Report for: Audit Committee – 21 September 2023

Item number: 9

Title: Anti – Fraud & Corruption Progress Report 2023/24 – Quarter 1

**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:**

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 first update on completion of the work plan for 2023/24.

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 one of 2023/24.

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   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.

Haringey
LONDON

11. <u>INTRODUCTION</u>

11.1   This report covers the period from 1 April 2023 to 30th June 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 risk assessment and operational work plan, which is annually reviewed. More information is provided in section 12 of the report.

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.

11.4   Fraud risk is considered when scoping all audit assignments, undertaken by Mazars, 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, which was presented to Members in July. This review considers the system of internal control which helps to inform our overall risk assessment. The Annual Report and Head of Internal Audit Opinion outlines weaknesses in internal control. There are a number of areas of the council where our second line of defence control are not robust enough to prevent and detect fraud.

12. <u>Risk Assessment 2023/24</u>

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 so preventive action through risk management is ongoing and audit assurances are obtained circa every two years with follow up in the interim years.   In Haringey the highest risk fraud areas, with regards specific business areas, after assurances with regards effective controls are considered are:

12.2   **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 and weaknesses in housing processes have left us more vulnerable to fraud risk.

Haringey
LONDON

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 patches.   We meet with the Senior Leaders in Housing regularly to feed back insights re process and control from the referrals and investigations we undertake to support the Housing Improvement Programme.

Temporary Accommodation – Our risk rating has increased for this area as we had some referrals re frauds detected by management controls.

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.

12.3 **Enforcement**

Blue Badge/Parking Permit – To assess the fraud risk in this area following significant technological advancements, Audit work was planned for 2022/23, as a result we adjusted our work plan to undertake a project focused on deterring Blue Badge fraud.   In quarter's three and four we received a number of referrals from the Parking Service including a case that was prosecuted. Our plan for 2023/24 has dedicated a resource to Blue Badge fraud and the sanctions on fraudsters will cover the costs to the team as well as expected legal costs of prosecution.

12.4 **Social Care**

Direct Payments – 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.

Care Providers – we have had some referrals with regards care providers in the Borough and work with commissioning/social care colleagues to investigate all aspects of concerns raised.   These reactive cases enable us to support management to embed greater fraud prevention controls in their processes.

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.

12.5 **Corporate**

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. We had an increase in cases in 2022/23 and these investigations can be challenging where controls and records are not robust. All internal cases will be accepted by the team, as long as they fit the relevant criteria.   For all cases we report not only re the specific allegations raised but also root cause control issues for corporate stakeholders/control owners.

Procurement – Limited Assurance Audit Reports has led this to be a high-risk area for three years our work indicates that there are significant control

Haringey
LONDON

weaknesses with regards contracts and procurement. Some of our employee related corruption work related to contracts and procurement in 2022/23 so this continues to be an area of concern however the team does not have capacity to deploy any proactive fraud resources in 2023/24 as the control environment and systems do not support the activity. Reactive investigations into corruption will be investigated as a priority. There will be audit and compliance work completed in 2023/24 and assurance will be re-provided on all procurement risks when the new operating model and technologies are deployed in this area.

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. Due to the values of individual frauds in this area we have raised recommendations to management to ensure the controls are there to prevent these frauds as this is the most efficient was to manage this risk area.

Grants – the Covid Business Grants Project was very high risk of fraud and due to proactive risk management and fraud expertise on the project the successful frauds was very low. Since 2021 the team has completed a number of annual projects to support some teams who are allocating grants to organisations or individuals in the community to ensure risk is managed.

13.   Anti-Fraud & Corruption Work Plan for 2023/24

13.1   Due to capacity in the team deliver of our proactive fraud plan often is hindered by reactive referrals and/or other advice or guidance required.

13.2   The projects planned for 2023/24 include:

- o National Fraud Initiative – Quarter 1 see 14.12.

- o Unidentified Void properties – planned for Quarters 2 and 3
  There are a number of reasons a property that should be in the void/relet process is not. We are keen to support Housing colleagues by using data mining to identify these, and due to our access to data we are uniquely placed to do so, based on past experience 5% of those identified via this project are anticipated to require fraud investigation.

