

Report for: Audit Committee 18th July 2024

Item number: 12

Title: Anti – Fraud and Corruption Progress Report Quarter 4 2023/24

Report authorised by: Taryn Eves – 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 four 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 four 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 of 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 January 2024 to 31st March 2024 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 and plan have been reviewed this quarter along with the fraud risk assessment as part of planning for the new financial year. The Strategy and Plan will be presented for approval at the next meeting.
- 12.3 The Fraud resources within the Audit & Risk Service consists of a Head and Deputy Head of Audit & Risk, five full time and one part time Fraud Investigators, and the Assistant Investigator post, which is being held vacant while the structure of the service is considered.
- 12.4 Annually the governance of the organisation is reviewed, and this informs the Annual Governance Statement. 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.
- 12.5 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.

13. Risk Assessment 2024/25

- 13.1 The Fraud Risk Assessment has been fully reviewed as part of year end reporting and in preparation for the new financial year. In terms of fraud Procurement and Housing will be key proactive areas for 2024/25 smaller projects relating to death lists, fraudulent payment of Parking Charge Notices and National Fraud Initiative work including the specific focus on dual employment.

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

- 14.1 The work plan for the year included planned proactive work relating to:
- National Fraud Initiative (NFI);
 - Void properties; and
 - Temporary Accommodation
- Also added to the plan were projects around:
- secondary 'dual' employment; and

- a proactive exercise on ‘client hidden assets’.
- See 15.12 for more information.

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	Q4	YTD	Annual Measure
Properties Recovered	11	53	50
Right to Buys prevented	31	111	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. Of the 336 ongoing investigations 195 currently sit with other teams for action and 141 are live investigations. The team have no live housing fraud prosecutions currently.

15.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	321	
New Referrals received	95	
Total	416	
Properties Recovered		11
Case Closed – no fraud/no recovery action possible		17
Closed Checks completed		30
Total		(-) 47
Closing Caseload		336

15.8 Right-to-buy (RTB) applications

15.9 As at 31 March, there were 159 ongoing applications with 36 under investigation as part of the statutory money laundering stage of the process. During quarter four, 31 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. 40 new applications were received in this period for review. 12 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 gas safety visits in quarter four, where risk of fraud is identified. 60 of the team's on-going investigations were generated by this activity. The number has increased again since quarter three.

15.11 Blue Badge Fraud

At the start of quarter four the team had circa 30 live fraud cases on-going. During the quarter, 8 new referrals were received the majority of which will receive sanctions. 19 cases have been accepted as fraud investigations and interview are being arranged where appropriate. In total 7 simple cautions have been administered and one successful prosecution has resulted. One further case is currently with legal in respect of S.17 offence,

and this will be used to benchmark future non-compliance issues. Two further cases are currently being prepared in respect of Fraud Act offences.

In quarter four the project started to review process and roles across the parking and fraud teams, the overall aim once the process has been embedded is to ensure efficiency and optimum outcomes and that fraud resources are focused on the investigation and prosecution.

15.12 Pro-active counter-fraud projects

The team continued to work on a temporary accommodation fraud exercise, in quarter 4. Due to other case work the exercise was not concluded at the end of the quarter.

The first phase of the national Fraud Initiative pilot exercise into dual roles yielded five potential matches, all were investigated, however no cases arose. A second phase is planned for quarter one 2024/25.

The audit team continue to track the outcomes of the Void property exercise. 18 properties have been recovered at the end of quarter four. These recoveries are not included within the tenancy fraud performance to avoid double counting. A further 13 identified in the project will continue to be tracked to recovery.

15.17 No Recourse to Public Funds (NRPF)

In quarter 4, four 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 four the team had one disciplinary case and three employee cases open. No new cases were accepted in the period.

The disciplinary case was closed, and report issued for management action, one employee case was concluded and passed to HR with recommendations

for management to consider disciplinary action, two employee cases remain 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 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 four there were four whistleblower cases open. One remains on-going working in partnership with other council teams and other agencies, two cases being investigated by management have been closed with no case to answer and one investigation was concluded by audit with no evidence found and referred back to management for action. We received no new whistleblower reports in the period.