



**Audit and Standards Advisory
Committee**
6th June 2023

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

Annual Counter Fraud Report – 2022/23

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 undertaken in 2022/23.

2. Recommendation

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

3. 2022/23 Annual Counter Fraud Report

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.

Table A – Internal Fraud

Internal Fraud	2022/23 (full year)	2021/22 (full year)	2020/21 (full year)
Open Cases b/f	18	21	12
New Referrals	20	24	38
Closed Cases	22	27	29
Open Cases c/f	16	18	21
Fraud / Irregularity identified*	4	6	4

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

- 3.2 20 new referrals were opened during this year from a variety of sources, including whistleblowing. A summary of the main allegations received is as follows:
- Breach of financial / other regulations (5);
 - Bribery and Corruption (3);
 - Fraudulent Claims / Allowances (2),
 - External offences/conduct by staff (4),
 - Conflict of Interest (1), and
 - Recruitment irregularities (5).
- 3.3 The volume and type 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 these type of referrals, it is not appropriate to provide further details of the allegations in this report.
- 3.4 There were also 22 cases concluded during the same period. In four of these instances a degree of fraud and/or irregularity was identified, broadly relating to the theft of cash/assets; misappropriation of funds; officer claims/allowances; conflicts of interest; and recruitment irregularities. Due to the nature of these cases, the Counter Fraud team will regularly liaise with management, as appropriate, throughout the investigation to ensure that any issues in relation to controls or processes are addressed.
- 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 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

- 3.7 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 2022/23 is summarised in the table below.

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2022/23 (full year)	2021/22 (full year)	2020/21 (full year)
Open cases b/f	94	82	66
New cases	174	204	202
Closed cases	155	192	186
Open cases c/f	113	94	82
Fraud Identified	20	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)*

- 3.8 The total number of fraudulent housing cases concluded in this period was 20. 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 20 cases (applying the value of £93k per property, as adopted by the Cabinet Office) is £1,860,000. In addition, the team has completed 17 tenancy verifications where fraud was not identified but helps to mitigate fraudulent Succession and Right to Buy applications.
- 3.9 The number of housing frauds detected this year 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 174 referrals logged this year, 39 were from BHM teams, which represents 22.4% of the new investigations opened and is lower for the same period in the previous year (52%). In comparison, of the 20 successful fraudulent cases concluded in the same period, 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.

- 3.10 There are currently 114 live housing investigations – of these; 20 cases are involved with legal proceedings to recover the property, and a further seven 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.
- 3.11 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 in a variety of ways with its ongoing tenancy audit and anti-fraud strategy, which has included fraud risk training and support for staff and tenancy data matching.
- 3.12 The team are considering using a lower notional figure of £42,000 for 2023/24 to reflect the cost of fraudulent tenancy recoveries to the council. This follows extensive national research concluded in 2021/22 and undertaken by the [Tenancy Fraud Forum \(TFF\)](#) in partnership with the [London Boroughs' Fraud Investigators' Group \(LBFIG\)](#), and supported by the Cabinet Office's National Fraud Initiative, Northern Ireland Housing Executive, Fraud Advisory Panel, Chartered Institute of Public Finance and Accountancy (CIPFA), Cifas, Chartered Institute of Housing and G15 group of housing associations. A guide explaining the rationale will be provided in the 2023/24 interim counter fraud report.

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 for 2022/23 is summarised in the table below:

Table C – External Fraud

External Fraud	2022/23 (full year)	2021/22 (full year)	2020/21 (full year)
Open cases b/f	160	96	37
New Referrals	224	288	343
Closed Cases	197	224	284
Open cases c/f	187	160	96
Fraud / Irregularity identified*	94	67	19

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

- 3.14 There have been 224 new cases opened in this period, compared to 288 during the same period last year. Blue Badge allegations make up 68% of new referrals. Other referrals mainly relate to benefits, allowances and grants.

External – Blue Badges

- 3.15 There have been 94 successful outcomes in this period reported (where fraud was detected), which is an increase compared to the previous year figure of 67 during the same period. This includes 23 successful prosecutions (previously 10) and 31 cautions/warnings (previously 29) 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.
- 3.16 Criminal proceedings and cautions have been instigated (at various stages) with a further 24 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.
- 3.17 There are currently 107 live cases, which includes; 88 Blue Badge / Parking Permit, six Council Tax / Benefit, and three Business Rates / Business Covid-19 Grant related cases. Other case types include; payments from Adults and Children services, theft of client funds, and grants/allowances.
- 3.18 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. In Q4, the team took part in a Brent only enforcement operation involving multiple teams and assisted by the Police. The operation focussed on Hassop Road NW2 and resulted in 24 Blue Badges inspected, five PCNs issued including two vehicles being removed for Blue Badge related offences.
- 3.19 The theft and supply of stolen Blue Badges appears to be a widespread and increasing problem across all London boroughs. Almost all Blue Badge prosecutions this year relate to badges that were issued by other local authorities. It is not possible to comment with any degree of certainty on the illegal Blue Badge market, as stolen badges are essentially worth whatever someone is willing to pay for them. However, the continued collaboration and joint-working between internal and external partners, means that the Council maintains a zero-tolerance approach to all types of Blue Badge fraud within the borough.

