

MUNICIPAL YEAR 2019/2020 REPORT NO. 31

MEETING TITLE AND DATE:

Audit and Risk Management
Committee
- 19th June 2019

REPORT OF:

Director of Law & Governance

Contact officer and telephone number:
Gemma Young – Head of Internal
Audit & Risk Management
Contact number: 07900 168938

Email: gemma.young@enfield.gov.uk

Agenda - Part:	Item: 10
Subject: Counter Fraud Service Annual Report 2018/19	
Wards: ALL	
Cabinet Member consulted:	N/A

1. EXECUTIVE SUMMARY

1.1 The work that the Counter Fraud Team has undertaken during the year ending 31 March 2019 is presented in terms of outcomes as well as the values of frauds prevented and overpayments raised.

1.2 During the year, some notable results have been achieved, including:

Identified overpayments and potential savings of £3.85m (an increase of over 60% on 2017/18 performance), primarily achieved through the cancellation of fraudulent claims by tenants to purchase properties under the Right To Buy scheme, the identification of Housing Benefit and Council Tax overpayments, and the screening of applications for support from persons with No Recourse to Public Funds.

Partnership working between Counter Fraud and teams in Council Housing and Temporary Accommodation has resulted in the recovery of over 100 properties that were not being used lawfully.

2. RECOMMENDATIONS

2.1 To note the outcomes of the work of the Counter Fraud Team for 2018/19.

3. BACKGROUND

- 3.1 This report summarises the work of the Counter Fraud Team for the period 1 April 2018 to 31 March 2019.
- 3.2 The team has achieved some very positive outcomes during this period, including:
- Supporting the Council Housing and Temporary Accommodation teams in recovering over 100 properties;
 - Identified overpayments and potential savings exceeding £3.85m including the identification of fraudulent or unlawful claims for Right To Buy discounts, claims for support provided by the No Recourse to Public Funds Team, Council Tax (support, discounts, and exemptions), and Housing Benefits;
 - 3 financial penalties levied for Council Tax Support offences;
 - 1 employee dismissed and 1 resignation following investigations conducted.

These results are summarised in Tables 1 and 2 below:

Table 1: Overall Counter Fraud Achievements

Category	Annual Target	Achieved as at 31 March 2019	Notional Value*	New Build Value*
HOUSING				
Council Housing recoveries	60	65	£1.17m	£9.75m
Temporary accommodation recoveries	40	39	£97.5k	n/a
TOTAL	100	104	£1.26m	£9.75m
OTHER				
Savings identified **	£2.0m	£3.85m		

** Central Government estimate a loss to the public purse of £18k per property that has been subject to social housing fraud; in addition, the Chartered Institute of Housing estimate the average cost of building a new home to be £150k. The Notional Value of a Temporary Accommodation recovery (£2.5k per property) is based on the net annual cost to the Council of acquiring a property for use as temporary accommodation.*

*** Includes overpayments identified or recovered, as well as potential future income and the estimated value of losses prevented by the detection and interception of fraud and improvement of controls – please see Table 2 below.*

Table 2: Counter Fraud Savings Analysis

	Investigations		Prevention Saved for LBE £	Total £
	Saved for LBE £	Saved for DWP £		
Housing Benefit (DWP)		298,642		298,642
Council Tax Support	64,761			64,761
Council Tax Single Person's Discount (pro-active exercise)	76,502			76,502
Council Tax Single Person's Discount (investigations)	6,888			6,888
Benefit Penalties	1,536			1,536
Direct Payments	1,748			1,748
No Recourse to Public Funds (£17.2k per application refused)			430,000	430,000
Right To Buy (Value of discounts refused)			2,974,200	2,974,200
TOTAL	151,435	298,642	3,404,200	3,854,277

3.3 For 2018/19 the Counter Fraud Service has again received significant funding through a contribution from the Housing Revenue Account, which has enabled 2 full-time Investigators to be deployed to work alongside the Neighbourhood Team in Council Housing to recover properties that have been unlawfully used, including those that have been abandoned or sublet. Once recovered, these properties can then be re-let to applicants in genuine need of assistance.

3.4 During the period 1st April 2018 to 31st March 2019, this work has resulted in the recovery of 65 Council Housing properties, as follows:

Recovery Category	
Abandoned	29
No Right of Assignment	16
Not sole or principal home	13
Sub-let	04
Occupied by squatters	02
Tenancy obtained by deception	01
Total	65

