

Report for: Corporate Committee – 15 November 2022

Item number:

Title: Anti – Fraud & Corruption Progress Report 2022/23 – Quarter 2

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 two 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 July to 30 September 2022 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 which was approved at the last meeting in September 2022. Our Quarter one report also presented at the September meeting provided the Committee with insights into the fraud risk assessment and operational action plan for 2022. The work of the team has been profiled to areas identified on the fraud risk assessment and forms part of the work plan.
- 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.

12. ANTI-FRAUD ACTIVITY

- 12.1 The team undertakes a wide range of anti-fraud activity and has two performance indicators to monitor its work relating to tenancy fraud and the 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.
- 12.2 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.
- 12.3 **Table 2 - Local Performance measures – anti fraud activity**

Performance Indicator	Q2	YTD	Annual Measure
Properties Recovered	8	13	50
Right to Buys prevented	40*	55	80

* a change in the process and a tightening of procedures has delayed us acknowledging some outcomes, which reduced performance in Q4 2021/22 and Q1 2022/23, this backlog has started to clear. This is reflected in the Q2 figures. Not all 40 applications failed the money laundering checks, please see para 12.8 below for more detail.

12.4 Tenancy Fraud – Council properties

- 12.5 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.
- 12.6 The Fraud Team works 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.

12.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	210	
New Referrals received	57	
Total		267
Properties Recovered	8	
Case Closed – no fraud	47	
Total		(-) 55
Ongoing Investigations		212

12.8 Right-to-buy (RTB) applications

- 12.9 As at 30 September there were 300 ongoing applications with 102 under investigation as part of the statutory money laundering prevention stage of the process. During quarter two, 40 RTB applications were withdrawn or refused either following review by the fraud team; due to failing to complete money laundering processes in line with the statutory timescales. The applicants are served reminders, by legal, regarding timescales and the fraud team work flexibly with applicants and their solicitors to gather the required evidence to satisfy the money laundering regulations. 53 new applications were received in this period for review, 27 applications remain in process awaiting re-valuation. 20 applications ceased for reasons other than the fraud team's intervention and 20 properties were sold.
- 12.10 We are expecting the cost-of-living crisis as well as the increases in interest rates to impact in future periods the applications being received in this area. As a proportion of the activity the risk of fraud/breaches of money laundering is likely to increase.

12.11 Gas safety – execution of warrant visits

The fraud team have attended several gas safety visits in quarter two, where risk of fraud is identified. 59 of the teams on-going investigations were generated by this activity.

12.12 Pro-active counter-fraud projects

Quarter two's focus has continued on data matching to support our housing tenancy fraud activities and preparations for the National Fraud Initiative have commenced. Our interrogation of data sets looking for fraud red flags has noted a small number of rent accounts in significant credit, these have been reviewed to ensure the credit is valid and assessed for money laundering risk before reporting to the Assistant Director to ensure the process to communicate the credit to the tenant commences. Audit will follow up to ensure in future these cases are picked up and dealt with by the service.

12.13 No Recourse to Public Funds (NRPF)

In quarter two, twelve 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.

12.14 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 two we had no employee related investigations ongoing, one case proceeded to disciplinary hearing in quarter two as planned.

We have had two new employee related referrals in quarter two, both are on-going investigations at the end of the quarter.

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.

12.15 School Fraud

On September 7th we were notified that a fraud had occurred in a school. The fraud was external to the school and was committed by a fraudster 'spoofing' an internal email address. This matter has been investigated and actions have been taken by the school affected. An action plan has been agreed to reduce this fraud risk for all schools in the Borough.

12.16 Whistleblowing Referrals

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. There were no on-going cases at the start of quarter two. In quarter two the team have received two new cases.

One has been investigated and closed with no fraud or corruption found, one is currently being investigated.

12.17 Prosecutions

As at 30 March two suspected tenancy fraud investigations had been advanced for prosecution. One case has been heard and a confiscation order will be sought. The other is scheduled for trial in November.