

## AUDIT & STANDARDS COMMITTEE

23 July 2019

<b>Title:</b> Counter Fraud Annual Report 2018/19	
<b>Report of the Chief Operating Officer</b>	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
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<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary:</b> This report brings together all aspects of counter fraud work undertaken during 2018/19. The report details progress to 31 March 2019.	
<b>Recommendation:</b> The Audit & Standards Committee is asked to note the contents of the report.	

### 1. Summary of counter fraud work undertaken for Quarter 4 2018/19

- 1.1 The tables below indicate the level of work completed in the two separate areas for which the team are responsible; Housing Investigation and Corporate Fraud.

### 2. Corporate Fraud Activity including Whistleblowing

- 2.1 The update on corporate fraud activity for quarter 4, along with the yearly totals, is set out below. The team receives many referrals throughout each quarter and log and assess each case independently. A decision is then made as to what the best course of action is to deal with the referral. This means either the team will open an investigation, refer to another service block of the council or arrange for the matter to be referred to a specific manager for action.

- 2.2 Quarter 4 2018/19 Fraud referrals including whistleblowing:

	17/18 Total	18/19 Total	Q4
Cases Outstanding from last quarter			17
Referrals received in Period	301	246	60
Cases accepted for investigation	18	43	17
No further Action after initial review/already known	195	28	15
Referred to other service block within LBBDD	195	165	28
DPA, FOI, and other information provided		76	16

Cases closed following investigation	19	38	26
<b>Ongoing Corporate Fraud Investigations:</b>			8

2.3 For 2018/19 the recording has been slightly modified to more accurately review each incoming referral. This has prevented double counting in some areas and made it clearer as to what action is being taken on every referral received.

2.4 The referrals received relate to the number of cases that are sent through to the Fraud email inbox or where contact is made directly with members of the team. All contact is logged and assessed accordingly. Bearing in mind the scope of potential fraud, many referrals are sent through in the belief that fraud has been committed, but following assessment, found to be incorrectly sent to us.

We receive requests that relate specifically to CCTV, Subject Access, Freedom of Information and Data Protection as well as referrals relating to Housing Benefits, Council Tax, Department for Work & Pensions, Complaints, Parking Enforcement, Housing services, noise nuisance, Housing Association properties, Planning, Private Sector Licencing, Police matters and Trading Standards. In short, if there is a possibility/mention of fraud we are likely to have received a referral either via email or phone.

2.5 Outcomes – Quarter 4 and yearly total 2018/19:

	17/18 Total	18/19 Total	Q4
Recommended for disciplinary process/New cases as a result	0	3	3
Referred for Management action	11	10	5*
No fraud/No further action	13	10	6

\*includes 1 case where police are acting; uninsured vehicle displaying Blue Badge highlighted on Councillor walkabout.

\*includes 2 cases where funds were recovered

### 3. Current / future key issues – Corporate

3.1 Four cases remain open relating to criminal investigations into current or former member of staff. All cases involve theft from the council and work is ongoing to establish enough evidence to proceed with a criminal prosecution of those involved. Three staff members were employed within the Repairs and Maintenance section. The remaining staff member is employed within Be First.

3.2 All funds have now been returned to LBBDD following the mandate fraud in October 2018. The full amount of £16,093.44 was refunded to Treasury on 6 March 2019.

3.3 Following the whistleblowing campaign that was undertaken through November/December, there has been a rise in the number of referrals being

made. While some remain linked to grievances or management issues, some interesting and positive cases have been referred, with two still being investigated.

- 3.4 Through January there was a spate of cyber attacks targeting our staff and schools. Predominately email accounts were either spoofed or hacked and attempts made to change bank details or divert funds via false invoices. Reminder emails were sent to all staff and notices added to the staff update and TV notice boards throughout our buildings. Referrals are still sent through to the team and we report all to Action Fraud as well as blocking the originating ISP from our systems.
- 3.5 The National Fraud Initiative results were released in February and the team is working through the matches. Detailed analysis will be provided on the outcomes in later reports.

#### **4. Regulation of Investigatory Powers Act**

- 4.1 The Regulation of Investigatory Powers Act regulates surveillance powers, thus ensuring robust and transparent frameworks are in place to ensure its use only in justified circumstances. It is cited as best practice that Senior Officer and Members maintain an oversight of RIPA usage.
- 4.2 The last inspection of RIPA was undertaken by the Office of Surveillance Commissioners in December 2016. The report was favourable, and all recommendations subsequently implemented. In September 2017 the Investigatory Powers Commissioner's Office took over responsibility for oversight of investigatory powers from the Interception of Communications Commissioner's Office (IOCCO), the Office of Surveillance Commissioners (OSC) and the Intelligence Services Commissioner (ISComm).
- 4.3 The current statistics are set out below following review of the central register, held by the Corporate Investigation Manager. As per previous guidelines, RIPA authority is restricted only to cases of suspected serious crime and requires approval by a Magistrate.