- 3.7 The HRA contribution has also funded a full-time Investigator to support the Right To Buy Team. This officer examines every qualifying RTB application and during 2018/19 this process has led to the cancellation or withdrawal of 30 cases, representing 26% of all applications reviewed. Had these applications been allowed to proceed, the cumulative discounts allowed against the purchase price of these 30 properties would have exceeded £2.97m.
- 3.8 Common scenarios leading to cancellation include where the tenant has falsified earnings information in order to obtain a mortgage offer (this information is shared with the mortgage company concerned and generally results in the withdrawal of the mortgage). Another example is where a family member claims the RTB with the tenant, but the family member is subsequently found not to be resident at the property and is therefore excluded from the application. In these circumstances the tenant is often unable to complete the purchase.
- 3.9 In addition to stopping the RTB claims, a further £105k has been raised in benefit overpayments or cancelled claims for Single Person's Discount through the work of the RTB Investigator.
- 3.10 In addition, an investigation conducted by the Counter Fraud Team has resulted in the recovery of a Notting Hill Housing Trust property. In return for providing this service to the Trust, a family previously living in temporary accommodation provided by the Council has been able to move into the vacant property.
- 3.11 The Temporary Accommodation Team employs an officer to undertake visits to persons in nightly paid accommodation. These visits have led to the identification and recovery of 38 properties that were mainly found to be abandoned.
- 3.12 Throughout 2018/19, a dedicated Counter Fraud Investigator has continued to support the No Recourse to Public Funds Team in the Homelessness Service. This team supports families who are destitute and in need of support with accommodation and living costs but because of their immigration status are not entitled to state benefits. The Investigator has been able to make thorough checks to confirm the financial circumstances of those applying for assistance, as well as accompanying social workers to face-to-face interviews with clients. A total of 25 applications have been refused or cancelled during 2018/19, generating estimated savings of £430k based on average support costs calculated by the NRPF Network. The NRPF Team were also able to reduce the level of financial support provided to 4 households where the Counter Fraud Team identified previously undeclared household income.

Council Tax and Electoral Register data-matching

- 3.13 As part of the Cabinet Office's National Fraud Initiative exercise, the Counter Fraud Team has been reviewing matches between Council Tax and Electoral Register records that have highlighted addresses where a Single Person Discount has been claimed, effectively reducing Council Tax liability by 25%, but where there are two or more people registered to vote at that same address. A total of 300 households were contacted and questioned regarding

their SPD claim. As a result, 106 claims have been withdrawn, which has allowed the Council to issue Council Tax bills requesting an additional £76k from these households. This exercise is currently being repeated with refreshed data, and the results will be reported in due course.

- 3.14 The tables at Appendix 1 give further information regarding the activities of the team during 2018/19.

Counter Fraud Action Plan

- 3.15 The Service has a Counter Fraud Action Plan, which forms part of the Counter Fraud Strategy.

The following table summarises actions that have been undertaken against the plan for 2018/19 by the Audit and Risk Management Service to address fraud types identified in the Plan.

Fraud type	Actions achieved since 1 April 2018
General	<ul style="list-style-type: none"> • Fraud awareness training to council staff in key risk areas, including Income and Assessment Hub, Procurement and Caretaking staff. • E-learning fraud awareness modules revised in line with new customer focussed Corporate Strategy. • Established link with Prevent project to assist in identifying fraud potentially linked to terrorism activities. • Fraud Risk Register Toolkit publicised on CIPFA website. • Continued attendance at seminars to share best practice regarding fraud prevention and detection. • Number of joint fraud and audit reviews undertaken, including Housing Allocations, Ethical Standards and Discretionary Housing Grants. • Ongoing NFI work.
Children's Services	<ul style="list-style-type: none"> • Dedicated investigator reviewing applications for funding through No Recourse to Public Funds and Negative Housing Decisions routes from persons claiming to be destitute.
Council Housing	<ul style="list-style-type: none"> • Recovery of 65 council properties (as at 31/03/2019). • Dedicated Investigator working alongside the RTB Team to prevent fraudulent applications. • Detailed fraud risk identification and input to Civica CX project to assist building in of fraud prevention/detection controls. Work assisting with this project continues.
Council Tax	<ul style="list-style-type: none"> • Sanction / prosecution of offenders • Joint exercise to examine SPD-ER data matches (as provided through NFI). Savings to date exceed £76k.
Employee Fraud	<ul style="list-style-type: none"> • Investigation of reactive referrals involving employees • Risk-based auditing of key financial systems
Procurement	<ul style="list-style-type: none"> • Review of compliance with CPRs regarding leasing arrangements.

Fraud type	Actions achieved since 1 April 2018
Schools	<ul style="list-style-type: none"> • Rolling programme of risk-based audits Supporting schools conducting employee investigations. • Fraud awareness training at school business managers' and governors' forums (this is a rolling programme).

Whistleblowing cases

- 3.16 During 2018/19, the Audit and Risk Management Service was advised of 3 new case raised under the Whistleblowing Policy.

