

London Borough of Enfield

General Purposes Committee

23 July 2020

Subject: Counter Fraud Service Annual Report 2019/20
Cabinet Member: N/A

Key Decision: N/A

Executive Summary

The work that the Counter Fraud Team has undertaken during the year ending 31 March 2020 is presented in terms of outcomes as well as the value of frauds prevented, and overpayments raised.

During the year, some notable results have been achieved, including:

- Identified overpayments and potential savings of £3.11m (2018/19 - £3.85m), primarily achieved through the cancellation of fraudulent claims by tenants to purchase properties under the Right to Buy scheme, the identification of Housing Benefit and Council Tax overpayments, and the screening of applications for support from persons with No Recourse to Public Funds.
- Partnership working between Counter Fraud and teams in Council Housing and Temporary Accommodation has resulted in the recovery of 100 properties (2018/19 – 104) that were not being used lawfully.
- 12 financial penalties with a total value of £9k levied for Council Tax Support offences.

Proposal

The General Purposes Committee is asked to note the outcomes of the work of the Counter Fraud Team for 2019/20.

Reason for Proposal(s)

Any large, complex organisation needs a well-established and systematic risk management framework in place to identify and mitigate the many risks it may face. This report forms part of the risk management and governance process.

Ian Davis
Chief Executive

London Borough of Enfield

General Purposes Committee

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Key Decision: N/A

Purpose of Report

1.1 The work that the Counter Fraud Team has undertaken during the year ending 31 March 2020 is presented in terms of outcomes as well as the value of frauds prevented, and overpayments raised.

1.2 During the year, some notable results have been achieved, including:

- Identified overpayments and potential savings of £3.11m (2018/19 - £3.85m), primarily achieved through the cancellation of fraudulent claims by tenants to purchase properties under the Right to Buy scheme, the identification of Housing Benefit and Council Tax overpayments, and the screening of applications for support from persons with No Recourse to Public Funds.
- Partnership working between Counter Fraud and teams in Council Housing and Temporary Accommodation has resulted in the recovery of 100 properties (2018/19 – 104) that were not being used lawfully.
- 12 financial penalties with a total value of £9k levied for Council Tax Support offences

Relevance to the Council's Corporate Plan

2.1 Good Homes in Well-Connected Neighbourhoods

An effective Audit and Risk Management Service helps to provide assurance over any risks that might adversely affect the delivery of good homes in well-connected neighbourhoods.

2.2 Safe, Healthy and Confident Communities

An effective Audit and Risk Management Service will help the Council achieve its objectives to sustain safe, healthy and confident communities.

2.3 An Economy that Works for Everyone

An effective Audit and Risk Management Service will help the Council achieve its objectives in building a local economy that works for everyone.

Background

3.1 This report summarises the work of the Counter Fraud Team for the period 1 April 2019 to 31 March 2020.

3.2 The team has again achieved some very positive outcomes during this period, including:

- Supporting the Council Housing and Temporary Accommodation teams in recovering 100 properties;
- Identified overpayments and potential savings exceeding £3.11m including the identification of fraudulent or unlawful claims for Right to Buy discounts, claims for support provided by the No Recourse to Public Funds Team, Council Tax (support, discounts, and exemptions), and Housing Benefits;
- 12 financial penalties totalling £9k levied for Council Tax Support offences.

These results are summarised in Tables 1 and 2 below:

Table 1: Overall Counter Fraud Achievements

Fraud Type	Annual Target	Actual	Variance
Council Properties Recovered	75	62	- 13
TA / PSL / HA Properties Recovered	25	38	+ 13
Overall *	100	100	-

Total Savings from Frauds Investigated or Prevented **	£2.75m	£3.11m	+ £0.36m
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** Includes recoveries identified by the Council Housing and Temporary Accommodation teams, supported by Counter Fraud Officers*

*** Includes overpayments identified or recovered, as well as potential future income and the estimated value of losses prevented by the detection and interception of fraud and improvement of controls – please see Table 2 below.*

Performance in 2019/20 was impacted by long delays for possession hearing court dates. This situation is likely to be further exacerbated in 2020/21 by the Covid-19 restrictions which have already resulted in the suspension of housing evictions and extensions to notice periods that the Council is required to give to tenants prior to seeking possession.

