

**Report for:** Corporate Committee – 15 September 2022

**Title:** Anti-Fraud & Corruption Progress Report 2022/23 – Quarter 1

**Report authorised by:** Director of Finance

**Lead Officer:** Minesh Jani, Head of Audit and Risk Management

**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 resources in the Audit and Risk team and communicates the work plan for 2022/23.

**2. Cabinet Member Introduction**

2.1 Not applicable.

**3. Recommendations**

3.1 To note the activities of the team during quarter one of 2022/23.

**4. Reasons for decision**

4.1 The Corporate Committee is responsible for monitoring the effectiveness of the policies on Anti-Fraud and Corruption and receiving assurance with regard the Council's internal control environment and mechanisms for managing fraud risk. To facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee with regards Anti-Fraud & Corruption.

**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 Audit & Risk 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 and Head of Legal & Governance (Monitoring Officer)**

**8.1 Finance and Procurement**

There are no direct financial implications arising from this report.

## **8.2 Legal**

The Council's Head of Legal and Governance has been consulted in the preparation of this report, and in noting the progress made with delivering the Audit Plan, and the activities undertaken in relation to risk management and anti-fraud, advises that there are no direct legal implications arising out of 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 Audit & Risk 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 Local performance targets have been agreed for Audit and Risk Management, these are reported against in the sections below.

## **11. INTRODUCTION**

- 11.1 This report covers the period from 4 April 2022 to 1<sup>st</sup> July and summarises the work of the Audit & Risk Service in relation to anti-fraud and corruption.
- 11.2 The work of the team is driven by the Council's Anti-Fraud & Corruption Strategy a review of which was underway in quarter one.
- 11.3 The Audit & Risk Service consists of a Head and Deputy Head of Audit & Risk, six Fraud Investigators, and the Assistant Investigator post, which is currently vacant.
- 11.4 The in-house resources in Audit & Risk work with Mazars, our audit partner, who deliver the majority of the internal audit plan. To ensure robust independent assurances with regard the internal control environment, including those designed to prevent, deter, and detect fraud and corruption. Fraud risk is considered when scoping all audit assignments and where there is a high inherent risk of fraud in the system and process additional focus is included in the scope. The in-house resource investigates issues that arise, or other risk areas identified in the strategic audit planning. The results of all this work feeds into our assessment of fraud risk in the council.
- 11.5 Annually the governance of the organisation is reviewed, and this informs the Annual Governance Statement. This review, along with any audits of core governance process for example declarations interests, helps us to assess our efforts to prevent internal fraud. The governance framework of the Council has been strengthened significantly in the last few years; however, audits and the annual review indicate that more work is required. Technological enhancements to strengthen process and the second line of defence controls is needed.

## **12. Risk Assessment 2022/23**

- 12.1 Fraud risks, both internal and external threats, are well known in public sector organisations and efforts to quantify them show that whether the economy is in recession or boom the fraud threat remains high. However, we have to acknowledge that in times of economic downturn individuals will find it easier to justify that act of fraud. In the 2020s the threat of organised crime and cybercrime are more prominent than ever; these are areas that all Council's struggle to mitigate with their available resources. In Haringey the highest risk fraud areas, with regards specific business areas, after assurances with regards effective controls are considered are:

Procurement – Limited Assurance Audit Report in 2020/21 indicate the there are significant control weaknesses with regards contracts and procurement.

Social Care – due the expenditure this is a high inherent risk area, however proactive fraud and audit work indicates that we are more successful in mitigating the risks in Haringey than some other Boroughs.

Housing Tenancy – The fraud team undertake some proactive fraud checks to try to help housing mitigate fraud risk. Housing officers also use checks to verify individuals circumstances. Despite these efforts the risk remains high.

Data Matching and the National Fraud Initiative are used to help detect fraud. Many referrals are received from the residents of the Borough each year and from the Tenancy Officers responsible for the patch.

Internal Fraud – is high when the cumulated impacts are considered. Controls like pre-employment screening; segregation of duties in processes; governance around conflicts of interest and delegated authority etc help to mitigate.

No Recourse to Public Funds – the fraud team undertake proactive checks where the No Recourse team have concerns or where there are fraud flags in an application. This intelligence helps to ensure that the application process is robust.

Business Rate and Council Tax – The Covid Business Grant projects has helped to bring business rate data up to date for the Borough, which flagged issues with tax avoidance. The base data now is much more robust and will enable more robust fraud prevention activity to occur. Data matching tells us we have a high level of SPD fraud or error in the Borough and a project is underway to ensure that there is more challenge to entitlement for discounts in the control environment as well as withdraw discounts that are no longer applicable.

Right to Buy - Every Right to Buy application is checked to ensure there is no housing fraud occurring and that Money Laundering Regulations are being adhered to. Every year this work identifies referrals for housing fraud not only for Haringey but also for other Boroughs.

Blue Badge/Parking Permit – To assess the fraud risk in this area Audit work has been planned for 2022/23 and it will be considered as part of our work plan for 2023/24. We get a lot of Blue Badge related referrals from members of the public but note there have been enhancements in the enforcement activity and technology in this area in the last 12-18 months.

