

**Report for:** Audit Committee – 20 July 2023

**Item number:** 7

**Title:** Anti – Fraud & Corruption Progress Report 2022/23 – Quarter 4

**Report authorised by:** Director of Finance

**Lead Officer:** Minesh Jani, Head of Audit and Risk Management and Vanessa Bateman, Deputy 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 a final update on completion of the work plan for 2022/23.

**2. Cabinet Member Introduction**

2.1 Not applicable.

**3. Recommendations**

3.1 The Audit Committee is recommended to note the activities of the team during quarter four of 2022/23.

**4. Reasons for decision**

4.1 The Audit 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 Audit 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 Head of Legal & Governance (Monitoring Officer)**

The Head of Legal and Governance has been consulted in the preparation of this report, and in noting the progress made with delivering the audit work plan for 2022/2023, 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 1 January 2023 to 31<sup>st</sup> March 2023 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 being held vacant while the structure of the service is considered.

## 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 the indicators have been more difficult to achieve, though delivery against target has substantially recovered to pre covid levels. There is a recognition that over the last year, there has been a significant increase in the number, type and scale of frauds the team is responding to, and this has put pressure on the deliverables of the team. The housing fraud outcomes in particular are affected. The increase in internal cases and our inclusion of blue badge cases has reduced the resources available for housing fraud. A proposal for a future structure 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 been revised to £42,000 by a network of housing and fraud bodies and is supported by the Cabinet Office. The latter figure is more representative of the actual cost to local authorities.

### 12.3 **Table 2 - Local Performance measures – anti fraud activity**

<b>Performance Indicator</b>	<b>Q4</b>	<b>YTD</b>	<b>Annual Measure</b>
Properties Recovered	<b>14</b>	<b>41</b>	<b>50</b>
Right to Buys prevented	<b>36</b>	<b>115</b>	<b>80</b>

## 12.4 Tenancy Fraud – Council properties

12.5 The Corporate Anti-Fraud Team works with Housing colleagues to target and investigate housing and tenancy fraud. Housing continues to fund 0.6FTE of Tenancy Fraud Officer co-located part time within the Corporate Anti-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 Corporate Anti-Fraud Team works with the 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. At the end of the year an exercise to review all cases was undertaken. Liaison meetings were attended with legal and tenancy management to ensure the outcomes had all been captured and ensuring cases were closed where required. This stronger liaison will continue into 2023/24. Of the 241 ongoing investigations 120 currently sit with other teams for action.

## 12.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	233	
New Referrals received	62	
<b>Total</b>		<b>295</b>
Properties Recovered	14	
Case Closed – no fraud	40	
<b>Total</b>		<b>(-) 54</b>
Ongoing Investigations		<b>241</b>

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

12.9 As at 31 March, there were 239 ongoing applications with 82 under investigation as part of the statutory money laundering stage of the process. During quarter four, 36 RTB applications were withdrawn, timed out or refused either: following review by the Corporate Anti-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 Corporate Anti-Fraud Team work flexibly with applicants and their solicitors to gather the required evidence to satisfy the money laundering regulations. 43 new applications were received in this period for review, 28 ongoing applications remain in process awaiting re-valuation of the property value. 42 applications ceased for reasons other than the Corporate Anti-Fraud Team's direct intervention and 12 properties were sold.

### **12.11 Gas safety – execution of warrant visits**

The Corporate Anti-Fraud Team have attended several gas safety visits in quarter four, where risk of fraud is identified. 72 of the team's on-going investigations were generated by this activity.

### **12.12 Blue Badge Fraud**

At the start of quarter four the team had three on-going Blue Badge cases; one was passed to legal for prosecution in quarter four. A further 9 potential cases have been accepted by the team. The evidence is being considered and interviews arranged.

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

In quarter four 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 been completing intelligence work, in response to specific requests, relating to organisation with whom the Council has a current or planned financial relationship with. Unfortunately, the spike in reactive referrals has reduced our time on proactive projects.

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

In quarter four, 11 referrals have been received and responded to by the Corporate Anti-Fraud Team. The role of the Corporate Anti-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 Corporate Anti-Fraud Team investigates all allegations of financial irregularity against employees.

At the start of quarter four the team had four employee related investigations ongoing. One criminal case; two being conducted under audit responsibilities and one under the disciplinary policy.

We had three new referrals in the quarter to be investigated under audit responsibilities.

Of the seven cases. The criminal case has been passed for prosecution. The disciplinary case is on-going. Of the five audit cases two have been closed with recommendations to management regarding further action and the other three remain in progress.

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 Whistleblowing Referrals**

The Head of Audit and Risk Management maintains a record of referrals made using the Council's Whistleblowing Policy. There were two cases on-going at the start of the quarter four. There were no new referrals received in quarter four. Both cases were still on-going at the end of quarter four.

#### **12.16 Prosecutions**

One tenancy fraud investigation was at the prosecution stage in quarter four. We are awaiting determination on a confiscation order.