



**Audit and Standards Advisory  
Committee**  
29<sup>th</sup> July 2020

**Report from the Director of Legal,  
HR and Audit & Investigations**

**Counter Fraud - 2019/20 Annual Report**

Wards Affected:	All
Key or Non-key Decisions	Key
Open or part/fully exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
Number of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Michael Bradley, Head of Audit and Investigations Service 07920 581620, Michael.Bradley@brent.gov.uk

**1.0 Purpose of the Report**

- 1.1 The report sets out a summary of the counter fraud activity for 2019/20 and the impact that Covid-19 arrangements have had on the service. (Wider statistical detail and case studies for the period are contained in our final quarterly report presented to the Committee in May 2020).

**2.0 Recommendation**

- 2.1 To note the report content prior to circulation at the Audit and Standards Advisory Committee on 29<sup>th</sup> July 2020.

**3.0 Detail**

**Internal Fraud**

- 3.1 Internal referrals include whistleblowing referrals and a range of case types such as financial, staff conduct and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports is covered in the 'proactive' section of this report. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. The table below sets out key figures in this area for 2019/20.

Table A – Internal Fraud

Internal Fraud	2019/20 (full year)	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)
Open Cases b/f	5	12	15	9	5	11	16
New Referrals	35	5	6	13	11	28	35
Closed Cases	28	5	9	7	7	34	40
Open Cases c/f	12	12	12	15	9	5	11
Fraud / Irregularity Identified*	12	1	7	2	2	11	10

\* Where closed cases do not identify fraud / irregularity, these are generally recorded as NFA (No Further Action)

- 3.2 There were 35 new referrals opened last year from a variety of sources that also related to whistleblowing. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. A summary of the main case types dealt with is as follows:

- Breach of financial / other regulations;
- Bribery and Corruption;
- Conflict of Interest;
- External offences/conduct by staff;
- Recruitment irregularities, and
- Theft of cash / assets.

- 3.3 With most cases under this category, the Counter Fraud team will report to management with any recommendations to improve control and to mitigate future occurrences. It will also liaise with the Internal Audit team for wider consideration in the Audit Plan.
- 3.4 The team arrange regular fraud awareness workshops across all council services. This is an on-going commitment and coverage includes services where fraud has occurred or where the team's own fraud risk assessment of a service suggests there is a higher fraud risk.

### **Tenancy and Social Housing Fraud**

- 3.5 The recovery of social housing properties by the Counter Fraud team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. The average value of each recovered tenancy is £93,000 per property as reported by the Cabinet Office (National Fraud

Initiative Report 2016). The counter-fraud activity for 2019/20 is summarised in the table below.

**Table B – Tenancy and Social Housing Fraud**

<b>Housing Fraud</b>	<b>2019/20 (full year)</b>	<b>2019/20 Q4</b>	<b>2019/20 Q3</b>	<b>2019/20 Q2</b>	<b>2019/20 Q1</b>	<b>2018/19 (full year)</b>	<b>2017/18 (full year)</b>
Open cases b/f	23	74	44	41	23	28	82
New cases	176	34	60	35	47	151	130
Closed cases	133	42	30	32	29	156	184
Open cases c/f	66	66	74	44	41	23	28
Fraud Identified	19	5	7	2	5	27	42

\* Notional value of recovered properties (including housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £93,000. (£18,000 used previously)

- 3.6 The total number of fraudulent housing cases concluded in 2019/20 was 19, which is lower than the total recorded in the previous year of 27. The total notional and actual value of these cases is £1,781,905.
- 3.7 The number of housing frauds detected has reduced when compared to an average of 40 recoveries over the previous three years (27, 42, and 52). Referrals from Brent Housing Management's Home and Communities team have declined over the last two years, though both teams are working to address this and help improve the quality and quantity. Of the 176 referrals logged in 2019/20, 49 were from BHM teams. In comparison, of the 19 successful fraudulent cases concluded, 12 were from direct engagement with BHM. This emphasises the importance of receiving good quality referrals from housing staff through their normal engagement with council tenants.
- 3.8 There are currently 129 live housing investigations and of these; nine cases are involved with legal proceedings to recover the property, and a further 11 cases have been concluded by the team with a report issued to Housing Management to instigate recovery action. The team is working closely with the Home and Communities team to progress these cases.

### **External Fraud**

- 3.9 'External fraud' includes all external fraud / irregularity that affects the council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity for 2019/20 is summarised in the table below:

**Table C – External Fraud**

<b>External Fraud</b>	<b>2019/20 (full year)</b>	<b>2019/20 Q4</b>	<b>2019/20 Q3</b>	<b>2019/20 Q2</b>	<b>2019/20 Q1</b>	<b>2018/19 (full year)</b>	<b>2017/18 (full year)</b>
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Open cases b/f	20	56	61	44	20	13	14
New Referrals	193	43	48	49	53	142	88
Closed Cases	176	62	53	32	29	135	89
Open cases c/f	37	37	56	61	44	20	13
Fraud / Irregularity identified*	49	14	22	11	2	23	12

\* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action).

