**Counter Fraud
Annual Operational Plan
2022/23**
31st March 2022

Contents

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1. Introduction

The Role of the Business Assurance Counter Fraud Team

1.1   The Business Assurance Counter Fraud Team (BACFT) is responsible for delivering the Counter Fraud Strategy and Annual Operational Plan to ensure that the Council meets its statutory objectives in relation to fraud and corruption. The Annual Operational Plan gives key stakeholders an overview of the BACFT operational activity for the coming financial year, as well as a summary of the key fraud risks the Council faces.

1.2   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, other loss prevention work, etc. It also includes preventative work such as fraud awareness training, advising management on fraud risks and counter fraud controls as well as ensuring the Council has up-to-date and appropriate investigation policies and procedures.

The Purpose of the Counter Fraud Annual Operational Plan 2022/23

1.3   The Annual Operational Plan 2022/23 outlines the Council's approach to effectively tackle both the internal and external risk of fraud through its planned counter fraud activity. This planned approach is produced based upon the fraud landscape set out within the 'Fraud Universe', to ensure that BACFT resources are effectively deployed into areas of the highest fraud risk. The Annual Operational Plan also features a variety of proactive and reactive activity including investigative, project and verification work.

2. The Counter Fraud Strategic Approach

2.1   The published Counter Fraud Strategy for 2022-25 details the approach and core principles of how the BACFT will tackle and combat fraud and corruption over the next 3 years. It also highlights the BACFT's strategic objectives and provides assurance to key stakeholders by setting out how the Council's exposure to fraud is minimised.

2.2   The main principles of the Counter Fraud Strategy are:

- **Risk Based Approach** – The deployment of resources into the highest areas of fraud risk based upon the fraud universe and the risk assessment process.

- **Partnership & Engagement** – Communicating with service areas and key stakeholders to understand the risks the Council faces whilst creating a counter fraud culture. Offer support to stakeholders by undertaking work streams to identify fraud.

- **Prevent, Detect, Pursue & Deter** – The cornerstone of the counter fraud approach, with a focus on prevention, as preventative measures are more effective than cure.

- **Innovation & Modernisation** – A focus on delivering an efficient and effective counter fraud service through greater use of technology.

2.3   To ensure the BACFT can operate effectively in preventing, detecting, and pursuing fraud, a wide range of policies are in place providing a corporate framework to support staff. These corporate policies outline the Council's approach to countering fraud and corruption. Further details on these policies are included in the Counter Fraud Strategy 2022-25.

3. The Fraud Universe

3.1   In line with the Counter Fraud Strategy, the BACFT deploys a risk-based approach which is embedded into all forms of counter fraud activity, including the triaging of referrals. Specifically, a risk assessment is carried out on all referrals received to verify the veracity of the allegation by gathering intelligence to corroborate the original referral.

3.2   During the risk assessment process, the BACFT will score the assessment based on the following categories:

- **Financial risk** – What is the potential value of the fraud? What impact does it have on the Council and its residents?

- **Reputational risk** – How does this damage the Councils reputation? How would residents and the wider public perceive the referral if it were to be true?

- **Operational risk** – How does this allegation, if true effect the day to day running of the Council? Is there a need to strengthen processes to mitigate fraud?

- **Systemic risk** – Is this a new or emerging risk based on environmental, Social or economic factors? Is this a fraud risk we will likely continue to be exposed to? Do we need to change working practices to combat the risk?

3.3   The Fraud Universe for the Council and the Counter Fraud Team's risk assessment of those risks are set out in **Table 1** at **Appendix A**. These highlights environmental pressures faced by the Council which includes national and local influences. All council services are continuing to feel the lingering effects of the global pandemic. The combined impact of the pandemic and the transition to an endemic, as well as the negative influence of the rise in the cost of living, has created a perfect storm for opportunistic fraud to significantly increase.

3.4   As the fraud landscape within the public sector is ever changing, it is important that the BACFT keeps up to date with industry news and communicates with key stakeholders to recognise the pressures and risks the Council will encounter. This will give the BACFT the ability to adapt and combat the changing fraud risk landscape.

