

**Report for:** Audit Committee – 8 October 2024

**Item number:** 13

**Title:** Anti – Fraud & Corruption Progress Report 2024/25 – Quarter 1

**Report authorised by:** Taryn Eves – Director of Finance

**Lead Officer:** Minesh Jani, Head of Audit and Risk Management  
Minesh.Jani@Haringey.gov.uk  
07817 617839

**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 2024/25.

**2. Cabinet Member Introduction**

Not Applicable.

**3. Recommendations**

The Audit Committee is recommended to note the activities of the team during quarter one of 2024/25.

**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), Assistant Director 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 3<sup>rd</sup> April 2024 to 28<sup>th</sup> June 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 has been refreshed in the quarter. 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 but is likely to be lost due to the need to make savings.
- 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. For 2024/25 the Deputy Head of Audit & Risk will quality assure all audits where there is high fraud risk. 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. 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 first and second line of defence controls are not robust enough to prevent and detect fraud, in these areas proactive and preventative work is undertaken by the team, however there is always a tension between undertaking proactive activity when the number of requests and reactive referrals is high.

## **13. Risk Assessment 2024/25**

- 13.1 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:

### **13.2 Housing**

Tenancy – The fraud team undertake some proactive fraud checks to try to help housing mitigate fraud risk in applications for succession and grant of tenancy. Housing officers also use checks to verify individuals circumstances. Despite these efforts the risk remains high and weaknesses in housing processes and audit trails have left us more vulnerable to fraud risk. 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 relevant Assistant Directors and Heads of Service in Housing regularly to feedback insights re process and control from the referrals and investigations and feed learning into the audit programme so risk-based audits can seek to raise recommendations to support management.

Temporary Accommodation – Our risk rating increased in 2022/23 for this area however proactive data/intelligence work has not found a high incidence of fraud to date, the work continues however significant process issues were noted, and discussed with management who advised there was already a plan in this area as it was an issue they had identified themselves, a process redesign project will be completed in 2024/25 involving all four teams involved in temporary accommodation, Internal Audit will support this work, in line with completing the fraud proactive assignment.

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 occasionally for other Boroughs.

### **13.3 Enforcement**

Blue Badge/Parking Permits – There continues to be high incidence of Blue Badge fraud in the Borough the project completed in 2023/24 will lead to a number of prosecutions which is part of our strategy to deter the fraud. We are currently working on using technology to enable greater numbers of cases to be managed without increased investigator resources and a business case to embed the processes established in the project into business as usual for the team. Work to assess the risks in parking permits is planned for 2024/25.

### **13.4 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. We will be ensuring that the council has robust mechanisms to ensure that the payments end promptly on death as fraud was not prevented in 2023/24 where there was a delay in the process. The risk relating to financial assessments and failure to declare assets is being assessed in 2024/25, following a referral in 2023/24 regarding a specific case.

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 and more robust risk management 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.

### 13.5 **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 a significant increase in cases in 2023/24 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, we work closely with Employee Relations colleagues to ensure the right policy and team leads. For all cases we report not only re the specific allegations raised but also root cause control issues for corporate stakeholders/control owners. These cases are reactive and have to be prioritised to protect the council, high numbers significantly impacts our resources available for other areas of work.

Dual Employment emerged as a risk area following Covid and the increase in remote working. This is an area where there have been a number of reactive investigations working in partnership with other authorities. The National Fraud Initiative has done pilot work in 2023/24, and the team have investigated the outcomes from the data matching exercise. We also have a number of cases coming direct from other authorities. In 2024/25 preventive controls will need to be embedded to mitigate this risk.

Procurement – Limited Assurance Audit Reports has led this to be a high-risk area for four years our work indicates that there are significant control weaknesses with regards contracts and procurement. In 2023/24 as in 2022/23 our employee related corruption work related to contracts and procurement. In 2024/25 we will have to do some proactive fraud work to ensure that we have accurate insights as an organisation regarding fraud incidence, this is also required by the new External Auditors. Audit work will be completed on the new operating model, technology and on compliance with new Procurement Act in 2024/25 which will inform future years fraud plans.

### 13.6 **Discounts and Grants**

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 way to manage this risk area. These have been implemented so we will reassess this risk again as part of the National Fraud Initiative exercise, when results are received in January 2025.

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 annual projects to support some teams who are allocating grants to organisations or individuals in the community to ensure risk is managed.

#### **14. Anti-Fraud & Corruption Work Plan for 2024/25**

14.1 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. Two proactive assignments from 2023/24, Financial Assessments and Temporary Accommodation, have rolled over into this year's plan and work continued on these in quarter 1.

14.2 The new projects planned for 2024/25 include:

- National Fraud Initiative – see 15.10.
- Fraudulent Payment of Parking Charge Notices
- Use of 'Death List' / 'Tell us Once' data.
- Procurement Fraud.

