

# BUSINESS ASSURANCE

## Counter Fraud Strategy 2022 to 2025:

18<sup>th</sup> February 2022



HILLINGDON  
LONDON

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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 prevent 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 in the borough most in need. The effects of fraud are often compounded by its link to Organised Crime Groups (OCGs) and the negative impact on the community with increased levels of related crime. This makes counter fraud work a crucial activity for the Council.
- 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 that is hostile to fraud and its causes. To ensure that LBH is fully fraud-aware and enabled, the Council will prevent fraud through front line defences, advanced and early detection, as well as appropriate fraud deterrents.

### The Purpose of the Counter Fraud Strategy 2022 to 2025

- 1.4 The Counter Fraud Strategy 2022-25 sets out 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 over the next three years. 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 Strategy 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 the service responsible for delivering the Counter Fraud Strategy and ensuring that the Council meets its statutory objectives in relation to fraud and corruption.
- 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 this Counter Fraud Strategy. It includes preventative work such as fraud awareness training, advising management on fraud risks/fraud prevention 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 strategic approach since August 2017 has been to achieve integration between the work of Internal Audit (IA) and the work of the BACFT. This remains an important feature of the ongoing 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 IA and the BACFT mean 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 ever 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 risks 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 consider and respond to.
- 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;
  8. Achieve the BACFT yearly Operational Work Plan; and
  9. Deliver financial savings and loss prevention across Council services in line with the yearly financial target.
- 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.
- Implementation of a robust risk assessment model to grade fraud referrals before the deployment of Counter Fraud resources. The model will assess a variety of risks to the Council including the systemic, operational, reputation and financial risk, alongside intelligence gathering to corroborate allegations. This will ensure the effective use of resources within the investigative process, across a wide range of fraud risks.
- 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.
- Introduce digitally driven processes to reduce the departments carbon footprint, whilst providing an effective and efficient Counter Fraud Service.
- Explore enhancements in Data analytics and Artificial Intelligence to support preventative measures and to identify instances of fraud, loss or error. Analytics will also contribute to the Fraud risk profile of the Council, as well as providing key fraud statistics for proactive Counter Fraud initiatives.
- Implementation of Council-wide data warehousing and data matching, utilising available information sharing, whilst 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 strategy 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;
  - Surveillance Policy; and
  - Enforcement 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 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 - recommended for all new staff (although it is Management's responsibility to implement/monitor this).
- 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 The BACFT has 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 2020*'. 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 To hold to account the Head of Counter Fraud and the BACFT in relation to its performance, a set of refreshed key performance indicators (KPI's) have been introduced (refer to **Appendix A**). The KPI's not only assess the team's performance against Counter Fraud activity but also against other investigative work such as revenues inspections and financial assessments.
- 6.3 Alongside KPI's the team's success is measured against its financial performance as part of its strategic objectives. Financial performance is reported to key stakeholders including the Audit Committee and CMT on a quarterly basis.
- 6.4 For transparency on how the BACFT calculates its financial outcomes, this strategy includes the methodology set for fraud valuations (refer to **Appendix B**). This list of valuations is not exhaustive, as throughout any financial year the BACFT will adapt to combat any new emerging fraud risks.

## 7. Acknowledgement

- 7.1 The Counter Fraud Strategy 2022-25 was reviewed by Corporate Management Team on 19<sup>th</sup> January 2022 and is due to be considered by Audit Committee at its planned meeting on 1<sup>st</sup> February 2022. It is then scheduled to be approved by Cabinet on 24<sup>th</sup> March 2022 and 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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18<sup>th</sup> February 2022



**APPENDIX A****COUNTER FRAUD TEAM – KPI's 2022-25**

The updated KPI's for the BACFT are set out in **Table 2** below. The KPI's have been reviewed and updated to ensure team performance can be measured against all key areas of the service delivery.

