

 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> <b>22 September 2021</b>
	<b>Report from the Director of Legal, HR and Audit &amp; Investigations</b>
<b>Counter Fraud - 2021/22 Progress Report Q1 and Q2</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Debra Norman, Director of Legal HR, Audit & Investigations 020 8937 1578 debra.norman@brent.gov.uk

## 1.0 Purpose of the Report

- 1.1 The report sets out a summary of the counter fraud activity for 2021/22 Q1 and Q2, up to 31 August 2021.

## 2.0 Recommendation

- 2.1 The Audit and Standards Advisory Committee to note the report content.

## 3.0 Detail

### Internal Fraud

- 3.1 Internal referrals include whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are 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 2021/22.

Table A – Internal Fraud

Internal Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open Cases b/f	21			18	21	12	5
New Referrals	14			8	6	38	35
Closed Cases	13			4	9	29	28
Open Cases c/f	22			22	18	21	12
Fraud / Irregularity identified*	5			1	4	4	12

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

3.2 There were 14 new referrals opened during the first five months from a variety of sources that also related to whistleblowing. The volume of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the council remains effective. 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 received is as follows:

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

3.3 One case involved misuse of the council's car club facility by a member of staff during their probation, and the individual concerned was dismissed following a disciplinary investigation.

3.4 Another case involved a conflict of interest relating to undeclared secondary employment. The officer received a final warning following a disciplinary investigation.

3.5 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. Recommendations arising from fraud investigations are followed up with the same rigour as those from Internal Audit.

3.6 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

- 3.7 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 Reports 2016 - 2020](#)). The counter-fraud activity for 2021/22 is summarised in the table below.

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

Housing Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open cases b/f	82			94	82	66	23
New cases	69			20	49	202	176
Closed cases	60			23	37	186	133
Open cases c/f	91			91	94	82	66
Fraud Identified	8			4	4	11	19

*\* 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)*

- 3.8 The total number of fraudulent housing cases concluded up to 31 August 2021 was eight, which is higher than recorded for the same period in the previous year of four. The total notional and actual value of these cases is £755,900. In addition, the team has completed 16 tenancy verifications where fraud was not identified.
- 3.9 The number of housing frauds detected during the first five months has slightly increased when compared to an average of 19 total recoveries over the previous three years (11, 19, and 27). Referrals from Brent Housing Management (BHM) have improved compared to the last two years, and both teams are working to increase the quality and quantity of referrals. Of the 69 referrals logged in Q1 and Q2, 35 were from BHM teams, which represents 50.7% of new investigations opened compared with 15.6% for the same period in the previous year. In comparison, of the eight successful fraudulent cases concluded in the same period, four were from direct engagement with BHM and the remaining cases from internal proactive work and other housing related teams. This emphasises the importance of receiving good quality referrals from housing staff through their normal engagement with council tenants.
- 3.10 There are currently 108 live housing investigations – of these, 18 cases are involved with legal proceedings to recover the property, and a further 14 cases have been concluded by the team with a report issued to BHM and other RSLs to instigate recovery action. The team is working closely with the relevant teams to progress these cases.

- 3.11 The team is currently working with BHM to provide appropriate access to anti-fraud and tracing systems for their staff to aid verification, particularly with Succession and Right to Buy applications. It is also assisting management with its ongoing tenancy audit and anti-fraud strategy.

### External Fraud

- 3.12 '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 2021/22 is summarised in the table below:

Table C – External Fraud

External Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open cases b/f	96			99	96	37	20
New Referrals	79			44	35	343	193
Closed Cases	59			27	32	284	176
Open cases c/f	116			116	99	96	37
Fraud / Irregularity identified*	19			12	7	19	49

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

- 3.13 There has been a decrease in referrals of this type – 79 new cases compared to 207 during the same period last year. The increase in last year's referrals coincided with the government's lockdown arrangements. Approximately 80% of all external referrals received were from the public with the majority related to household occupancy, business grant schemes, parking and other breaches related to lockdown arrangements. The current level of referrals is consistent with pre-lockdown arrangements.
- 3.14 Successful outcomes have increased compared to the previous year, which includes six cautions/warnings issued for Blue Badge fraud. A further two Blue Badge cases were successfully prosecuted during Q2 – both under Section 6, Fraud Act offences for using counterfeit badges.
- 3.15 Five fraudulent cases relating to Business Covid-19 Grants were concluded during this period and identified savings of £83,750. Another grant case (not Covid related) concluded in Q2, where the applicant had attempted to defraud the council of almost £46,000 by submitting false supporting documentation – the case was successfully prosecuted under the Forgery and Counterfeiting Act, and the defendant received a three-month community order and ordered to pay cost totalling £1,825.

