



**Audit & Standards Advisory
Committee
31st January 2022**

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

Counter Fraud – 2021-22 Progress Report to Q3

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Darren Armstrong, Head of Audit and Investigations Darren.Armstrong@Brent.gov.uk 020 8937 1751

1. Purpose of the Report

1.1 The report sets out a summary of the counter fraud activity for 2021/22 to Q3.

2. Recommendation

2.1 The Committee is asked to note the contents of the report.

3. 2021-22 Counter Fraud Progress Report to Q3

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 to date.

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		20	18	21	12	5
New Referrals	22		7	9	6	38	35
Closed Cases	22		6	7	9	29	28
Open Cases c/f	21		21	20	18	21	12
Fraud / Irregularity identified*	6		1	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 22 new referrals opened between Q1 and Q3 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. A summary of the main case types received is as follows:

- Breach of financial / other regulations (6);
- Bribery and Corruption (7);
- Conflict of Interest (3);
- Theft of Council property (1),
- Fraudulent Claims / Allowances (2),
- External offences/conduct by staff (1), and
- Recruitment irregularities (2).

3.3 There were also 22 cases concluded during the same period. 6 of these were substantiated with the degree of fraud and/or irregularity identified ranging in each case. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. There are currently 12 live investigations at various stages and four of these are classified as whistleblowing.

3.4 A case concluded during Q2 involved a conflict of interest relating to undeclared secondary employment, identified from the National Fraud Initiative 2020 data matching exercise. 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 Internal 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, where deemed relevant or necessary. 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 estimated to be £93,000 per property, as reported by the Cabinet Office ([National Fraud Initiative Reports 2016 - 2020](#)). The counter-fraud activity in this area up to Q3 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		74	84	82	66	23
New cases	143		73	31	39	202	176
Closed cases	141		63	41	37	186	133
Open cases c/f	84		84	74	84	82	66
Fraud Identified	20		8	8	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 Q3 was 20, which is higher than recorded for the same period in the previous year of seven. The total notional and actual value of these cases is £1,871,900. In addition, the team has completed 28 tenancy verifications where fraud was not identified.
- 3.9 The number of housing frauds detected during the first nine months has 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 143 referrals logged up to Q3, 90 were from BHM teams, which represents 62.94% of new investigations opened compared with 26.25% for the same period in the previous year. In comparison, of the 20 successful fraudulent cases concluded in the same period, 12 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 94 live housing investigations – of these; 14 cases are involved with legal proceedings to recover the property, and a further 16 cases have been concluded by the team with a report issued to BHM and other Registered Social Landlords that recommends recovery action is instigated. The team is working closely with the relevant teams to progress these cases.

- 3.11 The team has recently provided relevant BHM staff with appropriate access to anti-fraud and tracing systems to aid verification of Succession and Right to Buy applications. It is also assisting management with its ongoing tenancy audit and anti-fraud strategy, which has included fraud risk training for staff.

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		134	99	96	37	20
New Referrals	185		76	74	35	343	193
Closed Cases	134		63	39	32	284	176
Open cases c/f	147		147	134	99	96	37
Fraud / Irregularity identified*	45		19	19	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 – 185 new cases compared to 292 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 fraud detected outcomes have increased compared to the previous year – 45 to Q3, whereas there was 19 in 2020-21 (full year). This includes 20 cautions/warnings issued for Blue Badge fraud. A further two Blue Badge cases were successfully prosecuted during Q3 in addition to four prosecutions during Q2. In addition to these outcomes, the cases where appropriate are filed to the [Cifas National Fraud Database](#), which helps to further prevent and detect fraud.
- 3.15 Seven fraudulent cases relating to Business Covid-19 Grants were concluded up to Q3, which successfully prevented the payment of grants to the value of £141,750.
- 3.16 There are currently 112 live cases, which includes 54 Blue Badge, 22 Council Tax, and six 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 fraud 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		23	30	35	N/A*
New Proactive	105		93	3	9	
Closed Cases	42		18	10	14	
Open cases c/f	98		98	23	30	
<i>Fraud / Irregularity / Savings identified</i>	3		2	4	0	
<i>Advice / Recommendations</i>	1		0	0	1	
<i>Audit / Risk review</i>	18		18	10	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 made available during 2020/21 Q4, and have produced 12,913 matches up to Q3. The team review these matches on 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. The overall summary to Q3 shows; 1,828 matches were reviewed, 1,548 cleared, 280 fraud or error detected with a savings value of £60,337. The total estimated savings total for this exercise is £450,717.
- 3.19 During Q3, 18 proactive cases have been concluded. This included 15 NFI data matching reviews and two of these identified £39,779 actual savings from fraud or error relating to Council Tax and Pensions. A further 93 proactive cases have been generated recently and the team will work on these during Q4. The majority are related to the NFI exercise, and a further seven are targeted fraud risk reviews across Council departments covering the following areas; Grants (application and monitoring), Adult Social Care Financial Assessments, Schools Admissions, NNDR Small Business Rates Relief (SBRR), Parking Permits, Member Related Parties Declarations and i4B Key Worker Housing.

- 3.20 There were three Blue Badge operations undertaken with Parking Enforcement during Q3, covering the Cricklewood and Harlesden areas. These were part of a visible targeted presence supporting other Council enforcement teams. The operations resulted in 56 badges inspected and multiple parking related offences identified. The team will continue to review the Covid-19 risks during Q4 before leading on larger operations though will continue to support other enforcement teams in smaller targeted operations.
- 3.21 The team provided fraud awareness training to new Benefits and Customer Service staff during September, and is currently working with the Learning and Development team to introduce refreshed mandatory e-learning training packages in Q4 covering fraud prevention, bribery and corruption.
- 3.22 As identified throughout this report, the team will identify both notional and actual savings from its investigations and reviews. These are summarised in the table below. It is important to note that whilst all savings may not be actual and/or cashable savings, the below table demonstrates the positive impact that the Counter Fraud Team continues to have across the Council and also in relation to the protection of the public purse.

Table E – Savings Summary

Savings Summary (£)	Year to date	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1
** Blue Badge	167,900.00		9,735.00	157,015.00	1,150.00
Client Funds	975.90				975.90
Council Tax Benefit	657.69				657.69
Council Tax Reduction Scheme	32,459.81		7,130.35	22,027.91	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	141,750.00		58,000.00	58,750.00	25,000.00
Home Loss Payment	7,625.00				7,625.00
** Housing Tenancy	1,767,000.00		744,000.00	744,000.00	279,000.00
Pensions	32,648.83		32,648.83		
Rent Allowance	17,631.68				17,631.68
Right To Buy Fraud	104,900.00			104,900.00	
Litigation Investigation Costs	5,459.50		734.00	4,725.50	
	<u>2,345,404.39</u>	<u>0.00</u>	<u>852,248.18</u>	<u>1,157,756.31</u>	<u>335,399.90</u>

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

** Notional savings (other categories are actual / cashable savings)

Other Activity

- 3.23 The service has proposed that the Council obtain full membership access to an [Enhanced Internal Fraud Database](#) (EIFD) 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 EIFD 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 are currently working with HR and Recruitment to prepare for a go-live date in Q4 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 and will provide staff a higher degree of assurance and further protect the Council from fraud. The team is working with Digital Services to explore options to integrate the scanners with the Council's digital network to assist services further.
- 3.25 Two existing Council staff have joined 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

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