



**Audit and Standards Advisory
Committee**

26 September 2019

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

Counter Fraud Quarterly Progress Report: Quarter 12019-20

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	NIL
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Michael Bradley Head of Audit and Investigations 020 8937 6526, Michael.Bradley@brent.gov.uk

1. Summary

- 1.1 This report provides a summary of the counter fraud work undertaken for the period 1st April 2019 to 30th June 2019.

2. Recommendations

- 2.1. That the Audit and Standards Advisory Committee notes the counter fraud work in the period of this report.

3. Internal Fraud

- 3.1 The total referrals of alleged internal fraud for Q1 are consistent with the previous year. This includes whistleblowing referrals and a range of case types that includes financial, staff conduct and procedural irregularities. Our 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.

Table A – Internal Fraud

Internal Fraud	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)	2016/17 (full year)
Open Cases b/f				5	11	16	22
New Referrals				11	28	35	28
Closed Cases				7	34	40	34
Open Cases c/f				9	5	11	16
Fraud/Irregularity Identified*				2	11	10	12
Dismissal				1	2	1	1
Resignation				1	2	1	2
Warning				0	3	2	1
Other Outcome (see below)				0	4	7	8

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

- 3.2 There has been an increased presence on the council's website that enables members of the public to report all suspected fraud. Additionally, fraud awareness sessions have been delivered across a number of Council departments.
- 3.3 One internal case that was concluded in April 2019 is worth noting. It was a Blue Badge misuse case by a member of staff. The offence was identified in September 2018 during one of the team's on-street enforcement operations. The individual resigned pending a disciplinary hearing and subsequently pleaded guilty to a misuse offence under the Road Traffic Act. They were sentenced to a £500 fine (half the maximum) and ordered to pay £1,092 costs and a £50 victim surcharge.
- 3.4 Another case worth noting was a new member of staff dismissed for recruitment irregularities and providing false information. They were dismissed in Q4 of the previous year and appealed, which in Q1 was not upheld.
- 3.5 There were eight referrals logged in Q1 that related to whistleblowing from a variety of sources. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. A summary of the case types is as follows;
- Officer/Service - corruption and discrimination within service (x1)
 - Officer - conflict of interest (x1)
 - Officer/Service - breach of financial (or other) regulations (x4)
 - Officer - theft (or misappropriation) of cash/asset/client funds (x1)
 - Councillor – other behaviour (x1).
- 3.6 A further nine cases have been logged to date in Q2, which represents a slight increase

in internal-related activity over the same period last year.

4. Tenancy and Social Housing Fraud

4.1 The recovery of social housing properties by the Investigations team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk area for the Council. The average value of each recovered tenancy is £93,000 per property as reported by the Cabinet Office (National Fraud Initiative Report 2016). The counter-fraud activity to end of year is summarised in the table below:

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)	2016/17 (full year)
Open cases b/f				23	28	82	121
New Referrals				47	151	130	332
Closed cases				29	156	184	371
Open cases c/f				41	23	28	82
Fraud Identified				5	27	42	52
Recovered Properties				2	20	38	44
Applications Refused				1	3	1	0
Property Size Reduced				1	0	2	4
Right To Buy				1	3	1	4
Value of properties recovered*				£372,000	£2,139,000	£738,000	£864,000
Value of Right to Buy Discount Prevented**				£170,900	£315,800	£103,900	£311,700
Cases with Legal for Possession/Prosecution				8	12	11	26

* 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)

** Actual amount of Right to Buy discount stopped.

*** Fraud Found includes one housing case where Council Tax fraud/irregularity (£145.10) was identified.

4.2 A total of five housing cases, with a notional value of £542,900, were recorded as a result of fraud / irregularity in Q1, which is consistent with the same period last year where fraud was identified in seven cases.

4.3 There are currently 86 live housing related cases. Eight cases are currently going through various stages of legal proceedings to recover properties and/or prosecute housing related offences. Enquiries into an additional 18 cases have concluded and reports issued recommending recovery action is instigated.

4.4 The team have continued to provide fraud awareness training and assistance to key colleagues and introduced an enhanced verification for discretionary tenancies and

succession applications that commenced in Q4 (2018/19). The team have also started two proactive exercises relating to Right to Buy applications and tenancies in known risk areas for unlawful sub-letting, the results of which are anticipated after Q2. In addition, the team has commenced a tenancy fraud awareness campaign since April, which includes promotion using various media and communication with all council tenants via direct messaging and the quarterly tenancy newsletter.