**Table 2 ~ Updated KPI's**

| BACFT KPIs 2022-25   | Actual 2020/21 Performance | 2022-25 Annual Target |
|--|----------------------------|-----------------------|
| 1. Percentage of fraud referrals risk assessed within <b>3</b> working days      | 87%                        | <b>95%</b>            |
| 2. Verification work timescales for completion:                                  |                            |                       |
| a. Housing Allocations completed within the target date set by Housing.          | 95%                        | <b>95%</b>            |
| b. Right to Buy case completed within <b>28</b> working days*                    | 100%                       | <b>95%</b>            |
| c. Financial Assessments completed within <b>7</b> working days*                 | N/A                        | <b>95%**</b>          |
| d. Section 17 reviews completed within <b>7</b> working days*                    | N/A                        | <b>95%**</b>          |
| 3. Investigation plans completed within <b>5</b> working days of case allocation | 90%                        | <b>95%</b>            |
| 4. Tenancy fraud referrals received resulting in property recovery               | 41%                        | <b>30%***</b>         |
| 5. Investigations resulting in loss prevention/financial saving outcome          | 39%                        | <b>40%***</b>         |
| 6. Revenues Inspections completed within <b>10</b> working days of referral date | 59%                        | <b>95%</b>            |

\* = BACFT Target is in line with client requirements

\*\* = New KPI wef 2022/23

\*\*\* = An increase in KPI target compared to 2021/22

For clarity the KPIs that have been removed are listed in **Table 3** below.

**Table 3 ~ Removed KPI's**

| BACFT KPIs  | Rationale   |
|---|---|
| 1. First Time Buyer completion within 5 working days                  | This scheme is no longer provided by the Council, making this KPI redundant.  |
| 2. Investigations resulting in sanction (prosecution/penalty/caution) | This KPI has been removed due to significant delays in criminal court proceedings relating to Covid. The BACFT will continue to prosecute where appropriate and proportionate to do so. |

**APPENDIX B****COUNTER FRAUD TEAM – Loss Prevention Valuations**

The latest Fraud valuations are set out below in **Table 4**. All fraud valuations have been reviewed to ensure they are proportionate, justifiable, reasonable, are following a sound methodology and give key stakeholders quantifiable data on the team's performance.

**Table 4 ~ Updated Loss Prevention Valuations**

| Service Area | Counter Fraud Activity  | Methodology of Loss Prevention Valuation  |
|--------------|---|---|
| Housing      | Homeless applications and/or emergency accommodation closed         | Average cost of accommodation per night x average length of stay*   |
|              | Council property or temporary accommodation recovered               | <b>New</b> Tenancy Fraud Forum Calculation for 2022-25**  |
|              | Right to buy application closed                                     | Value of the discount offered during the Right to Buy process   |
|              | First time Buyer Grant recovered                                    | Value of the grant received   |
| Social Care  | Section 17 application and/or accommodation closed                  | Average cost of accommodation per night x average length of stay*   |
|              | Financial assessment application closed or amended                  | Value of the amendment to the financial assessment or the value of the contribution for 1 year for any closed financial assessments |
|              | Disabilities Facilities Grant application closed or amended         | Value of the grant received   |
|              | Unaccompanied Asylum Seeker accommodation and/or application closed | Cost of accommodation and/or subsistence to the Council for 1 year***   |
|              | Direct Payment amended or closed                                    | Value of the amendment or the value of the direct payment for 1 year plus any backdated calculations                                |

*cont'd*

**APPENDIX B (cont'd)****COUNTER FRAUD TEAM – Loss Prevention Valuations (cont'd)**

| Service Area | Counter Fraud activity                                      | Methodology of Loss Prevention Valuation  |
|--------------|---|---|
| Revenues     | Council Tax Reduction amended or closed                     | Value of the amendment or value of 1 year's benefit plus any backdated calculations |
|              | Council Tax discount or exemption cancelled                 | Value of 1 year's discount/exemption plus any backdated calculations                |
|              | Housing benefit overpayment                                 | Value of overpayment  |
|              | Beds in Shed or Annexe identified                           | 1 year's value of additional Council Tax income plus any backdated billing          |
|              | Identification of unlisted Business or residential property | 1 year's value of additional income plus any backdated billing****                  |

\* = Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's Business Performance Team.

\*\* = A new national formula to calculate the value of tenancy fraud which takes into consideration cost of emergency accommodation, court costs, investigator costs, void costs and length of time the fraud has been committed.

\*\*\* = Cost of accommodation and subsistence per week for one year. This figure is a prudent estimate as the Council can and does often support asylum seeking children until they are 25 years old.

\*\*\*\* = NNDR operates under a business rates retention model with the Council keeping 15% of income.