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| <p><i>Non-Executive Report of the:</i> Audit Committee</p> <p>16TH November 2017</p> |  |
| <p>Report of: <i>Zena Cooke - Corporate Director - Resources</i></p> | <p>Classification: <i>Unrestricted</i></p> |
| <p>Corporate Anti-Fraud Team Outturn 2016-17</p> | |

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|-------------------------------|-------------------|
| Originating Officer(s) | <i>Tony Qayum</i> |
| Wards affected | <i>All wards</i> |

1. INTRODUCTION

- 1.1 This report provides an outturn for the last financial year 2016-17.
- 1.2 It captures the work of the Corporate Anti-Fraud team which includes Corporate Investigations, Social Housing Fraud Investigations and Anti-Fraud work around Parking Services.

2. RECOMMENDATIONS

- 2.1 The Audit Committee is asked to note the contents of the report.

3. BACKGROUND

- 3.1 This report provides the Audit Committee with a summary of work on sensitive and reactive enquiries undertaken during 2016/17. It includes an overview of the results of the investigations carried out by Corporate Investigations, Parking Services and the Social Housing Fraud Investigation service.
- 3.2 The following table shows the resources, expressed as full time equivalent (FTE) posts, that deliver the services covered in this report.

| Service | FTE | Role |
|------------------|-----|--|
| Risk Management | 1 | <ul style="list-style-type: none"> • Corporate Anti-Fraud Manager • Corporate Anti-Fraud Team Leader |
| | 1 | |
| | 2 | <ul style="list-style-type: none"> • Corporate Anti-Fraud Investigators |
| | 1 | <ul style="list-style-type: none"> • Tenancy Fraud Team Leader • Tenancy Fraud Officers • Temp Tenancy Fraud Officer – THH Funded |
| 2 | | |
| 1 | | |
| Parking Services | 1.5 | <ul style="list-style-type: none"> • Parking Fraud Investigation Officers |

An analysis of the notional savings achieved as a result of the anti-fraud and reactive work carried out by the team is attached as Appendix1.

4. KEY ACTIVITIES AND ACHIEVEMENTS FOR 2016/17

- 4.1 There have been seven substantial inquiries which have involved close working between the relevant Directorates, the Corporate Anti- Fraud Service, the Department for Work and Pensions (DWP), Police and Legal Services.
- 4.2 The resultant investigations covered an extensive range of systems and processes and required substantial staff resources to finalise all of the issues relating to criminality.
- 4.3 The Corporate Anti-Fraud service has also provided support to Directorates upon request. This included an ongoing review of the National Fraud Initiative, investigations into potential systems abuses in front line services and a range of investigations into allegations of financial impropriety from a range of referrals.
- 4.4 We have worked closely with the DWP Organised Fraud unit and the London Borough of Redbridge on an extensive fraud involving false pay details associated with European Economic Area workers. The total value of the fraud was £1.6m including £600k for LBTH, £578k for LB Redbridge and £420k in Tax Credits.
- 4.5 We are continuing to work closely with the DWP Organised Fraud unit regarding concerns about other employers who may have falsified income records in the same way.
- 4.6 We have continued to work closely with the Council's Legal Service on a number of matters including employment law issues and governance. This includes matters relating to:

- Money Laundering;
 - Whistleblowing processes for all types of whistleblows including fraud, corruption and professional practice including care and safeguarding matters (this is covered in a separate report elsewhere on the agenda);
 - Data Protection;
 - the Parking Service with regard to Blue Badge irregularity;
 - and worked corporately where instances of reputational concern and or fraud have been identified.
- 4.7 We have also supported the Housing Tenancy Fraud Investigators to in tackling Sub Letting of Tower Hamlets Homes and Registered Social Landlord properties.
- 4.8 We have organised several training sessions with staff and external bodies/visitors on Anti-Fraud and Corruption matters as part of our proactive initiatives and more are planned for this financial year, together with training exercises with our Risk Management Service.
- 4.9 We have continued to deliver against the Service Level Agreement with Parking Services and undertaken pro-active initiatives with the Police and other public sector agencies.
- 4.10 We have continued to play an active part in the London Boroughs Fraud Investigation Group, a multi borough working group to focus on enhancing the effective response to fraud risks in the public sector and been an active participant with CIPFA on the professional standards best practice work on Fraud Investigation which is due to be issued later this year.
- 4.11 Following the transfer of the HB Fraud Investigation team to the DWP in February 2016 we have developed the Intelligence team to engage on more corporate work including supporting initiatives within the audit Service.¹² We have also concluded all legacy cases remaining within the Council from the Housing Benefit investigations. These are captured in the attached outturn Appendix 1.

