

Report for: Audit Committee 27th January 2025

Item number: 12

Title: Anti – Fraud and Corruption Progress Report Quarter 3 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 third quarter 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 three 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 5 October 2024 to 3 January 2025 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 There have been no changes to our fraud risk assessment in quarter three.

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 two 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, however the current pressures on the team are diverting resources to audit and reactive fraud tasks.
- 14.2 The team's work plan this year includes proactive work relating to:
- **National Fraud Initiative (NFI)** the team facilitated the update of all data sets in quarter three in preparation for the next exercise, results started to arrive late December.

- **Temporary Accommodation** which was carried over from 2023/24 - data alone has been unable to drive the outcomes of this work it is believed that physical door knocking may be the only way to identify fraud occurring.
- **Hidden Assets in Financial Assessments** which was carried over from 2023/24 - this work is on hold, but findings from our intelligence work have been shared with management, Mazars have completed an Internal Audit and the Deputy Head of Audit & Risk is monitoring progress by attending an officer working group whose remit is to ensure the processes within social care around charging, collecting income and recovering debt are strengthened.
- **Procurement due to the fraudulent activity identified in 2023/24.** An analysis of all 2023/24 spend has been undertaken to determine if other similar frauds have occurred. Our work found none, however further work will be undertaken with regards 15 suppliers to establish whether breaches of our internal rules and procedures have occurred.
- We have as yet been unable to complete the work regarding the **Use of Death List information** which was planned in to try 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. We do continue to identify cases where services or payments are still being made post death as part of our daily work and these are communicated to management and tracked until actions are complete.

14.3 This was a challenging proactive plan for the year but all high-risk areas where work is needed from both the fraud and audit perspective. As noted above, 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 have continued in quarter three to also support, via advice and training, other council teams to better utilise intelligence checks as part of application processing or financial / service assessment. This work has also moved teams off a high-cost service provider onto our provider, who is not for profit, which will save the council considerable money in coming years.

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	Q3	YTD	Annual Measure
Properties Recovered	12	28	50
Right to Buys prevented	9	31	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 services. 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 three conversations about next year's work plan for the team are exploring providing extra resources for reactive and proactive work in the housing directorate.

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 435 ongoing investigations 241 currently sit with other teams for action and 194 are live investigations. The team have no live housing fraud prosecutions currently but there are two cases where prosecution is the central objective of the investigation plan. Data cleansing work planned in quarter three was only part completed; this will need to be completed by year end.

15.7 Table 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	417	
New Referrals received	40	
Total		
Properties Recovered		12

Case Closed – no fraud/no recovery action possible		10
Total		(-)
Ongoing Investigations		435

15.8 Right-to-buy (RTB) applications

15.9 At the end of quarter three were 237 ongoing applications with 84 under investigation as part of the statutory money laundering stage of the process. During quarter three, 9 RTB applications had been 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. 15 other applications ceased for reasons other than the Corporate Anti-Fraud Team's direct intervention. The applicants are served reminders, by homeownership and 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. 77 new applications were received in this period for review, five properties are awaiting re-valuation of the property value, and 6 properties were sold.

15.10 In quarter three planning has taken place to look at how the teams involved in this process will cope with the high number of right to buy applications received when the discount available was changed in November 2024. Monthly meetings are diarised at both strategic and operational levels to ensure the resources are optimising outcomes.

15.11 Blue Badge Fraud

15.12 To date there have been 131 cases accepted as part of the fraud prevention project. Outcomes from cases to date:

- 70 closed, no further action
- 2 Prosecution
- 3 cases with legal
- 36 cautions administered.
- 20 live cases – 8 at interview under caution stage

15.13 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.

15.14 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”.

15.15 Pro-active counter-fraud projects

No outcomes to report. Update provided in 14.2.

15.16 NFI

No outcomes to report. Update provided in 14.2.

15.17 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 December 2024, only eleven cases remain open, four are with legal and seven are with housing for action. It is hoped that those not requiring legal process will be closed by year end.

The recoveries generated by this project 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.

15.18 No Recourse to Public Funds (NRPF)

In quarter three, ten 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.

15.19 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 12 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 criminal enquiry. In quarter three concerns regarding control environment have been formally reported to management for action due to the increasing occurrences of squatting.

15.20 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.

A case which was referred incorrectly amongst squatting cases, was reviewed and it was identified that the council needed to act more strategically to resolve a complex housing case. The team accepted this under our audit role and documented case fully and raised audit recommendations to Management to proactively encourage resolution. Audit & Risk will track this case until resolution now to ensure efficient use of resources and collaborative working across teams continues.

15.21 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 two employee cases open. Both cases remain open at the end of the quarter. One case is criminal in nature and relates to an ex-employee, these investigations take many months to conclude. All new referrals re employees in quarter 3 have been accepted primarily due to allegations of polygamous working, see 15.22.

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.

15.22 Dual Employment Cases / Agency Worker cases

In quarter three the team worked on three cases relating to ex agency Workers from a fraud and corruption perspective. One is closed as there was insufficient evidence, the second we have provided all the evidence to the workers employee as will support their case as required. The third is a live case for us which involves three other councils.

We also had three employee related cases referred. Two current and one ex employee. The ex-employee case is closed as we have provided all the required evidence to their current employer. The two other cases remain live at the end of the quarter, both are also in the disciplinary process.

15.23 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, 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, a closure meeting is planned for quarter four. No new whistleblower reports were received in quarter three.