


<p>Non-Executive Report of the:</p> <p>Audit Committee</p> <p>Thursday, 11 April 2019</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Corporate Director, Resources</p>	<p>Classification: Open (Unrestricted)</p>
<p>Proposed Internal Audit and Counter Fraud and Corruption Strategy / Plan 2019-20</p>	

Originating Officer(s)	Steven Tinkler/ Tony Qayum
Wards affected	All

1. Executive Summary

- 1.1. This report sets out the outline combined Internal Audit and Counter Fraud Plan for 2019-20, detailing a breakdown of audits and counter fraud work and an analysis of corresponding resources.

2. Recommendations

- 2.1. Members are asked to agree the proposed combined Internal Audit and Counter Fraud Plan for 2019-20 and the Internal Audit Charter.

3. Background

- 3.1. This report details the proposed Internal Audit and Counter Fraud Plan for 2019-20, as well as the Audit Charter underlying the plans and practice of the London Borough of Tower Hamlets Audit and Counter Fraud Team.

- 3.2. As a reminder, the Council is required under the Accounts and Audit Regulations 2015 to maintain an adequate and effective system of internal audit. This plan demonstrates the utilisation and coverage of such resources to discharge this responsibility and conforms to Public Sector Internal Audit Standards.

- 3.3. The proposed plan also addresses the key relevant findings of the 2017 Service Peer Review undertaken by Kent County Council, with specific regards to:

- i. Developing an integrated audit and counter fraud plan;
- ii. Build in more specific strategic and governance styled audit reviews into the plan; and
- iii. Ring fence a proportion of the counter fraud resources for proactive work and initiatives to raise counter fraud awareness and cultures.

- 3.4 The outline plan is detailed in Appendix 1.

3.5 It is anticipated that the proposed 2019-20 plan will deliver the following outcomes:

- Overall opinion and assurance to support the Annual Governance Statement;
- Assurance against the mitigation of key corporate risks;
- Coverage of critical systems of the council including finance, contract / commissioning and IT assurance;
- Integrated work around value for money and efficiency opportunities;
- Underpinning counter fraud processes and activity as well as resources focused on reactive work such as special investigations;
- The provision of ongoing advice and information on controls to management;
- Structured follow-up on the progress on the implementation of previous audit issues.

4. Development of the Internal Audit and Counter Fraud Plan

4.1. The combined plan in Appendix 1, has been developed through a risk based planning process that has incorporated the following elements.

- Discussions with Corporate Directors (including CLT) and Divisional Directors on emerging risks and concerns;
- Drawing on audit cumulative knowledge and experience to provide assurance over areas identified as high-priority or high risk. These have been mapped where appropriate against the corporate risk register together with alternative sources of independent assurance.
- Work to evaluate Corporate Governance which contributes to the Head of Internal Audit's overall assurance on corporate governance arrangements which in turn informs the Annual Governance Statement;
- Work to provide assurance to the Corporate Director of Resources that adequate and effective controls are in place and operating effectively for a selection of key financial and contracting and commissioning systems;
- Management requests for assurance on particular areas of concern.
- Previous cyclical audit work and the need for follow up;
- Completion of a detailed fraud assessment using the recently published CIPFA risk assessment model;
- Pro-active counter fraud work; and
- Integrating our work with other assurance providers across the Council ranging from commissioning to safeguarding.

4.2 The combination of these elements has been the development of a plan that combines assurance over core systems and governance with key corporate risks. In addition to the core assurance work the plan has been developed to provide strategic assurance in respect of key priorities and transformation.

4.3 Examples of these reviews include:

- Adult Safeguarding including Safeguarding from Financial Abuse;
- S.75 Joint Funding Agreements;
- Mosaic – IT System Implementation
- Quality Assurance for Safeguarding Children
- New Town Hall Build Project

5. Resources

- 5.1 Overall we have a total productive audit and counter fraud resource of 915 days.
- 5.2 After deductions, work for Tower Hamlets Homes, there is a remaining 770 days dedicated to LBTH assurance and counter fraud work.
- 5.3 In addition, the delivery of the audit plan activities will be supported by a strategic audit partner to be procured during the audit year.

