

Report for: Audit Committee 7th March 2024

Item number: 14

Title: Anti – Fraud and Corruption Progress Report Quarter 3 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 quarter three 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 three 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 carbon 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.

Assistant Director for Legal & Governance - Benita Edwards Head of Legal Services

The Council's Head of Legal Services 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 October 2023 to 31st December 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. The Strategy will be reviewed in 2024. 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 had one full time officer signed off sick for half of quarter three.
- 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, this has two impacts on the team referrals are increased as risk is not mitigated effectively and also investigations are hindered by weak independent audit trails.

13. Risk Assessment 2023/24

- 13.1 The risk level relating to agency worker employees having secondary employment, which was already high, has been increased this quarter as a result of two referrals received in quarter three. The risk level relating to social care provision has increased from Medium to High in quarter three due to two different types of fraud identified and referred in the period.

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 two a project on unidentified void properties which was completed and results are being tracked; temporary accommodation was planned for quarters three and four and this work has commenced, in addition to the planned work the team will also participate in a NFI pilot with regards secondary employment and a proactive exercise on 'client hidden assets' has

been added to the plan for quarter 4 we expect all outcomes to be available for the 2023/24 Annual Report.

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	Q3	YTD	Annual Measure
Properties Recovered	13	42	50
Right to Buys prevented	24	80	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, in quarter 3 we again met with the Senior Tenancy Officers to discuss case progress and have recommended to the Assistant Director that a complex case process be implemented to try to reduce the backlog of cases,

this has been agreed for quarter 4. Of the 321 ongoing investigations 190 currently sit with other teams for action and 131 are live investigations. The team have no live housing fraud prosecutions currently.

15.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	313	
New Referrals received	52	
Total	365	
Properties Recovered		13
Case Closed – no fraud/no recovery action possible		31
Total		(-) 44
Closing Caseload		321

15.8 Right-to-buy (RTB) applications

15.9 As at 31 December, there were 177 ongoing applications with 65 under investigation as part of the statutory money laundering stage of the process. During quarter three, 24 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. 32 new applications were received in this period for review. 27 applications ceased for reasons other than the Corporate Anti-Fraud Team's direct intervention and 17 properties were sold.

15.10 Gas safety – execution of warrant visits

The Corporate Anti-Fraud Team have attended gas safety visits in quarter three, where risk of fraud is identified. 42 of the team's on-going investigations were generated by this activity. The number has dropped since quarter two due to the continued focus to ensure properties are being efficiently voided.

15.11 Blue Badge Fraud

At the start of quarter three the team had circa 24 live fraud cases on-going. During the quarter 104 referrals were received the majority of which will receive sanctions. Six cases have been accepted as fraud investigations and interview are being arranged where appropriate. In quarter four the project will start to move some of the triaging and sanction work over to the parking

service so that the team can focus on the fraud investigations and prosecutions. We are working with parking to ensure that the outcomes of this project are communicated to ensure the deterrent factor, which was the main objective of the project, is optimised. The number of repeat offenders is already noted to be reducing since the project began.

15.12 Pro-active counter-fraud projects

In quarter three the team has commenced a temporary accommodation fraud exercise, but that work continues into quarter four. The outcomes from the NFI activity will be reported as part of the annual reporting when exercises are complete and closed. The audit team continue to track the outcomes of this exercise. 14 properties have been recovered at the end of quarter three. These recoveries are not included within the tenancy fraud performance to avoid double counting.

15.17 No Recourse to Public Funds (NRPF)

In quarter three, 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 three the team had six employee cases open one disciplinary case and five employee cases being investigated, under audit powers, one of which had also been referred to human resources so the disciplinary investigation could advance ahead of the wider investigation.

Of these six cases the disciplinary case and two employee case remain open. The other three have been closed for two there are management actions and for the third there was no case to answer. The disciplinary case that ran alongside our investigation was concluded efficiently with a dismissal following a hearing.

Five new employee referrals were received in quarter three, all to be investigated under audit powers. One case was closed with

recommendations for management re disciplinary action; two cases were closed with management actions; one case was closed with no case to answer, and one remains open.

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 three whistleblower cases open. One remains on-going working in partnership with other council teams and other agencies, one remains open and is being investigated by management and one being investigated by the audit team. We received two new whistleblowers in the period one which was investigated and closed with no case to answer one which is being investigated by Management.