

Report for: Corporate Committee – 20 September 2018

Item number:

Title: Counter Fraud Update Report 2018/19
Quarter 1 (Apr-Jun 2018)

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 for the quarter ending 30 June 2018 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 (1) to 30 June 2018.

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 Council's Assistant Director of Corporate Governance has been consulted in the preparation of this report, and has no comments.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

The in-house counter-fraud team is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010 and this is built into the team's operational procedures. Ensuring that the Council has effective counter-fraud arrangements in place will assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A – Employee investigation outcomes

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 Performance measures – counter fraud activity

Ref.	Performance Indicator	Q1	YTD		Annual Target
12.2	Tenancy fraud – properties recovered secure tenancies	16	16	17	50
12.3	Tenancy fraud – properties recovered - Regeneration	1	1		
12.4	Right to Buy – fraudulent applications prevented	38	38	38	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.

Quarter 1 investigations

Five (5) employee investigations under review in Q4 2017/18 were brought forward and within Quarter 1, three new cases relating to permanent and one new case of temporary employees were referred to the Fraud Team.

- . Of the eight (8) permanent employee investigations, two were concluded with no further action, and four resigned. Two cases continued through Q2
- . The temporary employee was dismissed
- . One member of staff dismissed in January 2018 (Q4) had an appeal heard by Members in June 2018 (Q1); where the dismissal was upheld. The employee has submitted an Employment Tribunal application.

Following Internal Audit review or investigation; as at 30 June 2018, there are six (6) employee outcomes to report to Corporate Committee. These are shown at Appendix A.

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.

12.2 Tenancy Fraud – Council properties

In 2017/18, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

2018/19 – Referrals received

Brought forward from 2017/18	110
Referrals received in 2017/18	69
Total referrals received for investigation	179

2018/19 Outcomes

Properties Recovered	17	
No Fraud identified	24	
Total cases concluded		41
Ongoing Investigations		*138

*See Note 1 below

Note 1: Of the 138 ongoing investigations; 55 of these cases (40%) are progressing towards tenancy recovery. Following a referral, the status of the tenancy has been investigated and the case is in Possession proceedings, most commonly for one of the following reasons:

- . 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. Notice on Public Trustee
- . the rent account is showing an “Unauthorised Occupant” on the Housing database, awaiting eviction.

Properties will be included in the ‘recovered’ data when the keys are returned and the property vacated.

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. HfH continue to fund a Tenancy Fraud Officer co-located within the Fraud Team.

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, and right to buy fraud.

12.3 Pro-active counter-fraud projects

During 2018/19, the Fraud Team have continued with a number of pro-active counter-fraud projects in areas that have been identified as a high fraud risk. Progress reports on this work will be reported to the Corporate Committee during the year; the findings and outcomes are all shared with service managers as the projects are delivered.

12.3.1 Gas safety – execution of warrant visits

The Fraud Team accompany warrant officers on all executions of ‘warrant of entry’ visits where it is suspected that the named tenant is not in occupation

It has previously been reported to the Corporate Committee that in the financial year 2017/18 that the Fraud Team assisted with 170 gas safety warrants of execution, of which 22 contributed to the total of 54 secure tenancies recovered. In Q1 of 2018/19, the fraud team accompanied the HfH gas compliance team on 37 visits where four (4) of the properties are included in the 16 secure tenancies recovered.

Fraud Team accompanied warrants of execution 2018/19

Fin Year	No. of visits	No. recovered	% of all secure tenancy recovered
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2017/18	170	22	40
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2018/19	No. of visits	No. recovered	% of all secure tenancy recovered
Q1	17	4	23
Q2			
Q3			
Q4			
Total			

As at 30 June 2018 a further ten (10) properties are under continued investigation and the outcomes will be reported as properties are recovered.

