

Report for: Corporate Committee – 30 November 2017

Item number: 10

Title: Counter Fraud Update Report 2017/18 – Quarter 2

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 30 September 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 September 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 Council's Assistant Director of Corporate Governance has been consulted in the preparation of this report, and had no comments.

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 – Employee investigation outcomes

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	2 nd Quarter	Year to date	Target
1	Tenancy fraud – properties recovered	13	24	50
2	Right to Buy – fraudulent applications prevented	24	34	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 2 investigations. Within the second quarter, four new cases relating to permanent and temporary employees were referred to the Fraud Team. Five cases were completed during the quarter:

- no evidence was found to substantiate the allegations in three cases; briefings were provided to service management which recommended no further action be taken;
- two cases found evidence to support the allegations made and the employees were suspended pending the conclusion of the investigations; reports were issued to service management and disciplinary hearings were held in both cases. One employee was dismissed; one employee was issued with a final written warning and returned to work in line with the disciplinary Code of Conduct; and
- three cases remained in progress at the end of quarter two.

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. Three referrals were made during Quarter 2; no financial or fraud issues were reported and the referrals were passed to service management to investigate. 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 'In Haringey' 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
Referrals received in 2017/18	112
Total referrals received for investigation	205

2017/18 Outcomes

Properties Recovered	24
No Fraud identified	58
Total cases concluded	82
Ongoing Investigations	123*

*See Note 1 below

Note 1: Of the 123 ongoing investigations; **40** of these cases (33%) are where tenancy fraud has been identified and court proceedings were in progress as at 30 September 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 within the statutory timescales. 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.

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.

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

The Fraud Team accompany warrant officers on all executions of 'warrant of entry' visits where it is suspected that the named tenant is not in occupation.

In 2017/18, the Fraud Team have assisted with 91 Gas Safety warrants of execution (51 in quarter 2) and nine properties were re-possessed as a result of the Fraud Team's investigations; these figures are included in the 'properties recovered' figures above. A further 11 properties are under continued investigation and the outcomes will be reported as properties are recovered.

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.

All visits to the three blocks have been completed and a total of 18 NTQ's have been issued covering all three blocks. One property has been recovered and three cases are with Legal Services for possession proceedings as at 30 September.

12.3.3 No Recourse to Public Funds (NRPF)

The Fraud Team attend the initial assessment interview with the applicant to review all information provided to support their application for NRPF funding. This is to prevent any NRPF claimant who is not eligible from obtaining funds fraudulently.

As at 30 September, forty-five referrals have been received during 2017/18 and the Fraud Team have provided information and recommendations back to the NRPF Team. Three referrals have resulted in a potentially fraudulent application being stopped; the Fraud Team are chasing up the outcomes from other recommended action and will report this to a subsequent meeting. There were no accompanied interviews.

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

The team currently has approximately 350 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential tenancy, benefit or succession fraud is indicated can be investigated further. In the last two quarters, the numbers of tenants applying to purchase their properties under the Right to Buy legislation has reduced as valuations continue to rise.

In 2017/18 to date, 34 applications (24 in quarter 2) have been withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or failing 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, 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, **24** council stock properties have been recovered through the actions and investigations of the Fraud Team; therefore **a total value of £432k** can be attributed to the recovery, or cessation, of fraudulent council and temporary accommodation tenancies.

Right to Buy Fraud: Overall, the 34 RTB applications withdrawn or refused represent **over £3.54m** in potential RTB discounts; and means the properties are retained for social housing use.