

**Report for:** Corporate Committee – 21 September 2017

**Item number:** 13

**Title:** Counter Fraud Update Report 2017/18 – Quarter 1

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

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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 June 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 30 June 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

Not applicable

## 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	1 <sup>st</sup> Quarter	Year to date	Target
1	Tenancy fraud – properties recovered	11	11	50
2	Right to Buy – fraudulent applications prevented	10	10	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.

**Quarter 1 investigations.** Within the first quarter, four new cases relating to permanent and temporary employees were referred to the Fraud Team. One case was completed during the quarter: no evidence was found to substantiate the allegations and the report issued to service management recommended that the employee was returned to work in line with the disciplinary Code of Conduct. Seven cases remain in progress at the end of quarter one, including four cases brought forward from quarter four 2016/17.

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.

**Whistleblowing referrals.** The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. No referrals were made during Quarter 1. Regular reminders are provided for staff on how to raise concerns and use the Whistleblowing Policy; the latest reminder was issued in the July 2017 staff newsletter. A copy of the policy is also held on the Council's intranet and website.

## 12.2 Tenancy Fraud – council properties

In 2017/18, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

### **2017/18 – Referrals received**

Brought forward from 2016/17	93
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Referrals received in 2017/18	58
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<b>Total referrals received for investigation</b>	<b>151</b>
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### **2017/18 Outcomes**

<b>Properties Recovered</b>	<b>11</b>	
No Fraud identified	26	
Total cases concluded		37

<b>Ongoing Investigations</b>	<b>114*</b>
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**\*See Note 1 below**

**Note 1:** Of the 114 ongoing investigations; **42** of these cases (37%) are progressing towards tenancy recovery. 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.** Included in the 11 properties recovered during the quarter were three which were as a result of the ongoing project for Gas Safety visits.

### **12.3 Pro-active counter-fraud projects**

During 2017/18, the Fraud Team have continued with 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 during the year; 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.

In 2017/18, the Fraud Team have assisted with 51 Gas Safety warrants of execution in Quarter 1. To date:

- three properties which were already under investigation by the Fraud Team were re-posessed as the absence of the tenant in each case corroborated the findings and actions being taken in the respective investigations;
- eleven properties are under continued investigation for one of the following three reasons (i) a forced entry and awaiting collection of the keys by the displaced occupant (ii) the property is already subject to an 'Unauthorised Occupant' or (iii) an Notice to Quit (NTQ) has been served.

### **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, Northolt House and Kenley as blocks which required further investigation.

Visits to all three blocks have been completed by the Fraud Team; as a result twelve NTQ's were served on properties in Stellar House and Northolt. One property has now been recovered, three are with Legal Services to progress court recovery proceedings; and a further two properties remain under further investigation.

Investigations into the third block, Kenley, have been completed and four NTQ's have been served.

### **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 the first quarter, eleven referrals were received from the housing officer in the newly formed Single Point of Access (SPA) team; and one NRPF social worker who was seeking up to date information to review families already housed. There were no accompanied interviews and the outcomes from the Fraud Team interventions will be reported at a later committee meeting.

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 2017/18, the Fraud Team has approximately 340 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. Increasing property valuations has meant fewer overall RTB applications received, but this is still a key fraud risk area.

In the first quarter, 10 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 2017/18**

**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 2017/18 to date, **11** 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 £198k** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies.

**Right to Buy Fraud:** Overall, the 10 RTB applications withdrawn or refused represent **over £1.04m** in potential RTB discounts; and means the properties are retained for social housing use.