

**Report for:** Corporate Committee – 18 March 2020

**Title:** Counter Fraud Update Report 2019/20  
Quarter 3 (Oct-Dec 2019)

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

**Lead Officer:** Minesh Jani, Head of Audit and Risk Management  
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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 in-house Fraud Team for the quarter ending 31 Dec 2019 and focuses on details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities.
- 2. Cabinet Member Introduction**
  - 2.1 Not applicable.
- 3. Recommendations**
  - 3.1 The Corporate Committee is recommended to note the counter fraud / investigation work completed in the period to 31 December 2019.
- 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 by 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 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. **Local Government (Access to Information) Act 1985**

Not applicable.

## 10. **Performance Management Information**

- 10.1 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	Q3	YTD	Total YTD	Annual Target
12.2	Tenancy fraud – properties recovered secure tenancies	19	45	45	50
12.3	Tenancy fraud – properties recovered - Regeneration	0	0		
12.4	Right to Buy – fraudulent applications prevented	26	67	67	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**

Three (3) employee investigations were in progress at the start of Quarter 3, two new referrals were received by the team during the period and of these two new cases were accepted.

Of the five (5) investigations, all of which relate to permanent employee investigations, one was concluded with no further action and one was subject to a formal disciplinary procedure. Three cases continued through Q4.

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 2019/20, the numbers of referrals received, investigations completed, and properties recovered to date by the Fraud Team are summarised below.

**2019/20 – Referrals received**

Brought forward from 2018/19	148
Referrals received in 2019/20	176
<b>Total referrals received for investigation</b>	<b>324</b>

**2019/20 Outcomes**

<b>Properties Recovered</b>	<b>45</b>
No Fraud identified	171
Total cases concluded	216
<b>Ongoing Investigations</b>	<b>*108</b>

\*See Note 1 below

**Note 1:** Of the 138 ongoing investigations; 46 of these cases (43%) 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 2019/20, the Fraud Team has 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 2018/19 that the Fraud Team assisted with 107 gas safety warrants of execution, of which 20 contributed to the total of 52 secure tenancies recovered.

In 2019/20, the fraud team accompanied the HfH gas compliance team where eighteen (18) of the properties are included in the 45 secure tenancies recovered. As at 30 Dec 2019 a further nine (9) properties are under continued investigation and the outcomes will be reported as properties are recovered.

#### **12.3.2 Council Tax /Single Person Discount**

Following the release of National Fraud Initiative (NFI) data in 2019, the Fraud Team are carrying out a pro-active exercise to identify households where household circumstances have changed, but not been notified to the Council. Council Tax records are being matched with other Council data: Where Council records show a single person household and this is no longer the case, the CT account is adjusted, home-owners notified and there is an expectation that additional income will be generated for the Council. This shall be monitored and reported to Committee throughout the year. The team has reviewed over 1,200 NFI matches and sent letters to 150 householders where it is suspected more than one person is living at the property. The householders can contact the internal audit team and present evidence to show entitlement should continue.

### **12.3.3 No Recourse to Public Funds (NRPF)**

As at 31 December 2019, thirteen (13) referrals have been received and responded to by the Fraud Team through the financial year. The role of the Fraud Team has changed in that they now only provide a financial status position for the NRPF team to include in their overall Children and Family Assessment.

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

### **12.4 Right-to-buy (RTB) applications**

As at 31 December 2019 there were approximately 205 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.

At Q3, sixty seven (67) 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 2019/20**

#### **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.

At Q3 forty five (45) council stock properties have been recovered through the actions and investigations of the Fraud Team; therefore, a total value of **£810,000** 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 67 RTB applications withdrawn or refused represent over **£7,504k** 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 3.

## **12.7 Prosecutions**

As at 31 December 2019 (Q3) two (2) Tenancy Fraud cases have been prepared and are with Legal Services for a Court application, as previously reported.

A further two tenancy cases are being prepared for consideration by Legal services for prosecution.