- 4.5 Since last year, the team have re-engaged all Housing Associations that hold properties in the borough. This is with a view of generating quality referrals and improve closer working. Where the team investigate a Housing Association property that leads to a successful recovery, the council will receive nomination rights to that property. It is anticipated that referrals from Housing Associations will increase during this year.
- 4.6 A notable case is the recent recovery of a council property in April 2018, where the tenant had used fraudulent ID from the outset of the tenancy (January 2009) and was unlawfully subletting the tenancy whilst residing in their privately owned property under a different (presumed genuine) identity. This case was heard at court in September 2018 where the defendant pleaded guilty and gave an undertaking to pay the council £120,250 which has now been received. The defendant was sentenced on 29th July to 16 months' custody suspended for 24 months and ordered to pay costs of £2,400.
- 4.7 A further notable case concluded in Q1 is a refusal of a housing application. The applicant was found to have exaggerated their medical condition and supplied false information to the Housing Needs Service. It was decided not to pursue criminal proceedings due to some significant mitigating circumstances.

5. External Fraud

- 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 up to end of the year is summarised in the table below:

Table C – External Fraud

External Fraud	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 (full year)	2017/18 (full year)	2016/17 (full year)
Open cases b/f				20	13	14	57
New Referrals				53	142	88	161
Closed Cases				29	135	89	204
Open cases c/f				44	20	13	14
Fraud / Irregularity *				2	23	12	22
Prosecution				1	2	1	2
Warning / Caution				1	4	2	6
Overpayment/Saving				2	19	11	7

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

- 5.2 Since Q1 of 2017/18, the team has led on an organised Freedom Pass fraud investigation involving several councils in London with over 100 fraudulent applications identified to date. The team identified 17 fraudulent Brent applications. The main subject of the investigation was identified, arrested and appeared in court on 26 June 2018 relating to 21 counts of fraud, counterfeiting and forgery. The investigation was in collaboration with London Councils, Transport for London and the Police and is being led by Brent Council. The fraud has been present in our system since September 2016 and specifically targeted the 'partially sighted' entitlement category using false supporting documentation. This occurred due to inadequate controls on the verification of supporting documentation which was addressed by the service area at an early stage of the investigation. The potential value of a Freedom Pass is approximately £6,000 per year and the cost to councils is significantly more due to the charging structure with London Councils – it costs Brent approximately £350 per pass to administer.
- 5.3 The defendant had pleaded not guilty and following a six-day trial in March was found guilty by a unanimous jury verdict of nine counts of forgery at Harrow Crown Court – for the false documents they submitted to Brent, Enfield and Haringey Councils in support of applications for Disabled Person's Freedom Passes and a Disabled Person's Blue Badge. The team also prosecuted a further three charges on behalf of Waltham Forest Council. The defendant had pleaded guilty to these on the same day they were convicted but before sentencing was scheduled in April, they applied to vacate their plea. The judge dealt with the defendant's application in July 2019, which was subsequently denied. The defendant was recently sentenced on 2nd September as follows;
- For the Brent, Enfield and Haringey offences the defendant was sentenced to 18 months' imprisonment per offence for these 9 offences to be served concurrently and the sentence was suspended for 18 months.
 - For the Waltham Forest offences, the defendant was sentenced to 12 months' imprisonment for each of the three Waltham Forest offences. This is also to be served concurrently with the 18 months' sentence and was also suspended.
 - He was also sentenced to participate in 20 hours of a rehabilitation activity requirement order.
- 5.4 A notable case was a prosecution in April resulting from a previous Blue Badge enforcement operation in September 2018 where officers seized a counterfeit badge. The defendant pleaded guilty and was fined £1,250. They were also ordered to pay costs of £750 and a Victim Surcharge of £75.
- 5.5 During the last year, the team has logged 41 referrals relating to Blue Badge fraud from a variety of sources and with four directly from the Parking team. At the end of Q4 an agreed process between the Investigations team and Parking was implemented to generate increased quality referrals from Civil Enforcement Officers. In Q1 (2019/20), 29 referrals were received as result of the new process and a further 19 since July. There are currently a further 13 cases where either a formal caution has been offered or criminal proceedings instigated.

