

Finance

7 Newington Barrow Way

London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 18 September 2023

Wards: All

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## Subject: Annual Fraud Report – 2022 – 2023

### 1. Synopsis

- 1.1. This report is intended to support members of the Audit Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by providing detail of counter-fraud activity. In addition to the annual fraud report, the Committee is also provided with bi-annual whistleblowing monitoring reports.
- 1.2. The Local Government Transparency Code 2015 requires local authorities to publish details of their counter fraud activity. As in the previous year, this report provides an update on counter-fraud work undertaken by Council's three core investigations teams (Corporate Investigations, Housing and Parking) for the 2022-23 year, covering the period 1 April 2022 to 31 March 2023.
- 1.3. The risk of serious fraud or corruption is included in the Council's Principal Risk Report. The cause is articulated as a lack of adequate governance arrangements including key controls and robust fraud awareness. Therefore, the Council seeks to actively enhance its governance arrangements by having a robust anti-fraud and corruption strategy in place.

### 2. Internal Audit Investigations (IAI)

- 2.1. IAI undertake corporate investigations. The current resourcing arrangements for the team, as a result of a recruitment in 23-24, is two Principal Investigators and the Audit Manager (Investigations). This represents an increase in resource from 22-23 to 23-24.
- 2.2. IAI sits within the Internal Audit, Investigations and Risk Management service. All three staff members are professionally qualified to accredited counter-fraud level. The primary objective of IAI is the prevention and detection of fraud and corruption. IAI's remit covers corporate investigations largely entailing all areas of fraud outside of the housing, parking and enforcement teams.

- 2.3 IAI employs an established approach to investigating alleged fraud and corruption which includes:
- Risk assessing and prioritising referrals as they are received;
  - Working to good practice protocols;
  - Utilising contacts with other agencies such as the Department for Work and Pensions (DWP) and Action Fraud;
  - Working alongside other Council teams such as Human Resources, Legal, Revenues and colleagues within Internal Audit and Risk Management;
  - Liaising with colleagues in teams where there is a higher risk of fraud;
  - Joint working with others (e.g. other Councils, the police) as necessary;
  - Networking with colleagues across London as part of the London Borough Fraud Investigators Group (LBFIG); and
  - Staying abreast of latest national fraud alerts.
- 2.4 IAI undertake proactive and reactive investigations. Details of proactive activity is outlined in sections 3-5 below. This section provides details of reactive investigations i.e. investigations arising as a result of referrals received from employees, management, the public etc. Reactive investigations include referrals received in line with the anti-fraud and corruption policy (classified as standard referrals) as well as referrals that meet the criteria for whistleblowing in line with the whistleblowing policy and procedure (classified as whistleblowing referrals).
- 2.5 As reflected within Table 1 below, for the period 1 April 2022 to 31 March 2023, IAI received a total of 42 standard referrals. Separately, IAI received 12 referrals that were assessed as whistleblowing referrals. Details of the whistleblowing referrals and outcomes is included in the bi-annual whistleblowing monitoring report elsewhere on this agenda. For the new financial year i.e. the period 1 April to 30 June 2023, IAI received 29 standard referrals. Outcomes and details of these referrals will be included in the 23-24 annual fraud report to Committee. Therefore, an update on standard referrals for the 22-23 year is provided below.
- 2.6 Of the 42 referrals received in 22-23, 37 referrals have been closed following the conclusion of investigatory work and 5 investigations remain open. Of the 37 referrals closed, 5 referrals were found to be substantiated, 28 were found to be unsubstantiated, 2 were unable to be concluded due to lack of evidence and 2 were passed to the Department for Work and Pensions.

Table 1: Number of standard referrals received:

Period	1 April 2022 to 31 March 2023	1 April 2021 to 31 March 2022
Number of referrals received	42	43

- 2.7 A breakdown of the types of referrals received over the period 1 April 2022 to 31 March 2023 is provided in Table 2.

Table 2: Breakdown of referrals by type\*

Referral type	Number of referrals
Employment	7
Pensions	4
Payment/theft/financial irregularity	14
School Admissions	1
Inappropriate behaviours/harassment	4
Contractor	3
Health and Safety	2
Impropriety	7
TOTAL	42

\* The referral type is not definitive as there may be a crossover of allegations in some areas. However, the type of referral has been broadly assigned to offer an indication of the type of referrals received.

2.8 A breakdown of referrals received per directorate for the period 1 April 2022 to 31 March 2023 is provided in Table 3.

