19 Business Support Grants schemes**. Since their introduction the BACFT has assisted in **pre and post assurance checks** for all grants being administered, which will continue so long as grants are in payment and assistance is needed. 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 Q4 the BACFT **recovered 11 Council housing properties**. This means that the total number of **properties recovered in 2020/21 is 22**, creating a **notional financial saving of £396k**. The improvement in this area of work this quarter can be partly attributed to the flexible approach the team has taken in negotiating with tenants to surrender tenancies rather than using the courts for possession.

- 2.5 The **recovery of 22 properties** in the current climate is a considerable achievement for the BACFT and we will look to build on this moving into 2021/22 by continuing with planned housing fraud projects using a risk-based approach. **Financial loss prevention for Q4 within Housing is estimated at £207k**, and the **total for 2020/21 within Housing is £649k**.
- 2.6 In the area of Revenues, the BACFT has continued to focus on **Beds in Sheds** as part of a proactive project, bringing a further **8 unregistered dwellings into Council Tax and generating income** of approximately **£22k** for the quarter. Together with work carried out elsewhere in Exchequer Services, the total loss prevention savings and income is approximately **£26k for Q4**, bringing the **total for 2020/21 to £138k**. These figures demonstrate the BACFT's commitment to working with Exchequer Services to prevent and detect fraud and loss and tackling the issue of Beds in Sheds within the borough.
- 2.7 **Total identified loss prevention savings for 2020/21 within Social Care remains £130k** and there is also a lot of other Counter Fraud being carried out in this area. Fraud awareness sessions have continued to be delivered to teams within the areas of Direct Payments and Financial Assessments, leading to increased referrals for investigation. **Positive engagement with Social Care management on identifying and managing fraud risk** has also been carried out and the BACFT currently has **16 ongoing investigations** in this area. The HCF believes this will result in positive outcomes for the Council in Q1 and Q2 of 2021/22.
- 2.8 In Q4 the **HCF has met with key Directors and Heads of Service** as part of the risk-based planned approach to counter fraud work. This has been used to inform the updated 'Fraud Universe' for the Council and BACFT Operational Work Plan for 2021/22. These discussions centred around the key fraud risks faced by each service area and the mitigation actions in place. Agreement has been reached on proactive counter fraud work to be carried out and the delivery of further fraud awareness training.
- 2.9 The team has received **126 new fraud referrals** during Q4, which is a similar volume to that of Q3. This brings the **total number of live investigations to 273**, with 37% of these cases within the area of Housing. For the second quarter running the BACFT has seen a significant increase in Revenues related investigations; these cases now account for 30% of all current investigations.

3. Analysis of Counter Fraud Activity in Quarter 4

3.1 Housing Fraud

- 3.1.1 The BACFT has continued in Q4 to carry out effective counter fraud work within Housing despite the restrictions that have remained in place during the Covid-19 pandemic. The housing provisions within the **Coronavirus Act 2020** are unchanged for the quarter, with all landlords still required to give an extended **notice period for 'Notices of Seeking Possession' of 6 months** (for all but 'serious' cases). Although the courts continue to prioritise serious cases of fraud, including cases of non-occupation and subletting, the demand is high which has caused delays in cases reaching court. **The BACFT has continued to pursue property recovery by other methods**, which in turn saves on legal costs.
- 3.1.2 Per **Table 1** over the page, in Q4 the BACFT has successfully **recovered 11 Council properties**, bringing the **total recovered for 2020/21 to 22**. There are **81** ongoing investigations into suspected housing tenancy fraud and the BACFT is actively pursuing legal action in six of these cases. The increase in property recovery this quarter is undoubtedly related to the **reintroduction of key investigation activities, such as interviewing and site visits**. BACFT staff that had been redeployed during the most recent lockdown period have now returned to investigation duties, with a positive impact on outcomes for Q4.

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	22	£396k	28	£504k	19	£342k
Total number of ongoing cases	81	£1,458k				

* As at 30th March 2021.

