

Report for: Audit Committee - 14 December 2023

Item number: 11

Title: Anti – Fraud and Corruption Progress Report Quarter 2 2023/24

Report authorised by: Jon Warlow – Director of Finance

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Ward(s) affected: N/a

**Report for Key/
Non-Key Decision:** N/a

1. Describe the issue under consideration

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

Not Applicable.

3. Recommendations

The Audit Committee is recommended to note the activities of the team during quarter two of 2023/24.

4. Reasons for decision

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

Not Applicable.

6. Background information

The information in this report has been compiled from information held by Audit & Risk Management.

7. Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes'?

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 strategic priority outcomes.

8. Carbon and Climate Change

There are no direct financial implications arising from this report.

9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

Finance

There are no direct financial implications arising from this report.

Procurement

There are no direct contract and/or procurement implications arising from this report.

Head of Legal & Governance - Benita Edwards Head of Legal Services

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.

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.

10. Use of Appendices

Not Applicable

11. Background papers

Not Applicable

12. INTRODUCTION

- 12.1 This report covers the period from 1 July 2023 to 30th September 2023 and summarises the work of the Audit & Risk Service in relation to anti-fraud and corruption.
- 12.2 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 13 of the report.
- 12.3 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. We have had one full time officer signed off sick for the whole of quarter two.
- 12.4 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.
- 12.5 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.

13. Risk Assessment 2023/24

- 13.1 The risk level relating to employees having secondary employment has been increased this quarter as a result of referrals received in quarter 2. The inherent risk related to agency workers has been considered high since covid, and the increase in remote working, in part as some of the controls over agency workers are owned by third parties.

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

- 14.1 The work plan this year included proactive work relating to the National Fraud Initiative (NFI); in quarter 2 a project on unidentified void properties (see 15.12 for more information); temporary accommodation is still planned for quarters 3 and 4 and the team will plan an exercise regarding secondary employment for quarter 4.

15. **ANTI-FRAUD ACTIVITY**

- 15.1 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. After a downturn in outcomes as a result of the impact covid had on Housing processes we are finally starting to see a return to pre covid levels of performance.
- 15.2 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 was then revised to £42,000 by a network of housing and fraud bodies and was at the time supported by the Cabinet Office. Most recently the Cabinet Office has valued a property recovery at £78,300.

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

Performance Indicator	Q2	YTD	Annual Measure
Properties Recovered	22	29	50
Right to Buys prevented	34	56	80

15.4 **Tenancy Fraud – Council properties**

- 15.5 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 help to not only detect fraud but also deter it.
- 15.6 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 approach to liaison was changed in quarter 2 and we met directly with the Senior Tenancy Officers. Of the 313 ongoing investigations 172 currently sit with other teams for action and 141 are live investigations. There was a spike in referrals being logged in quarter 2 in part this is due to a reconciliation of all cases and clearing of a backlog of referrals between housing teams and the Audit service. The team have no live housing fraud prosecutions currently.

15.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	259	
New Referrals received	105	
Total	364	
Properties Recovered		22
Case Closed – no fraud/no recovery action possible		29
Total		(-) 51
Ongoing Investigations		313

15.8 Right-to-buy (RTB) applications

15.9 As at 30 September, there were 208 ongoing applications with 84 under investigation as part of the statutory money laundering stage of the process. During quarter two, 34 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. 50 new applications were received in this period for review, 19 ongoing applications remain in process awaiting re-valuation of the property value. 29 applications ceased for reasons other than the Corporate Anti-Fraud Team's direct intervention and 13 properties were sold.

15.10 Gas safety – execution of warrant visits

The Corporate Anti-Fraud Team have attended several gas safety visits in quarter two, where risk of fraud is identified. 57 of the team's on-going investigations were generated by this activity. The number has dropped since quarter 1 due to the additional focus to ensure properties are being efficiently voided.

15.11 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 is with legal; 4 have been closed one with no case to answer the other 3 with financial sanctions imposed.

15.12 Pro-active counter-fraud projects

In quarter two the team has worked on both NFI and a proactive project to identify unknown Void properties. NFI is a statutory project that all public sector bodies have to engage with it is currently managed by the Cabinet Office.

15.13 NFI

Activity in quarter 2 focused mainly in two areas:

15.14 Blue Badge to Deceased List Match

In Total 364 matches were reviewed in a joint project between the service and the audit team. 54 matches were known to the council and badges had been cancelled/returned. As a result of the review, 9 potential fraud cases have been identified. 310 Blue Badges have been cancelled and where appropriate other related concessions have also been ended – including Taxi Cards, Older Persons Freedom Passes and Disabled Persons Freedom Passes.

The estimated savings from cancellations alone (based on official Cabinet Office figures @ £650 per badge) – is £198,250.00.

Audit have recommended some changes to how the service utilise the 'Tell us once data' so it is expected that in future NFI matches will be lower.

Any further outcomes from this project will be included in the blue badge section of this report in future.

15.15 Housing Tenants to Deceased Match

In total 329 matches have been reviewed – with 211 cases still 'open' while the relevant housing processes are completed. For the other 118 cases the housing process has been concluded. This included the identification of 5 properties that have been recovered and based on Cabinet Office values the total value is £391,500.

The Audit Team have added 38 priority cases from those outstanding in NFI to the VOIDS Project (see below) so that they continue to be tracked via the established governance for that project. Additional cases will be transferred into this project as required.

15.16 Void Properties

The proactive work was completed as planned in this area and outcomes reported back to Management in August.

The Audit Team did use data held within council tax records that had got class F exemption (in the name of 'executors of') to identify a number of tenancy's that should need terminating. In addition the death list match from NFI was also matched in.

Monthly liaison meetings have been diarised in Housing to track these and other cases.

The 69 cases identified by IA have been reported to Housing. 41 of them were known to Housing but were either not being pursued or were complex cases for resolution; for 13 of them anti-fraud officers were already assisting. Of the 69 identified cases 4 properties have been recovered at the end of quarter 2. These recoveries are not included within the tenancy fraud performance to avoid double counting.

15.17 No Recourse to Public Funds (NRPF)

In quarter two, 14 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.

15.18 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.

15.19 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 two the team had three employee cases open: one disciplinary case and two employee cases one had been referred to a third party and the other was being investigated under the audit powers.

Of these the disciplinary and one employee case remain open. The other has been closed and evidence reported to management.

Seven new employee referrals were received in quarter two, all to be investigated under audit powers. Two cases were closed in the period with no case to answer; one case was closed with recommendations for management re disciplinary action; and the other four cases are open at the end of the quarter. For one of these cases the preliminary investigation highlighted sufficient evidence to trigger a management investigation under the disciplinary policy so the evidence was shared immediately with HR and the disciplinary process was instigated immediately.

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.

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.

15.20 Whistleblowing Referrals

The Head of Audit and Risk Management maintains a record of referrals made using the Council's Whistleblowing Policy. At the start of quarter two we had one whistleblower that related to an external organisation providing services on behalf of the council. This case remains on-going working in partnership with other council teams and other agencies. During quarter two the council received three further whistleblowers. One was received by Management and investigated, by an independent specialist investigator with regards the allegations, and closed in the quarter with the outcome that there was no case to answer. The Head of Audit was consulted and reviewed the outcome of the investigation. The second allegation remains under investigation by the relevant Director at the end of the quarter. The third remains under investigation by the audit team at the end of the quarter.