4. The Counter Fraud Annual Operational Plan 2022/23

4.1   Set out in **Table 2** at **Appendix B**, is the draft Counter Fraud Annual Operational Plan for 2022/23. The plan has been devised in liaison with key stakeholders and takes into consideration the Risk Assessment/Fraud Universe as set out at in **Table 1** at **Appendix A**. The planned operational activity covers proactive and reactive work across a wide range of fraud risks, whilst also retaining the flexibility for the BACFT to tackle any emerging risks.

4.2   The plan explains the work the BACFT will carry out by fraud risk and includes outcomes achieved previously in these areas, as well as the overall risk assessment rating. The plan for 2022/23 includes a variety of activity, which is listed below by type:

- **Criminal Investigations** – Investigations that have a criminal element undertaken by qualified investigators. These investigations normally fall within services areas, where a fraud is alleged to have taken place by a person or business accessing services or funds. Typically, the BACFT will investigate offences relating to fraud, theft, bribery and forgery but may where it is in the interest of the Council and its residents, investigate other offences.

- **Civil Investigations** – These investigations are often where the burden of proof for criminal proceedings cannot be met, or it is not in the public interest to prosecute. These matters are dealt with by way of compliance and may require civil proceedings to bring the case to a resolution.

- **Disciplinary Investigations** – At times key stakeholders in conjunction with HR may require the assistance of the BACFT in disciplinary matters, as per the corporate investigations protocol. The Special Investigations Unit is well equipped to pursue these cases where required to do so.

- **Verifications** – A workstream conducted by the BACFT to verify the eligibility of service users before accessing a particular scheme. These verification workstreams are embedded into processes within Housing and Social Care. This type of work is the core function behind the BACFT's preventative measures.

- **Proactive Projects** – A series of one-off projects conducted throughout the financial year, targeting the highest risk areas within the Council to drive down fraud, loss and error.

- **Data Matching** – Exercises designed to identify fraud, loss or error by matching internal and external data sets. Returned matches are analysed to verify the veracity of the potential outcomes identified.

4.3 Another key feature of the 22/23 plan is a closer collaborative approach to risk and governance between Internal Audit (IA) and the BACFT. The BACFT will provide greater support to IA in identifying and mitigating fraud risks as part of undertaking IA assurance and consultancy reviews. This will lead to the BACFT being alerted to fraud risks at the earliest opportunity and supporting IA in developing measures to prevent fraud.

5. Counter Fraud Skills & Resources

5.1 Every member of staff in the Counter Fraud Team is either professionally qualified in counter fraud or is actively studying for a relevant professional qualification supported by the Council. This helps to ensure that the BACFT provides a fully professional and effective service. A skills matrix approach is also used as part of monthly one to one meetings as well as at 6 monthly performance reviews.

5.2 To provide the BACFT with the ability to combat the risk of fraud and deliver its operational work plan for 2022/23, a minor change to the BACFT structure has been implemented as detailed at **Appendix C**. The revised structure has reduced management overhead and increased operational resources. This is due to the increased risk of fraud faced by the Council which is highlighted in the fraud universe risk assessment set out at **Appendix A**. The updated structure is in the early stages of implementation with the need to recruit to **two new Counter Fraud Officer posts**. The Head of Counter Fraud is confident these posts will be recruited to in Quarter 1 of 2022/23, giving the BACFT a fully resourced service to meet its strategic objectives.

6. Counter Fraud Reporting

6.1 The BACFT reports its progress to Corporate Management Team (CMT) and the Audit Committee (AC) on all matters of counter fraud activity on a quarterly basis. These reports provide an update on performance against KPIs, strategic and operational objectives and delivery against the financial loss prevention target for the year. In addition to this, an annual report is presented to CMT and AC providing a summary overview of counter fraud activity for the financial year including a detailed analysis on team performance and outcomes. This enables CMT and the AC to hold the Head of Counter Fraud and the Deputy Director of Exchequer Services and Business Assurance to account.