- o Temporary Accommodation – planned for Quarters 3 and 4
  The checks on individuals applying to move from temporary accommodation to secure tenancies identified in 2022/23 a case where the individual had purchased a property whilst living in temporary accommodation and sublet the temporary accommodation. Audit work has been included on the audit plan however additional assurances via a proactive fraud exercise are also required to compliment this audit work and inform our risk assessment.

14.   ANTI-FRAUD ACTIVITY

Haringey
LONDON

14.1 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.

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 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.

14.3 **Table 2 - Local Performance measures – anti fraud activity**

Performance Indicator	Q1	YTD	Annual Measure
Properties Recovered	7	7	50
Right to Buys prevented	18	18	80

14.4 Tenancy Fraud – Council properties

14.5 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 however this work will not be completed until the Housing Improvement Programme has improved systems, process, and technology across Housing. It is hoped that this and the planned proactive work 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.

14.6 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. There are still a large number of cases that need action the liaison meetings continue with legal and tenancy management. Of the 259 ongoing investigations 144 currently sit with other teams for action.

The team have no live housing fraud prosecutions currently. Two long running cases concluded earlier in 2023, one has been previously reported the other resulted in a 13-month custodial sentence, suspended for 18 months and our £10k or our requested £96k compensation order was granted by the court.

14.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	241		
New Referrals received	70		
Total	311		
Properties Recovered			7
Case Closed – no fraud			45
Total		(-)	52
Ongoing Investigations			259

14.8 Right-to-buy (RTB) applications

14.9 As at 30 June, there were 232 ongoing applications with 97 under investigation as part of the statutory money laundering stage of the process. During quarter four, 18 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. 49 new applications were received in this period for review, 21 ongoing applications remain in process awaiting re-valuation of the property value. 20 applications ceased for reasons other than the Corporate Anti-Fraud Team's direct intervention and 15 properties were sold.

14.10 Gas safety – execution of warrant visits

The Corporate Anti-Fraud Team have attended several gas safety visits in quarter one, where risk of fraud is identified. 75 of the team's on-going investigations were generated by this activity.

14.11 Blue Badge Fraud

At the start of quarter one the team had twelve on-going Blue Badge cases a further twelve potential cases have been accepted by the team in the quarter. 17 are being investigated; 2 are awaiting interviews; 1 us with legal; 4 have been closed one with no case to answer the other 3 with financial sanctions imposed.

Haringey
LONDON

14.12 **Pro-active counter-fraud projects**

In quarter one the teams main focus has been to investigate data matches from the National Fraud Initiative and ensure the relevant council services are also looking at potential fraud and data error generated from this activity. Outcomes of this work will be reported later in the year.

14.13 **No Recourse to Public Funds (NRPF)**

In quarter one, 10 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.

14.14 **Ad hoc requests**

The team deal day to day with many ad hoc requests from management for advice and guidance. They also respond to data protection requests from other teams and organisations. In quarter 1 there were some interesting requests for assistance. We undertook some intelligence checks with regards decisions over pension death grant. We provided assurance to management but also identified a housing fraud and reported this to the registered provider who have recovered their property from the fraudster. Our peers in another council contacted us with regards some malicious emails being sent to a council officer, from a library computer in Haringey, was investigated with the help of Digital Services. We also investigated a malicious email sent to an officer in our council and were able to pass our evidence to the police for further action.

14.15 **Internal employee investigations**

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

At the start of quarter four the team had three employee related investigations ongoing. Two being conducted under audit responsibilities and one under the disciplinary policy. At the end of quarter 1 the disciplinary case is on-going, but the interview has been conducted; the other two cases were closed, and reports issued to management with recommendations for further action.

We had seven new referrals in the quarter to be investigated under audit responsibilities. One has been passed to the relevant agency and we await the outcome of their work before considering action on behalf of the council. Five cases have been completed and closed for three we have raised recommendations to management and two we found no evidence of a case to answer. One case remains open 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

Haringey
LONDON

completed as quickly as possible.   The cases are prioritised according to risk to the council and severity of the allegations.

For all cases there is consideration of root causes and where weaknesses in our control environment have contributed or enabled fraud, corruption, or other breaches of code of conduct and other rules and procedures to occur.

14.16 **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 end of the quarter four.   Both were closed in the quarter and reports with recommendations issued to management. We had one new whistleblower in quarter one that related to an external organisation providing services on behalf of the council. This case is on-going working in partnership with other council teams and other agencies.

Haringey LONDON