Table 2: Counter Fraud Savings Analysis

	Investigations		Fraud Prevention		Total (£)
	Saved for LBE (£)	Saved for DWP (£)	Saved for LBE (£)	Saved for DWP (£)	
Housing Benefit (DWP)	-	600,475	-	-	600,475
Council Tax: Reduction Scheme	161,770	-	-	-	161,770
Council Tax: Single Person's Discount (investigations)	8,636	-	-	-	8,636
Council Tax: Single Person's Discount (pro-active exercise)	40,458	-	-	-	40,458
Benefit Penalties	9,031	-	-	-	9,031
Business Rates	88,560	-	-	-	88,560
Direct Payments	107,367	-	-	-	107,367
Other	19,464	-	-	-	19,464
Housing Regeneration	-	-	8,800	-	8,800
NRPF: 16 cases ceased @ £17.2k per case	-	-	275,200	-	275,200
NRPF: 12 cases reduced	-	-	17,112	-	17,112
RTB Value of discounts refused – 17 cases	-	-	1,774,400	-	1,774,400
Theft	-	-	-	-	-
	435,286	600,475	2,075,512	-	3,111,273
Council properties recovered: 62 (rebuild value of £150k per property) ***	-	-	9,300,000	-	9,300,000
TA / PSL / HA properties recovered: 38 (annual average cost of £2.5k per property) ****	-	-	95,000	-	95,000
TOTAL	435,286	600,475	11,470,512	-	12,506,273

**** Included with effect from January 2019, The Chartered Institute of Housing estimate the average cost of building a new home to be £150k. The Notional Value of a Temporary*

Accommodation recovery is based on the net annual cost to the Council of acquiring a property for use as temporary accommodation.

- 3.3 For 2019/20 the Counter Fraud Service has continued to receive funding from the Housing Revenue Account (HRA) for two full-time Investigators to work alongside the Neighbourhood Team in Council Housing. These investigators focused on recovering properties that had been unlawfully used, including those that had been abandoned or sublet. Once recovered, these properties were then available for re-let to applicants in genuine need of assistance.
- 3.4 During the period 1st April 2019 to 31st March 2020, this work has resulted in the recovery of 62 Council Housing properties, categorised as follows:

Recovery Category	No
Abandoned	29
No Right of assignment	15
Not sole or principal home	13
Sub-let	3
Occupied by squatters	1
Breach of tenancy conditions	1
Total	62

- 3.5 The HRA has also funded a full-time Investigator to support the Right to Buy (RTB) Team. This officer examines every qualifying RTB application and during 2019/20 17 cases (17% of applications reviewed) were cancelled or withdrawn. Had these applications been allowed to proceed, the cumulative discounts allowed against the purchase price would have been approximately £1.8m.
- 3.6 An additional 7 properties, mainly accommodation leased from the private sector that the Council utilises as temporary accommodation, were recovered following investigations conducted by the Counter Fraud Team.
- 3.7 Performance in 2019/20 was impacted by long delays for possession hearing court dates. It should be noted that performance in 2020/21 is likely to be impacted by the restrictions imposed by Covid-19. These have already resulted in the suspension of housing evictions as well as extensions to notice periods that the Council is required to give to tenants prior to seeking possession. In addition, property visits are currently suspended until such times that it is safe to resume this activity.

- 3.8 Throughout 2019/20, a dedicated Counter Fraud Investigator has continued to support the No Recourse to Public Funds (NRPF) Team in the Homelessness Service. Due to the Investigator’s interventions, a total of 16 applications were refused or cancelled during 2019/20, generating estimated savings of £275k (based on average support costs calculated by the NRPF Network). The NRPF Team were also able to reduce the level of financial assistance provided to a further 12 households where the Investigator identified previously undeclared household income. Had these claims continued unchecked until the end of the year, a further £17k in support payments would have been paid out.
- 3.8 Since January 2020, a Counter Fraud Officer has been based within the Housing Options Team at John Wilkes House. As well as investigating referrals made by the team, the Counter Fraud Officer will help verify new ‘host ejection’ applications for housing assistance made to the Council and review 10% of the Group 4 applicants who have been on the Housing Needs Register prior to 9th November 2012 (pre-localism) in order to determine if their housing need has changed.

