

BUSINESS ASSURANCE

Counter Fraud Strategic Plan 2021/22:

Draft for Cabinet as at 28th May 2021



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1. Introduction

Anti-Fraud and Anti-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 to gain access to money, valuable information or benefit. 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. Fraud removes money 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 Groups (OCGs) and the negative impact on the community with 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. To ensure that 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 2021/22

- 1.4 The Counter Fraud Strategic Plan 2021/22 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. 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 2021/22 (please refer to **Appendix B**). This has been produced using a risk-based approach to the Council's 'Fraud Universe' and is designed to deliver on the loss prevention **financial savings target for 2021/22 of £1.5m**.
- 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

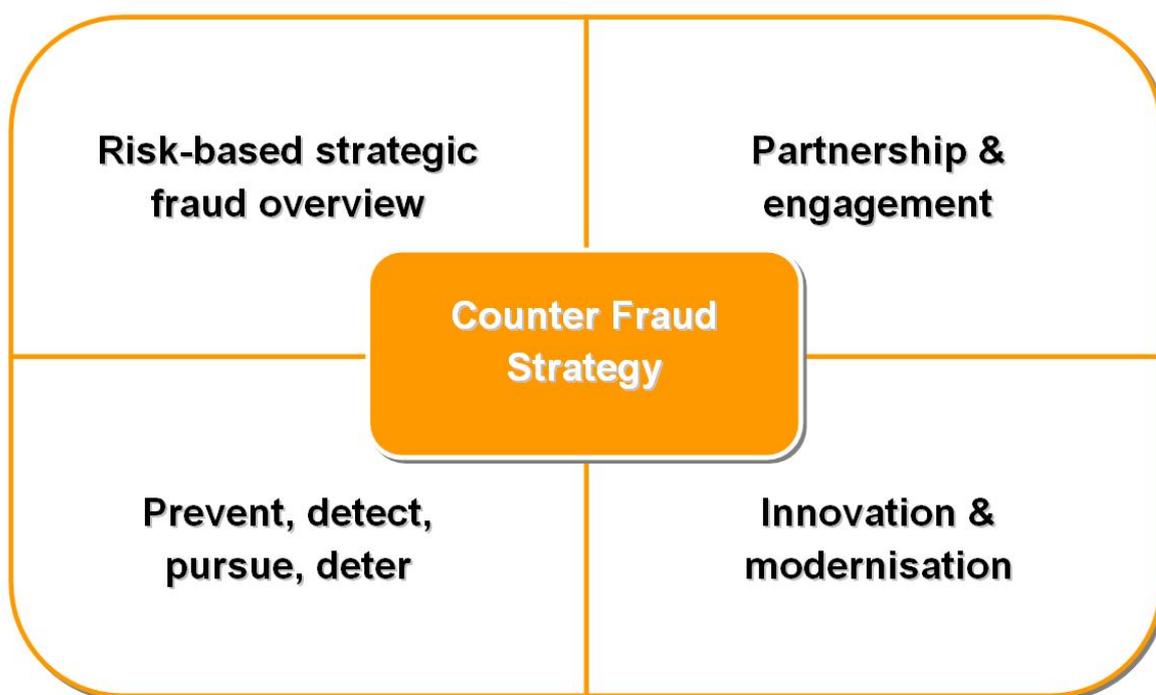
- 3.1 The term '**fraud**' commonly includes activities such as theft, deception, bribery, forgery, extortion, conspiracy, and money laundering. These include, but are not limited to, the specific offences in the Fraud Act 2006. Fraud can be an attempted or actual act committed against the Council and/or 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 the 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 and detecting fraud emerging frequently. Increases in the emergence of new fraud risk is well documented during a local or national crisis or emergency, meaning the ongoing global pandemic continues to create new fraud risks for the Council to respond to. An updated assessment of LBH's current key 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 eight **Counter Fraud Strategic Objectives** for LBH are as follows:
1. Maximise loss prevention across Council services through effective counter fraud activity and deliver loss prevention financial savings of at least £1.5m;
 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 2021/22.
- 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 Services & Business Assurance, 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;
 - Fraud reporting form 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 guidance for staff 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 BACFT is structured to effectively respond to the key fraud risks for the Council (refer to **Appendix C**). Each sub-team within the BACFT is aligned by fraud risk as opposed to function, with three distinct investigation units: Housing Investigations, Revenues Investigations and Special Investigations. These three units each have responsibility for their specified area of fraud risk and cases are managed as part of a cradle-to-grave process, proving an efficient and quality counter fraud service.
- 6.3 The BACFT's primary focus is the delivery of the Operational Plan for 2021/22 (refer to **Appendix B**). This plan is designed to provide assurance over the Council's key fraud risks and achieve the Counter Fraud Strategic Objectives (refer to para. 4.3), with 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 draft Counter Fraud Strategic Plan 2021/22 has been reviewed by Corporate Management Team on 24th March and by Audit Committee on 20th April. It is due to be considered by Cabinet at its planned meeting on 17th June 2021. Once approved, it will then be made available to all 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.

