



**Audit and Standards Advisory  
Committee**

7<sup>th</sup> December 2022

**Report from the Corporate Director  
Finance and Resources**

**Counter Fraud Interim Report – 2022/23**

<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): (Name, Title, Contact Details)</b>	Darren Armstrong, Head of Audit and Investigations <a href="mailto:Darren.Armstrong@Brent.gov.uk">Darren.Armstrong@Brent.gov.uk</a> 020 8937 1751

**1. Purpose of the Report**

- 1.1 The report sets out a summary of the counter fraud activity undertaken for the period 1<sup>st</sup> April to 30<sup>th</sup> September 2022.

**2. Recommendation**

- 2.1 CMT is asked to note the contents of the report, prior to this being presented to the Audit and Standards Advisory Committee on 7<sup>th</sup> December 2022.

**3. 2022/23 Counter Fraud Progress Report to Q2**

**Internal Fraud**

- 3.1 Internal fraud includes 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 2022/23 to Q2.

Table A – Internal Fraud

Internal Fraud	2022/23 (full year)	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 (full year)	2020/21 (full year)
Open Cases b/f	18			19	18	21	12
New Referrals	14			8	6	24	38
Closed Cases	13			8	5	27	29
Open Cases c/f	19			19	19	18	21
Fraud / Irregularity identified*	1			1	0	6	4

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

3.2 14 new referrals were opened between 1<sup>st</sup> April and 30<sup>th</sup> September from a variety of sources, including whistleblowing. The volume of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the Council continues to be 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 (3);
- Bribery and Corruption (2);
- Fraudulent Claims / Allowances (2),
- External offences/conduct by staff (2), and
- Recruitment irregularities (5).

3.3 There were also 13 cases concluded during the same period, and one of these identified a degree of fraud and/or irregularity. There are currently 19 live investigations at various stages, with four of these categorised under whistleblowing.

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 and targeted 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 between 1<sup>st</sup> April and 30<sup>th</sup> September is summarised in the table below.

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

Housing Fraud	2022/23 (full year)	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 (full year)	2020/21 (full year)
Open cases b/f	94			97	94	82	66
New cases	89			50	39	204	202
Closed cases	82			46	36	192	186
Open cases c/f	101			101	97	94	82
Fraud Identified	9			4	5	27	11

\* 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 in this period was nine. In one case, an investigation commenced following a gas forced entry. Enquiries found the property was abandoned with rent arrears in excess of £5,000, and the property was successfully recovered. In another case, a referral was received alleging a tenant had been living abroad for over six years. Enquiries revealed the tenant was not occupying their tenancy as their main and principal home. Civil litigation ordered outright possession to the Council and full costs were awarded. The total notional value of these nine cases (applying the value of £93k per property, as adopted by the Cabinet Office) is £837,000. In addition, the team has completed nine tenancy verifications where fraud was not identified but mitigates fraudulent Succession and Right to Buy applications.
- 3.8 The number of housing frauds detected during the first six months is consistent when compared to an average of 19 total recoveries over the previous three years (27, 11, and 19). Referrals from Brent Housing Management (BHM) have improved compared over the last two years, and both teams are working together to increase the quality and quantity of referrals. Of the 89 referrals logged up to Q2, 25 were from BHM teams, which represents 28.09% of the new investigations opened and is lower for the same period in the previous year (58.33%). In comparison, of the nine successful fraudulent cases concluded in the same period, six 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 86 live housing investigations – of these; 19 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 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 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 2022/23 is summarised in the table below:

Table C – External Fraud

External Fraud	2022/23 (full year)	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 (full year)	2020/21 (full year)
Open cases b/f	160			163	160	96	37
New Referrals	127			66	61	288	343
Closed Cases	92			34	58	224	284
Open cases c/f	195			195	163	160	96
Fraud / Irregularity identified*	27			8	19	67	19

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

- 3.12 There have been 127 new cases opened in this period, compared to 79 during the same period last year. This increase correlates to the continued increase in Blue Badge and parking permit allegations, which makes up 65% of new referrals. Other referrals mainly relate to benefits, allowances and grants.
- 3.13 There have been 27 successful outcomes in this report (where fraud was detected), which is an increase compared to the previous year, which was 19 during the same period. This includes nine successful prosecutions and 11 cautions/warnings issued for Blue Badge fraud. 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. In one case, a child's Blue Badge, which had been reported as lost/stolen, had been fraudulently used on a vehicle on two occasions. The defendant did not attend court and as this was the second hearing, an application was made to proceed in her absence which was granted by the Magistrates. The matter was proven and judgement made against defendant as follows; Fine £500.00, Victim Surcharge £50.00, Costs £2,607.00 – total £3,157.00 to be paid within 28 days with collection order imposed.