6.2 The BACFT also liaises with services managers on an ongoing basis to ensure regular dialogue in relation to counter fraud activities (where appropriate) as well as delivery of service level agreements. This high level of engagement plays a significant part in the BACFT meeting its core principles set out in the Counter Fraud Strategy 2022-25.

7. Measuring Counter Fraud Performance

7.1 As the BACFT is a support function that works closely with the majority of service areas across the Council, there are a wide range of stakeholders to satisfy, as well as key stakeholders such as CMT and the AC. To monitor counter fraud performance across service areas, outcomes and objectives a suite of KPIs were refreshed and agreed in the Counter Fraud Strategy 2022-25. Regular updates on performance against these KPIs will be provided in each quarterly progress report.

7.2   The Counter Fraud Strategy 2022-25 sets out nine strategic objectives for the BACFT to pursue, which includes the **financial loss prevention target for the year.** Taking into consideration the change in fraud valuations set out in the appendices of the Counter Fraud Strategy and the team's performance in 2021/22, **the financial loss prevention target for 2022/23 has been set at £3.5m**.

8. Acknowledgement

8.1   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.

Alex Brown ACFS APCIP
Head of Counter Fraud

31st March 2022

APPENDIX A

The fraud risks specific to LBH are set in **Table 1** below, which is a summary of the organisational Fraud Risk Assessment (the Fraud Universe) for the Council.

Table 1 ~ Fraud Risk Assessment

Fraud Risk Area	Fraud Risk Assessment
General Fraud Risks	• Withdrawal from the European Union, the economic impact of the pandemic and the uncertainty created by the conflict in Ukraine has generated financial pressures on the business community creating higher levels of unemployment and greater numbers of people seeking housing services and tax exemptions creating higher instances of fraud within related services. • Increased financial pressure associated with the rise in the cost of living on individuals and concerns over money and fear of redundancy due to economic climate leading to higher likelihood and pressure to commit fraud. • Increased demand of delivery within services leading to reduced due diligence over service delivery and overriding of controls and a greater opportunity for fraud. • Internal changes to working practice such as working from home, staff shortages stretching resources and higher levels of sickness, affecting the operation of preventative controls, decreased monitoring activity and increasing risk of fraud going undetected. • Decreased face-to-face meetings with service users, less verification of original documentation with reliance on scanned or copies of documentation. More provision of services remotely leading to higher likelihood of fraud not being detected. • The negative impact of the rise in the cost of living combined with economic uncertainty, leads to a greater risk of non-payment for services, increasing the Council's debt and reduces the opportunity for recovery.
IT & Procurement of Goods and Services	• An increased need to win government contracts because of financial pressures on businesses due to Brexit and the pandemic leading to the fraudulently manipulation of the procurement processes. • Increased cyber-crime activity nationally and globally and the higher likelihood of a cyber-attack against the Council such as 'ransom-ware' Denial of Service attacks, account takeover and account creation. • Higher financial pressure on Council contractors creating increased desire to maximise profit from contracts leading to higher likelihood of misrepresentation of services, goods and materials supplied. • Demand to shift more of our activities onto online platforms to access services can expose the organisation to programmed bots that break into user accounts to redirect payments/refunds, steal contact information and other harmful activities that could also lead to negative GDPR and reputational ramifications. • Utilisation and implementation of bots is currently in its very early stages. They could potentially be maliciously programmed and undertake potentially fraudulent activities without the appropriate human oversight.