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Deputy Director of Exchequer Services & Business Assurance

Draft for Cabinet as at 28th May 2021

APPENDIX A**HILLINGDON FRAUD UNIVERSE 2021/22**

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 Description
Covid-19 Global Pandemic	<ul style="list-style-type: none"> • Pressure on business community with higher levels of unemployment and greater numbers seeking Housing services and tax exemptions creating higher instances of fraud within related services. • Increased financial pressure on individuals and concerns over money and fear of redundancy leading to higher likelihood and pressure to commit fraud against Council services and financial schemes. • Increased urgency of delivery within services leading to reduced due diligence over service delivery and overriding of controls and a greater opportunity for fraud. • 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. • 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. • Ongoing provision of business grants and financial assistance to businesses together with untested and immature control environment for specific schemes creating new opportunities for fraud. • 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. • Higher levels of housing need and homelessness claims in the borough linked to Covid-19 pressures leading to increased levels of fraud within housing. • 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.
Procurement of Goods and Services	<ul style="list-style-type: none"> • Pressure to win public sector contracts leading to the risk of manipulation of procurement processes through bribery of Council officers. • Businesses engaging in uncompetitive practices within the contract tendering process leading to higher costs to the Council. • Risk of Council officers failing to follow appropriate contract management practices leading to the risk of fraudulent under-delivery within contract specification and financial loss. • Exploitation of procurement processes through collusion between Council officers to appropriate goods or financially benefit.

cont.

Table 2 ~ Summary Risk Assessment (cont.)

Fraud Risk Area	Risk Description
Social Housing	<ul style="list-style-type: none"> • False homelessness claims lead to wrongful expenditure on temporary accommodation and Section 17 funded accommodations and associated fraud. • Limited availability of low-cost social housing leads to greater competition for Council housing and increased risk of misrepresentation of circumstances within the process. • High value rents within the borough creates the opportunity financial gain and increased risk of sub-letting of Council properties. • Council tenancies are viewed as a potential asset through low cost rents and the Right to Buy scheme, leading to the risk of false succession claims. • High value of properties within Hillingdon and the opportunity for discounted property purchase through the Right to Buy scheme leading to the risk of fraudulent applications under the scheme.
Social Care	<ul style="list-style-type: none"> • High costs of personal care requirements leading to greater pressure to misrepresent circumstances in relation to assets and income in the financial assessment process and a financial loss to the Council. • Inability of vulnerable individuals to properly manage Direct Payments meaning greater involvement of family members and 3rd parties to manage payments, leading to increased risk of opportunistic misappropriation of funding by a 3rd party. • 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. • 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.
Revenue Collection Authority	<ul style="list-style-type: none"> • High cost of rateable value of business premises leads to the risk of fraudulent misrepresentation of circumstances to take advantage of reliefs. • High cost of rateable value of business premises and the pressure to reduce expenditure leads to the risk of companies not registering business operations to the Council for commencing business rates. • 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. • 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.
Port Authority	<ul style="list-style-type: none"> • Unaccompanied Asylum-Seeking Children (UASC) misrepresenting their age to access services leading to financial loss. • Approach for services by individuals with No Recourse to Public Funds (NRPF) leading to the risk of misrepresentation to access services.

cont.

Table 2 ~ Summary Risk Assessment (cont.)

Fraud Risk Area	Risk Description
<p>Maintained Schools</p>	<ul style="list-style-type: none"> • Ineffective oversight and scrutiny by school oversight in relation to decisions around pay and financial policy, leading to increased risk of financial loss and absence of proper control environment. • Insistence from school suppliers to continue to receive payment by cheque creating the risk of interception or counterfeiting of cheques and financial loss. • Pressure to secure school places in over-subscribed schools leading to the risk of misrepresentation of circumstances by parents as part of the admissions process and places being wrongly allocated. • Schools being viewed as a lower risk of fraud detection by fraudsters due to the perceived lack of financial controls and an 'easy target', increasing the risk of attack on schools' online accounts and the risk of financial loss.

APPENDIX B**COUNTER FRAUD TEAM - OPERATIONAL WORK PLAN 2021/22**

Set out below is the **Draft** BACFT Operational Work Plan for the key proactive projects and investigative work due to be carried out in 2021/22.