(a) Directed Surveillance

The number of directed surveillance authorisations granted during the Quarter January – March 2019 and the number in force at 31 March 2019

Nil granted. Nil in Force.

(b) Communications Information Requests

The number of authorisations for conduct to acquire communications data (e.g. mobile phone data) during the Quarter January – March 2019.

Nil granted. Nil in force.

- 4.4 We remain an authority that does not make use of RIPA. Other councils make use them which leads to two possible conclusions for LBBB; either we fail to

utilise the process at all or unauthorised surveillance is taking place where RIPA should be obtained. Staff across the council have previously been trained and advised on the use of RIPA and an expectation is in place that for any use of covert surveillance, RIPA should be considered.

## 5. Housing Investigations

5.1 Members are provided with specific details on the outcomes from the work on Housing Investigations. For 2018/19, positive outcomes are set out below.

5.2 2018/19 Quarter 4 Housing Investigations

<b>Caseload</b>	17/18 Total	18/19 Total	Q4
Open Cases brought forward from Q3			28
New Cases Added	256	166	42
Cases Completed	255	154	43
Open Cases			27

<b>On Going Cases - Legal Action</b>	Q4
Notices Seeking Possession served	0
No of Cases - Recovery of property	5

<b>Outcomes - Closed Cases</b>	17/18 Total	18/19 Total	Q4
Convictions	1	0	0
Properties Recovered	12	14	4
Successions Prevented & RTB stopped/agreed	3	15	4
Savings (FTA, Single Person CTax, RTB, Decant)	£202,262	£1,075,995	£279,300
Other Potential Fraud prevented/passed to appropriate service block incl Apps cancelled	160	58	13
Referral to others outside of LBBD	169	1	0
No further action required/insufficient evidence	N/A	66	22

5.3 In addition to the above other checks are routinely carried out and information provided to others. Below is an indication of the level of work undertaken.

	18/19 Total	Qtr 4
Data Protection Requests	64	12
Education Checks	402	171

(n.b. education checks relate to assisting admissions in locating children or families to free up school places or confirm occupancy. Data Protection Requests are received from other local authorities, the police, and outside agencies and responses provided in accordance with GDPR).

## **6. Current / future key issues to be considered – Housing**

- 6.1 All staff within the team have now completed the Accredited Counter Fraud Specialist (ACFS) course through CIPFA and received notification from Portsmouth University that all staff holding the ACFS have been added to the Professional Register of Counter Fraud Specialists.
- 6.2 Following on from the verification training of the Right to Buy Team and Sales and Leasing Officers, further advice and training sessions were arranged for colleagues in HR. Arrangements are ongoing to allow the team access to the ID Scan machine to assist with verification of documents supplied by prospective staff.
- 6.3 Proactive Work continues with properties highlighted to be decanted due to demolition. This will continue for all future phases.
- 6.4 As part of the work dealing with the National Fraud Initiative, all housing tenancy, application and associated matches have been assigned to the Housing investigation Team for checking and action. Detailed outcomes will be provided in later reports.

## **7. Financial Implications**

*Implications completed by: Katherine Heffernan, Group Manager – Service Finance*

- 7.1 The Counter Fraud team is fully funded within the Council's Finance Service. The work of the team is a key contribution to the Council's stewardship of public funds. The team monitors its performance closely and the outcomes of its work are set out in this document. The savings produced are a mixture of cost avoidance and cash returns to the Council. These have already been taken into account in the Council's budget and financial performance. There are no further financial implications arising.

## **8. Legal Implications**

*Implications completed by: Dr Paul Feild, Senior Governance Solicitor*

- 8.1 The Accounts and Audit (England) Regulations 2015 section require that: a relevant authority must ensure that it has a sound system of internal control which—facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
- 8.2 Furthermore the Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government

Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.

- 8.3 Counter Fraud practices set out in this report address the need to counter fraud, money laundering, bribery and the proceeds of crime. The Council's policies guide on the investigatory and prosecution process. In formulating the policies, it addresses the issue of corruption and bribery. Corruption is the abuse of entrusted power for private gain. The Bribery Act 2010 defines bribery as "the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages whether monetary or otherwise".
- 8.4 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against it. We will enhance our provision further by making best use of existing legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered, where possible by the Council.

## **9. Other Implications**

- 9.1 Risk Management – The internal audit activity is risk-based and therefore support effective risk management across the Council.
- 9.2 No other implications to report

## **10. Public Background Papers Used in the Preparation of the Report: None**

### **List of appendices:**

None