



**Audit and Standards Advisory
Committee**
7th June 2022

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

Annual Counter Fraud Report – 2021-22

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
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 undertaken in 2021-22, and also the refresh of the related policies covering Anti-Fraud & Bribery, Anti-Money Laundering and Whistleblowing.

2. Recommendation

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

3. 2021/22 Counter Fraud Year End Report

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	21	20	18	21	12	5
New Referrals	24	2	7	9	6	38	35
Closed Cases	27	5	6	7	9	29	28
Open Cases c/f	18	18	21	20	18	21	12
Fraud / Irregularity identified*	6	0	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 24 new referrals opened during 2021-22 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 (6);
- Bribery and Corruption (8);
- Conflict of Interest (3);
- Theft of Council property (1),
- Fraudulent Claims / Allowances (2),
- External offences/conduct by staff (2), and
- Recruitment irregularities (2).

3.3 There were also 27 cases concluded during the same period, and six of these identified a degree of fraud or irregularity. There are currently 14 live investigations at various stages and four of these are classified as whistleblowing, either as anonymous or protected disclosure.

3.4 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.

3.5 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

- 3.6 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 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	84	74	84	82	66	23
New cases	204	61	73	31	39	202	176
Closed cases	192	51	63	41	37	186	133
Open cases c/f	94	94	84	74	84	82	66
Fraud Identified	27	7	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)

- 3.7 The total number of fraudulent housing cases concluded was 27, which is higher than recorded in the previous year of 11. The total value of these cases (notional and actual combined) is £2,522,900. In addition, the team has completed 30 tenancy verifications where fraud or irregularity was not identified and tenancy records verified.
- 3.8 The number of housing frauds detected 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 continue to focus on increasing the quality and quantity of referrals. Of the 204 referrals logged, 107 were from BHM teams, which represents 52% of new investigations opened compared with 30% for the same period in the previous year. In comparison, of the 27 successful fraudulent cases concluded in 2021-22, 16 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.
- 3.9 There are currently 98 live housing investigations – of these; 19 cases are involved with legal proceedings to recover the property, and a further 17 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 works closely with the relevant teams to progress these cases.

- 3.10 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 continues to assist management with its ongoing tenancy audit and anti-fraud strategy, which has included fraud risk training for staff.

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 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	147	134	99	96	37	20
New Referrals	288	103	76	74	35	343	193
Closed Cases	224	90	63	39	32	284	176
Open cases c/f	160	160	147	134	99	96	37
Fraud / Irregularity identified*	67	22	19	19	7	19	49

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

- 3.12 There has been a decrease in referrals of this type – 288 new cases compared to 343 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 then 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 also higher than with pre-lockdown arrangements.
- 3.13 Successful fraud detected outcomes have increased to 67 compared to 19 in 2020/21. This includes 31 cautions/warnings and 12 prosecutions for Blue Badge fraud. In addition to these outcomes, the cases where appropriate are filed to the [Cifas National Fraud Database](#), which helps to prevent and detect further fraud.
- 3.14 There are currently 103 live cases, which includes 50 Blue Badge, six Council Tax, and 20 Business Rates and Business Covid-19 Grant related cases. Other case types include; false planning submissions, theft of client funds, grants, benefits and other alleged fraud affecting the Council.

Proactive activity

- 3.16 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	98	23	30	35	N/A*
New Proactive	110	5	93	3	9	
Closed Cases	96	54	18	10	14	
Open cases c/f	49	49	98	23	30	
<i>Fraud / Irregularity / Savings identified</i>	7	1	2	4	0	
<i>Advice / Recommendations</i>	2	1	0	0	1	
<i>Audit / Risk review</i>	96	54	18	10	14	

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

- 3.17 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 has produced 12,913 matches. The team have reviewed these 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 shows; 3,657 matches were reviewed, 3,369 cleared, 288 fraud or error detected with a savings value of £66,882. The total estimated savings total for this exercise is £706,185.
- 3.18 During 2021/22, 96 proactive cases were concluded. This included 89 NFI data matching reviews, which identified £62,385 actual savings from fraud or error relating to Council Tax, Creditors and Pensions. A further 98 proactive cases have been generated in Q3 and Q4 and the team are working on these. The majority are related to the NFI exercise, and six 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 and i4B Key Worker Housing.

- 3.19 There were six Blue Badge operations undertaken with Parking Enforcement during 2021 covering multiple areas across the borough. These included a visible targeted presence supporting other Council enforcement teams. The operations resulted in 95 badges inspected with multiple parking related offences identified and investigated. The team will continue to participate and lead on multi-team operations and continue to support other enforcement teams in wider targeted operations.
- 3.20 The team provided 15 structured fraud awareness training sessions in 2021/22 to multiple services including; Housing, Benefits, Environment, Parking, Finance, Social Services and Legal. In addition, the team has attended service meetings and other types of engagement to raise awareness and its profile.
- 3.21 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	180,550.00	12,650.00	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	2,418,000.00	651,000.00	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	
Section 17 Payments NRPF	5,000.00	5,000.00			
Litigation Investigation Costs	11,232.25	5,772.75	734.00	4,725.50	
	3,019,827.14	674,422.75	852,248.18	1,157,756.31	335,399.90

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

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

Other Activity

- 3.22 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.
 - Two other local authorities who commenced EIFD membership since April 2021 have identified multiple instances of recruitment fraud.
 - The team and Cifas are working with HR and Recruitment to prepare for a go-live date in 2022/23.
- 3.23 The team have just received approval and started the process of joining a London wide *NFI FraudHub* to prevent and detect fraud/error across boundaries and provide more real-time data matching. This is an optional part of the main NFI platform and is separate to the biennial mandatory exercise. It allows flexibility for hub members to determine what data to upload and frequency based on its risk. It also allows the Council to conduct its own bespoke internal data matching, and includes another function called *NFI AppCheck*, which can be rolled out to front-line services to aid verification by searching the entire NFI database.
- 3.24 The Council's counter fraud related policies have recently been reviewed and updated, where appropriate, in accordance with planned timescales. As a result, minor amendments have been made to the following policies:
- Anti-Fraud and Bribery Policy;
 - Anti-Money Laundering; and
 - Whistleblowing Policy and Procedures.
- 3.25 The content of these policies has not materially changed and the key messages remain the same. The updated policies are made available to all Officers and Members via the [intranet](#). The Anti-Fraud and Bribery Policy is also available on the Council's '*reporting fraud and combating corruption*' [webpage](#).
- 3.26 The team has also recently worked with the Council's Learning and Development team to introduce refreshed e-learning training packages, which went live in April 2022 covering fraud prevention, bribery and corruption. It is anticipated this will be made mandatory for all new staff, and existing staff will be required to refresh their training at appropriate intervals.

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

7.1 None

8.0 Proposed Consultation with Ward Members and Stakeholders

8.1 None

Report sign off:

Debra Norman, Director of Legal HR Audit and Investigations