5. THE NATIONAL FRAUD INITIATIVE (NFI)

- 5.1 The National Fraud Initiative (NFI) data matching exercise has continued to be supported, and our efforts continue to maximise the benefits from its output. The Cabinet Office now manages this activity since the closure of the Audit Commission in March 2015.
- 5.2 The Corporate Anti-Fraud service has undertaken detailed reviews of all subject areas to ensure the final out turn for the exercise is robust and evidenced based.
- 5.4 The following is a summary of the results of the LBTH outcome from the NFI work.

A total of £1,045,069 has been identified as monetary losses. The 2014 exercise will be drawing to a close later this year. A breakdown of the losses is set out in the following table.

| Area | Loss (£) |
|--|------------------|
| Housing Benefit/Council Tax Reduction/Council Tax Benefit overpayments | 569,684 |
| DWP overpaid benefits | 237,054 |
| Administrative Penalties levied | 15,074 |
| Pensions | 14,819 |
| Payroll | 29,312 |
| Creditors duplicate payments | 122,297 |
| Council Tax Single Person Discount | 56,829 |
| TOTAL | 1,045,069 |

6. OTHER ACTIVITY

6.1 In addition to the work set out above, the Corporate Anti-Fraud Team has also been involved in:

- On-going liaison and support to corporate and departmental personnel;
- Proactive joint working with other Local Authorities, the Police, the DWP, Registered Housing providers and other government agencies; and
- Ongoing training and development with the services within the Council.

7. SOCIAL HOUSING RECOVERIES

7.1 The team involved in this activity consists of three staff. The team has achieved 44 recoveries for the year and were able to prevent 12 inappropriate Right to Buy sales from going forward. This work represents a saving of in excess of £103,900 per unit in non-applied discounts.

7.2 We have continued to focus on Right to Buy cases and assisted Tower Hamlets Homes and the Council's legal service with improved verification arrangements of financial circumstances and introduced anti- money laundering documentation to satisfy ourselves that we are disposing of assets correctly.

7.3 The success of the team is clear with in excess of 250 recoveries since the team was created in 2010 and a significant impact on systems and processes to improve the Council's Lettings Service as well as

improvements to systems and better controls within our ALMO, Tower Hamlets Homes.

8. PARKING SERVICES

- 8.1 There were 149 recovered Disabled Badges and 34 Permits cancelled together with 56 Parking Control Notices issued.
- 8.2 The team's success is one of the most significant in London and we intend to continue to reduce the abuse of Blue Badge to keep it at the lowest possible level. We will remain vigilant to this significant and antisocial risk.

9. COMMENTS OF THE CHIEF FINANCE OFFICER

- 9.1 This report provides a summary of investigations and prosecutions carried out by Corporate Investigations, Parking Services and the Social Housing Fraud Investigation services in 2016/17. This has resulted in the notional and actual savings circa £14m to the council (detailed in appendix 1).

- 9.2 There are no specific financial implications emanating from this report.

10. LEGAL COMMENTS

- 10.1 This report advises of the work of the Anti-Fraud Service undertaken during 2016/17 including Enforcement Investigations.
- 10.2 Where the Council takes enforcement action as a result of an investigation then it does so in accordance with the Council's Enforcement Policy. The Enforcement Policy provides that the Council's approach to enforcement is founded on firm but fair regulation, around the principles of:
- raising awareness of the law and its requirements
 - proportionality in applying the law and securing compliance
 - consistency of approach
 - transparency about the actions of the Council and its officers
 - targeting of enforcement action.
- 10.3 The Council is required when exercising its functions to comply with the duty set out in section 149 of the Equality Act 2010, namely to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity between those who share a protected characteristic and those who do not, and foster good relations between those who share a protected characteristic and those who do not. An equality analysis was conducted prior to approval of the Enforcement Policy by Cabinet on 3 October 2012. It is recognised that Enforcement action may lead to indirect discrimination in limited circumstances but prior to taking any proceedings, an assessment as to whether the case

meets the two stages in the Code for Crown Prosecutors is undertaken so that there is both a realistic prospect of a conviction and that it is in the public interest to prosecute. Further, proceedings are kept under review once initiated.

11. ONE TOWER HAMLETS CONSIDERATIONS

- 11.1 This report highlights risks arising from exploitation of assets for personal gain. The ongoing management of risks through enhanced vouching and control will assist so that effective governance can be put in place to manage the authority's exposure to risk.

12. ANTI-POVERTY CONSIDERATIONS

- 12.1 There are no specific Anti-Poverty issues arising from this report.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1 This report highlights risks relating to the coverage of Anti-Fraud within the Council and the arrangements to respond to allegations of Fraud and Corruption. It demonstrates how the Council is responding to potential risks to the control framework that may be exploited by fraudsters.

14. SAGE

- 14.1 There are no specific SAGE implications.

15 CRIME AND DISORDER IMPLICATIONS

- 15.1 By having sound systems of control, the Council can safeguard against fraud and abuse of financial resources and assets.