6. Proactive Counter Fraud activity

- 6.1 In Q1, a **Blue Badge** enforcement operation on Ealing Road. This has resulted in 62 badges being checked, one badge seized for misuse and six Penalty Charge Notices issued. These operations are led by the team, planned confidentially and incorporate multiple council teams and the Police. Another operation is planned during September and an update will be provided in the next progress report.
- 6.2 The new data submissions for the **National Fraud Initiative (NFI) 2018/19** exercise was supplied in October and data matches were generated from Q4. These matches total 19,296 covering multiple data reports across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Insurance, Parking Permits and concessionary travel. These are currently being reviewed by the team and other services. One report that was recently completed relates to deceased person records against live Blue Badges, which has resulted in 277 (of 348) badges being cancelled with a notional value of £159,275.
- 6.3 A new **Council Tax** proactive exercise commenced in Q4 (2018/19) as a result data matching from the new NFI exercise. This involves data matching between Council Tax accounts and current Electoral Roll records. The new exercise will continue throughout this year. There are a total of 6,258 data matches of which 929 have been fully reviewed and 274 cases (29.5%) have been passed to the Council Tax team to remove the discount and confirm saving figures. It is planned to complete the review of the remaining matches by the end of Q2. An update on the current exercise will be set out in the next progress report.
- 6.4 **Government Counter Fraud Profession – Membership and Apprenticeship Programme.** Brent has been part of a multi-agency group across central and local government to develop a competency based counter fraud apprenticeship which has now progressed to the final stages with approval. Once approved by the Institute for Apprenticeships it will provide a platform to train and develop investigators to a consistent standard. A LA working group, in conjunction with the Cabinet Office, has recently been set up (of which Brent is represented) to agree learning and development standards and an approach for LAs to become full GCFP members.
- 6.5 The team is trialling a pilot with **Cifas** (Credit Industry Fraud Avoidance System) as part of its commitment to anti-fraud. The pilot commenced in April 2019 for twelve and Brent will be one of 10 local authority fraud teams to take part. It will enable the team to have access to the Cifas National Fraud Database (NFD), which is used by the banking and insurance industry, to share appropriate investigation data and using data matching for the prevention and detection of crime. An additional pilot is being considered by Brent to become members of the Cifas' Internal Fraud Database (IFD), which is an anti-fraud membership to prevent and detect internal employee and recruitment fraud.
- 6.6 The team is currently using the Cifas NFD system to cross check all insurance claims (129) against the council received since April. Should this pilot prove successful, the aim will be to provide access to the Insurance team so they can use this system as part of their verification process. Access to the system has recently been given to the No Recourse to Public Funds team to assist their verification process.

DWP joint working pilot

- 6.7 The Investigations team is trialling a pilot exercise with the DWP, which commenced on 28th January 2019, that will enable joint investigations on suitable cases involving

Housing Benefit and Council Tax Support.

GBG IDScan – Scannet (identity document authentication system)

6.8 The team is aiming to introduce an identity authentication system that will enable all council services to have full assurance when accepting and verifying identity documents, which will help to prevent fraud. The preferred system is called IDScan – Scannet and it is widely used by other councils and public sector organisations. A trial of the system is being organised for later this month and will be predominantly used by Customer Services and Recruitment. The system is designed to be used at customer facing points, though the company does also provide a mobile service where customers can upload and have their identity documents verified remotely before submission.

Fraud Awareness Strategy 2019/20

6.9 We reviewed and updated our strategy, which was presented to committee in March 2019. Engagement across the council is ongoing, which includes liaison with all service areas, using social media to report key messages and fraud awareness sessions. Some specific areas to note since Q1 are as follows;

- Fraud awareness workshops conducted with; No Resource to Public Funds and Intentionally Homeless Service, Registration and Nationality Service, and Catalyst Housing Association. Specific workshops are being planned with Finance and Benefits.
- Tenancy Fraud awareness campaign that includes a media strategy and anti-fraud messages on all housing letters and application forms (includes Housing Needs Service and Housing Management).
- A specific fraud awareness workshop was conducted in August with the No Resource to Public Funds and Intentionally Homeless Service. The aim was to discuss fraud risk areas, verification and to generate referrals. As a result of this workshop, the Investigations team will undertake a review of the existing caseload and have introduced access to anti-fraud systems to improve verification.

7. Financial Implications

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

8. Legal Implications

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

9. Equality Implications

9.1 None.

10. Consultation with Ward Members and Stakeholders

10.1 None

11. Human Resources/Property Implications (if appropriate)

11.1 None.

Report sign off:

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