Category	Reviews Completed	Outcomes
New applicant referrals	19	2 rejected
Host ejections	42	3 rejected
Group 4	44	6 removed from housing list 5 accommodation needs reduced
Total	105	16

Work on this project has been temporarily suspended until we are able to safely resume home visits and interviews.

- 3.9 In April 2019 we welcomed a Counter Fraud Apprentice to the team. Throughout the year, he has been working with the Council Tax Officers to review cases where a 25% Single Person’s Discount (SPD) had been claimed but the corresponding Electoral Register entry indicated that more than one adult was residing at the property. This has resulted in the cancellation of 92 SPD claims, potentially generating an additional £40k in income for the Council.

General Investigations

- 3.10 As well as the work noted above, the Counter Fraud team also carried out various investigations during the year. Two of the more unusual cases dealt with are detailed below.

Direct Payments

The Learning Disabilities Team requested us to assist in investigating the parent of a vulnerable individual.

The Learning Disabilities Team were concerned that the parent, who had control of the child's personal budget, was not spending direct payments on the child's care but was rather personally profiting from them.

We reviewed the personal budget records and identified concerns over how much of the direct payments had been spent in accordance with the agreed care package. As the parent was not co-operative, we therefore obtained Court Production Orders on their personal bank accounts.

This identified that much of the direct payments had been withdrawn in cash.

Although legal advice was not to proceed with a criminal prosecution, the Learning Disabilities Team were able to revise the direct payment agreements to better control how the funding would be spent and have also raised an invoice against the parent for repayment of £58k.

Discretionary Housing Payments

We were requested to assist in investigating a property management company ("the PMC"). There were concerns over how the PMC was administering Discretionary Housing Payments which the Council pays to incentivise private landlords to accommodate claimants who are in receipt of housing benefits.

Our investigation identified eight instances in which the PMC had altered the rent amounts quoted on tenancy agreements before submitting them to the Council so that those cases appeared to qualify for Discretionary Housing Payments.

In order to prove this was the case, we reviewed a large volume of documentation and interviewed tenants. We also interviewed officers from the PMC, who placed responsibility for the improper activities on a rogue former employee, whom we have not been able to trace.

The loss to the Council was quantified at £19k and this has since been recovered from the PMC.

Fraud Prevention work

- 3.11 The Counter Fraud Team promoted International Fraud Awareness Week 2019 (17th - 23rd November 2019). Fraud awareness sessions were run each day during this week at different Council locations across the borough. The sessions covered personal and work-related fraud risks, as well as an insight into the work the Counter Fraud Team are currently undertaking. There was an opportunity following these sessions for staff to meet members of the

Counter Fraud Team for informal discussions. Several suggestions made by staff attending these sessions will lead to further proactive work for the team in 2020/21.

Targeted Fraud Awareness training was also provided to the Payments, Purchasing, Payroll and Pension teams within Exchequer Services. These sessions were in response to concerns about bank mandate fraud.

The Fraud Prevention Officer now attends the quarterly Risk Management Group meetings and fraud risks have been added as a standing item to the agenda. This will help to raise the profile of fraud awareness within the wider Council and has laid the foundations for consultation and adoption of the Corporate Fraud Risk Register which planned to be introduced in 2020-21.

Financial Investigations

3.12 The team's Financial Investigator continues to work with both Trading Standards and Planning in the areas of Proceeds of Crime confiscation, enforcement and re-considerations.