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APPENDIX A (cont'd)

Table 1 ~ Fraud Risk Assessment (cont'd)

Fraud Risk Area	Fraud Risk Assessment
Port Authority	• Higher numbers of Unaccompanied Asylum Seekers (UAS) approaching the Council compared to non-port authorities, leading to greater levels of fraudulent approaches to the Council for services. • Increases in service use by individuals where service provision is subject to immigration status, leading to more likelihood of misrepresentation of circumstances to access services where there is No Recourse to Public Funds (NRPF).
Statutory Duty to Provide Social Housing	• Higher levels of housing need and homelessness claims in the borough linked to ongoing cost of living pressures, leading to increased levels of fraud within housing. • Availability of low-cost social housing leads to greater numbers of individuals seeking housing from the Council and the opportunity to misrepresent circumstances within the process to obtain housing fraudulently. • Increased pressure on housing services requiring greater use by the Council of temporary accommodation. With the likelihood of the accommodation used being outside of the borough which in turn, reduces the ability to monitor use and occupation, and increases likelihood of misuse going undetected. • The pandemic and cost of living rise, has changed individuals' perceptions to rationalise fraud, leading to an increase in sub-letting and non-occupation of accommodation from historic tenants.
Social Care Provider	• High costs of social care provisions lead to greater pressure to misrepresent circumstances in relation to assets and income in the financial assessment process. • Inability of vulnerable individuals to properly manage Direct Payments meaning greater involvement of family members and third parties to manage payments, leading to increased risk of opportunistic misappropriation of funding by a third party. • Absence of appropriate financial controls or appropriate monitoring, leading to the increased risk of unwarranted 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 to access services where there is NRPF.

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Table 1 ~ Summary Risk Assessment (cont.)

Fraud Risk Area	Fraud Risk Assessment
Revenue Collection Authority	• Administration of 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, companies, and opportunists not eligible for funding. Utilisation of phishing emails to exploit weaknesses and redirect payments. • High cost of rateable value of business premises leads to the risk of fraudulent misrepresentation of circumstances to take advantage of reliefs. • Pressure to reduce individual costs against the cost of Council Tax leads to the wrongful claiming of single person discount and/or other exemptions and discounts, leading to lost revenue across a large number of residential addresses. • Increases in the cost of living leads to residents misrepresenting their circumstances in order to qualify for the Council Tax Reduction scheme. • Council Tax and Business Rates costs leads to the risk of deliberate avoidance of completion of new build properties and lost revenues for the Council. • Introduction of Council Tax rebate leads to owners of second homes/empty properties misrepresenting their circumstances to claim eligibility.

Appendix B

Set out below is the draft Counter Fraud Annual Operational Work Plan for the key proactive projects and investigative work due to be conducted in 2022/23.

Table 2 ~ Counter Fraud Annual Operational Work Plan 2022/23

Counter Fraud Activity	Planned Work	Outcomes 2021/22	Risk
Tenancy Fraud & Housing Investigations	The BACFT will continue to detect illegal sub-letting and non-occupation of Council properties as referred by colleagues and residents. This also includes false applications for housing, assignment and succession.	41 properties recovered, £738k notional savings	**HIGH**
Social Housing Residency Checks	A risk-based approach to tenancy residency checks working with the Housing team and using tenancy fraud data to identify hotspots. This will be delivered as part of proactive projects work.		
Housing Fraud Data Review	A new initiative to analyse data held by the Council to identify fraud. The BACFT will review a variety of Council held data sets, particularly that already available in Housing, to identify sub-letting and non-occupation.	New for 2022/23	**HIGH**
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.	3 applications closed, £328k loss prevention	**HIGH**
B&B and Temporary Accommodation Residency Checks	The BACFT will continue with annual residency checks on all emergency B&B and temporary housing accommodation. The checks will identify suspected non-occupation and subletting of emergency housing, and false applications.	Outcomes will not be available until Q1 22/23	**HIGH**
Social Services S.17 Emergency Funding	Desk based checks to confirm eligibility of applicants requiring emergency accommodation and support from Social Care.	6 applications cancelled, £72k in loss prevention savings	**HIGH**
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 who's status allows them to access national schemes funding and no longer require funding by the Council.	£65k loss prevention savings identified	**HIGH**
UASC Project	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.	1 application closed and 2 tenancies cancelled, LP saving £18k	**HIGH**

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Appendix B (cont'd)

