



**Brent**

**Audit and Standards Advisory Committee**  
20 January 2020

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

**COUNTER FRAUD PROGRESS REPORT – Q3 2019/20**

<b>Wards Affected:</b>	N/A
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	N/A
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Michael Bradley, Head of Audit and Investigations Service 07920 581620, <a href="mailto:Michael.Bradley@brent.gov.uk">Michael.Bradley@brent.gov.uk</a>

**1.0 Purpose of the Report**

- 1.1 The report sets out the counter fraud activity for this year up to Q3.

**2.0 Recommendation(s)**

- 2.1 That the Audit and Standards Advisory Committee notes the counter fraud work in the period of this report.

**3.0 Detail**

**Internal Fraud**

- 3.1 This category includes 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.

Table A – Internal Fraud

Internal Fraud	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)	2016/17 (full year)
Open Cases b/f		15	9	5	11	16	22
New Referrals		6	13	11	28	35	28
Closed Cases		9	7	7	34	40	34
Open Cases c/f		12	15	9	5	11	16
Fraud/Irregularity Identified*		7	2	2	11	10	12
Dismissal		2	0	1	2	1	1
Resignation/Left		2	1	1	2	1	2
Warning		0	0	0	3	2	1
Other Outcome		3	1	0	4	7	8

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

3.2 There were 19 referrals logged between Q2 and Q3 from a variety of sources that also related to whistleblowing, which is consistent with the previous year. In the same period, 16 cases were closed though it should be noted that this also includes six cases that were opened before Q2 – nine of these were proven to represent fraud/irregularity. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. A summary of the case types is as follows:-

- Officer/Service – bribery / corruption (x4)
- Officer/Service – breach of financial (or other) regulations (x6)
- Officer/Service – recruitment irregularities (x3)
- Officer – theft of cash / assets (x2)
- Officer – payroll / expenses fraud (x1)
- Officer – external offences (x2)
- Service Advice / Review – fraud / risk review (x1).

3.3 One case concluded in Q3 that is worth noting was a Care Manager within Adult Social Care whose payroll record matched on the National Fraud Initiative (NFI) against another local authority identifying undeclared employment. The employee was dismissed for a variety of conduct charges, which included; failure to declare past & present employment, dishonestly providing a reference, providing false information and failure to declare a conflict of interest.

3.4 Another case worth noting is a whistleblowing referral received in Q2 that alleged corruption and discrimination within the Housing Needs Service in relation to its Allocations Policy. Comprehensive enquiries by the Counter Fraud team found no evidence to support the allegations, though a number of agreed recommendations were made to protect the service from similar allegations and to help its decision-making be more transparent.

3.5 A recent case of note was an employee who resigned from a team within Environment Services for misusing their works vehicle. The case was referred

to the team for suspicions relating to undeclared employment, though after initial checks it was decided to assist management with preparing for an investigatory interview that subsequently led to the employee resigning.

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

- 3.6 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 to end of year is summarised in the table below:

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)	2016/17 (full year)
Open cases b/f		44	41	23	28	82	121
New Referrals		60	35	47	151	130	332
Closed cases		30	32	29	156	184	371
Open cases c/f		74	44	41	23	28	82
Fraud Identified		7	2	5	27	42	52
Recovered Properties		6	2	2	20	38	44
Applications Refused		0	0	1	3	1	0
Property Size Reduced		1	0	1	0	2	4
Right To Buy		0	0	1	3	1	4
Value of properties recovered*		£651,000	£186,000	£372,000	£2,139,000	£738,000	£864,000
Value of Right to Buy Discount Prevented**		NIL	NIL	£170,900	£315,800	£103,900	£311,700
Cases with Legal for Possession/Prosecution		9	9	8	12	11	26

\* 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)

\*\* Actual amount of Right to Buy discount stopped.

\*\*\* Fraud Found includes one housing case where Council Tax fraud/irregularity (£145.10) was identified.

- 3.7 Nine housing cases, with a notional value of £837,000, were recorded as a result of fraud / irregularity in Q2 and Q3, which is consistent with the same period last year where fraud was identified in ten cases.
- 3.8 The number of housing frauds detected has reduced when compared to an average of 40 recoveries over the last three years. Referrals from the Home and Communities team have declined over the last 18 months, though both teams are working to address this and help improve the quality and quantity. The total referrals are increasing due to information received from the public and proactive work conducted by the team, such as NFI data matching against tenancy records.