2019/20 Caseload analysis

3.13 Charts 1 and 2 below give further information regarding our current caseload and closed cases during 2019/20.

Chart 1: Counter Fraud Current Caseload

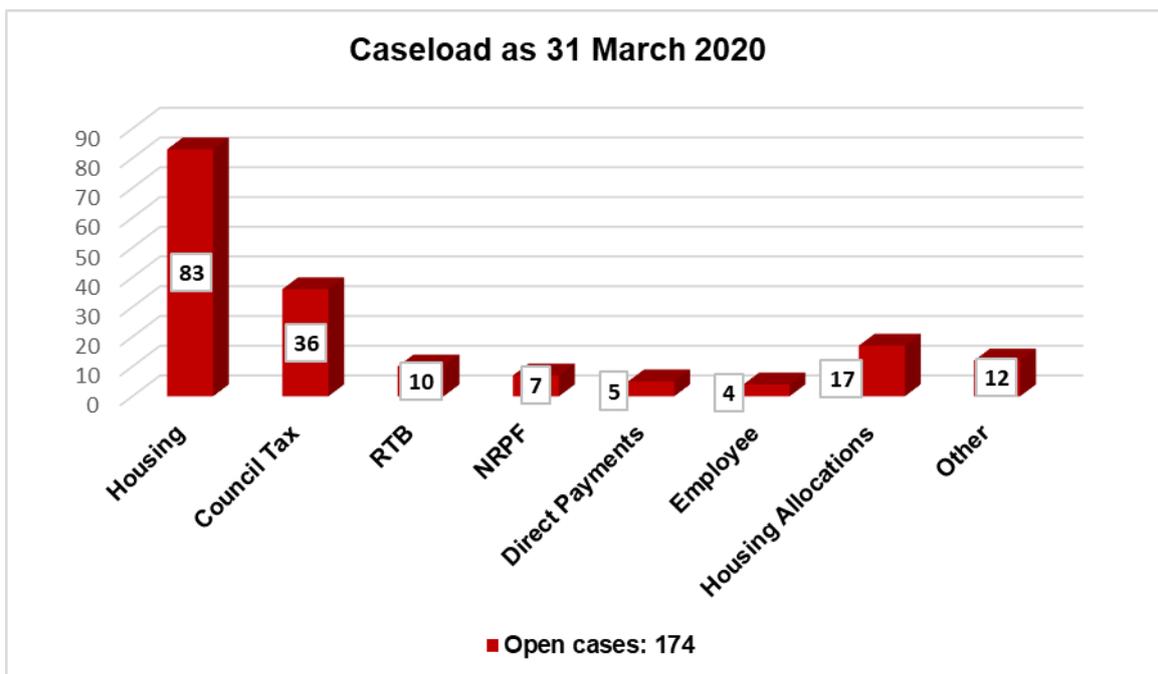
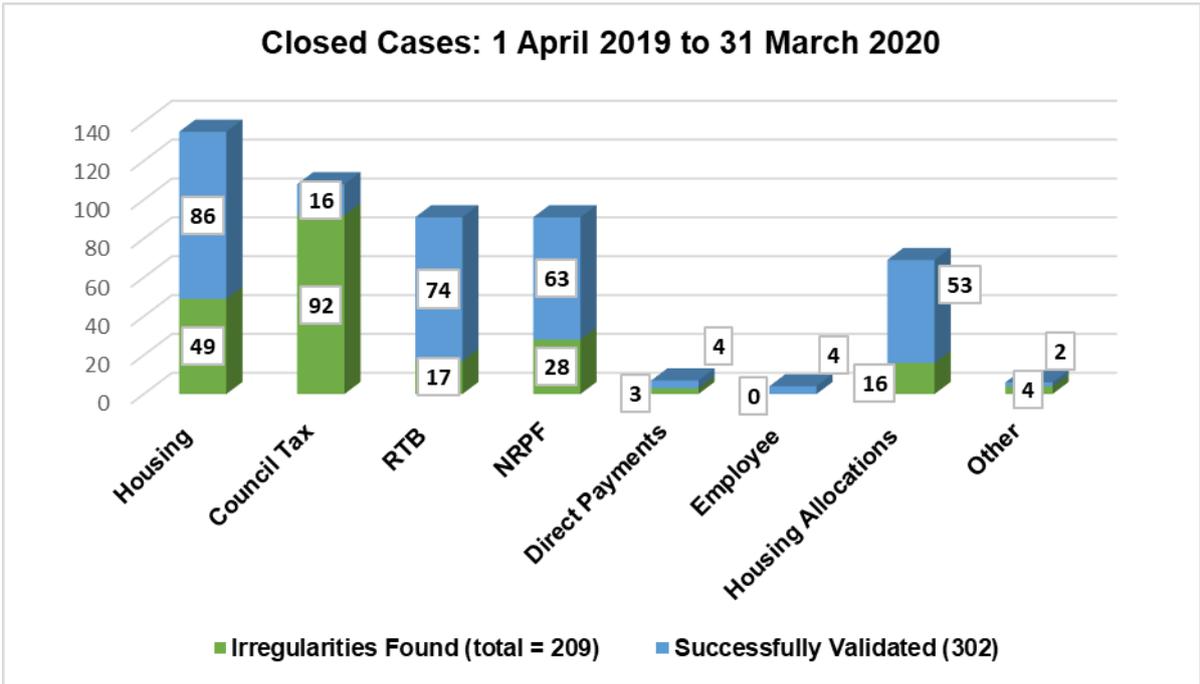


