	Audit and Standards Advisory Committee 6th December 2023
	Report from the Corporate Director of Finance and Resources
	Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform

INTERIM COUNTER FRAUD REPORT 2023-24

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List 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

1.0 Executive Summary

1.1. This report summarises the counter fraud activity undertaken in 2023/24, up to 30th September 2023.

2.0 Recommendation

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

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 As is the same for all local authorities, fraud remains an area of significant inherent risk to the Council. The tackling of fraud therefore remains a high priority as every penny that is lost to fraud is a penny that cannot be spent on delivering services to our residents.

3.1.2 The Council takes a well-developed approach to tackling fraud and corruption, which includes a combination of proactive prevention and detection activities in-line with best practice. An annual Counter Fraud Plan is also prepared and delivered to ensure that resources are effectively targeted and deployed to prevent and detect fraud, which is underpinned by the Council's Anti-Fraud and Bribery and Whistleblowing Policies.

3.1.3 The response of the Council to the activity of the Counter Fraud Team should lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

3.2 Background

3.2.1 The Counter Fraud Plan for 2023-24 was agreed by the Audit and Standards Advisory Committee in March 2023, and details how the resources of the Counter Fraud team will be deployed and targeted to achieve the aims and objectives of the Council's anti-fraud policies.

3.2.2 The work of the Counter Fraud Team is split between reactive and proactive activity. Reactive work largely consists of referrals to the team from the Internal, Housing or External fraud types. Proactive activity is generated from within the service in response to a range of fraud risks and can incorporate any of the reactive fraud types.

3.2.3 The plan also includes a Fraud Awareness Plan, which details the activities to be undertaken by the team to raise awareness of fraud risks amongst officers, residents and Members to help ensure that the Council's assets are adequately protected.

3.3 Internal Fraud

3.3.1 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 2023/24.

Table A – Internal Fraud

Internal Fraud	2023/24 to 30th September	2022/23 (full year)	2021/22 (full year)
Open Cases b/f	16	18	21
New Referrals	12	20	24
Closed Cases	5	22	27
Open Cases c/f	23	16	18
Fraud / Irregularity identified*	2	4	6

3.3.2 12 new referrals have been opened during this year from a variety of sources, including whistleblowing. A summary of the main allegations received is as follows:

- Bribery and Corruption (3),
- Theft Cash/Assets (3),
- External offences/conduct by staff (1),
- Misuse of IT (1)
- Conflict of Interest (1), and
- Recruitment irregularities (3).

3.3.3 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. There are currently 20 opened cases in this category that are at various stages.

3.3.4 There were also five cases concluded during the same period. In two of these instances a degree of fraud and/or irregularity was identified, broadly relating to conflicts of interest, and external fraud offences by staff. 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.

3.3.5 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.

3.3.6 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.

3.4 Tenancy and Social Housing Fraud

3.4.1 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.

3.4.2 The team has previously utilised and reported an average notional saving value of £93,000 per property recovered, which is consistent with the formulae used by the Cabinet Office. From 2023-24, the team has adopted a lower notional figure of £42,000 to reflect the notional savings generated from tenancy recoveries. 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, CIPFA, CIFAS, the Chartered Institute of Housing and G15 group of housing associations.

3.4.3 The counter-fraud activity for 2023/24 is summarised in the table below.

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2023/24 to 30th September	2022/23 (full year)	2021/22 (full year)
Open cases b/f	113	94	82
New cases	96	174	204
Closed cases	118	155	192
Open cases c/f	91	113	94
Fraud Identified	7	20	27

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 £42,000. (£93,000 used previously and for concluded cases where a tenancy was recovered before 1st April 2023.)

3.4.4 The total number of fraudulent housing cases concluded in this period was seven.

3.4.5 In one case, an investigation commenced following a housing needs review in respect of a homeless application. Enquiries found that the applicant had failed declare ownership of a property and residence with their undeclared partner at another property, and the application to be housed as homeless was successfully rejected.

3.4.6 In another case, a referral was received from a Housing Officer who had suspected fraudulent Discretionary Succession application. Enquiries revealed the applicant was linked to the tenancy address; however, the applicant was also the owner of two other properties and had prior links to these addresses. This resulted in the discretionary succession being declined and recovery of the property.

3.4.7 In addition, the team has completed three tenancy verifications where fraud was not identified but helps to mitigate fraudulent Succession and Right to Buy applications.

3.4.8 The number of housing frauds detected this year is slightly lower when compared to an average of 19 tenancy recoveries over the previous three years (20, 27 and 11). Referrals from Brent Housing Management (BHM) have improved compared over the last two years. Both teams continue to work together to increase the quality and quantity of referrals, and undue delays with property recoveries where there is evidence of tenancy fraud. Of the 96 referrals opened this year, 20 were from BHM teams, which represents 22.9% of the new investigations opened and is consistent with the previous year (22.4%). In comparison, of the seven successful fraudulent cases concluded this year, 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.

3.4.9 There are currently 69 live housing investigations – of these; 17 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.

3.4.10 The team has provided relevant BHM staff with appropriate access to anti-fraud 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 strategies, which has included fraud risk training and support for staff and tenancy data matching.