Table 3: Breakdown of referrals by directorate

Directorate	1 April 2022 to 31 March 2023
Resources	19
Homes and Neighbourhoods	6
Community Wealth Building	6
Adult Social Care	1
Children and Young People	6
Fairer Together	4
TOTAL	42

### Summary of investigation outcomes for 2022-23

2.9 22 of the referrals contained allegations of fraud/irregularity committed by members of the public, companies, or other organisations. Outcomes of these referrals are as follows:

- 4 referrals have been substantiated;
- 13 referrals were not substantiated;
- 2 referrals were unable to be concluded due to a lack of evidence;
- 2 referrals were passed to the Department for Works and Pensions;
- 1 referral remains open with enquiries ongoing.

2.10 The remaining 20 referrals relate to allegations of fraud/irregularity committed by Council employees. Outcomes of these cases are as follows:

- 1 referral has been substantiated;
- 15 referrals were not substantiated;
- 4 referrals remain open with enquiries ongoing.

### **Control enhancements**

2.11 Following the completion of investigations and where relevant, IAI aims to improve and strengthen controls by issuing investigation reports, which details recommendations to address any control weaknesses that may have been identified during the investigation. Lessons learned from fraud investigations are also fed into the work undertaken by Internal Audit in order to improve and enhance the Council's overall governance framework.

### **Anti-fraud advice**

2.12 Anti-fraud conversations take place where necessary and Internal Audit colleagues are consulted where appropriate. Since April 2022, IAI have conducted anti-fraud conversations and provided ad-hoc advice to relevant services across the Council.

### **National Anti-Fraud Network (NAFN)**

2.13 NAFN is a not-for-profit public sector organisation. It is managed by and for the benefits of its members, delivering services which enable effective financial governance and efficient acquisition of data, as well as acting as the hub for intelligence alerts and providing best practice examples of processes, forms and procedures. Intelligence continues to be supplied by the National Anti-Fraud Network (NAFN). IAI disseminates intelligence to the relevant teams. Feedback from services indicate that the alerts are useful in raising fraud awareness.

### **Pan London collaboration**

2.14 A key element of the Council's anti-fraud and corruption strategy involves collaboration with colleagues across London to share intelligence and stay abreast of fraud trends. IAI attends the London Borough Fraud Investigators Group (LBFIG) and also attended a Counter Fraud Conference in February 2023. The service also attends the London Audit Group's fraud special events.

2.15 IAI actively collaborate with other London authorities and agencies as appropriate during investigatory work.

## **3. Proactive work plan and fraud awareness**

3.1 The Council takes a zero-tolerance approach to fraud. Serious fraudulent activity is included as a principal risk in the Council's Principal Risk Report. A number of controls and actions are included within the Principal Risk Report to demonstrate how this risk is being mitigated. Some of the controls/actions being taken include:

- Internal Audit and IAI work closely to ensure that intelligence is shared;

- Fraud risks feed into the annual audit plan;
- IAI oversee the National Fraud Initiative (NFI) with service areas taking responsibility for their data matches.

3.2 Along with reactive investigations, IAI strives to deliver a proactive work plan designed to prevent and detect fraud. Services continued to seek proactive anti-fraud input in 2022/23, and a pro-active anti-fraud review related to Direct Payments concluded in 22/23.

3.3 Fraud awareness staff alerts are issued periodically and anti-fraud policies are included on the Council's intranet.

#### **4. National Fraud Initiative**

4.1 The National Fraud Initiative (NFI) is a biennial exercise ran by the Cabinet Office, which matches electronic data within and between public and private sector bodies to prevent and detect fraud, including police authorities, local probation boards, fire and rescue authorities, as well as local councils and a number of private sector bodies.

4.2 At the beginning of each exercise, Islington Council is required to upload a number of datasets onto the NFI's secure application, including Housing Benefits, Payroll, Pensions, Housing tenancy, Housing waiting lists, Right-to-Buy, Blue Badges, Council Tax, Resident Parking Permits etc. A number of external datasets are also provided by third parties, for example HMRC, Companies House; and the DWP.

4.3 The latest NFI data matching exercise commenced in February 2023. Whilst there are a high number of matches, local authorities are not required to review all matches, and the decision whether to undertake an investigation into each match is at the discretion of the local authority. To this end, matches are assigned with either a high, medium or low priority rating, and the Cabinet Office recommends that the high priority matches are reviewed first, and all outcomes are recorded on the NFI's secure web application. Overall, Islington has historically found that, whilst a large number of initial matches are generated by the NFI exercise, the quality of these matches is generally low. However, investigation activity as a result of these matches is currently underway based on risk assessments.

4.4 Matches are returned in separate categories, for example Blue Badge, Council Tax Reduction, Housing Benefit, Pensions, Payroll, Housing Tenants, Housing Waiting List, Right to Buy, Creditors and Procurement.

4.5 Matches are allocated to and investigated by a number of teams across the Council, including IAI, the Housing Investigations Team, Parking Investigations, Revenues etc.