- 3.16 There are currently 105 live cases, which includes 47 Blue Badge, 15 Council Tax, and ten Business Rates and Business Covid-19 Grant related cases. Other case types include; payments from Adults and Children services, theft of client funds, grants, benefits and other alleged offences affecting the council.

### Proactive activity

- 3.17 The team undertakes a broad range of proactive activity based on fraud risk and close working with the Internal Audit team. This will include NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across all service areas. The counter fraud activity for 2021/22 is summarised in the table below:

Table D – Proactive Cases

Proactive Cases	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)
Open cases b/f	35			30	35	N/A*
New Referrals	12			3	9	
Closed Cases	18			4	14	
Open cases c/f	29			29	30	
<i>Fraud / Irregularity / Savings identified</i>	3			3	0	
<i>Advice / Recommendations</i>	1			0	1	
<i>Audit / Risk review</i>	18			4	14	

\* The Proactive Cases summary was previously merged with Table C – External Fraud.

- 3.18 The mandatory data submissions for the [National Fraud Initiative \(NFI\) 2020](#) exercise was uploaded in October 2020. The results were available during 2020/21 Q4, and produced 12,251 matches, which the team have started to review with a risk based approach. The previous exercise generated 19,296 data matches and the review concluded in Q1 identified over £570,000 savings from fraud and error covering a range of service areas. These represent multiple data matching reports across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Parking Permits and concessionary travel. In addition, there are new reports relating to the first round of Business Covid-19 Grants paid out during Q1 and Q2 of 2020/21. These reports were available during Q1 and produced 59 matches, which the team are actively reviewing with the relevant services and have so far, identified 19 discretionary grant payments that are potentially fraudulent and/or are recoverable.

- 3.19 Two Blue Badge operations were undertaken with Parking Enforcement during Q1 and Q2 covering the Cricklewood area. These were part of a visible presence with other enforcement teams. Both operations resulted in 33 badges inspected and four Blue Badge offences identified. The team will continue to review the Covid-19 risks during Q3 and Q4 before conducting larger operations though will continue to support other enforcement teams in smaller targeted operations.
- 3.20 A fraud risk review concluded with the No Recourse to Public Funds and Intentionally Homeless team, focussed on their verification of clients and the controls to mitigate fraud in relation to Section 17 (Children's Act) payments. The service accepted and implemented all recommendations. The review commenced with training and a fraud workshop to understand existing controls.
- 3.21 The team have undertaken training sessions for BHM and Parking staff. Six sessions covering 63 BHM staff, and seven sessions covering 53 staff from the Parking and Independent Travel teams were delivered during Q1 and Q2. Further training during September for Benefits and Customer Service staff is planned.
- 3.22 The team will identify notional and actual savings from its investigations and reviews. These are summarised in the table below.

**Table E – Savings Summary**

Savings Summary	Year to date	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1
Blue Badge	153,525.00			152,375.00	1,150.00
Client Funds	975.90				975.90
Council Tax Benefit	657.69				657.69
Council Tax Reduction Scheme	3,301.55				3,301.55
Council Tax SPD	837.84			779.76	58.08
Creditor Payments	578.14			578.14	
Grant Funding	64,980.00			64,980.00	
Grant Funding - Covid-19	83,750.00			58,750.00	25,000.00
Home Loss Payment	7,625.00				7,625.00
Housing Tenancy	651,000.00			372,000.00	279,000.00
Rent Allowance	17,631.68				17,631.68
Right To Buy Fraud	104,900.00			104,900.00	
Litigation Investigation Costs	1,825.50			2,075.50	
	1,091,838.30	0.00	0.00	756,438.40	335,399.90

\* Summary covers concluded cases / reviews, and does not include values recorded against live cases.

## Other Activity

- 3.23 The service has proposed 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 year and the membership agreement has been reviewed and approved by the Director of Legal, HR and Audit & Investigations.
- 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.
  - The team and Cifas is currently working with HR and Recruitment to prepare for a go-live date during 2021/22.
- 3.24 In June, four new **identity scanners** were installed at the Civic Centre. They are located at Recruitment, Registrars and Customer Services, with an additional mobile version held by the team. Staff from various services have access and the team will continue to promote the scanners and roll out access to relevant staff. The scanners have enhanced features to authenticate almost all worldwide identity documents. It will provide staff a higher degree of assurance and further protect the council from fraud.
- 3.25 Two new staff are due to join the team in Q3 as Trainee Counter Fraud Officers. Using a Government anti-housing fraud grant, they will undertake the new **Counter Fraud Apprenticeship** as part of a two-year secondment and training programme.

## 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