

**Report for:** Corporate Committee – 29 November 2016

**Item number:** 9

**Title:** Counter Fraud Update Report 2016/17 – Quarter 2

**Report authorised by :** Assistant Director of Corporate Governance

**Lead Officer:** Anne Woods, Head of Audit and Risk Management  
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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision: Information**

**1. Describe the issue under consideration**

- 1.1 This report details the work undertaken by the Counter Fraud Team in the quarter ending 30 September 2016 and focuses on:
- Details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities – work undertaken by the in-house counter Fraud Team.

**2. Cabinet Member Introduction**

- 2.1 Not applicable.

**3. Recommendations**

- 3.1 The Corporate Committee is recommended to note the counter-fraud work completed in the quarter.

**4. Reasons for decision**

- 4.1 The Corporate Committee is responsible for Monitoring the effectiveness of Council policies on Anti-Fraud and Corruption. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the responsive and pro-active fraud investigation work.

**5. Alternative options considered**

- 5.1 Not applicable.

**6. Background information**

- 6.1 The information in this report has been compiled from information held within Audit & Risk Management.

**7. Contribution to strategic outcomes**

- 7.1 The counter-fraud 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 key Priority areas.

**8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

**8.1 Finance and Procurement**

There are no direct financial implications arising from this report. The work completed by the Fraud Team is funded from within the Audit and Risk Management revenue budget. The maintenance of a strong proactive and reaction fraud investigation team is a key element of the Council's system of Governance.

**8.2 Legal**

The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and has no comments.

**8.3 Equality**

There are no direct equality implications for the Council's existing policies, priorities and strategies. The report contains details of how fraud investigation work is undertaken and pro-active fraud projects are managed; preventing and detecting fraud will assist in improving services to residents.

**9. Use of Appendices**

Appendix A – In-house Team – investigations into financial irregularities

**10. Local Government (Access to Information) Act 1985**

Not applicable.

**11. Performance Management Information**

11.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. Table 1 below shows the targets for each key counter-fraud area monitored and gives a breakdown between the quarterly and cumulative performance.

**Table 1**

Ref.	Performance Indicator	2 <sup>nd</sup> Quarter	Year to date	Target
1	Tenancy fraud – properties recovered	6	21	40
2	Right to Buy – fraudulent applications prevented	22	58	80

**12. In-house Counter-Fraud Team: Fraud investigation/Pro-active work**

**12.1 Internal employee investigations**

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees. Appendix A details the individual cases that were completed by the team in the second quarter 2016/17 relating to Council employees.

**Quarter 2 investigations.** Within the second quarter, two new cases relating to permanent and temporary employees were referred to the Fraud Team. Three cases were completed during the quarter: evidence was found to substantiate the allegations made in two cases relating to permanent employees, although

the members of staff subsequently left the Council therefore no disciplinary action was taken in both cases.

Nine cases remained under investigation at the end of the quarter; disciplinary hearings were scheduled in five cases and the outcomes will be reported to a future meeting. The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

Details of the investigations relating to allegations against employees completed by the Fraud Team in 2016/17 are contained at Appendix A.

**Whistleblowing referrals.** The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. Two whistle blowing referrals were made during Quarter 2, one of which were anonymous.

One referral related to non-financial issues and the relevant Assistant Director agreed to investigate the allegations raised. One referral was investigated by Audit and Risk Management; no evidence was found to substantiate the allegation and the outcome of the investigation was reported to HR and the service.

In total, eight referrals have been reported using the Whistleblowing policy in 2016/17 to date.

## 12.2 Tenancy Fraud – council properties

In 2016/17, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

### **2016/17 – Referrals received**

Brought forward from 2015/16	88
Referrals received in 2016/17	80
<b>Total referrals received for investigation</b>	<b>168</b>

### **2016/17 Outcomes**

<b>Properties Recovered</b>	<b>21</b>
No Fraud identified	62
Total cases concluded	83

**Ongoing Investigations** **85\***  
**\*See Note 1 below**

**Note 1:** Of the 85 ongoing investigations; 39 of these cases (45%) are where tenancy fraud has been identified and court proceedings were in progress as at 30 September 2016. The property will be included in the 'recovered' data when the keys are returned and the property vacated.

The Fraud Team liaise with Legal Services on individual cases to ensure these are progressed as quickly as possible. For the ongoing investigations where tenancy recovery is in progress, the status of the tenancy has been investigated and the case is either: awaiting a Court Hearing; the Particulars of Claim are with Legal Services; an NTQ is awaiting expiry; a succession application has been refused and the tenant is awaiting an offer of smaller accommodation; or the rent account is showing an 'Unauthorised Account' on the Housing database.

The Fraud Team works with Homes for Haringey (HfH) to target and investigate housing and tenancy fraud, which forms part of HfH's responsibilities in the Management Agreement. The DCLG provided funding to local authorities to support tenancy fraud work and a Tenancy Management Officer was seconded to the Fraud Team (with the DCLG grant paid to HfH to enable cover for the TMO to be obtained) to undertake reactive tenancy fraud investigations. This grant funding ended in May 2015, with no further grant funding available from the DCLG or other sources. HfH have continued to fund the seconded officer directly after the end of the DCLG grant, and this agreement has been extended to 31 March 2017, with the Fraud Team part funding the secondment in 2016/17.

The Fraud Team will continue to work with HfH to identify the most effective use of fraud prevention and detection resources across both organisations to enable a joined up approach to be taken, especially where cases of multiple fraud are identified e.g. tenancy fraud, right to buy fraud and benefit fraud.

**Other tenancy investigations.** In addition, during Quarter 2 the Fraud Team investigations have recovered **one** Temporary Accommodation (TA) property which was not being used by the assigned tenant; and have prevented **three** fraudulent housing applications from being accepted.

### **12.3 Right-to-buy (RTB) applications**

In 2016/17, the Fraud Team has approximately 307 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further.

In the second quarter, 22 applications have been withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or the requirement to complete money laundering processes.

### **12.4 Financial Values 2016/17**

**Tenancy Fraud – council stock and temporary accommodation:** The Audit Commission valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, mainly relating to average Temporary Accommodation (TA) costs. No new national indicators have been produced; therefore although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes.

In 2016/17 to date, **21** council stock properties and **one** temporary accommodation property have been recovered through the actions and investigations of the Fraud Team; therefore **a total value of £396k** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies.

**RTB Fraud:** Overall, the 58 RTB applications withdrawn or refused represent **over £5.9m** in potential RTB discounts; and means the properties are retained for social housing use.