Planned work for 2019/20

- 3.17 During 2019/20 the team will continue to investigate all fraud referrals and progress investigations to a point of conclusion applying sanctions as appropriate
- 3.18 The team will continue to co-locate investigators alongside the Neighbourhood and Right To Buy teams in Council Housing, as well as the No Recourse to Public Funds team in Children's Services.
- 3.19 The Counter Fraud Team are also in discussions with the Head of People Assessments to determine how best to provide investigative support to help screen persons applying for housing assistance on grounds of homelessness.
- 3.20 Where resources allow, the team will promote their investigative services to local Housing Associations in return for nomination rights to any recovered properties.
- 3.21 In addition, in May 2019 the team were joined by an apprentice who will be studying for the newly developed Counter Fraud Apprenticeship which is due to be launched nationally in the coming weeks.

4. ALTERNATIVE OPTIONS CONSIDERED

There are no other options which can be considered as these matters need to be reported to the Audit & Risk Management Committee.

5. REASONS FOR RECOMMENDATIONS

These items are being brought to the attention of the Audit and Risk Management Committee in line with the requirements of the Accounts and Audit Regulations 2015.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

There are no specific financial implications relating to this report, other than those identified in the separate appendices.

6.2 Legal Implications

The Council's chief finance officer (the 'Section 151 officer' – section 151 Local Government Act 1972) has statutory status and is responsible for financial administration. The chief finance officer is also under a statutory duty to issue a formal report if s/he believes that the Council is unable to set or maintain a balanced budget (the 'Section 114 report' (section 114 Local Government Finance Act 1988).

The Accounts and Audit Regulations 2015 (the '2015 Regulations') places an obligation on local authorities to maintain a system of internal audit whereby it:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The internal audit must be an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Each financial year the council must conduct a review of the effectiveness of the system of internal control required by regulation and prepare an annual governance statement.

This report addresses the statutory obligations under the statutory obligations for local audit processes in compliance with the 2015 Regulations.

6.3 Property Implications

There are no specific property implications that have not already been referred to in this report.

7. KEY RISKS

Any large, complex organisation needs a well-established and systematic risk management framework in place to identify and mitigate the many risks it may face. This report forms part of the risk management and governance process.

8. IMPACT ON COUNCIL PRIORITIES - CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

8.1 Good Homes in Well-Connected Neighbourhoods

An effective Audit and Risk Management Service helps to provide assurance over any risks that might adversely affect the delivery of good homes in well-connected neighbourhoods.

8.2 Sustain Strong and Healthy Communities

An effective Audit and Risk Management Service will help the Council achieve its objectives to sustain strong and healthy communities.

8.3 Build our Local Economy to Create a Thriving Place

An effective Audit and Risk Management Service will help the Council achieve its objectives in building the local economy and creating a thriving place.

9. EQUALITIES IMPACT IMPLICATIONS

Corporate advice has been sought regarding equalities and an agreement has been reached that it is not relevant or proportionate to carry out an equalities impact assessment/analysis for this report.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

An effective Audit and Risk Management Service is an essential part of the performance management of the Council's services and activities.

11. PUBLIC HEALTH IMPLICATIONS

Items summarised in this report do not have a direct impact on the health and well-being of the public in Enfield.

Background Papers

None

Appendix 1 - Counter Fraud Activities

Table A: Counter Fraud Team – Summary of Outcomes (1 April 2018 – 31 March 2019)

Fraud Type	Current caseload	Outcomes on completed cases 01/04/2018 – 31/03/2019						
		Resignation	Dismissal	Disciplinary	Other *	Prosecution	No Further Action	Reports issued
Employee fraud	4		1	2				1
Members	-							
Direct Payments	4				1		1	
Breach of financial regulations (Schools)	-	1		2	1			
School Admissions	1							
Confiscation/Financial Investigation	2							
Theft	-							
Procurement	-							
Fraud (other)	2							
Local taxation fraud	27				140	1	51	
Proactive exercises	5				1			
No Recourse to Public Funds	9				29			117
Right to Buy	16				30			103
Totals	70	1	1	4	202	1	52	221

*Other outcomes include:

Category	No. of cases	Outcomes
Local Taxation Fraud	140	75 overpayments raised, 62 cases referred to the DWP for further investigation, 3 financial penalties imposed.
Right to Buy	30	30 applications stopped.
No Recourse to Public Funds	29	25 cases where support withdrawn or not approved, plus 4 where payments were reduced.
Direct payments	1	Payment stopped

Appendix 1 (cont'd) – Counter Fraud Activities

Table B: Housing Investigations Summary Outcomes (1 April 2018 – 31 March 2019)

Fraud Area	Current Caseload	Properties recovered	Recovery Value	Prosecution	Prosecution Value	POCA / Unlawful profit orders
Housing	82	65 Council Housing; 38 Temporary Accommodation (nightly paid); 01 Housing Association.	£11.017m * * Combined Notional and New Build Value (please refer to main report – Table 1: Overall Counter Fraud Achievements at paragraph 3.2)	-	N/A	-