12.3.2 Lock Changes

Following Gas Warrant interventions and particularly where there has been a forced entry, but keys have not been collected; the Fraud Team have begun looking at all lock changes that occurred in 2017/18 and working with:

- (i) gathered evidence
- (ii) Homes for Haringey (HfH) Tenancy Management data
- (iii) HfH Repairs Team records

and matching with public information to establish genuine occupancy details. The exercise required obtaining a list of all lock changes that had been carried out in the financial year 2017/18. The total number of lock changes appeared to be significantly high – 2,900 - and a separate assessment will examine why so many were requested and if this is consistent with previous years, and to understand the reasons.

The list was divided into postcodes and a decision was taken to concentrate on those in the west of the Borough, as it will be seen from the mapping exercise as at Q4 (submitted in July 2018), that, historically, there is less recorded fraudulent activity in the west. In the four postcodes N4, N6, N8, N10, there was a total of 314 lock changes to be reviewed. Of these, 35 were chosen as a priority based on the reason for the lock change being either (i) an address with multiple lock changes or (ii) as a result of anti-social behaviour.

As at the end of Q1, the first 16 have been checked, with follow up visits and one property has been recovered, as it was proven to be subject to Tenancy Fraud.

Five (5) investigations out of these 16 continue with preparations for Notice to Quit or Interviews under caution and the remaining 19 cases are being checked with follow up validation visits, where appropriate.

12.3.3 Regeneration

The Fraud Team are now working with the Regeneration Team to review tenancies (both secure and Temporary Accommodation) to assist in:

- (i) The decanting and re-locating of displaced tenants on Regeneration estates,
- (ii) Leaseholders who are in negotiation to have their homes bought back.

To date the Fraud Team have prevented **one** fraudulent application to decant an individual to a larger property than needed and this is recorded in the Q1 figures above; they are also advising on a potentially fraudulent application to have a home bought back by the Council as a resident leaseholder when he is fact believed to be non-resident. This is important to follow through, as terms to have a home bought back as a resident leaseholder are more generous than that of a non-resident leaseholder.

12.3.4 No Recourse to Public Funds (NRPF)

As at 30 June 2018, eighteen (18) referrals have been received and responded to by the Fraud Team through the financial year. It can be reported that in four instances, the Fraud Team intervention has averted an ineligible application for financial or accommodation support being given, or an open case being closed. The four cases where there was no entitlement to NRPF related to cases where the claimant (and their family) were not destitute (this is an eligible criteria) since the claimant had accessed welfare benefits and it was evidenced the family had funds to pay their debts; and the claimants were ordinarily resident in other London Boroughs and we supported the family claim NRPF from their Council.

The average cost of NRPF support per family (accommodation and subsistence for a 2 child household) is around £20,000 pa.

12.3.5 Tenancy Fraud Mapping

A map of the tenancy fraud properties recovered in 2017/18 was presented to the Corporate Committee in July 2018 and will be updated with the full year effect 2018/19 in March 2019.

12.4 Right-to-buy (RTB) applications

As at 30 June 2018 there were approximately 262 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential tenancy, benefit or succession fraud is indicated can be investigated further. The numbers of tenants applying to purchase their properties under the Right to Buy legislation has been reducing and whilst the reasons are not known with certainty, two possibilities are perceived to be (i) as valuations continue to rise and (ii) growth in tenant awareness of Fraud Team investigations.

In Q1, thirty eight (38) RTB applications were withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or failing to complete money laundering processes.

12.5 Financial Values 2018/19

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, 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 Q1 seventeen (17) council stock properties have been recovered through the actions and investigations of the Fraud Team; therefore a total value of **£306,000** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies, including those in the Regeneration areas.

Right to Buy Fraud:

Overall, the 38 RTB applications withdrawn or refused represent over **£3,986k** in potential RTB discounts; and means the properties are retained for social housing use.

12.6 Whistleblowing Referrals

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. One referral was made in Quarter 4, which related to an investigation already known and in progress with the Fraud Team. Regular reminders are provided for staff on how to raise concerns and use the Whistleblowing Policy; the latest reminder was issued in the July 2017 'In Haringey' staff newsletter. A copy of the policy is also held on the Council's intranet and website.