

**Report for:** Corporate Committee – 28 March 2023

**Item number:** 11

**Title:** Anti – Fraud & Corruption Progress Report 2022/23 – Quarter 3

**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 The Corporate Committee is recommended to note the activities of the team during quarter three 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 3 October 2022 to 31 December 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 in September 2022. The Strategy is supported by a fraud risk assessment and operational work plan, which is annually reviewed. The only change to the work plan, in year, is we have moved some resources over to focus on Blue Badge fraud.
- 11.3 The Fraud resources within 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 since 2020 and the impact of COVID-19 on delivery generally; a shift in the priorities of the team and subsequently issues in the processes returning to post covid effectiveness, generally due to resource shortages in key teams, the indicators have become more difficult to achieve. The Housing outcomes in particular are affected. The increase in internal fraud cases and our inclusion of blue badge cases has reduced the resources available for housing fraud. The resilience of the team is being discussed with Senior Management.
- 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	Q3	YTD	Annual Measure
Properties Recovered	14	27	50
Right to Buys prevented	24	79	80

## 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	212	
New Referrals received	70	
<b>Total</b>		<b>282</b>
Properties Recovered	14	
Case Closed – no fraud	35	
<b>Total</b>		<b>(-) 49</b>
Ongoing Investigations		<b>233</b>

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

- 12.9 As at 31 December there were 270 ongoing applications with 85 under investigation as part of the statutory money laundering stage of the process. During quarter three, 24 RTB applications were withdrawn or refused either: following review by the fraud team or due to failing to fully engage with the money laundering stage of the processes. 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. 61 new applications were received in this period for review, 22 ongoing applications remain in process awaiting re-valuation of the property value. 40 applications ceased for reasons other than the fraud team's direct intervention and 22 properties were sold.
- 12.10 There has been a small drop in the number of open applications at all stages of this process. However, the number of new applications remains reasonably constant, despite the mortgage rate increases. The proportions of applications not fulfilling money laundering requirements remain constant currently.

## 12.11 Gas safety – execution of warrant visits

The fraud team have attended several gas safety visits in quarter three, where risk of fraud is identified. 42 of the teams on-going investigations were generated by this activity.

#### **12.12 Blue Badge Fraud**

The team accepted three blue badge referrals in the quarter. Our preliminary assessment indicates we will pursue all three to prosecution. In addition to accepting these referrals we are also working with the parking service to strengthen the council's response to this fraud risk in accordance with our corporate anti-fraud strategy.

#### **12.13 Pro-active counter-fraud projects**

In quarter three we have continued to focus on data matching to support our housing tenancy fraud activities and preparations for the National Fraud Initiative. We have also done some intelligence work around supported living providers and the cash incentive scheme to gather some assurances for management.

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

In quarter three, 15 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 three the team had two employee related investigations ongoing. One criminal case and one being conducted under audit responsibilities.

We had two new referrals in the quarter; one with be investigated under audit responsibilities and the second under the disciplinary policy. All four cases were on-going 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. The cases are prioritised according to risk to the council and severity of the allegations.

### 12.15 **Cyber Fraud**

Audit & Risk were advised of a 'phishing' attempt in October 2022 which officers initially responded to. Fortunately, no payment was made in response to the attempted fraud due to officer vigilance. This reiterates the concerns raised in the Cyber report with regards some awareness in the organisation. A further assessment of our vulnerability, via officer action, to cyber attack has been planned by digital services in quarter four to assess the impact of the training and awareness campaigns they are running. Work is currently also on-going corporately to support schools to protect against this risk after a successful ransomware attack in November 2022, which highlighted this is a high risk area for schools in the Borough.

### 12.16 **Workers in Dual Roles**

Since Covid-19 and the resulting increase in remote working the risk of workers, particularly interim or agency workers who may be on part time contracts, undertaking dual roles but de-frauding one or both organisations has significantly increased. In December we were alerted to concerns regarding an agency worker who had been working more than full time across two councils. The agency worker's contract was terminated and we will support any investigation that is conducted. We have deployed some audit resource, via Mazars, into the recruitment and Matrix contract area in 2022/23 to help us assess this increased risk, our current preventive controls and detective controls, as well as what evidence the organisation can provide us when referring these cases in future. We will consider as part of our fraud risk assessment for 2023/24 and design proactive work as required. London boroughs have been invited to participate in a National Fraud Initiative where details of all agency workers will be shared and an anomaly investigated. The Head of Audit and Risk Management has agreed to participate in this exercise.

### 12.17 **Whistleblowing Referrals**

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. There was one case on-going at the start of the quarter three. There was one new referral received in quarter 3. Both cases were still on-going at the end of quarter 3.

### 12.18 **Prosecutions**

Two suspected tenancy fraud investigations were at the prosecution stage in quarter three. One case has been heard and a confiscation order will be sought the legal process is expected to conclude in quarter four.

The trial for our other prosecution took place as planned in November. A press release was issued following the trial.

*"A three-year investigation by Haringey Council has seen a housing tenant prosecuted for tenancy fraud and will have to pay £33,894.58 (including costs), arising from a separate civil proceeding in September 2022.*

*The costs included an unlawful profit order as the tenant had financially benefited from sub-letting the property to an unsuspecting family for a monthly rent of £900 per month.*

*Miriam Bailor became a tenant at 174 Northumberland Park, London, N17 0SW in October 1998 and initially lived at this address until she vacated in December 2017 in order to sub-let the property.*

*Though Miriam Bailor had pleaded not guilty at Highbury Corner Magistrates Court, an extensive investigation by Haringey Council's Audit and Anti-Fraud team showed that Miriam Bailor was not occupying her tenancy address and that other persons were living there in her absence.*

*During the trial at Highbury and Islington Magistrates Court she repeatedly lied about where she was living. The two-day trial found Miriam Bailor guilty of unlawfully subletting her property, contrary to section 1 (1) Prevention of Social Housing Fraud Act 2013 and sanctioned recovery of any profit made by illegally subletting the property."*