- 3.10 There has been a significant increase in referrals of this type throughout this year. This is mainly due to a new referral process developed in April 2019 with the Parking Service and its contractor Serco to tackle Blue Badge fraud and misuse. A total of 193 referrals have been processed this year, compared with 142 in the previous year. In addition, there were a further 106 outstanding referrals received in 2019/20 that were processed during Q1 this year.
- 3.11 Successful outcomes increased compared to the previous year, which includes five prosecutions and 38 cautions/warnings being issued for Blue Badge fraud or persistent misuse. A further six Blue Badge cases have been approved for further sanction or legal proceedings.
- 3.12 There are currently 93 live cases, which includes 34 Blue Badge and 21 Council Tax related cases. Other case types include; Business Rates, insurance claims, payments to Adults and Children services, theft of client funds, grants, benefits and other alleged offences affecting the council.

### **Proactive activity**

- 3.13 There were five Blue Badge operations undertaken during 2019/20. In total, 220 badges were checked and 15 were found to be fraudulent or misused, with some leading to further sanction. A further operation was planned for the end of Q4, but cancelled due to current arrangements relating to Covid-19. The team will review the risks during Q2 before conducting further operations.
- 3.14 The National Fraud Initiative (NFI) 2018/19 exercise generated 19,296 data matches in Q4 2018/19 covering multiple data reports across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Insurance, Parking Permits and concessionary travel. In addition, there is an annual data match between Electoral Roll and Council Tax Single Persons Discount data, which produced over 6,500 matches this year, and resulted in £51,600 savings to date. One report that was recently completed relates to deceased person records against live Parking Permits, which has resulted with a notional value of £33,925. Another report matching Council Tax Support and deceased persons' data identified £26,285 in savings. To date, the review has identified just over £400,000 savings from fraud and error, covering a range of service areas. The team have managed the review of 129 reports and are still collating results, which it aims to conclude by the end of Q1. Data matches from the new NFI 2020/21 exercise will be available towards the end of this year during Q4.

- 3.15 The team commenced or concluded a number of additional proactive exercises during 2019/20. These included;
- Q4 - Council tenants who have not collected their new keys following forced entry warrants to conduct gas safety inspections. The review generated seven fraud referrals and to date has led to one property recovery.
  - Q2 - Insurance claims. The team cross-referenced new claims received in Q1 against the Cifas fraud database. This resulted in multiple traces and discussions with the Insurance team to use the system as part of its verification procedures to prevent and detect fraud.
  - Q3 - No Recourse to Public Funds and Intentionally Homeless. This commenced with a fraud awareness workshop in Q2 to assess the team's risk to fraud in the procedures. To date, this has led to a number of improvements with verification processes, access to fraud systems and much closer engagement with the Counter Fraud team.
- 3.16 The service is proposing that the Council obtain full membership access to an Internal Fraud Database (IFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). An update was sent to CMT earlier this month.
- The IFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls.
  - The system will enable the Council to have additional assurance around recruitment and provide the Investigations team with additional resource when conducting internal investigations.

### **Impact of Covid-19 on service**

- 3.17 Referrals received during the first quarter of 2020/21 are at 108 across all case types, compared with 80 in the same period last year. This included seven Internal, 41 Housing and 44 External referrals. The approximate 25% increase in referrals has coincided with the government's lockdown arrangements.
- Alleged unlawful subletting makes up the majority of Housing referrals at 27, with 24 coming from the public and three received from internal sources. In addition, a quarter of the total received have come from Housing Management, and the majority of these relate to non-residence and false tenancy succession applications.
  - Almost all external referrals received are from the public with the majority related to household occupancy, business grant schemes, parking and other breaches related to lockdown arrangements.
- 3.18 Plans to install four new ID scanners at the Civic Centre in April had to be postponed, and will be rearranged once it is safe and feasible to do so.
- 3.19 The current arrangements had prevented the team from undertaking visits and interviews, which meant some cases did not initially progress as normal. The

team introduced temporary arrangements at an early stage to manage formal cautions and referrals for legal proceedings. Risk assessments are underway to find workable solutions for interviewing and visiting duties, which will be shared with other services similarly affected.

- 3.20 Plans to recruit three new staff in Q1 using a Government anti-housing fraud grant were suspended and will be reviewed in Q2. This also affected planned training for staff to undertake the Counter Fraud Apprenticeship.
- 3.21 The team have coped and adapted well with the ongoing workload, which has enabled it to assist the council with contacting vulnerable residents, and taking a more advisory approach to help other services cope with increased fraud risks. This has included significant involvement with the both the Business Grant and Business Discretionary Grant schemes to mitigate fraud.
- 3.22 Advice was provided to all managers at the beginning of the pandemic period on fraud awareness when making interim changes to processes and controls in order to deal with the crisis. Additionally specific advice was provided on certain high risk initiatives such as payment of small business grants.

#### **4.0 Alternative Options Considered**

- 4.1 N/A

#### **5.0 Financial Implications**

- 5.1 There are no specific financial implications associated with noting this report.

#### **6.0 Legal Implications**

- 6.1 There are no specific legal implications associated with noting this report.

#### **7.0 Equality Implications**

- 7.1 None.

#### **8.0 Any Other Implications (HR, Property, Environmental Sustainability - where necessary)**

- 8.1 None

#### **9.0 Proposed Consultation with Ward Members and Stakeholders**

- 9.1 None.

**Report sign off:**

**Debra Norman**

Director of Legal, HR, Audit and Investigations

