Appendix 1 – Summary of Counter Fraud Activity 2023-24

Annual Counter Fraud Report

2023-24

Contents

1. Internal Fraud

Internal fraud includes whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. **Table A** sets out key figures in this area for **2023-24**. The team spent approximately 12% of its time on this fraud type in 2023-24.

Table A - Internal Fraud	2023/24	2022/23	2021/22
New Referrals	27	20	24
Closed Cases	20	22	27
Fraud/Irregularity identified*	10	4	6

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

27 new referrals were opened during this year from a variety of sources, including whistleblowing (this doesn't include proactive activity that is generated separately by the team). A summary of the main types of allegations received are as follows:

- Breach of financial / other regulations (3);
- Bribery and Corruption (3);
- External offences/conduct by staff (8),
- Conflict of Interest (7), and
- Recruitment irregularities (6).

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 specific details of the allegations or subsequent investigations in this report.

There were also **20** cases concluded during the same period. In **10** of these instances a degree of fraud and/or irregularity was identified, broadly relating to;

- **Theft of cash/assets and/or misappropriation of funds (x2)**
  - in one instance assets were stolen following a break in at one of the council's properties. Recommendations were made to improve security and processes.
  - the other instance related to a misappropriation of funds. Recommendations made to improve controls and security.
- **Conflicts of Interest (x5)**
  - these cases broadly related to undeclared employment and/or business interests.

- **Recruitment irregularities (x1)**
  - this related to polygamous employment (multiple contract working).

- **External offences/breaches and/or conduct by staff (x2)**
  - in one instance an agency worker was found to have undisclosed a conviction, which led to termination of their contract.
  - in another instance member of staff was convicted of Blue Badge misuse.

There are currently **12** live investigations at various stages, with **one** of these categorised under whistleblowing (anonymous). Due to the nature of these cases, the team will regularly liaise with management, as appropriate, throughout the investigation to ensure that any issues in relation to controls, processes or organisational risks are addressed.

2. Tenancy and Housing Fraud

The recovery of social housing properties by the team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council.

Table B summarises the counter-fraud activity for 2023-24. The team spent approximately 22% of its time on this fraud type in 2023-24.

The total number of fraudulent housing cases concluded in this period was **16**. The total notional value of these cases (applying the value of £42k per property recovered or housing application stopped) is **£672,000**.

Table B – Tenancy and Housing Fraud	2023/24	2022/23	2021/22
New cases	129	174	204
Closed cases	161	155	192
Fraud/Irregularity identified*	16	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.)

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.

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.

In addition, the team has completed **nine** tenancy verifications during an investigation where fraud was not identified but this helps to mitigate fraudulent Succession and Right to Buy applications.

The number of housing frauds detected and concluded 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 Housing Management (HM) have also declined compared over the last two years. Both teams continue to work together to increase the quality and quantity of referrals. Of the **129** referrals opened this year, **32** were from HM teams, which represents 24.8% of the new investigations opened and is consistent with the previous year (22.4%). In comparison, of the **16** successful fraudulent cases concluded this year, **11 (68.75%)** were from direct engagement with HM 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 and housing applicants.

There are currently **65** live housing investigations – of these; **15** 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 HM and other Registered Social Landlords that recommends recovery action is instigated. The team works closely with the relevant teams to progress these cases.

The team has provided relevant Housing 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. External Fraud

'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.

Table C summarises the counter fraud activity for 2023-24. The team spent approximately 57% of its time on this fraud type in 2023-24.

Table C - External Fraud	2023/24	2022/23	2021/22
New Referrals	300	224	288
Closed Cases	322	197	224
Fraud/Irregularity identified	213	94	67

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

There have been **300** new cases opened in this period, compared to 224 for the previous year.

Blue Badge allegations made up **75%** of new referrals with the majority of these arising from parking enforcement activities (84%). Other referrals mainly relate to benefits, support, discounts, allowances, grants, theft of client funds and other external allegations.

