

Report for: Corporate Committee – 31 January 2017

Item number: 9

Title: Counter Fraud Update Report 2016/17 – Quarter 3

Report authorised by : Assistant Director of Corporate Governance

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Ward(s) affected: N/A

**Report for Key/
Non Key Decision: Information**

1. Describe the issue under consideration

1.1 This report details the work undertaken by the Counter Fraud Team in the quarter ending 31 December 2016 and focuses on details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities – work undertaken by the in-house Fraud Team.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee is recommended to note the counter-fraud work completed in the quarter to 31 December 2016.

4. Reasons for decision

4.1 The Corporate Committee is responsible for Monitoring the effectiveness of Council policies on Anti-Fraud and Corruption. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the responsive and pro-active fraud investigation work.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The information in this report has been compiled from information held within Audit & Risk Management.

7. Contribution to strategic outcomes

7.1 The counter-fraud team makes a significant contribution through its pro-active work in ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work completed by the Fraud Team is funded from within the Audit and Risk Management revenue budget. The maintenance of a strong proactive and reaction fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and confirms that there are no direct legal implications arising out of the report.

8.3 Equality

There are no direct equality implications for the Council's existing policies, priorities and strategies. The report contains details of how fraud investigation work is undertaken and pro-active fraud projects are managed; preventing and detecting fraud will assist in improving services to residents.

9. Use of Appendices

Appendix A – In-house Team – investigations into financial irregularities

10. Local Government (Access to Information) Act 1985

Not applicable.

11. Performance Management Information

- 11.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. Table 1 below shows the targets for each key counter-fraud area monitored and gives a breakdown between the quarterly and cumulative performance.

Table 1

Ref.	Performance Indicator	3 rd Quarter	Year to date	Target
1	Tenancy fraud – properties recovered	13	34	40
2	Right to Buy – fraudulent applications prevented	12	70	80

12. In-house Counter-Fraud Team: Fraud investigation/Pro-active work

12.1 Internal employee investigations

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees. Appendix A details the individual cases that were completed by the team in the third quarter 2016/17 relating to Council employees.

Quarter 3 investigations. Within the third quarter, three new cases relating to permanent and temporary employees were referred to the Fraud Team. Four cases were completed during the quarter: evidence was found to substantiate

the allegations made in all cases and disciplinary hearings were arranged; all four employees resigned prior to the disciplinary hearings. In addition one member of staff, who had previously been dismissed, appealed the decision. The appeal was rejected by Members in Quarter 3.

Five cases remained under investigation at the end of the quarter and the outcomes will be reported to a future meeting of the Corporate Committee. The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

Details of the investigations relating to allegations against employees completed by the Fraud Team in 2016/17 are contained at Appendix A.

Whistleblowing referrals. The Head of Audit and Risk Management maintains the central record of referrals made using the Council’s Whistleblowing Policy. Seven whistle blowing referrals were made during Quarter 3, four of which were anonymous.

Three referrals related to non-financial issues and the relevant Assistant Director agreed to investigate the allegations raised. One referral was investigated by Audit and Risk Management; no evidence was found to substantiate the allegation and the outcome of the investigation was reported to HR and the service. One investigation was completed by HR and no evidence was found to support the allegations. Two referrals remain under investigation at the end of the quarter.

In total, fourteen referrals have been reported using the Whistleblowing policy in 2016/17 to date.

12.2 Tenancy Fraud – council properties

In 2016/17, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

2016/17 – Referrals received

Brought forward from 2015/16	88
Referrals received in 2016/17	117
Total referrals received for investigation	205

2016/17 Outcomes

Properties Recovered	34
No Fraud identified	89
Total cases concluded	123
Ongoing Investigations	82*
*See Note 1 below	

Note 1: Of the 82 ongoing investigations; 28 of these cases (34%) are where tenancy fraud has been identified and court proceedings were in progress as at

31 December 2016. The property will be included in the 'recovered' data when the keys are returned and the property vacated.

The Fraud Team liaise with Legal Services on individual cases to ensure these are progressed as quickly as possible. For the ongoing investigations where tenancy recovery is in progress, the status of the tenancy has been investigated and the case is either: awaiting a Court Hearing; the Particulars of Claim are with Legal Services; an NTQ is awaiting expiry; a succession application has been refused and the tenant is awaiting an offer of smaller accommodation; or the rent account is showing an 'Unauthorised Account' on the Housing database.

The Fraud Team works with Homes for Haringey (HfH) to target and investigate housing and tenancy fraud, which forms part of HfH's responsibilities in the Management Agreement. The DCLG provided funding to local authorities to support tenancy fraud work and a Tenancy Management Officer was seconded to the Fraud Team (with the DCLG grant paid to HfH to enable cover for the TMO to be obtained) to undertake reactive tenancy fraud investigations. This grant funding ended in May 2015, with no further grant funding available from the DCLG or other sources. HfH have continued to fund the seconded officer directly after the end of the DCLG grant, and this agreement has been extended to 31 March 2017, with the Fraud Team part funding the secondment in 2016/17.

The Fraud Team will continue to work with HfH to identify the most effective use of fraud prevention and detection resources across both organisations to enable a joined up approach to be taken, especially where cases of multiple fraud are identified e.g. tenancy fraud, right to buy fraud and benefit fraud.

Other tenancy investigations. In addition, in 2016/17 to date the Fraud Team investigations have recovered one Temporary Accommodation (TA) property which was not being used by the assigned tenant; and have prevented three fraudulent housing applications from being accepted.

