

Report for: Corporate Committee – 3 December 2018

Item number:

Title: Counter Fraud Update Report 2018/19
Quarter 2 (Apr-Sept 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 Sept 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 to the end of quarter 2 (30 Sept 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	Q2	YTD		Annual Target
12.2	Tenancy fraud – properties recovered secure tenancies	11	27	29	50
12.3	Tenancy fraud – properties recovered - Regeneration	1	2		
12.4	Right to Buy – fraudulent applications prevented	25	63	63	80

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

12.1 Internal employee investigations

In accordance with the Council’s Financial Regulations, the in-house Fraud Team investigates all allegations of financial irregularity against employees.

Quarter 2 investigations

Eight employee investigations under review in Q1 were brought forward and within Quarter 2, and nine new cases relating to permanent employees were referred to the Fraud Team.

Following Internal Audit review or investigation; as at 30 September 2018, there are ten employee outcomes to report to Corporate Committee. These are shown at Appendix A.

The status of the 17 cases referred to Internal Audit, is as follows: -

- . 6 Resignations
- . 2 with no further action by IA
- . 2 managed by respective Heads of Service
- . 7 cases are ongoing

One member of staff dismissed in January 2018 (Q4) had an appeal heard by Members in June 2018 where the dismissal was upheld. The employee has submitted an Employment Tribunal application which is scheduled to be heard in June 2019.

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 2018/19	127
Total referrals received for investigation	237

2018/19 Outcomes

Properties Recovered	29	
No Fraud identified	73	
Total cases concluded		102
Ongoing Investigations		*135

*See Note 1 below

Note 1: Of the 135 ongoing investigations; 53 of these cases (39%) 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.

Note 2: Seven of the properties recovered in the financial year have been assisted through a tenancy fraud project which involves officers from the Fraud Team accompanying warrant officers, where a court order has granted access to properties, to ensure the safety of gas appliances.

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 first quarter of financial year 2018/19 that the Fraud Team assisted with 37 gas safety warrants of execution, of which four contributed to the total of 16 secure tenancies recovered.

In Q2 of 2018/19, the fraud team accompanied the HfH gas compliance team on 62 visits where seven of the properties are included in the 29 secure tenancies recovered.

Fraud Team accompanied warrants of execution 2018/19

Fin Year	No. of visits	No. recovered	% of all secure tenancy recovered
2017/18	170	22	40

2018/19	No. of visits	No. recovered	% of all secure tenancy recovered
Q1	17	4	23
Q2	29	7	24
Q3			
Q4			
Total			

As at 30 Sept 2018 a further six 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 2018/19 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.

In the four postcodes N4, N6, N8, N10, there was a total of 314 lock changes to be reviewed. Of the 314 lock changes identified 66 (20%) have now be reviwed and / or visited. As reported in Q1, one (1) property has been recovered and is included in the 29 reported above; and a further eight (8) properties are actively being investigated for indicative fraudulent activity.

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.

It was reported in Q1 that the Fraud Team had prevented one fraudulent application to decant an individual to a larger property than needed and we can now report that there are two such instances and these are recorded in the Q2 figures above; the application previously reported into a potentially fraudulent application to have a home bought back by the Council as a resident leaseholder, when they are, in fact, believed to be non-resident.

12.3.4 No Recourse to Public Funds (NRPF)

As at 30 September 2018, thirty (30) referrals have been received and responded to by the Fraud Team through the financial year. It can be reported, as previously that in at least six instances the Fraud Team intervention has averted a fraudulent application for financial or accommodation support being given, or a open case being closed. In Q2 the Fraud Team assisted with four

interviews where the circumstances presented by the applicant were not consistent with an independent financial assessment.

The average cost of NRPf support per family (accommodation and subsistence for a 2 child household) is around £20,000 pa. It can be viewed that the interventions of the Fraud Team have therefore saved the Council £120, 000 in support and accommodation costs, which may otherwise have been awarded where there was, in fact, no eligibility for assistance.

12.4 Right-to-buy (RTB) applications

As at 30 Sept 2018 there were approximately 249 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.

To Q2, 63 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.

To Q2, 29 council properties have been recovered through the actions and investigations of the Fraud Team; therefore a total value of **£522,000** 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 63 RTB applications withdrawn or refused represent over **£6.08m** 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. Three referrals were made in Quarter 2, one was passed to management to investigate as related to a matter that was on going. The remaining two being investigated. 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.

13.0 Added value

Through a NRPF referral a Fraud Team investigation identified the address the applicants were approaching from was social housing, where the named tenant was in receipt of Housing Benefit (HB). The applicants claimed that they had been living at this approach address since 2006. The applicants were interviewed and disclosed earnings of £700-900 per month. The applicants had not been declared on the HB application of the tenant of social housing. The HB claim was suspended.

Further checks also revealed that one of the applicants had an alias and was the registered proprietor of another property outside of the Borough, servicing a mortgage.

As a direct result of IA's intervention, an overpayment of £79,570.94 was created in respect of HB and £11,319.30 in respect of Council Tax. These overpayments covered the periods 03 July 2000 – 11 September 2016

In total, £90,890.24 had been overpaid through a false claim. On 12 June 2018, the Council were instructed by the tenant's Solicitors that they have received the payment in full and will arrange for transfer of the money.

14.0 National Fraud Initiative 2018

The National Fraud Initiative (NFI) is a bi-ennial exercise in which the Cabinet Office on behalf of the Government draw data sets from all local authorities and statutory offices such as the Police, Schools and NHS and Government departments (Home Office, HMRC, DWP). In the week commencing 8 October 2018, the Council submitted their datasets (for 2019) which include:

- payroll;
- pensions;
- trade creditors' payment history and trade creditors' standing data;
- housing (current tenants) and right to buy;
- housing waiting lists;
- housing benefits;
- council tax reduction scheme;
- council tax;
- electoral register;
- students eligible for a loan;
- private supported care home residents; personal budget (direct payments);
- transport passes and permits (including residents' parking, blue badges and concessionary travel); and
- licences – market trader/operator, taxi driver and personal licences to supply alcohol.

Haringey LBC is obliged by law (Local Audit and Accountability Act 2014, Schedule 9) to share personal data in the NFI. To facilitate this, the Council

issued a privacy notice to all staff on employees pay slips and in the staff magazine 'In Haringey'.

Data submitted by local authorities is matched to help identify potentially fraudulent activities, though frequently, a positive match arises from inconsistency in the data rather than fraud. Data matching techniques usually highlight "false positives" and with limited resources, efforts will be directed at those matches most likely to reveal fraud.

Matches from the data submitted in October 2018 are expected in late January 2019. Cross Service meetings will be held with all participating staff members and an action plan devised to review all key matches (consistent with the Council's Corporate Priorities) and to co-ordinate the activities of the Council. Findings, reviews and updates from the NFI 2018 will be brought to future Corporate Committees.

15.0 Police Referrals

Following investigations by the Fraud Team into employee irregularities (App A) there have been two referrals made to the Police for consideration of criminal offences to be prosecuted by the Criminal Prosecution Service (CPS).