

Report for: Corporate Committee – 25 July 2019

Title: Counter Fraud Update Report 2018/19 – Quarter 4

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 in the quarter ending 31 March 2019 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 March 2019.

4. Reasons for decision

4.1 The Corporate Committee is responsible for overseeing the Council's counter fraud strategy, and the work of the Counter Fraud team. This progress report provides, on a quarterly basis, an update on the responsive and pro-active fraud investigation work of the team.

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 of Corporate Governance has been consulted in the preparation of this report, and advises that there are no direct legal implications arising from the report.

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	Q4	YTD		Target
1	Tenancy fraud – properties recovered secure tenancies	11	52	52	50
	Tenancy fraud – properties recovered TA	0	0		
2	Right to Buy – fraudulent applications prevented	33	117	117	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 4 investigations

Within Quarter 4, 4 new cases relating to permanent and temporary employees were referred to the Fraud Team.

- . 6 cases were completed during the quarter with no evidence to support the allegations in 3 of the instances.
- . 2 of the cases remain under investigation.
- . A total of 6 cases, including those carried forward from previous quarters, remain in progress at the end of Q4 and will be carried forward to Q1 2019/20.

There have been 18 employee related outcomes reported to Corporate Committee in the financial year to date. 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 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	191
Total referrals received for investigation	301

2018/19 Outcomes

Properties Recovered	52
No Fraud identified	101
Total cases concluded	153
Ongoing Investigations	*148

*See Note 1 below

Note 1: Of the 148 ongoing investigations; 60 of these cases (40%) are where tenancy fraud has been identified and court proceedings were in progress as at

31 March 2019. 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 within the statutory timescales. 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. HfH have confirmed that they will continue to provide 1 FTE officer to work with the Fraud Team on a long term basis to assist with the tenancy fraud work.

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.

Further to the outcomes reported to Corporate Committee at Q3 (December 2018), the Fraud Team have assisted with 28 Gas Safety warrants of execution in Q4 (107 in the financial year). In the financial year, twenty (20) of the 52 secure properties recovered through Tenancy Fraud can be attributed in whole or part to ongoing investigations by the Fraud Team.

A further 20 properties are under continued investigation and the outcomes will be reported as properties are recovered.

12.3.2 Keys

Following Gas Warrant interventions and particularly where there has been a forced entry, but keys have not been collected; the Fraud Team have been 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. Where discrepancies are noted, tenancy fraud recovery action will be taken.

12.3.3 Regeneration

There have been two fraudulent applications identified and stopped and these are included in the Q4 figures above. The exercise will not be repeated in 2019/20 as a pro-active project but the team will be available for bespoke referrals.

12.3.4 No Recourse to Public Funds (NRPF)

As at Q4, forty-five (45) referrals had been received and responded to by the Fraud Team through the financial year. It can be reported that in at least 9 instances (20%) the Fraud Team intervention has averted a fraudulent application and/ or either financial or accommodation support being given.

The average cost of NRPF support per family (accommodation and subsistence for a 2 child household) is around £20,000 pa; the interventions of the Fraud Team has therefore saved the Council £180,000 in support and accommodation costs, which may otherwise have been awarded where there was, in fact, no eligibility for assistance.

The project will be carried forward into the Fraud Workplan 2019/20, where advice, support and assistance to NRPF will continue and enhanced recording and monitoring of outcomes will be established.

12.3.5 Tenancy Fraud Mapping

In the financial year 2018/19, the properties recovered have been mapped across the Borough by (i) postcode and (ii) bedroom size. The results are tabled below:

(i) by Postcode

Postcode	Area	No. Recovered
N17	Tottenham	17
N22	Wood Green	9
N15	Haringey	11
N4	Holloway / Finsbury Park	4
N6	Highgate	0
N8	Hornsey / Crouch End	4
N10	Muswell Hill	6
N11	Bounds Green	1
Total		52

(ii) by Bedroom size

b/room size	Property type			
	Flat	Mais	House	Total
1	18	-	-	18
2	8	1	4	13
3	3	1	15	19
4	-	-	2	2
Total	29	2	21	52

12.4 Right-to-buy (RTB) applications

The team currently has approximately 198 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. In the year to date, the numbers of tenants applying to purchase their properties under the Right to Buy legislation has reduced as valuations continue to rise.

In 2018/19, 117 applications (33 in quarter 4) have been 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 2018/19 to date, 52 council stock properties have been recovered through the actions and investigations of the Fraud Team; therefore **a total value of £936k** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies.

Right to Buy Fraud: Overall, the 117 RTB applications withdrawn or refused represent **over £13.8m** 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 was made in Quarter 4.