** 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.

- 3.1.3 In Q4 the BACFT was granted a **possession order for one property** through the courts. However, the government has **extended the ban on all evictions**, impacting on the recovery of properties where possession orders are granted. A further government review of evictions will take place in May 2021.
- 3.1.4 The 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 Q4 the team achieved 55%**, which is an extremely positive result whilst working within the current government restrictions.
- 3.1.5 During this quarter, the BACFT continued the **proactive tenancy fraud project** involving residency checks for social housing properties in a highlighted hotspot area. This project was part of a **collaborative approach with the Community Safety Team** and is currently in its final stages. To date, the BACFT have conducted **151 visits to 111 properties**. As a result, **four cases are under investigation** for suspected subletting, non-occupation and fraudulent Council Tax exemption.
- 3.1.6 As part of the BACFT's **fraud prevention work** it proactively carries out verifications 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.
- 3.1.7 Per **Table 2** below, in the year to date the BACFT has successfully identified **625** housing register applications that should be rejected for a variety of reasons.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2020/21*	2019/20
Total number of cases reviewed	2,010	2,295
Total number verified as accurate	1,385	1,697
Total number rejected	625	598
% identified by BACFT for rejection	31%	26%

* As at 30th March 2021.

- 3.1.8 Of the **625** cases that have been rejected, **14** individuals' applications have been completely closed. Applications are closed 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 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 Q4 the team has successfully achieved **98% of verifications** meeting and exceeding this KPI, which is an improvement on the previous quarter. More staff within the Housing Investigations Unit have been trained to carry out these checks resulting in the improved performance.

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 BACFT has continued to work on matches as part of the project in Q4 and is anticipating **loss prevention savings of around £25k to report**, though these are yet to be confirmed and therefore not reported in the figures for this quarter. Delays in reporting are a consequence of colleagues in Exchequer Services being redeployed to assist with the administration of Covid-19 grants. As a result, this loss prevention saving will be reported in Q1 of 2021/22.
- 3.2.2 The NFI data match against DWP data this quarter has contributed to the **recovery of two properties** with a further seven cases under investigation. The results of these investigations will be made reported in future progress reports.

3.3 Revenues Fraud & Inspections

- 3.3.1 The BACFT has been focussing on **Business Rates avoidance** as part of the Q4 work within Exchequer Services. The planned project with Experian has been put on hold due to the demands of the Covid-19 grants assurance work. Instead a **businesses mapping exercise** has been undertaken for many of the high streets in the borough. This has helped to ensure the accuracy of Council records and to identify properties and or businesses that were unregistered for rates. It will also highlight businesses that have failed to comply with government Covid-19 restrictions. This exercise will help to increase the revenues base and the collection of rates of the Council; results will be made available in the Q1 2021/22 progress report.
- 3.3.2 Per **Table 3**, the BACFT has **conducted 6,005 inspections in the year to date**, with 3,519 (59%) completed within the target. Performance in Q4 has significantly improved over previous quarters, with **84% of inspections completed within target**. Whilst this is a much stronger performance, further improvement is still needed for the next financial year in order to meet the KPI 7 of 95% (refer to **Table 4** in **Appendix A**).

Table 3 ~ Revenues Inspections Performance 2020/21

Revenues Inspections	Q1	Q2	Q3	Q4	2020/21*	2019/20
Total number of inspections completed	340	1,461	1,533	2,671	6,005	5,592
Percentage within 10 day target	30%	34%	48%	84%	59%	63%

* As at 30th March 2021.

3.3.3 In Q4, proactive work has continued 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. BACFT staff redeployment and visiting restrictions in Q4 has meant that work in this area was on a smaller scale than originally planned. However, the team successfully identified **8 further unregistered dwellings**, with over **£20k of loss prevention savings also identified** during this quarter. This total is made up of the savings for the 8 new dwellings and the outstanding savings that had not been confirmed in Q3. In total, **21 unregistered dwellings** have been identified during this financial year to date. The identification of Beds in Sheds will continue to be a priority for the BACFT in 2021/22.

3.4 Grants Assurance Work

3.4.1 Officers from the BACFT have continued to assist in the **verification of several business grants schemes** introduced in November 2020. This work is likely to continue until June 2021, as further grants are soon to be introduced. The BACFT have been assisting colleagues in Exchequer Services with the verification of eligibility for payments and the instigation of the grant recovery process. So far, a total of **3,304 verification checks** have been completed. Of those checked, **891 have been verified by BACFT, 14 have not been verified and 60 are under further investigation. Two businesses** are under formal investigation for potential fraudulent grant applications. BACFT officers have also been working closely with colleagues from Environmental Services, to help co-ordinate a project where all the businesses that have made grant applications will be visited. Any business found to be in breach of government Covid-19 guidelines will have to repay their grant money for the period in question.

