

Report for: Audit Committee - 3 December 2024

Item number: 10

Title: Anti – Fraud and Corruption Progress Report Quarter 2 2024/25

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 second 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 two 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 2024-2026 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), 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.

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.

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 2024 to 4th October 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, Bribery & Corruption Strategy which was reviewed in September 2024. 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 and six Fraud Investigators. Resources available for Anti-Fraud, Corruption and Bribery work total circa 6.5 FTEs.
- 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 several areas of the council where our first and second line of defence control are not robust enough to prevent and detect fraud.

13. Risk Assessment 2024/25

- 13.1 The fraud risk profile of the council has not changed significantly in the last year. Fraud risks, both internal and external threats, are acknowledged 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 must acknowledge that in times of economic downturn individuals will find it easier to justify that act of fraud therefore external factors currently in the UK and the financial position of the organisation means more than ever the Council needs to be preventing fraud from arising at the front door, as the finite resources (people and funding) means pursuing fraud is increasingly challenging. Fraudsters in our community, who remain by far the minority of our residents, recognise the challenges the Council faces and will exploit multiple frauds against the public sector. Where they are successful, they undoubtedly share weaknesses in our controls with others who will then attempt the same fraud.
- 13.2 The most significant increase in cases being noted in 2024/25 is where employees or agency workers have other full-time employment. Many of these

cases will never reach the evidential thresholds to be prosecuted, although in the worst cases this is a clear objective under our strategy, many cases will be dealt with as a contractual breach under the disciplinary process or by terminating the agency assignment, and therefore put pressure on HR and Audit resources. The cases being identified are increasing because the fraud community is proactively working to identify incidences of fraud, while control environments in the first and second line of defence are strengthened. This risk has been high and not properly mitigated since 2020 when remote working commenced.

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

- 14.1 The review of the Anti-Fraud, Corruption and Bribery Policy and Strategy in quarter 2 has created an action plan for 2024/25 to refresh and create procedural and guidance material for stakeholders to ensure the service complies with good practice. The team have a target of March 2025 to complete this work. There will also be some communication to raise awareness around fraud, corruption and bribery to stakeholders in quarter 3 as part of National Anti-Fraud Week.
- 14.2 The team's work plan this year includes proactive work relating to:
- National Fraud Initiative (NFI) as the biennial data matching will take place in Q3 and pilot project regarding dual employment is still underway.
 - Temporary accommodation which was carried over from 2023/24.
 - Hidden Assets in Financial Assessments which was carried over from 2023/24.
 - Procurement due to the fraudulent activity identified in 2023/24.
 - Use of Death List information to ensure that the Council has the information and promptly stops services no longer required, preventing those identities, public funds and properties from being misused.
- 14.3 This is a challenging proactive plan but all high-risk areas where work is needed from both the fraud and audit perspective. Reactive workloads are putting pressure on our resources available to deliver the proactive work.
- 14.4 As part of our work to prevent fraud the team are also supporting other council teams to better utilise intelligence checks as part of application processing or financial assessment and training teams to use on-line platforms for this work.

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 because of the impact covid had on Housing processes the team 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	6	16	50
Right to Buys prevented	16	22	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, however this post in the main undertakes proactive fraud prevention checks for housing. 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 these process and control improvements, and the planned proactive work will help to not only detect fraud but also deter it, in future. In quarter 2 training has been provided to the Tenancy Officers in Housing and a further training plan has been agreed for completion this year.

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. 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. Of the 417 ongoing investigations 239 currently sit with other teams for action and 172 are live investigations. The team have no live housing fraud prosecutions currently. Data cleansing work is planned in quarter 3 to ensure case status is accurate in the system. It is recognised, and the numbers indicate, that at the end of quarter 2 case review work was not fully completed as planned.

15.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	355	
New Referrals received	80	

Total		
Properties Recovered		6
Case Closed – no fraud/no recovery action possible		12
Total		(-)
Ongoing Investigations		417

15.8 Right-to-buy (RTB) applications

15.9 As of 4 October, there were 173 ongoing applications with 50 under investigation as part of the statutory money laundering stage of the process. During quarter two, 16 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. 37 new applications were received in this period for review, 18 ongoing applications remain in process awaiting re-valuation of the property value. 21 applications ceased for reasons other than the Corporate Anti-Fraud Team's direct intervention and 8 properties were sold.

15.10 Blue Badge Fraud

To date there have been 127 cases accepted as part of the fraud prevention project that commenced in 2023/24.