- 3.9 There are currently 108 live housing investigations and of these; nine cases are involved with legal proceedings to recover the property and a further 17 cases have been concluded by the team and a report issued to Housing Management to instigate recovery action. We are working closely with the Home and Communities team who have responded positively to progress these outstanding cases.
- 3.10 A notable case concluded in Q2, found the tenant had fraudulently attempted to assign their tenancy in NW10 to an unauthorised occupant to whom she had been unlawfully subletting and dishonestly made representations they had split from a relationship. Court proceedings was instigated the hearing on the 20<sup>th</sup> June 2019 found in favour of Brent and judgement made as follows;
- Possession in 42 days
  - Defendant 1 (tenant) to pay money judgment for arrears of rent in the sum of £397.32,
  - Defendant 2 (unlawful sub-tenant) to pay money judgment for arrears of use/occupation in the sum of £760.32 within 28 days,
  - D2 to pay charges for use/occupation from 22 June 2019 in the sum of £17.46/day until possession is recovered, and
  - D2 to pay court costs summarily assessed at £5,136 within 28 days.

#### **External Fraud**

- 3.11 ‘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 up to end of the year is summarised in the table below:

Table C – External Fraud

External Fraud	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)	2016/17 (full year)
Open cases b/f		61	44	20	13	14	57
New Referrals		48	49	53	142	88	161
Closed Cases		53	32	29	135	89	204
Open cases c/f		56	61	44	20	13	14
Fraud / Irregularity *		22	11	2	23	12	22
Prosecution		4	0	1	2	1	2
Warning / Caution		18	5	1	4	2	6
Overpayment/Saving		22	11	2	19	11	7

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

- 3.12 There has been an increase in referrals throughout this year. This is mainly due to a new referral process developed in April with the Parking service and its contractor Serco to tackle Blue Badge fraud and misuse.

- 3.13 In addition, successful outcomes have significantly increased with five prosecutions and 24 cautions/warnings being issued for fraud and / or persistent misuse.
- 3.14 A press release for a notable prosecution concluded in Q2 that resulted from a team-enforcement operation is summarised below;

*A fine-dodging fraudster who refused to turn up to legal proceedings on 5 separate occasions has been ordered to pay nearly £1,500 in penalties for using a counterfeit Disabled Blue Badge, which she falsely claimed belonged to 'her mother'.*

*Ms Rhonda Rose had ignored numerous parking notices and tried to flee when confronted in Wembley in November 2018. She was thwarted by council and police officers who stopped her and took away her car keys.*

*Brent Council prosecuted Ms Rose in her absence at Willesden Magistrates Court on 30th July 2019 where she was fined £660, with costs of £726 as well as a victim surcharge of £66.*

*Cllr Krupa Sheth, Lead Member for Environment, said: "Fraudsters like Ms Rose try to abuse a system that helps disabled people who genuinely need accessible parking. I hope this makes anyone thinking of wrongfully using a Blue Badge think twice."*

### **Proactive / Other Counter Fraud activity**

- 3.16 The team led on a further three Blue Badge operations during Q2 and Q3 in Kingsbury and Wembley locations. 146 badges were checked, 15 cases identified as fraud / misuse and 22 Penalty Charge Notices issued.
- 3.17 The National Fraud Initiative (NFI) 2018/19 exercise has 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, of which it is expected that approximately 25% will have the Single Persons Discount cancelled. The team is currently reviewing all reports and a full summary of outcomes will be presented in the end of year report. One report that was recently completed relates to deceased person records against live Blue Badges, which has resulted in 277 (of 348) badges being cancelled with a notional value of £159,275. Another report matching Housing Benefit and deceased persons data has recently identified £149,000 in savings.
- 3.18 After a recent successful pilot, the team is aiming to introduce an identity authentication system that will enable all council services to have full assurance when accepting and verifying identity documents, which will help to prevent fraud. The preferred system is called IDScan – Scannet. The system is designed for use at customer facing points, though the company also provides a mobile solution where customers can upload and have their identity documents verified remotely before submission. It is anticipated the new scanners will be introduced in Q4 at three or four locations.

#### **4.0 Financial Implications**

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

#### **5.0 Legal Implications**

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

#### **6.0 Equality Implications**

6.1 None

#### **7.0 Consultation with Ward Members and Stakeholders**

7.1 None

#### **8.0 Human Resources/Property Implications (if appropriate)**

8.1 None

**Report sign off:**

***Debra Norman***

Director of Legal, HR, Audit and Investigations