Blue Badges

There have been **213** successful outcomes this year (where fraud was detected), which is a significant increase compared to the previous year (70). This includes **38 successful prosecutions** (previously 24) and **126** cautions/warnings (previously 32) 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 that had been reported as lost/stolen, had been fraudulently used on a vehicle and falsely claimed a Parking Enforcement Officer had sold him the badge. The defendant attended court and pleaded guilty. The court found that the defendant knew what they 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.

Criminal proceedings and cautions have been instigated (at various stages) with a further **13** 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.

There are currently **72** live External cases, which includes; 50 Blue Badge and 11 Council Tax. Other case types include payments from Adults and Children services, theft of client funds, insurance and grants/support.

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. A nation-wide operation is planned for Q1 of this year.

In addition, in Q1 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 23 Blue Badges inspected, seven PCNs issued including three Blue Badge identified as being reported stolen. The team took part in a similar operation during Q4 that resulted in 17 badges inspected and seven PCNs issued unrelated to Blue Badges. The team have not directly taken part in other enforcement operations and limited its involvement during the year due to other activity and resources being required elsewhere, and because the team continue to train and support parking enforcement staff and have developed clear referral and anti-fraud processes.

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. 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 most stolen/lost badges identified are issued by other authorities.

4. Proactive and other activity

The team undertakes a broad range of proactive activity based on fraud risk and close working with Internal Audit and other stakeholders.

Activity will include NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across all departments to protect the Council from its highest fraud risks.

Table D summarises the counter fraud activity for 2023-24. The team spent approximately 9% of its time on this fraud type in 2023-24.

Table D - Proactive Cases	2023/24	2022/23	2021/22
New Proactive Reviews	131	4	110
Closed Cases	93	47	96
Fraud / Irregularity / Savings identified	3	8	7
Advice / Recommendations	1	1	2
Audit / Risk review	89	46	96

The mandatory data submissions for the _National Fraud Initiative 2022_ exercise is underway and new data matches were made available from Q4 (2022/23). The team have reviewed the majority of the matching reports, either directly or in conjunction with relevant services, and aim to complete all reviews by end of Q1 2024-25.

89 proactive cases were concluded this year, which included 88 NFI data matching reviews and three Blue Badge related proactive exercises.

One NFI review that has been completed relates to **Council Tax Single Persons Discount (SPD)**. The team 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 estimate of the total savings, approximately 66% (c. £745,000) can be directly assigned to the matches on the NFI reports. Based on the positive outcomes from this exercise, a further exercise is currently underway which will focus on the NFI related reports.

The Council joined the NFI **London FraudHub** in 2022-23, which was for an initial period of two years. It is modelled on the existing NFI platform and 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; during the first year Brent Pensions screening had 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). The Cabinet Office has confirmed their values for the council's reported outcomes as follows; 2022/23 = £1,189.847 and 2023/24 = £3,310,035. Based on the success of the first two years, consideration is being given for continued membership.

During Q4, a successful pilot exercise relating to polygamous employment was undertaken utilising payroll and agency data from across all hub members. This type of conflict of interest is an emerging threat and is becoming increasingly more prevalent across all sectors in recent years, and which presents reputational and security risks. The exercise has generated 44 matches, which the team are reviewing and working closely with management and HR where enquiries reveal undeclared employment.

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 <u>here</u> and the published Cabinet Office fees can be found <u>here</u>.

The team also participated in **Fraud Awareness Week**, which is an international campaign that seeks to promote the importance of anti-fraud awareness and education. The team delivered a number of activities that 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 were also undertaken, and CMT were asked to help promote across their departments, leading additional sessions.

The Council have now full membership access to the **<u>Insider Threat Database</u>** (ITD), formerly the Enhanced Internal Fraud Database, that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service. The ITD 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. The team and Cifas have worked with HR and Recruitment / Comensura to ensure the new system and vetting protocols went live on 1st November, and which applies to all recruitment. The team manages the new vetting protocols for agency staff, whilst Recruitment manage it as part of existing permanent recruitment onboarding. A summary of activity to 31st March is summarised below.

	Total searches	Positive matches	Employment status
Agency Staff	185	3	2 declined
HR Recruitment	189	3	1 declined