14.3 The team will also undertake a project to move council teams over to use the services of the National Anti-Fraud Network as part of their processes. It has been noted that by doing so we can enhance the preventive controls in council processes, ensure management are using all tools available to them to manage the wider risk profile and also rationalise the costs to the council as there are a number of existing contracts and historical agreements that do not provide value for money.

14.4 The service improvement plan will be updated following our review of the strategy and independent review. The team will need to embed the highest priority of these actions in 2024/25.

#### **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. 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. 2023/24 was the first year the team had met both targets.

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 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.

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

<b>Performance Indicator</b>	<b>Q1</b>	<b>YTD</b>	<b>Annual Measure</b>
Properties Recovered	<b>10</b>	<b>10</b>	<b>50</b>
Right to Buys prevented	<b>6</b>	<b>6</b>	<b>80</b>

**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 ensure our annual targets are achieved and try to shift the Council’s work on tenancy fraud to a more proactive and preventive approach.

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. Referrals come from a range of sources and activities. Circa half the live cases were generated from proactive work by the team: attending gas safety’s; data matching or proactive fraud work the other half mainly from internal officer referral, tenancy officers, and small number from members or residents. There are still a large number of cases that need action, of the 355 open cases 202 currently sit with other teams for action. Liaison meetings continue with legal and tenancy management, but it is expected due to the time lapse on some cases no outcome will be achieved.

**15.7 Table 3 - Tenancy Fraud Activity and Outcomes**

Opening Caseload	<b>336</b>	
New Referrals received	<b>107</b>	



Total	<b>443</b>	
Properties Recovered		<b>10</b>
Case Closed – no fraud		<b>78</b>
Total		<b>(-) 88</b>
Ongoing Investigations		<b>355</b>

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

15.9 As at 28 June, there were 181 ongoing applications with 43 under investigation as part of the statutory money laundering stage of the process. During quarter one, 6 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. 52 new applications were received in this period for review, 22 ongoing applications remain in process awaiting re-valuation of the property value. Ten applications ceased for reasons other than the Corporate Anti-Fraud Team's direct intervention and eleven properties were sold.

## 15.10 National Fraud Initiative

15.11 The National Fraud Initiative is run by the Cabinet Office and compares data sets for the purpose of identifying fraud. The data is either provided directly by the Council, from our own systems, or by other bodies.

15.12 The NFI runs every two years, the next upload is planned for early October 2024, however some data sets have to be provided annually and these will be uploaded later in financial year.

15.13 Examples of data sets for 2024/25 match include:

- pensions
- payroll
- trade creditors standing data and history
- housing (current tenants) and right to buy
- housing waiting lists
- housing benefits (provided by the DWP)
- council tax reduction scheme
- students eligible for a loan (provided by the SLC)

- transport passes and permits (including residents' parking, blue badges and concessionary travel)
- council tax (annually)
- electoral register (annually)

15.13 In 2024/25 the team will support the Council to engage in the two yearly NFI campaign, in quarters 1 and 2 the team will work with services to ensure data sets are ready and officers trained to upload the data. Uploads will take place in quarter 3 and then the results will be returned in quarter 4. The fraud investigators do some work on high-risk reports and match outcomes and support the services to fulfil their obligations.

#### 15.14 **Blue Badge Fraud**

To date there have been 127 cases accepted as part of the fraud prevention project that commenced in 2023/24. For 32 of these cases sanctions have been applied and three are with legal. At the end of quarter one the team had circa 23 live fraud cases on-going. The activity for the quarter one totalled: 15 new referrals; five of which were closed and a sanction applied in the period, and one was passed to legal. The project has proven to be successful, and it has been agreed with Parking that the activity must continue a business case is being developed to embed the process as business as usual with support from digital services to streamline and automate the process. The aspiration is that the sanctions from this work will cover the costs to the fraud team of the resources needed to administer the increased referrals expected.

#### 15.15 **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.

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

In quarter 2, 23 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.

#### 15.17 **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 one the team had two employee cases open. During the quarter, no new referrals were accepted. The two cases remain open at the end of the quarter. One case is criminal in nature and these investigations take many months to conclude, evidence to support the disciplinary process was provided to management early in the investigation and the disciplinary hearing is scheduled for July. In the other case we have not found sufficient evidence but are exploring new lines of enquiry with management.

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.

#### **15.19 Dual Employment Cases**

One employee related dual employment cases arose in quarter the investigation was led by Human Resources while the fraud team dealt with the data protection request associated with the case. The team have notified management of three further cases where data has been requested regarding, current or former, agency workers whose assignments overlapped with assignments at other authorities. In all cases the agency assignment, if current, was terminated. The Audit & Risk team are working with Human Resources and Matrix on controls to prevent dual working. Recommendations have been raised and will be embedded into processes in quarter two.

#### **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 one there was one on-going case where the team is working in partnership with other council teams and other agencies. This case remains on-going. The team received no new whistleblower reports in the period.