12.3 Pro-active counter-fraud projects

During 2016/17, the Fraud Team have undertaken a number of pro-active counter-fraud projects in areas which have been identified as a high fraud risk. Progress reports on this work will be reported to the Corporate Committee on an ongoing basis; the findings and outcomes are all shared with service managers as the projects are delivered.

12.3.1 Gas safety – execution of warrant visits

In discussion with HfH managers in 2015, the Fraud Team were alerted to a number of Council properties where the Gas Safety contractor could not gain access. In 2015, an initial review was undertaken by the Fraud Team which identified the following outcomes:

- (i) Tenant confirmed in occupation;
- (ii) Case of concern for the TMO to follow up (tenant vulnerability); and
- (iii) No confirmation of legitimate occupation of the tenant and recommendation that the TMO serve a Notice to Quit.

In 2016, the HfH Gas Safety Compliance Engineer requested further assistance from the Fraud Team; it was agreed that the Fraud Team would support HfH

and a project was established in July 2016 whereby Fraud Investigators would accompany warrant officers on all executions of warrant of entry visits where it was suspected that the named tenant was not in occupation.

As a result, the Fraud Team are advised of the date for the warrant to be executed and attend the visit with the warrant officer. The Fraud Team aim to interview any occupant and establish the legitimacy of the tenancy, or investigate further if the property is empty, or identified as being potentially sublet or abandoned. The Fraud Team may also identify cases where the tenant is a vulnerable adult, in which case a referral is made to social workers and/or tenancy management. The Gas Safety Team can and do make referrals to the Fraud Team if they identify notice any potential fraud indicators through the normal course of their work.

Since July 2016, **four** properties have been recovered through this project - these are included in the total of 34 Council properties recovered in 2016/17. It is expected that a further ten properties may potentially be recovered as a result of this project. In addition, there have been six cases of concern referred to social workers and tenancy management officers for a review of the vulnerability of a tenant.

The project has now been extended for the Fraud Team to accompany Gas Safety warrant officers as they undertake visits in Temporary Accommodation. As a result of these visits, one property has been identified as both a case of concern and potential recovery.

12.3.2 Tenancy Block Visits

Feedback from HfH officers highlighted potential fraud risks in key sites (tenancy blocks) across the borough. It was agreed that the Fraud Team would undertake a pro-active tenancy fraud project focused on individual tenancy blocks to identify any properties that may be sub-let. The Fraud Team obtained a report on key housing stock sites which used data matching to identify potential sub-let properties. The Fraud Team identified Stellar House, High Road, Tottenham as a block which required further investigation.

In July 2016, the Fraud Team carried out visits to all 93 tenant addresses in Stellar House. In September 2016, further pre-arranged and unannounced follow up visits to 33 properties were undertaken where no access could be obtained initially. The Fraud Team identified **six** tenancies where access was not given, or obtained; all six tenants have been served with an NTQ by HfH's tenancy management team and the Fraud Team will continue to monitor the cases through any legal proceedings. One of these tenants has been traced to another address outside the borough and is also subject to a suspended Possession Order for rent arrears. It is expected that this property will be recovered. The Fraud Team will continue to work with HfH on further sites identified as high risk.

12.3.3 No Recourse to Public Funds (NRPF)

No Recourse to Public Funds (NRPF) is an immigration condition restricting access to public funds, including benefits such as welfare and housing. Families

and individuals may have a right to financial support (accommodation and subsistence) if certain statutory needs are identified. In these cases, the local authority has a duty to support the accommodation and subsistence costs of residents with NRPF.

These cases are often complex to identify, assess and resolve and unpredictable in terms of how much they cost and how long they last. The Council receive no funding to support this work and so have a dedicated NRPF team to provide accommodation and subsistence and to liaise with the Home Office to make sure that immigration queries are resolved as quickly as possible.

Since 2014, the Fraud Team have been working with the NRPF team to identify NRPF claimants who have:

- (i) overstayed their rights to remain and/or support; and
- (ii) a change of circumstances and not advised the Council.

In 2016/17, the Fraud Team have worked with the NRPF Team to be more proactive and, in addition to re-active referrals, the Fraud Team now attend the initial assessment interview with the applicant to review all information provided to support their application. This is to prevent any NRPF claimant who is not eligible from obtaining funds fraudulently. As a result, this approach has led to either an application being refused support from the outset, or accommodation, or subsistence support being withdrawn in **ten** cases. There is also one identified instance of a Judicial Review (JR) being withdrawn. As a result of the new approach, Legal Services have confirmed that there has been a reduction in the number of new Judicial Review s (JR) applications in relation to NRPF.

The average cost of NRPF support per family based on accommodation and subsistence for a two child household is estimated to cost the Council approximately £20,000 a year. The Fraud Team will continue to work with the NRPF Team to develop processes to identify and prevent fraud.

12.4 Right-to-buy (RTB) applications

In 2016/17, the Fraud Team has approximately 300 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further.

In the third quarter, 12 applications have been withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or the requirement to complete money laundering processes.

12.5 Financial Values 2016/17

Tenancy Fraud – council stock and temporary accommodation: The Audit Commission valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, mainly relating to average Temporary Accommodation (TA) costs. No new national indicators have been produced; therefore although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes.

In 2016/17 to date, **34** council stock properties and **one** temporary accommodation property have been recovered through the actions and investigations of the Fraud Team; therefore **a total value of £630k** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies.

No Recourse to Public Funds: Overall, the 10 NRPF applications refused or stopped represent **over £200k** in potential expenditure; and means the available funds are used to support applicants who are eligible.

Right to Buy Fraud: Overall, the 70 RTB applications withdrawn or refused represent **over £7.2m** in potential RTB discounts; and means the properties are retained for social housing use.