3.5 External Fraud

3.5.1 '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 2023/24 is summarised in the table below:

Table C – External Fraud

External Fraud	2023/24 to 30th September	2022/23 (full year)	2021/22 (full year)
Open cases b/f	187	160	96
New Referrals	162	224	288
Closed Cases	175	197	224
Open cases c/f	174	187	160
Fraud / Irregularity identified*	99	94	67

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

3.5.2 There have been 162 new cases opened in this period, compared to 127 during the same period last year. Blue Badge allegations make up 73% of new referrals. Other referrals mainly relate to benefits, support, allowances and grants.

Blue Badges

3.5.3 There have been 95 successful outcomes in this period (where fraud was detected), which is an increase compared to the previous year figure of 23 during the same period. This includes 23 successful prosecutions (previously 8) and 56 cautions/warnings (previously 11) 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.

3.5.4 In one case, a child's Blue Badge that had been reported as lost/stolen, had been fraudulently used on a vehicle and falsely claimed a Parking Enforcement Officer sold him the badge. The defendant attended court and pleaded guilty. The court found that the defendant knew what he was doing and had deprived an 8-year old child of their badge. The judgement made against defendant was as follows; Fine £576.00, Victim Surcharge £230.00, Costs £1,800.00 – total £2,606.00.

3.5.5 Criminal proceedings and cautions have been instigated (at various stages) with a further 17 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.

3.5.6 There are currently 64 live cases, which includes; 55 Blue Badge / Parking Permit, four Council Tax / Benefit, and two 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.

3.5.7 In Q1, the team took part in a coordinated London-wide Blue Badge enforcement operation involving multiple local authorities. The team coordinated the operation which included Police and Parking Enforcement teams. A total of 19 badges were checked in Willesden Green, which resulted in one Penalty Charge Notice (PCN) and a Blue Badge seized for unlawful use.

3.5.8 The team also 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 23 Blue Badges inspected, seven PCNs issued including three Blue Badge identified as being reported stolen.

3.5.9 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.

3.5.10 This collaboration is currently developing strategies to specifically prevent the physical thefts of badges from vehicles across the borough limiting this impact on borough residents and Police. It should be noted that whilst the strategies being developed should have a positive impact, we do not expect the level of Blue Badge fraud to immediately decrease because the vast majority of stolen/lost badges identified are issued by other authorities.

3.6 Proactive activity

3.6.1 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 2023/24 is summarised in the table below:

Table D – Proactive Cases

Proactive Cases	2023/24 to 30th September	2022/23 (full year)	2021/22 (full year)*
Open cases b/f	6	49	35
New Proactive Reviews	121	4	110
Closed Cases	11	47	96
Open cases c/f	116	6	49
Fraud / Irregularity / Savings identified	2	8	7
Advice / Recommendations	1	1	2
Audit / Risk review	8	46	96

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

3.6.2 The mandatory data submissions for the new **National Fraud Initiative 2022** exercise is underway and new data matches were made available from Q4 (2022/23). The team have started to review these matching reports in Q2 and aim to complete reviews by end of Q4.

3.6.3 11 proactive cases were concluded this year, which included eight NFI data matching reviews and two Blue Badge related proactive exercises.

3.6.4 One NFI review that has just been completed relates to **Council Tax Single Persons Discount (SPD)**. The team has worked with the Revenues Service and a third-party solution to undertake a full review all SPD records. NFI matches were cross matched to the overall SPD caseload. The review resulted in the removal of 2,416 (6.3%) of SPD cases from the full borough SPD caseload. This equates to an annual saving for the council of £1,129,121.38. This savings figure is expected to increase when Council Tax Reduction (CTR) is removed or reduced if a household's circumstances are found to have changed since CTR was awarded. An initial estimate is that of the total savings figure of £1,129,121.38, approximately 66% (c. £745,000) can be assigned to the cases on the NFI reports. Final figures are expected to be available for the next report.

3.6.5 The Council also joined the NFI **London FraudHub** in 2022/23, which will be for an initial period of two years. It is modelled on the existing NFI platform and so far the majority of 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 £23,037 (with an estimated value of £2,341,714 based on the NFI methodology guidance if the irregularity was not identified). Another notable outcome is 269 live Blue Badges were identified against deceased records and cancelled, which has a savings value of £175,500 (based on the same NFI methodology).

3.6.6 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 with two Housing Needs teams, 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.

3.6.7 The week commencing 13th November 2023 marked the start of *Fraud Awareness Week,* which is an international campaign that seeks to promote the importance of anti-fraud awareness and education. During this week the team delivered a number of activities, including fraud awareness sessions, an information point in the foyer of the Civic Centre, a confidential advice and referral clinic, plus various communications including all-staff message, Yammer posts with case studies and flyers to highlight the period. Fraud awareness sessions with specific groups such as School Business Managers and Council DMTs also took place where requested.

3.6.8 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 agency and permanent recruitment and provide the 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 have worked with HR and Recruitment / Comensura to ensure the new system and vetting protocols went live on **1st November**.

- The team will manage the new vetting protocols for agency staff, whilst Recruitment will manage it as part of existing permanent recruitment onboarding.

4.0   Stakeholder and ward member consultation and engagement

4.1   None

5.0   Financial Considerations

5.1   There are no specific financial implications associated with noting this report.

6.0   Legal Considerations

6.1   There are no specific legal implications associated with noting this report.

7.0   Equality, Diversity & Inclusion (EDI) Considerations

7.1   None

8.0   Climate Change and Environmental Considerations

8.1   None

9.0   Communication Considerations

10.1   None

Report sign off:

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