- 3.14 Criminal proceedings and cautions have been instigated (at various stages) with a further 18 live cases. The increase in prosecutions does place a resource challenge for the team to balance its overall capacity across all counter fraud activity. In most cases involving Blue Badge fraud, there are additional time-bar considerations that have to be prioritised to successfully prosecute a case. The team has worked closely with Parking Enforcement to efficiently obtain best evidence and reduce investigation time where possible. This fraud type is clearly prevalent within the borough and ultimately affects genuine users of the Blue Badge scheme.
- 3.15 There are currently 107 live cases, which includes; 65 Blue Badge / Parking Permit, ten Council Tax / Benefit, and 20 Business Rates / Business Covid-19 Grant related cases. Other case types include; payments from Adults and Children services, theft of client funds, and grants.

### 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 2022/23 is summarised in the table below:

Table D – Proactive Cases

Proactive Cases	2022/23 (full year)	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 (full year)*
Open cases b/f	49			35	49	35
New Proactive	3			2	1	110
Closed Cases	21			6	15	96
Open cases c/f	31			31	35	49
<i>Fraud / Irregularity / Savings identified</i>	3			1	2	7
<i>Advice / Recommendations</i>	0			0	0	2
<i>Audit / Risk review</i>	20			6	14	96

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

- 3.17 The mandatory data submissions for the new [National Fraud Initiative 2022](#) exercise is underway and expected to be completed during Q3. New data matches will be available from Q4, and before then the team will focus on clearing the older matching reports.
- 3.18 21 proactive cases were concluded up to Q2. This included 19 NFI data matching reviews from the previous exercise and two of these identified £55,578 savings from fraud or error relating to Council Tax Support and Covid-19 support grants.

- 3.19 The team has commenced a **NFI Tenancy Fraud Pilot** in Q2 using new enhanced data matching techniques that includes; mortality screening, existing NFI data, credit/financial, insurance and various other private sector data. The initial review is scheduled to be completed by the end of Q3 and outcomes will be reported in the annual counter fraud report.
- 3.20 The Council has also joined the NFI London **FraudHub**, which will be for an initial period of two years. It is modelled on the existing NFI platform and so far 20+ London councils have joined. The hub allows for more real-time and cross boundary data matching, in addition to bespoke internal data matching. Hub members agreed to start with mortality screening against its Occupational Pension data, seeing immediate results in most cases – up to August, Brent Pensions screening has identified savings with an estimated value of £35,087. Further datasets are currently being added.
- 3.21 As FraudHub members, the council receives unlimited and free access to another application called **AppCheck**, which is also part of the NFI platform. It is primarily a screening tool and the team envisage it being a verification tool for various service teams across the council. The team is currently testing the system and liaising with the Cabinet Office to clarify functionality before it reaches out to appropriate teams, like Housing Needs, to pilot use and monitor effectiveness. Further information on the FraudHub and AppCheck can be found [here](#) and the published Cabinet Office fees can be found [here](#).
- 3.22 In Q1, the team took part in a coordinated London-wide Blue Badge enforcement operation involving 20 other authorities. The team coordinated the operation which included Police and multiple council teams. A total of 127 badges were checked in Willesden Green, Kingsbury and Wembley, which resulted in a total of 21 Penalty Charge Notices (PCNs). Six PCNs were issued against vehicles illegally displaying a Blue Badge, of which three vehicles were removed and three Blue Badges were confiscated.
- 3.23 The team provided **fraud awareness training** to new Benefits and Customer Service staff during Q1, and additional sessions are planned for December to specifically cover benefit fraud, identity and verification. In Q4, the team will be arranging refresher training for Parking Enforcement and related teams to cover Blue Badge fraud and related matters.
- The team has also worked with the Learning and Development team to introduce refreshed e-learning training courses covering Fraud Prevention and Bribery. These are generic in nature and went live in Q1. It is currently located in the Essential category within the Learning Hub, and forms part of the mandatory courses for new staff.
- 3.24 The team identifies notional and actual savings from its investigations and reviews. These are summarised in the table below.

**Table E – Savings Summary**

<b>Savings Summary (£)</b>	<b>Year to date</b>	<b>2022/23 Q4</b>	<b>2022/23 Q3</b>	<b>2022/23 Q2</b>	<b>2022/23 Q1</b>
** Blue Badge	15,525.00			4,025.00	11,500.00
Council Tax Reduction Scheme	4,745.11			2,047.87	2,697.24
Grant Funding - Covid-19	52,881.03			52,881.03	
** Housing Tenancy	837,000.00			372,000.00	465,000.00
** Parking Permits	575.00				575.00
Parking Permits/Fines (actual)	2,128.00			2,128.00	
Litigation Fines/Costs	17,401.00			11,016.00	6,385.00
	<b>930,255.14</b>	<b>0.00</b>	<b>0.00</b>	<b>444,097.90</b>	<b>486,157.24</b>

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

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

## **Other Activity**

3.25 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 in August 2022, and the membership agreement has been reviewed and approved by the Corporate Director Governance.

- 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.
- Both main unions have been engaged and received a formal briefing note on the proposal in August 2022. Both are satisfied with no objections.
- The team and Cifas are currently working with HR and Recruitment to prepare for a go-live date in 2022/23.

## **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:**

**Minesh Patel, Corporate Director Finance and Resources**