Table 2 ~ Counter Fraud Annual Operational Plan 2022/23 (cont'd)

| Counter Fraud Activity	Planned Work	Outcomes 2021/22	Risk
Disabilities Facilities Grant	Cases of hidden assets, income or fictitious residency will be referred to the BACFT's via the referrals process.	£59k loss prevention identified	**HIGH**
Direct Payments	Cases of funds not being used appropriately, and or misrepresentation of circumstances to access funding towards care costs will be referred to the BACFT for investigation.	3 cases under investigation	**HIGH**
NFI Bi-annual Exercise	Continuous work on statutory data matches from the Cabinet Office, which will be investigated as an ongoing project throughout 22/23. The matches provide a significant contribution to savings areas such as Housing and Revenues.	Bi-annual exercise not available for 2021/22	**HIGH**
Revenues Inspections and Investigations	In 2022/23 the BACFT will continue to deliver all inspections for Business Rates and Council Tax and develop an investigative approach to Business Rates and Council Tax avoidance and illegal evasion.	8012 inspections conducted in 2021/22 52 active investigations	**HIGH**
Revenue Maximisation	Proactive project work utilising data to identify previously unlisted or modified domestic or commercial properties that are not paying the correct amount of tax or rates.	£1.3m of previously uncollected NNDR identified	**HIGH**
Council Tax Discounts & Exemptions	A proactive desk top data review of discounts and exemptions utilising data matching and in-house data. All discounts found to be fraudulent will be referred to Exchequer Services for removal of discounts/exemptions and investigated for fraud where appropriate by the BACFT.	£82k in loss prevention savings	**HIGH**
London Counter Fraud Hub	Working in conjunction with other London based local authorities to create proactive data matching exercises to identify fraud and error in known risk areas leading to loss prevention outcomes.	Not available for 2021/22	**MEDIUM**
Social Care Financial Assessments	The BACFT will continue to 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.	£8k of loss prevention identified	**MEDIUM**

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Appendix B (cont'd)

Table 2 ~ Counter Fraud Annual Operational Plan 2022/23 (cont'd)

Counter Fraud Activity	Planned Work	Outcomes 2021/22	Risk
Empty Properties/ New Homes Bonus	A yearly proactive project to maximise the grant received from Central Government by identifying empty properties that are now occupied, alongside monitoring new build properties for completion. The net number of properties brought back into occupation by the Council attracts a grant from central government.	Delivered funding £300k above Finance Department's forecast in NHB grant	**MEDIUM**
Housing Verifications	The BACFT will continue to verify applicants who apply for social housing, mutual exchange or succession/assignment.	13 applications closed and 2 cases referred for investigation	**MEDIUM**
'Beds in Sheds' - Unregistered Residential Dwellings	The Revenues Investigations Unit will identify unlawful and unregistered residential dwellings in order that properties are brought within Council Tax banding and evasion pursued as investigations. Any enforcement action on planning issues will be referred to Planning Enforcement and Housing Standards.	25 cases identified, revenue of £48k	**MEDIUM**
First Time Buyers Residency Checks	Post purchase residency checks to verify occupation, as continued residency for a set period is a mandatory scheme condition. Any properties where subletting or non-occupation is identified will be further investigated and the grant will be sought for recovery.	2 cases referred for prosecution	**MEDIUM**
Debt Tracing Enquires	A relatively new initiative that will see the BACFT trace debtors that are uncontactable, or identify hidden assets and capital, to support debt recovery.	£14k recovered through tracing enquiries	**MEDIUM**
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 this fraud seriously and deter misuse across the borough.	11 financial penalties issued	**LOW**
Fraud Awareness & Engagement	The BACFT will continue to provide a program of fraud awareness internally to champion a counter-fraud culture and encourage service provider engagement over fraud risks. This will also include periodic social media communications released to the public to promote awareness and raise the profile of counter fraud activity within the borough.	Delivered 22 awareness sessions	**LOW**