Chart 2: Counter Fraud Closed Cases



An irregularity is defined as follows:

Area	Definition
Housing	Property recovered
Council Tax	Overpayment raised, or financial penalty imposed
Right to Buy	Application cancelled
NRPF	Application cancelled or level of support reduced
Direct Payments	Overpayment raised
Employee	Disciplinary action resulted
Housing Allocations	Removed from the list or reduced property size needs

The financial values attributed to these outcomes are shown in Tables 1 and 2 at the beginning of this section (see paragraph 3.2).

Whistleblowing cases

3.14 During 2019/20, the Audit and Risk Management Service was advised of four new cases raised under the Whistleblowing Policy, summarised as follows:

Case Type	Outcome
Undeclared secondary employment (2 cases)	1 case not substantiated 1 case substantiated
Safeguarding issues (Trading Company)	Not substantiated
Impropriety regarding the award of a Council contract	Not substantiated (the Ombudsman has also investigated and arrived at the same conclusion).

Main Considerations for the Council

4. Activities undertaken by the Counter Fraud team continue to prevent and detect the misuse of public funds.

Safeguarding Implications

5. There are no specific safeguarding implications relating to this report.

Public Health Implications

6. There are no specific public health implications relating to this report.

Equalities Impact of the Proposal

7. Corporate advice has been sought regarding equalities and an agreement has been reached that it is not relevant or proportionate to carry out an equalities impact assessment/analysis for this report.

Environmental and Climate Change Considerations

8. There are no specific environment and climate change implications relating to this report.

Risks that may arise if the proposed decision and related work is not taken

9. Without a continued focus on counter fraud activities, the Council is at greater risk of loss from fraudulent activities.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

10. N/A

Financial Implications

11. There are no specific financial implications relating to this report apart from those identified separately in the report.

Legal Implications

12.1 The Council's chief finance officer (the 'Section 151 officer' – section 151 Local Government Act 1972) has statutory status and is responsible for financial administration. The chief finance officer is also under a statutory duty to issue a formal report if s/he believes that the Council is unable to set or maintain a balanced budget (the 'Section 114 report' (section 114 Local Government Finance Act 1988).

12.2 The Accounts and Audit Regulations 2015 (the '2015 Regulations') places an obligation on local authorities to maintain a system of internal audit whereby it:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

12.3 The internal audit service must be effective in order to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

12.4 Each financial year the council must conduct a review of the effectiveness of the system of internal control required by regulation and prepare an annual governance statement.

12.5 This report addresses the statutory obligations for local audit processes in compliance with the 2015 Regulations.

Workforce Implications

13. There are no specific workforce implications relating to this report.

Property Implications

14. There are no specific property implications relating to this report.

Other Implications

15. N/A

Options Considered

16. There are no other options which can be considered as these matters need to be reported to the General Purposes Committee.

Conclusions

17. The General Purposes Committee are requested to note the outcomes of the work of the Counter Fraud Team for 2019/20.

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Appendices

None

Background Papers

N/A