Counter Fraud Activity	Planned Work	Outcomes 20/21
Tenancy Fraud & Housing Investigations	The BACFT will continue to detect illegal subletting and non-occupation of Council properties as referred by colleagues and residents. This also includes false applications for housing, assignment and succession.	21 properties recovered – meaning a notional saving of £378k
Social Housing Residency Checks	A risk-based approach to tenancy residency checks working with the Housing team and using investigations data to identify fraud hotspots. This will be delivered as part of proactive projects work.	
Housing Key Fob Data Review	A new initiative to analyse data held by the Council to identify fraud. The BACFT will review the key fob activity of residents in social housing, to identify suspected subletting or non-occupation due to access and use patterns. Due to the impacts of Covid-19 this project was delayed in 2020/21.	N/A
Housing Key Amnesty	A new project in in which Council tenants and those in emergency accommodation can surrender their tenancies during an amnesty period whereby no action will be taken in relation to housing fraud.	N/A
Housing Right to Buy (RTB)	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.	2 RTBs cancelled totalling over £214k of loss prevention savings
B&B and Temporary Accommodation Residency Checks	The BACFT will continue with an annual residency check on all emergency B&B and temporary housing accommodation. The checks will identify suspected non-occupation and subletting of emergency housing, and false applications. Due to the impacts of Covid-19 this was delayed in 2020/21.	N/A
Social Services s.17 Emergency Funding	Desk-based checks to confirm eligibility of applicants requiring emergency accommodation and support from Social Care. An annual review of all families in Section 17 accommodation to identify potential subletting and non-Occupation.	2 Fraudulent applications closed saving over £27k
Unaccompanied Asylum-Seeking Children (UASC) Status Checks	The embedded Immigration Enforcement Officer will periodically check the status of all UASC clients, this helps identify those whose status allows them to access national schemes funding, therefore no longer requiring funding by the Council. Due to Covid-19 this new initiative was not introduced until Quarter 4 2020/21.	N/A

cont.

COUNTER FRAUD TEAM - OPERATIONAL WORK PLAN 2021/22 (cont.)

Counter Fraud Activity	Planned Work	Outcomes 2020/21
UASC	An annual proactive project identifying suspected subletting or non-occupation of accommodation provided by the Council. A referral process is in place for cases of misrepresentation to be passed to the BACFT for investigation. This project was not conducted in 2020/21 due Covid-19 restrictions.	N/A
Disabilities Facilities Grants	Cases of hidden assets, income or fictitious residency will be referred to the BACFT's via the a referrals process.	3 cases investigated preventing loss of over £49k
Social Care Financial Assessments	The BACFT will verify all applicants who apply for Social Care funding via Financial Assessments to ensure eligibility. The BACFT will also conduct a proactive project with the Financial Assessment Team to identify loss prevention savings during the annual review process.	1 case investigated providing loss prevention savings of £53k.
Direct Payments	Implementation of guidance and a referrals process underpinned by periodic fraud awareness training. Cases where funds are not being used appropriately will be investigated robustly.	N/A
NFI Bi-annual Exercise	Continuous work on statutory data matches from the Cabinet Office, which will be investigated as an ongoing project throughout 2021/22. The matches provide a significant contribution to savings areas such as Housing and Revenues.	£8.7k* worth of loss prevention identified *Project ongoing
'Beds in Sheds' - Unregistered Residential Dwellings	A proactive project to identify unlawful and unregistered residential dwellings in order that properties are brought within Council Tax banding and cases of suspected evasion investigated. Enforcement action on Planning issues will be referred to the Planning Enforcement and Housing Standards teams.	20 dwellings identified. £37k worth of loss prevention
Revenues Inspections and Investigations	In 2021/22 the BACFT will deliver all inspections for Business Rates and Council Tax. A further aim is to identify internal and external data sources that will assist in identifying businesses and dwellings that are attempting to avoid paying council tax.	1100 + new properties identified
Procurement Fraud Culture	Fraud Awareness delivered to all officers within procurement highlighting potential fraud risks and providing guidance on the referral process.	N/A
Procurement Process Review	Engagement exercise with the Head of Procurement & Commissioning for a detailed review and assessment of the Council's exposure to procurement fraud risks, and implementation of mitigation controls in line with the Council's risk appetite.	N/A

cont.

COUNTER FRAUD TEAM - OPERATIONAL WORK PLAN 2021/22 (cont.)

Counter Fraud Activity	Planned Work	Outcomes 2020/21
Grant Verification	Assist colleagues in Exchequer Services with the administration and recovery of government grants issued due to the Covid-19 pandemic.	3,016 checks 85 under investigation 14 Not verified
Housing Verifications	The BACFT will continue to verify applicants who apply for social housing, mutual exchange, or succession/assignment.	14 housing applications closed, 7 succession cases resulting in property recovery
First Time Buyers Residency Checks	Post purchase residency checks to verify occupation, as continued residency for a set period is a mandatory condition of the scheme. Any properties where subletting or non-occupation is identified will be investigated and recovery of the grant will be sought.	2 cases under investigation
Blue Badge Operations	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 to deter misuse across the borough.	3 Simple Cautions & Fixed Penalty Notices administered
Maintained Schools	A program of Fraud Awareness training for schools will be delivered, focusing on potential fraud risks and building a robust control environment. A toolkit is being designed for distribution to schools to encourage fraud prevention practices and good governance.	N/A
Fraud Awareness & Engagement	The team will continue to provide a program of Fraud Awareness internally to champion an counter-fraud culture and encourage service engagement over fraud risks. Including periodic social media communications released to the public to promote awareness and to raise the profile of Counter Fraud activity within the borough.	11 Fraud Awareness sessions delivered in 2020/21 alongside external communication via social media

APPENDIX C

COUNTER FRAUD TEAM – STRUCTURE 2021/22