Proactive activity

- 3.20 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)	2021/22 (full year)*
Open cases b/f	49	35
New Proactive	4	110
Closed Cases	47	96
Open cases c/f	6	49
<i>Fraud / Irregularity / Savings identified</i>	8	7
<i>Advice / Recommendations</i>	1	2
<i>Audit / Risk review</i>	46	96

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

- 3.21 The mandatory data submissions for the new [National Fraud Initiative 2022](#) exercise is underway and expected to be completed during Q3. New data matches were made available from Q4, and the team will start to focus on these matching reports from Q1 2023/24.
- 3.22 47 proactive cases were concluded this year. This included 42 NFI data matching reviews from the previous exercise and seven of these identified £123,159 savings from fraud or error relating to Council Tax Support (£70,278.09) and Covid-19 support grants (£52,881.03).
- 3.23 The team 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 review is scheduled to be completed by the end of Q1 2023/24 and final outcomes will be reported in the next counter fraud report. The exercise identified 1,228 matches as high risk against a total of 7,832 council tenancies, and of these 106 live tenancies were matched to deceased records. The team have reviewed or are investigating 306 of these cases, including the deceased matches, with the remainder passed to the relevant tenancy teams to conduct their own review and report findings. Whilst this exercise has not led to any tenancy recoveries as yet, it has greatly assisted the service in identifying tenancies that require a number of follow up actions. A further enhanced exercise is planned to commence during Q2 2023/24.

- 3.24 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, Brent Pensions screening has identified actual savings of £13,806 (with an estimated value of £1,198,354 based on the NFI methodology guidance if the irregularity was not identified). Another notable outcome is 381 live Blue Badges have been identified against deceased records, which are being processed by the service and the majority expected to be cancelled giving a savings value in excess of £200,000. Further datasets are being added and matches reviewed with notable outcomes reported in due course.
- 3.25 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 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](#).
- 3.26 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 arranged 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.

Other Activity

- 3.27 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 / Comensura to prepare for a go-live date, anticipated to be in Q1 2023/24.

Positive Impact from Case Activity

- 3.29 Due to the type and nature of the work undertaken by the Counter Fraud team, it is not practical to monitor or benchmark the performance of the team against a set of key performance indicators. Instead, and where relevant, this report compares outcomes for each fraud type against those reported in previous years, for trend analysis and internal benchmarking purposes.
- 3.30 In addition, the team also continues to monitor and record both the actual and notional savings that are achieved and realised from its investigations and reviews.
- 3.31 Where notional savings are indicated, the team adopts and applies the same methodology and formulae as used by other recognised bodies, such as the Cabinet Office. The table is therefore primarily provided to demonstrate the positive impacts that the work of the Counter Fraud team continues to have across the Council.

Table E – Savings Summary

Savings Summary (£)	Year to date	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1
** Blue Badge	44,275.00	16,100.00	12,650.00	4,025.00	11,500.00
Client Funds	53,264.23	53,264.23			
Council Tax Reduction Scheme	72,325.96		67,580.85	2,047.87	2,697.24
Grant Funding - Covid-19	80,431.03		17,550.00	52,881.03	
** Housing Application	93,000.00	93,000.00			
** Housing Tenancy	1,767,000.00	372,000.00	558,000.00	372,000.00	465,000.00
** Parking Permits	2,300.00	575.00	1,150.00		575.00
Parking Permits/Fines (actual)	2,128.00			2,128.00	
Litigation Cost Orders	32,041.00	7,132.00	7,508.00	11,016.00	6,385.00
	<u>2,146,765.22</u>	<u>552,071.23</u>	<u>664,438.85</u>	<u>444,097.90</u>	<u>486,157.24</u>

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

** Notional savings (other categories are actual / cashable savings). Blue Badge/Permit notional value is £575, and Housing/Tenancy value is £93,000 based on Cabinet Office/PSFA methodology guidance.

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 of Finances and Resources