Outcomes from cases to date:

- 70 closed, no further action
- 1 Prosecution
- 4 cases with legal
- 36 cautions administered.
- 2 cautions pending
- 14 live cases – 3 at interview under caution stage

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 with increased automation, the sanctions from this work will cover the costs to the fraud team for the resources needed to administer all referrals expected in business as usual.

The following is the notional cost to the public purse used in prosecution cases “blue badge fraud is significant and, by claiming exemption from the congestion charge, a blue badge holder saves £2,500 per year. They may also avoid having to pay for a resident’s parking permit, at £50 - £250 a year. If the motorist avoids paying hourly on-street parking charges of £3 per hour for 40 hours a week, this adds up to a further £6,000 a year (this could be even higher if commuting to central London). Fraudulent misuse could be costing local government (TfL and the boroughs) £5,000 - £10,000 a year per badge, in addition to the extreme inconvenience for disabled motorists and passengers”.

15.11 Pro-active counter-fraud projects

In quarter 2 the team has been focused on the ‘Temporary Accommodation’ and ‘Hidden Assets in Financial Assessments’ proactives. The outcomes from these projects will be reported when they are concluded.

15.12 NFI

Activity in quarter 2 focused on ensuring that services are preparing appropriately to meet the NFI deadlines for data upload at end of October.

15.13 Void Properties project update 2023/24

A proactive exercise to identify void properties / tenancies that need terminating, using death list data and council tax records that had a class F exemption (in the name of ‘executors of’) was completed in 2023/24.

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 these anti-fraud officers were already assisting.

As at end of September 2024, 30 properties have been recovered, five successions have been approved and accounts now set up in the successor’s name, eight are with legal and 26 are still with housing for action.

These recoveries are not included within the tenancy fraud performance to avoid double counting and because these cases were identified to proactively deter fraud occurring and to achieve other council objectives.

A Direct Payment overpayment, of £3k, to a deceased client was also noted as part of this work, when a succession application was received for review, for the void property, the Direct Payment team were advised so recovery action could be completed. Overpayments to deceased clients will be part of the planned proactive work referred to in 14.1.

15.14 No Recourse to Public Funds (NRPF)

In quarter 2, 17 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.

15.15 Squatting

Due to a high incidence of squatting in council properties the Audit & Risk team are looking at new incidences and reviewing them for trends and evidence of criminal activity as part of this work advice on risk and control is provided. Officers also attend evictions to gather evidence from squatters, the team have reviewed 10 cases referred by housing colleagues so far in 2024/25, and our primary role is to look for employee involvement and or intelligence that may support a police enquiry.

15.16 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 two the team were asked to assess some activity that appeared fraudulent and potentially organised, relating to a batch of housing benefits applications. This supports colleagues in preventing fraud as well as enabling robust intelligence to be shared with the DWP's Single Fraud Investigation Service.

The council tax service requested support to assess risks around fraudsters trying to obtain council tax bills with their credentials on illegally. Linked to this work a historical issue with UPRNs relating to properties in the Borough was noted and reported to Management to ensure a risk-based approach to resolution be embedded.

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, three 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 process concluded with dismissal in July. In the other case the team have not found sufficient evidence but are exploring new lines of enquiry with management.

Of the three new cases all were closed in the quarter. One related to an alleged conflict of interest and management action was recommended; one related to

alleged bribery and the other alleged abuse of position however the team investigated and worked closely with human resources and management, and both referrals were closed with no case to answer.

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. These audit observations are highlighted to management.

15.18 Dual Employment Cases / Agency Worker cases

One employee related dual employment cases arose in the 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 dual employment 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 3.

A further 10 dual employment cases have been reviewed by the team during 2024/25 as part of a pilot data matching exercise with NFI but there was no case to answer in each case.

The team have investigated one case where we were notified by another council that an ex-agency worker had received false references which were used to obtain the role with the Council, in addition it was identified that the individual working for the Council was not the one contracted to the employment agency. Audit are working with the Home Office, the other authority regarding this case and with HR to ensure tighter control to verify identity of agency workers are embedded.

15.19 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 2, the team had one whistle-blower 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, as it's a long-standing case the Deputy Head of Audit & Risk has formally requested an update on the conclusion to enable us to review and assess for closure. During quarter two the council received two further whistle-blowers. One was investigated and

closed in the quarter as no case to answer. The second was investigated and it was determined there may have been a case to refer to HR, however the subject of the whistle-blower had left the council, lessons learned were discussed with Management and it will be used as a case study for Statutory Officers Group as part of routine reporting.