3.5 Social Services

3.5.1 The team has continued to engage with key stakeholders within Social Services, providing **Fraud Awareness Sessions** to managers, discussing fraud risks and championing counter fraud activity. This has been successful with a significant increase in referrals from Social Care this quarter, bringing the **total number of investigations in this area to 16**. Despite there being no loss prevention outcomes to report in Q4, the BACFT has made good progress that will ensure better fraud awareness and prevention, greater control of fraud risk and provide positive financial outcomes in this area over the coming year.

3.5.2 In Q4 the BACFT and the **Financial Assessments (FA)** team have collaborated on a **new verification process** to be introduced in Q1 of 2021/22. The FA team is responsible for assessing eligibility to receive financial support for care home placements or homecare. There are strict eligibility criteria in place and the assessment takes into consideration savings, income and assets. The new verifications carried out by the BACFT are designed to ensure all applicants accurately meet the eligibility criteria and will identify any applicants attempting to hide income or assets. This will support the work of the FA team and provide a greater level of assurance to managers over the risk of fraud in this area.

3.6 Blue Badge

3.6.1 Investigations into the cases of blue badge misuse identified in Q3 during a proactive Blue Badge project, are still ongoing. The delay is related to current Covid-19 restrictions as the team are unable to deliver simple cautions or fixed penalty notices remotely. Further updates on this work area will be available in the next progress report.

3.7 Immigration Enforcement Officer

3.7.1 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.

- 3.7.2 Unlike the first lockdown, **there has been no suspension of IEO services in Q4** despite the Government restrictions. However, Q4 has seen a continued decrease in the number of requests to the IEO which is due to the knock on impact of the pandemic i.e. the IEO has been working remotely as have the majority of staff therefore there is less visibility and awareness of the IEO. **To address the reduction in referrals** efforts were made during this quarter to further promote the availability of the IEO. Information on IEO availability was sent out via the All Staff Email and the value of the information that can be provided by the IEO was discussed during fraud awareness sessions.
- 3.7.3 Despite the drop in referrals, the IEO has contributed **loss prevention savings of £28,379 in Q4** (refer to **Table 5** in **Appendix B**). 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. It is noted that during current Government restrictions individuals identified by the IEO as having no recourse to public funds must still be offered discretionary emergency accommodation. This is according to Government guidance and is likely to continue until the Government restrictions are lifted.
- 3.8 Other Counter Fraud Activities**
- 3.8.1 As part of the annual Counter Fraud risk-based planning process, the **Fraud Risk register** has been reviewed and refreshed to identify and score current and emerging fraud risks as part of the Council's '**Fraud Universe**'. Meetings have been held with senior managers from over 20 different service areas to review their current fraud risks and discuss the mitigation actions and procedures they currently have in place (refer to the **Counter Fraud Strategic Plan 2021/22** for further details).
- 3.8.2 As part of the team's commitment to loss prevention, the BACFT have established a **Debt Recovery Working Group** to address the difficulties the Council faces in debt recovery aiming to improve debt recovery rates and reduce write-offs. The working group is reviewing and improving debt recovery processes by using the BACFT's expertise in intelligence gathering and tracing individual debtors. This new initiative is still in its infancy and results will be reported in due course.

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

- 4.1 Attached at **Appendix A** is **Table 4** which sets out the performance by the BACFT against the nine KPIs in Q4. Also attached at **Appendix B** is **Table 5** which provides an overview of the financial performance of the team in Q4 within each of the main areas of counter fraud activity.
- 4.2 This quarter has seen an improvement in performance across some of the KPI's; **6 of the 9 KPIs are at or above targeted performance**, whilst **2 are red**. Performance should be considered against the challenges the team has faced in this quarter including the impact of current Government restrictions and redeployment of team members into frontline Covid-19 response activities. As planned out in the Q3 progress report, the **team has delivered an improved performance** against risk assessments, verifications of Housing Allocations and of Revenues Inspections in Q4.

5. Forward Look

- 5.1 As we look forward to Q1 of 2021/22, the BACFT will have to continue to alter operational activities due to the Covid-19 restrictions, although these should begin to have less impact moving forward. Desk-based investigative approaches will continue for vulnerable individuals and/or where the assessed risk is higher. The **BACFT will be able to carry out visiting and interviewing functions for most cases and for project work**. The Covid-19 risk assessment will be kept under review and updated to reflect changes to government restrictions as appropriate.

