

Report for: Corporate Committee – 25 July 2017

Item number: 10

Title: Counter Fraud Update Report 2016/17 – Quarter 4

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

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 31 March 2017 and focuses on details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities – work undertaken by the in-house 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 to 31 March 2017.

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 advises that there are no direct legal implications arising from the report.

8.3 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 in-house counter-fraud 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.

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 Performance measures – counter fraud activity

Ref.	Performance Indicator	4 th Quarter	Year to date	Target
1	Tenancy fraud – properties recovered	14	48	40

2	Right to Buy – fraudulent applications prevented	30	100	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 fourth quarter 2016/17 relating to Council employees.

Quarter 4 investigations. Within the fourth 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 all cases and reports issued to service management for their consideration in line with the disciplinary Code of Conduct.

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. No cases remained outstanding at the end of the quarter.

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 4, one was anonymous and one was submitted with a name and address details, but these were found to be false on further investigation.

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 service management. One investigation related to a previous referral in 2016/17; further investigation was undertaken by Audit and Risk Management, but no further evidence was found was completed by HR and no evidence was found to support the allegations. All referrals made during 2016/17 have been investigated and either closed by Audit and Risk Management, or referred to service management where they do not relate to financial issues or irregularity.

In total, sixteen referrals have been reported using the Whistleblowing policy in 2016/17. Regular reminders on how to report concerns are issued via the intranet and staff newsletter. The referrals received, albeit the majority (9 out of 16) are anonymous, indicate that staff are aware of the Whistleblowing policy and how to use it.

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	176
Total referrals received for investigation	264

2016/17 Outcomes

Properties Recovered	48
No Fraud identified	123
Total cases concluded	171
Ongoing Investigations	93*
*See Note 1 below	

Note 1: Of the 93 ongoing investigations; 30 of these cases (32%) are where tenancy fraud has been identified and court proceedings were in progress as at 31 March 2017. 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. HfH have confirmed that they will continue to fund the seconded officer in the Fraud Team on a long term basis to assist with the tenancy fraud work. Training has been provided to HfH staff on tenancy fraud, raising awareness of potential fraud indicators that will assist in the recovery of illegally sub-let properties.

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, and right to buy fraud.

Other tenancy investigations. In addition, in 2016/17 to date the Fraud Team investigations have recovered three Temporary Accommodation (TA) properties which was not being used by the assigned tenant; and have prevented three fraudulent housing applications from being accepted.

12.3 Pro-active counter-fraud projects

During 2016/17, the Fraud Team have undertaken a number of pro-active counter-fraud projects in areas which have been identified as a high fraud risk. Progress reports on this work will be reported to the Corporate Committee on

an ongoing basis; the findings and outcomes are all shared with service managers as the projects are delivered.

12.3.1 Gas safety – execution of warrant visits

In 2016/17, the Fraud Team agreed to support the HfH Gas Safety Compliance Engineer and accompany warrant officers on all executions of warrant of entry visits where it was suspected that the named tenant was not in occupation.

As a result, the Fraud Team are advised of the date for the warrant to be executed and attend the visit with the warrant officer. The Fraud Team aim to interview any occupant and establish the legitimacy of the tenancy, or investigate further if the property is empty, or identified as being potentially sublet or abandoned. The Fraud Team may also identify cases where the tenant is a vulnerable adult, in which case a referral is made to social workers and/or tenancy management. The Gas Safety Team can and do make referrals to the Fraud Team if they identify notice any potential fraud indicators through the normal course of their work.

Since July 2016, **ten** properties have been recovered through this project - these are included in the total of 48 Council properties recovered in 2016/17. It is expected that further properties may potentially be recovered as a result of this project. In addition, there have been sixteen cases of concern referred to social workers and tenancy management officers for a review of the vulnerability of a tenant.

The project has now been extended for the Fraud Team to accompany Gas Safety warrant officers as they undertake visits in Temporary Accommodation. As a result of these visits, one property has been identified as both a case of concern and potential recovery.

12.3.2 Tenancy Block Visits

Feedback from HfH officers highlighted potential fraud risks in key sites (tenancy blocks) across the borough. It was agreed that the Fraud Team would undertake a pro-active tenancy fraud project focused on individual tenancy blocks to identify any properties that may be sub-let. The Fraud Team obtained a report on key housing stock sites which used data matching to identify potential sub-let properties. The Fraud Team identified Stellar House and Northolt House as blocks which required further investigation.

In July 2016, the Fraud Team carried out visits to all 93 tenanted addresses in Stellar House. The Fraud Team identified **six** tenancies where access was not given, or obtained. All six tenants have been served with an NTQ by HfH's tenancy management team; one property is being recovered and a further two have been passed to the Council's Legal Services for recovery proceedings to commence.

In February 2017, the Fraud Team carried out visits to 91 tenanted addresses in Northolt. Further follow up visits were undertaken and the Fraud Team identified **six** tenancies where access was not given, or obtained. All six tenants in Northolt have been served with an NTQ by HfH's tenancy management team and the Fraud Team will monitor the cases through any legal proceedings.

12.3.3 No Recourse to Public Funds (NRPF)

No Recourse to Public Funds (NRPF) is an immigration condition restricting access to public funds, including benefits such as welfare and housing. Families and individuals may have a right to financial support (accommodation and subsistence) if certain statutory needs are identified. In these cases, the local authority has a duty to support the accommodation and subsistence costs of residents with NRPF.

These cases are often complex to identify, assess and resolve and unpredictable in terms of how much they cost and how long they last. The Council receive no funding to support this work and so have a dedicated NRPF team to provide accommodation and subsistence and to liaise with the Home Office to make sure that immigration queries are resolved as quickly as possible.

In 2016/17, the Fraud Team have worked with the NRPF Team to be more proactive and, in addition to re-active referrals, the Fraud Team now attend the initial assessment interview with the applicant to review all information provided to support their application. This is to prevent any NRPF claimant who is not eligible from obtaining funds fraudulently. As a result, this approach has led to either an application being refused support from the outset, or accommodation, or subsistence support being withdrawn in **ten** cases. There is also one identified instance of a Judicial Review (JR) being withdrawn. As a result of the new approach, Legal Services have confirmed that there has been a reduction in the number of new Judicial Review s (JR) applications in relation to NRPF.

The average cost of NRPF support per family based on accommodation and subsistence for a two child household is estimated to cost the Council approximately £20,000 a year. The Fraud Team will continue to work with the NRPF Team to develop processes to identify and prevent fraud.

12.4 Right-to-buy (RTB) applications

In 2016/17, the Fraud Team has approximately 300 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 fourth quarter, 30 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.

12.5 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, **48** council stock properties and **three** temporary accommodation property have been recovered through the actions and investigations of the Fraud Team; therefore **a total value of £918k** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies.

No Recourse to Public Funds: Overall, the 10 NRPF applications refused or stopped represent **over £200k** in potential expenditure; and means the available funds are used to support applicants who are eligible.

Right to Buy Fraud: Overall, the 100 RTB applications withdrawn or refused represent **over £10.39m** in potential RTB discounts; and means the properties are retained for social housing use.