Grants – the Covid Business Grants Project was very high risk of fraud so during 2020/21 and 2021/22 – audit and fraud resources worked as an extension to the project team completing advisory work on control but also pre and post payment checks. Although required by Government our response and input to the project was very much risk based and as a result the levels of fraud were very low, particularly compared to other Council's.

### **13. Anti- Fraud & Corruption Work Plan for 2022/23**

12.1 The area of our work most impacted by Covid-19 was definitely the Housing Tenancy Fraud area. This alongside a restructure in tenancy services and the insourcing of the team back to the council have impacted our outcomes in the last two financial years. Housing Tenancy Fraud will be our focus for 2022/23 with proactive work including data matching being used to target resources and subject to other internal referrals over half of our resources undertaking reactive investigations, from the referrals received.

12.2 We will be training the newly structured and resource tenancy teams on Housing Fraud and reviewing the cross team working arrangements to ensure

they are efficient and effective. We will also be re-training housing officers, who use credit checks as part of processes, to interpret the data robustly. These activities will ensure that more fraud is identified and referred to the team to investigate.

- 12.3 Data matching and use of data held by the council to more efficiently inform our fraud work are key objectives for 2022/23. The team are preparing for another National Fraud Initiative and our role is to facilitate the services across the council to firstly provide the data required and then process the intelligence that we receive back. We will be joining a pilot scheme with regards mortality data in 2022/23 also via our software provider.

#### **14. ANTI-FRAUD ACTIVITY**

- 14.1 The team undertakes a wide range of anti-fraud activity and have two performance indicators to monitor its work relating to tenancy fraud and the other right to buy fraud. These targets have in the past been consistently achieved, although as above impacts of COVID-19 and the resource diverted to the related Covid Grants Project have impacted results in the last two years.
- 14.2 Financial values are assigned to these outcomes based on the discounts not given and the estimated value of providing temporary accommodation to a family. The Audit Commission, when in existence, valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, as noted above this related to average Temporary Accommodation (TA) costs. This figure has recently been revised to £42,000 by a network of housing and fraud bodies and is supported by the Cabinet Office.
- 14.2 **Table 2 - Local Performance measures – anti fraud activity**

Performance Indicator	Q1	YTD	Annual Target
Properties Recovered	5	5	50
Right to Buys prevented	15	15	80

\*There are five properties identified for recovery in the period, however there was a delay in serving Notice to Quit to tenants which has had an impact on recovery. Figures for quarter two, already available at the time of drafting this report indicate the process has reinstated. Paragraph 14.7 below includes more insights into cases in that are expected to generate property recoveries this year.

### 14.3 Tenancy Fraud – Council properties

- 14.4 The Fraud Team works with Housing colleagues to target and investigate housing and tenancy fraud. Housing continues to fund a Tenancy Fraud Officer co-located part time within the Fraud Team. There are plans to do cross team proactive tenancy fraud campaigns and use data matching in coming months. It is hoped that this will ensure our annual targets are achieved and try to shift the Council's work on tenancy fraud to a more proactive and preventive approach.
- 14.5 The Fraud Team will continue to work with the newly restructured Housing team to identify the most effective use of fraud prevention and detection resources across teams to enable a joined-up approach to be taken, especially where cases of multiple fraud are identified e.g., both tenancy fraud and right to buy fraud.

### 14.6 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	209	
New Referrals received	43	
Total		<b>252</b>
Properties Recovered	0	
Case Closed – no fraud	42	
Total	(-)	<b>42</b>
Ongoing Investigations		<b>210</b>

### 14.8 Right-to-buy (RTB) applications

- 14.9 As at 31<sup>st</sup> March 2022 there were 309 ongoing applications with 118 under investigation. During quarter one, 15 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. 54 new applications were received in this period for review, 29 applications remain in process awaiting re-valuation. 12 applications ceased for reasons other than the fraud teams intervention. 12 properties were sold.

### 14.10 Gas safety – execution of warrant visits

The fraud team have attended several gas safety visits in quarter one, where risk of fraud is identified. 21 of the teams on-going investigations were generated by this activity.

### 14.11 Pro-active counter-fraud projects

Quarter ones focus has been planning the proactive projects for they year and gathering data sets for these. The team have had an 'away day' session to plan the proactive fraud projects.

### 14.12 No Recourse to Public Funds (NRPF)

In quarter one, fifteen referrals have been received and responded to by the Fraud Team. The role of the Fraud Team is to 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.

#### **14.13 Internal employee investigations**

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

At the start of quarter one we had two investigations ongoing.

One has been concluded and a disciplinary hearing is scheduled to take place in September.

The other investigation was stopped at an early stage when it was concluded that not fraud or corruption could be identified, and the issues were of a disciplinary nature.

The Audit and Risk service work closely with officers from HR and the service area involved to ensure that the appropriate investigation, following a referral, is completed as quickly as possible.

#### **14.14 Whistleblowing Referrals**

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. The three whistleblower case on-going at the end of March

One resulted in disciplinary action and two resulted in management action, both with some support and advice from audit. There were no new referrals in quarter one.

#### **14.15 Prosecutions**

As at 30 March two suspected tenancy fraud investigations had been advanced for prosecution. One case is scheduled for trial shortly.