



**Audit And Standards Advisory  
Committee**  
26<sup>th</sup> May 2020

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

**Counter Fraud Progress Report – Q4 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
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**1.0 Purpose of the Report**

1.1 The report sets out the activities of the counter fraud function in Q4.

**2.0 Recommendation**

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 The total internal fraud referrals in 2019/20 is slightly higher than the previous year. This 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	12	15	9	5	11	16	22
New Referrals	5	6	13	11	28	35	28
Closed Cases	5	9	7	7	34	40	34
Open Cases c/f	12	12	15	9	5	11	16
Fraud/Irregularity Identified*	1	7	2	2	11	10	12
Dismissal	0	2	0	1	2	1	1
Resignation/Left	0	2	1	1	2	1	2
Warning	0	0	0	0	3	2	1
Other Outcome	1	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 five referrals logged in Q4 from a variety of sources. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. However, a summary of the case types is as follows:-

- misuse of IT (x1);
- conflict of interest (x1);
- recruitment irregularities (x1);
- breach of financial / other regs (x1), and
- bribery or corruption (x1).

3.3 One case of note that is still under investigation relates to the fraudulent misuse of client funds held on a payment card. The investigation found irregular transactions totalling over £7,000 over an 18-month period, and some service control weaknesses. The subject resigned during enquiries. Enquiries are ongoing to consider criminal proceedings and a report will be issued to management.

3.4 Another case of note that concluded in Q4 related to a successful applicant for a vacancy in Children's Services. They supplied out of date and invalid identity documents that the Recruitment team identified during the recent identity scanner pilot in Q3. Enquiries found no evidence of fraud, and the applicant eventually obtained correct documentation to commence employment. This highlighted the importance of adequate identity scanners, particularly for recruitment, and it is anticipated that new scanners will be introduced as soon as circumstances allow.

## 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 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	74	44	41	23	28	82	121
New Referrals	34	60	35	47	151	130	332
Closed cases	42	30	32	29	156	184	371
Open cases c/f	66	74	44	41	23	28	82
Fraud Identified	5	7	2	5	27	42	52
Recovered Properties	5	6	2	2	20	38	44
Applications Refused	0	0	0	1	3	1	0
Property Size Reduced	0	1	0	1	0	2	4
Right To Buy	0	0	0	1	3	1	4
Value of properties recovered*	£465,000	£651,000	£186,000	£372,000	£2,139,000	£738,000	£864,000
Value of Right to Buy Discount Prevented**	NIL	NIL	NIL	£170,900	£315,800	£103,900	£311,700
Cases with Legal for Possession/Prosecution	9	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.

- 3.6 Five housing cases, with a notional value of £465,000, were recorded as a result of fraud / irregularity in Q4. 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.
- 3.7 The number of housing frauds detected has reduced when compared to an average of 40 recoveries over the last three years. Referrals have declined over the last two years, though relevant teams are working together to address this and help improve the quality and quantity. Of the 34 referrals logged during Q4, nine were from Housing Management teams.
- 3.8 The total referrals are increasing due to information received from the public and proactive work conducted by the team, such as data matching against tenancy records. Totals referrals logged this year was 176, compared to last year's total of 151, and a further 24 referrals were received in Q4 that need to be processed.

- 3.9 There are currently 92 live housing investigations and of these; ten cases are involved with legal proceedings to recover the property, and a further nine cases have been concluded by the team with a report issued to Housing Management to instigate recovery action. We are working closely with the Home and Communities team to progress these outstanding cases.
- 3.10 One case concluded in Q4, was a tenant who had been residing in a care home for a long time and who had passed away in March 2018. Housing Management were not aware of the non-occupancy, and following an investigation into the circumstances, the property was successfully recovered.
- 3.11 Another case of note was a leaseholder claiming to be resident in order to be eligible for the higher compensation pay-out as part of the regeneration buyback process. The investigation established that the leaseholder is not resident and was only eligible for lower compensation amount.
- 3.12 Another property recovery concluded in Q4 was that of a sub-tenant found to be living in a property for a year. The investigation found previous sub-tenants were also living there. The tenant was located and found to be living in Milton Keynes. Effective and collaborative working with Housing Management staff recovered the property without the need for court action, and within three months of the Counter Fraud team identifying the fraud.

### **External Fraud**

- 3.13 '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

<b>External Fraud</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>	<b>2016/17 (full year)</b>
Open cases b/f	56	61	44	20	13	14	57
New Referrals	43	48	49	53	142	88	161
Closed Cases	62	53	32	29	135	89	204
Open cases c/f	37	56	61	44	20	13	14
Fraud / Irregularity *	14	22	11	2	23	12	22
Prosecution	0	4	0	1	2	1	2
Warning / Caution	14	18	5	1	4	2	6
Overpayment/Saving	14	22	11	2	19	11	7

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

- 3.14 There has been a significant increase in referrals 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 are a further 106 outstanding referrals to be processed.
- 3.15 In addition, successful outcomes have increased compared to the previous year with five prosecutions and 38 cautions/warnings being issued for Blue Badge fraud and / or persistent misuse.
- 3.16 A current investigation, considered for criminal proceedings, is against an ex-agency staff member who previously worked for the Council. They were fraudulently misusing a Blue Badge that had been reported as lost.
- 3.17 Another investigation concluded and considered for criminal proceedings, is a Brent resident who was using a counterfeit Blue Badge on multiple occasions.

### **Proactive and other Counter Fraud activity**

- 3.18 In Q4, an on-street Blue Badge operation with Parking Enforcement took place in the Willesden area. This resulted in 12 Blue Badges checked and three PCNs issued. A vehicle was towed away as the badge belonged to a deceased person was being used. A further vehicle was towed due to multiple unpaid and outstanding parking fines. The format for this operation was a smaller group and carried out over a shorter timeframe. This was trialled successfully with two previous operations in Q3. A further operation was planned for the end of Q4, but cancelled due to current circumstances.
- 3.19 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. All reports are currently being reviewed by the team and 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 Parking Permits, which has resulted with a notional value saving of £33,925. Another report matching Council Tax Support and deceased persons' data identified £26,285 in savings.
- 3.20 After a recent successful pilot in Q3, the team will 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 system is called IDScan – Scannet. The system is designed for use at customer facing points. It is anticipated the new scanners will be introduced as soon as circumstances allow at four locations.

## **Covid-19 Anti-Fraud Arrangements**

3.21 Given the circumstances surrounding the Covid-19 pandemic response by the Council, the Committee may wish to be aware of the following:

- The Coronavirus pandemic which manifested towards the end of this reporting period has necessitated some interim amendments to processes and controls in services. These are being delivered in a controlled manner with appropriate advice to managers regarding the risk of error and fraud.
- There has been an increase in fraud referral across categories from March to April – it is not yet clear whether this because referrers have more time to make referrals or whether fraud is actually increasing.
- The investigations team have necessarily been working from home dealing with individual caseloads, NFI reports and assessing new referrals. Homeworking was already embedded so there has been minimal impact on effectiveness and productivity.

## **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