- 5.2 The BACFT will be taking part in a **Targeted Problem Solving Day** in conjunction with other enforcement teams within the Council. The event is organised by the Community Safety Team and will be run periodically across different wards within the Borough throughout the year. This project brings Counter Fraud, enforcement, and other teams together, with the concept that enforcement related issues are often not found in isolation and enhanced joint working between Council teams in a focussed way allows all enforcement related matters to be dealt with more effectively.
- 5.3 The team will continue to support Exchequer Services on the administration of **Business Grants Schemes**, providing verification checks to ensure eligibility as well as initiating recovery action against those business that have received a grant to which they are not entitled. This work is likely to continue throughout Q1 of 2021/22 and potentially beyond.
- 5.4 April 2021 will see a change in leadership for the BACFT, with the current HCF (Zac O'Neil) due to take up a new job as the Head of Counter Fraud Practice for the Scottish Government. This is a fantastic opportunity and challenge for Zac and has been achieved partly because of the excellent work he and the BACFT have achieved over the last three and a half years since he joined LBH. Given the ongoing uncertainty created by the pandemic it has been decided to put in place interim HCF arrangements for the next few months. As a result, Alex Brown (current Counter Fraud Manager for the Special Investigations Unit), after a rigorous internal recruitment process has been appointed Interim Head of Counter Fraud. A decision on a permanent HCF will be made in Q2.
- 5.5 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 this quarter. 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

1st April 2021

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

BACFT KPIs	Target	Q1	Q2	Q3	Q4	20/21†	19/20
1. Percentage of fraud referrals risk assessed within 3 working days	95%	42%	100%	92%	98%	87%	98%
2. Verification work timescales for completion:							
a. Housing Allocations completion within the target date set by Housing.	95%	95%	99%	91%	98%	95%	95%
b. First Time Buyer completion within 5 working days	95%	100%	N/A*	30%	N/A*	33%	100%
c. Right to Buy case completion within 28 working days	95%	N/A*	100%	100%	100%	100%	81%
3. Investigation plan completion within 5 working days of case allocation	95%	46%	86%	100%	95%	90%	94%
4. Tenancy fraud referrals received resulting in property recovery	20%	50%	34%	23%	55%	41%	28%
5. Investigations resulting in sanction (prosecution/penalty/caution)	10%	N/A*	6%	10%	0%	5%	3%
6. Investigations resulting in loss prevention/financial saving outcome	25%	50%	24%	42%	43%	39%	33%
7. Revenues inspections completed within 10 days of raising	95%	34%	30%	48%	84%	59%	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 30th March 2021.

APPENDIX B**Table 5 ~ BACFT Quarter 4 2020/21 ~ Financial Performance**

Work Area	Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2020/21*
Housing	Right to Buy discounts	£103,900	£0	£110,500	£0	£214,400
	Property Recovery (notional savings)	£36,000	£72,000	£90,000	£198,000	£396,000
	Other savings/loss prevention	£0	£5,384	£24,061	£9,972	£39,418
Social Services	Section 17	£0	£0	£27,344	£0	£27,344
	Financial Assessments	£0	£0	£53,791	£0	£53,791
	Disabled Facilities Grants	£0	19,500	£30,000	£0	£49,500
Revenues	Council Tax Reduction	£1,487	£1,425	£0	£0	£2,913
	Single Person Discount	£8,157	£1,900	£7,927	£1,874	£19,857
	Council Tax Arrears	£3,180	£1,185	£5,884	£200	£10,449
	Beds in Sheds	£0	£14,579	£1,314	£20,763	£36,657
	Housing Benefit Overpayments	£2,934	£9,000	£10,640	£0	£22,575
	Small Business Rates Relief (SBBR)	£0	£0	£27,503	£3,718	£31,221
	NNDR	£0	£0	£2,509	£0	£2,509
	Business Directory	£0	£0	£12,118	£0	£12,118
Blue Badge	Simple Caution & Financial Penalty	£0	£100	£200	£0	£300
Immigration Officer	Housing Homelessness Applications**	£0	£47,299	£9,460	£28,379	£85,138
Totals	Loss Prevention Savings	£103,900	£66,799	£282,659	£42,069	£495,427
	Notional Savings	£38,934	£81,000	£100,640	£198,000	£418,574
	Cashable Savings	£12,824	£24,474	£29,752	£22,838	£89,889
	Costs awarded and penalties	£0	£100	£200	£0	£300
	Total	£155,659	£172,373	£413,251	£262,906	£1,004,190

* As at 30th March 2021.

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