Appendix C

COUNTER FRAUD TEAM – STRUCTURE as at March 2022 (* = 2.0 fte currently vacant with recruitment in progress)
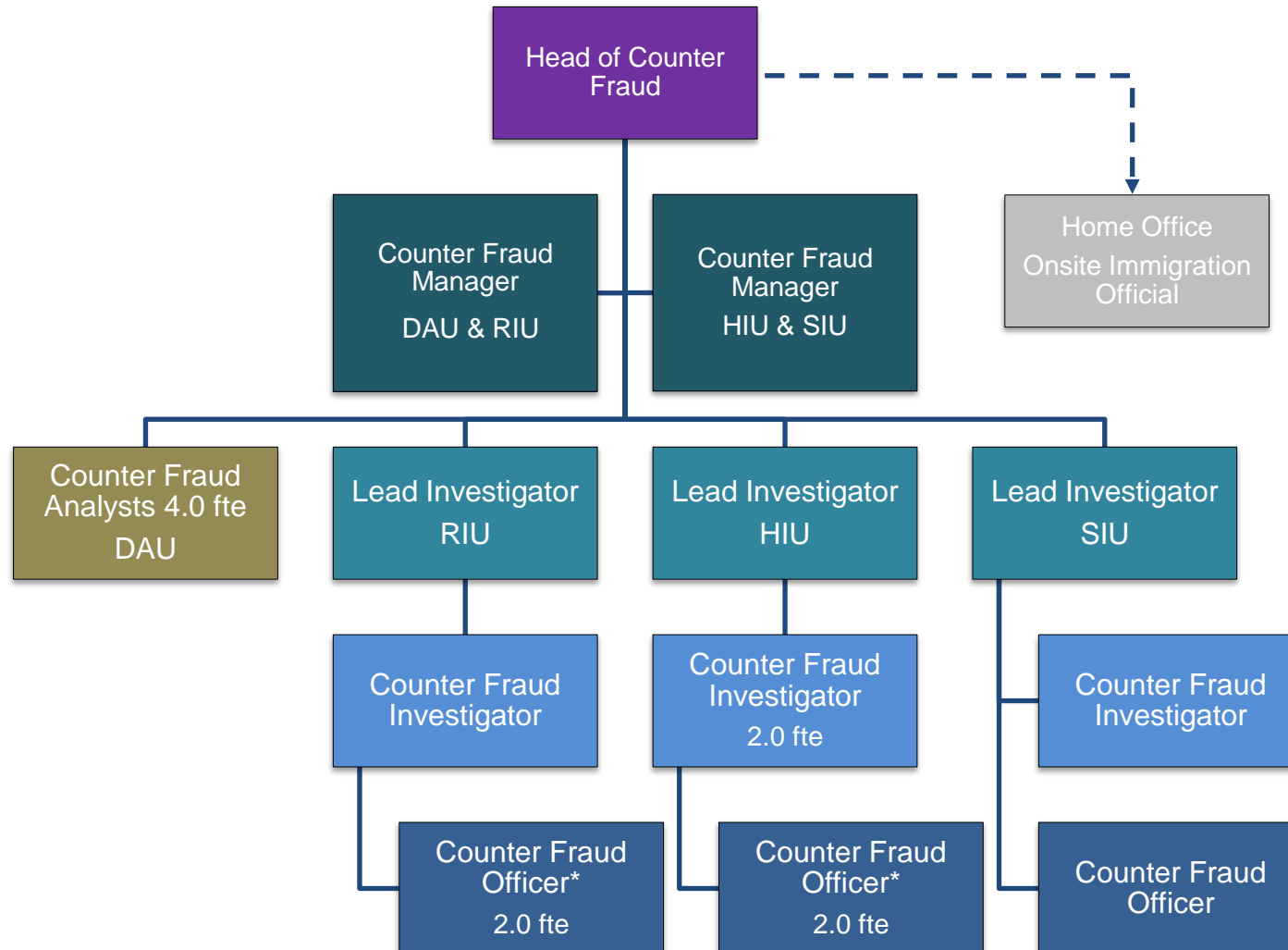
Key: *DAU = Data Analytics Unit, RIU = Revenue Investigations Unit, HIU = Housing Investigations Unit, SIU = Special Investigations Unit.*