4.6 The Cabinet Office publishes a report at the end of each exercise summarising what local authorities have saved cumulatively as a result of the NFI exercise. The last exercise (from 2020 to 2022) enabled participating organisations to prevent and detect £416.8 million fraud and error in the period 5<sup>th</sup> April 2020 to 31<sup>st</sup> March 2022. The report, published in December 2022, can be accessed [here](#).

#### **5. Department for Work and Pensions - anti-fraud support**

5.1 The Counter-Fraud and Compliance Directorate (CFCD) within the Department of Work and Pensions (DWP) undertake the investigation of Housing Benefit Fraud. As Islington Council administers Housing Benefit payments, the following activities fall under the remit of the Council in supporting the DWP:

- supply of documentary evidence;
- fulfilment of requests for Housing Benefit claim information;
- overpayment calculations; and
- production of witness statements.

The Single Point of Contact (SPoC) is the Audit Manager Investigations.

5.2 Between the 1 April 2022 to 31 March 2023, the SPOC responded to 77 requests for information.

## **6. Policies and Procedures**

6.1 In line with good practice, IAI seeks to review its policies and procedures at regular intervals. The whistleblowing policy and procedure was updated in June 2022 and the Anti-Fraud and Corruption Strategy and Policy was updated in July 2023.

6.2 Policies are placed on the Council's intranet for ease of reference.

## **7. Housing Investigations**

7.1 The Housing Investigations team (HIT) in the Council's Homes and Neighbourhoods directorate is responsible for the investigation of tenancy fraud across the borough. The main areas of concern are cases of not principal home, subletting, obtaining a tenancy by deception, Right to Buy (RTB) fraud and fraudulent successions. HIT also works with the Housing Needs department to investigate fraudulent homeless and housing register applications.

7.2 The team is made up of 1x Housing Investigation Manager, 1x Housing Investigation Team leader, 6x Housing Investigation officers and 1x Intelligence Officer. All investigation roles are accredited counter fraud specialists.

7.3 The table below outlines outcomes from 1 April 2022 to 31 March 2023 and includes comparator figures for previous years:

	1 <sup>st</sup> April 2020 – 31 <sup>st</sup> March 2021	1 <sup>st</sup> April 2021 – 31 <sup>st</sup> March 2022	1 <sup>st</sup> April 2022 – 31 <sup>st</sup> March 2023
<b>Properties Recovered</b>	<b>23</b>	<b>41</b>	<b>48</b>
Recoveries by referral type:			
<input type="checkbox"/> Data matches	0	0	0
<input type="checkbox"/> Gas Safety Checks	4	2	7
<input type="checkbox"/> Hotline/internet	2	12	8
<input type="checkbox"/> Housing Investigation officer	0	2	0
<input type="checkbox"/> Housing officer	6	7	8
<input type="checkbox"/> National Fraud Initiative	0	0	0
<input type="checkbox"/> Registered Social Landlord	0	0	0
<input type="checkbox"/> Right to Buy (RTB)	0	0	6
<input type="checkbox"/> Succession/Assignment/RTB checks	7	9	13
<input type="checkbox"/> Tenancy audit	0	3	1
<input type="checkbox"/> Under appeal	0	0	0
<input type="checkbox"/> Valuations	0	4	3
<input type="checkbox"/> Property Services	0	0	0
<input type="checkbox"/> Other	4	2	2
<b>Total Prosecutions:</b>			
Prevention of Social Housing Fraud Act and Fraud Act	0	1	1
<b>Other Results</b>			
Unlawful Profit/ Compensation Orders recovered	£105,000	£61,539	0
Right to Buy (RTB) applications prevented	1	9	6
Housing applications withdrawn	0	0	0

- 7.4 The team's results are recovering following the Covid-19 pandemic and the lack of court hearings and evictions. However, there is still a shortage of bailiffs which is resulting in significant delays on evictions being carried out. The current average wait time for an eviction date is 4.5 months.
- 7.5 The due diligence checks that have been built into the succession, gas safety and right to buy processes account for 60% of the properties recovered, demonstrating that these checks are necessary and effective.
- 7.6 Every succession application is now checked by HIT before it is allowed to continue. In previous years, only those the Tenancy team considered a risk were checked.
- 7.7 Right to Buy applications are checked by HIT at instruction and again prior to completion. In 2022-23, these due diligence checks resulted in 6 properties being recovered. This action not only preserved valuable housing stock but also saved £675,300 in discount that would have been applied to the sale value.
- 7.8 The following table details the savings and costs of tackling Housing fraud over the last three years.

