Report for: Corporate Committee – 26 March 2019

Item number:

Title: **Counter Fraud Update Report 2018/19**
Quarter 3 (Apr-Dec 2018)

Report authorised by : **Assistant Director of Corporate Governance**

Lead Officer: Minesh Jani, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: minesh.jani@haringey.gov.uk

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 31 December 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 3 (31 Dec 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.

Haringey
LONDON

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 reactive 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.

Haringey
LONDON

Table 1 Performance measures – counter fraud activity

Ref.	Performance Indicator	Q3	YTD		Annual Target
12.2	Tenancy fraud – properties recovered secure tenancies	12	39	41	50
12.3	Tenancy fraud – properties recovered - Regeneration	0	2		
12.4	Right to Buy – fraudulent applications prevented	21	84	84	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 3 investigations
Within the third quarter, five new cases relating to permanent employees were referred to the Fraud Team. Together with five cases carried forward from 2017/18, there have been 22 referrals to 31 Decemmber 2018.

The status of the 22 cases referred to Internal Audit, is as follows: -

. 6 Resignations
. 3 with no further action by IA
. 4 managed by respective Heads of Service
. 9 cases are ongoing

12.2   Tenancy Fraud – Council properties
In 2018/19, 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   141
Total referrals received for
investigation   **251**

2018/19 Outcomes
Properties Recovered   **41**
No Fraud identified   82
Total cases concluded   123
Ongoing Investigations   ***128**
*See Note 1 below

Note 1: Of the 128 ongoing investigations; 54 of these cases (42%) 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: Thirteen 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.

As at 31 December 2018 (Q2) three (3) Tenancy Fraud cases are in preparation for prosecution, one of which is with Legal Services for a Court application.

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 second quarter of financial year 2018/19 that the Fraud Team assisted with 62 gas safety warrants of execution, of which seven contributed to the total of 29 secure tenancies recovered.

In Q3 of 2018/19, the fraud team accompanied the HfH gas compliance team on 79 visits where thorteen of the properties are included in the 41 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

Haringey
LONDON

2018/19	No. of visits	No. recovered	% of all secure tenancy recovered
Q1	17	4	23
Q2	29	7	24
Q3	33	6	18
Q4			
Total			

As at 31 Dec 2018 a further eight 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 41 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; and
  (ii) Leaseholders who are in negotiation to have their homes bought back.

There have been two fraudulent applications identified and stopped and these are recorded in the Q3 figures above.

12.3.4 No Recourse to Public Funds (NRPF)

As at 31 December 2018, thirty seven (37) referrals have been received and responded to by the Fraud Team through the financial year. It can be reported 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. The average cost of NRPF support per family (accommodation and subsistence for a 2 child household) is around £20,000 per annum.

Haringey
LONDON

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 31 Dec 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 Q3, 84 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 Q3, 41 council properties have been recovered through the actions and investigations of the Fraud Team; therefore a total value of **£738,000** 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 84 RTB applications withdrawn or refused represent over **£9.07m** 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. Two referral were made in Quarter 3 and both are 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 Aug 2018 'In Haringey' staff newsletter. A copy of the policy is also held on the Council's intranet and website.

Haringey
LONDON

13.0 Added value

In Q3 the Fraud Team began supporting HfH Income Collection Team with household and financial checks prior to Eviction.

These are cases where a Warrant of Possession has been obtained from the Court for rent arrears and a final, independent, occupancy and monetary assessment is undertaken by the Fraud Team to advise on any change in circumstances which may preclude the eviction proceeding. In almost all cases the eviction will proceed and the property will be recovered. This project will be monitored by the Fraud Team and included within the body of future Counter Fraud reports to Committee.

An earlier Tenancy Fraud investigation involved joint working with DWP and the police and as a consequence, criminal proceedings being taken against the (former) tenant, who received a lengthy custodial sentence. Under the Proceeds of Crime legislation (POCA), at the most recent hearing in Wood Green Crown Court on 16 November 2018; it was agreed that the criminal benefit in the case was £321,926.80, with a confiscation order for £108,353.40. Of this sum haringey Council are to receive £10,376.79 by way of Compensation Order.

The Fraud Team have been activley engaged with DWP Organised Fraud in a multi-borough fraud involving Housing Benefit claims. The Council no longer investigate Housing Benefit fraud cases as these are conducted by the DWP, however, the collaborative working of the Fraud Team as led to 25 Housing Benefit cases being stopped in Haringey, with a further fifteen (15) cases prevented and seven (7) arrests. A Fraud Team Investigation Officer is on standby to be called as a witness in Court proceedings.

14.0 National Fraud Initiative 2018

The National Fraud Initiative (NFI) is a biennial national data matching exercise co-irdinated by the Cabinet Office, which matches data within and between public and statutory sector bodies, to prevent and detect fraud. Data matching involves comparing sets of data, such as the payroll, pensions, housing waiting lists of an organisation against the same records held by counterpart authorities.

The data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it indicates an inconsistency in the data held by each party, which requires investigation, to determine whether there is error, omission or fraud that requires further investigation and which organisation, if any, is exposed to potential loss.

For the current NFI, data extracts were taken, nationally, in October 2018, and the results published in January 2019. Matches have been segregated into 11 main themes:
. Blue Badge / Parking Permits
. Council Tax Reduction
. Housing Benefit
. Housing Tenancy/ Waiting List

Haringey
LONDON

. Payroll
. Pensions
. Licences
. Personal Budgets
. Residential Care
. Right to Buy (RTB)
. Creditors

Haringey Council's legal basis for sharing this information with the NFI under the Data Protection Act 2018 is that the processing is necessary for compliance with a legal obligation (as contained in the Local Audit and Accountability Act 2014, Schedule 9).

In 2019, there are 10,145 matches identified involving Haringey records, which is similar to previous years. Meetings have been held and training given to representatives in each of the key Service areas, and results from the first reviews being carried out have identified £125,000 of income that can be recovered by the Council.

15.0 Police Referrals

As reported in Q2, 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).

Haringey
LONDON