Savings and costs	2020-2021	2021-2022	2022-2023
Housing Investigation team cost	£312,193	£398,790	£424,391
No: Properties recovered	23	41	48
HIT cost per property recovered	£13,574	£9,727	£8,841
The cost of tenancy fraud to the public purse at £42k per property	£966,000.00	£1,722,000.00	£2,016,000.00
Right to Buy discount prevented	£112,300	£996,100	£675,300
Rent arrears recovered	£9,727	£66,513	£81,960.99

- 7.9 Recent work carried out by the Tenancy Fraud Forum in conjunction with the Cabinet Office and the Fraud Advisory Panel have estimated the national average cost of a property lost through tenancy fraud at £42,000. This includes temporary accommodation costs, void costs, legal and investigation costs. LB Islington have adopted these recommended values.
- 7.10 The average cost of recovering a property using the Investigations team varies. However, an average of £10,137 per property can be attributed over the last three years.
- 7.11 In terms of savings, by delivering 112 properties to housing residents over three years, this has saved the taxpayer £4.7m including temporary accommodation costs.
- 7.12 For comparison the cost of building the same number of properties would be in the region of £16.8m (at a value of £150k each).
- 7.13 The team also engages in downsizing where there is not enough evidence to legally recover a property. The team will negotiate with a tenant to give up their property in exchange for a smaller property, freeing up larger properties to house families and ease overcrowding.
- 7.14 Occasionally the team will identify cases which are not due to fraud but where the tenant has support needs that have not been identified. In these cases, the Housing Investigations team will work across teams to ensure the tenant is supported where possible and the tenancy is sustained.

## 8. Parking Fraud Investigation Team



- 8.1 Islington's Parking Fraud Investigation Team (FIT) consists of two principal officers who investigate all forms of parking fraud within the Council. The team investigate a range of parking fraud offences including counterfeit/stolen/illegally modified badges and permits, misuse of parking documents, false application for parking instruments (vouchers, permits, badges etc), false appeals against Penalty Charge Notices (PCNs) and submitting false and illegally modified supporting documents in applications and appeals.
- 8.2 Fraud investigations and the processes leading to prosecution are functions of the law, which stipulates offences and remedies. The FIT therefore conducts themselves within the confines of the following legal instruments, regardless of whether it involves permits or blue badges and residents or non-residents:
- Chronically Sick and Disabled Persons Act 1970;
  - Road Traffic Regulations Act 1984 ;
  - Fraud Act 2006;
  - The Disabled Persons (Badges for Motor Vehicles) Regulations 2000;
  - Traffic Management Act 2004;
  - Regulation of Investigatory Power Act 2000;
  - Vehicle Excise and Registration Act 1994;
  - Greater London Council (General Powers) Act 1972;
  - The Disabled Persons (Badges for Motor Vehicles) (England) Regulations 2000.
- 8.3 Enforcement may include:
- Issuing Penalty Charge Notices (PCNs);
  - Clamping offending vehicles;
  - Removing offending vehicles to the pound;
  - Interviewing suspects under caution;
  - Issuing a caution;
  - Where applicable , prosecution ( following considerations of the public interest test, evidential test, costs of taking the case to court etc).

### **Blue Badge Day of Action**

- 8.4 FIT participated in a London wide blue badge day of action, organised by London Councils and Lambeth in May 2022. Outcomes were noted as follows:
- 7 PCNs were issued;
  - 2 vehicles were removed;
  - 3 stolen badges were recovered.
- 8.5 The table below outlines outcomes from 1 April 2022 to 31 March 2023 and includes comparator figures for previous year:

<b>Outcomes</b>	<b>1/4/22 to 31/3/23</b>	<b>1/4/21 to 31/3/22</b>
Penalty Charge Notices (PCN) issued	99	80
Vehicles Removed	48	50
Badges confiscated	67	60
Cases investigated	102	98
Cautions issued	1	0
Value of confiscated Badges to (TfL and LBI) at £5000/Year	£335,000	£300,000

Value of confiscated Badges (LBI Parking Universal Parking Rate) at £3500/Year	£234,500	£210,000
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## 9. Recommendations

9.1. To note the report.

## 10. Background

10.1. The Local Government Transparency Code 2015 (published by the Department for Communities and Local Government – now the Ministry for Housing, Communities and Local Government) requires local authorities to publish details of their counter fraud activity.

10.2. The report summarises the work that has been taken by Internal Audit (Investigations), Housing Investigations and the Parking Investigation teams.

## 11. Implications

### 11.1. Financial Implications

11.1.1. The programme of work has been met from within the existing Internal Audit (Investigations) budget. The financial implications of individual investigations are met by local budgets.

### 11.2. Legal Implications

11.2.1. There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual investigations.

### 11.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

11.3.1. There are no environmental implications arising from the recommendations in this report.

### 11.4. Equalities Impact Assessment

11.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

11.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impact on residents.

## 12. Conclusion and reasons for recommendations

12.1. To note the details of the counter-fraud activity carried out by Internal Audit (Investigations), Housing Investigations and Parking Investigations in the 2022-23 year.

**Final report clearance:**

**As agreed by:**

**Corporate Director of Resources**

**Date:** **Date the report received approval**

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**Report ends**