6. The Internal Audit Charter

- 6.1. Our internal audit charter is the formal document that defines the purpose, authority and responsibility of internal audit and its position within the organisation. It is basically the key terms of reference for the audit function and it is important that is periodically reviewed and approved by the audit committee.
- 6.2. The current Charter is attached as Appendix 2.

7. Counter Fraud Strategy / Activity

- 7.1. Local Authorities in the United Kingdom are required to maintain high standards of probity and have sound arrangements for protecting the public purse. Sound systems of public accountability are also vital for effective management and in maintaining public confidence. This minimisation of losses from fraud and corruption is essential for ensuring that resources are used for their intended purpose.
- 7.2. The need for effective anti-fraud work within local authorities has also been recognised over several years by regulatory bodies including the former Audit Commission, by the National Fraud Authority and CIPFA through the Local Government Counter Fraud and Corruption Strategy 2016-2019. The requirements highlight the expectations around the framework local authorities have in place in respect of the prevention and detection of fraud. As such, it is imperative that the Council has adequate processes, skills and resources to support anti fraud and corruption activities. We have a dedicated Corporate Anti-Fraud Team that seeks to reduce the risk of fraud and Corruption by utilising appropriately qualified and trained staff to undertake pro-active and re-active work across all areas of the Council's activities.
- 7.3. Central to our approach are the themes:

- **Acknowledge**

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response

- **Prevent**

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

- **Pursue**

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a collaborative and supportive law enforcement response.

7.4 These themes exist within the overall context of an Anti-Fraud Culture and support the roles of the Mayor, Statutory Officers, Elected Members and the public by ensuring where abuse is found it is tackled and resolved with improvements to processes made to minimise future exposure and wherever possible recovery of assets and funds are made.

7.5 To achieve this it is imperative that the Council's fraud investigation function has adequate processes, skills and resources to detect, investigate and prevent anti-fraud and corruption activities.

8. ANTI FRAUD AND CORRUPTION STRATEGY

8.1. As part of our ongoing efforts to ensure the strategy and systems in place within the Council remain relevant and meet best practice the Anti Fraud and Corruption Strategy has been reviewed, the revised strategy is attached at Appendix 3.

8.2. The strategy is based upon the following key areas of coverage as outlined by the following key tests that were set by the CIPFA Publication-Protecting the Public Purse and Better Governance Forum.

8.3. The key tests were:-

8.3.1 Adopting the right strategy

Does the organisation have a counter fraud and corruption strategy that can be clearly linked to the Effective policies and procedures in relation to identifying, reporting and investigating suspected fraudulent/corrupt activity are in place?

8.3.2 **Measuring fraud and corruption losses**

Are fraud and corruption risks considered as part of the organisation's strategic risk management arrangement?

8.3.3 **Creating and maintaining a strong structure**

Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the organisation's counter fraud and corruption strategy?

8.3.4 **Taking action to tackle the problem**

Is the organisation undertaking the full range of necessary action?

8.3.5 **Defining success**

Relevant officers and Committees are made aware of investigations which may affect their Services.

8.4 It is considered that by updating the Anti-Fraud and Corruption Strategy in this way it will remain in compliance with best practice.

9. **ANNUAL CORPORATE ANTI FRAUD PLAN 2019/20**

9.1 The overall aims and objectives of this plan reflect the Council's Anti-Fraud and Corruption Strategy. The key aims are to:

- Highlight and promote the Council's commitment to stop fraud and corruption;
- Document the roles and responsibilities of Members and officers in respect of fraud and corruption;
- Detail the current Council activity in respect of the five key elements of the Strategy, namely, prevention, detection, investigation, sanctions, and deterrence; and
- Demonstrate the Council has sound arrangements in place to receive and investigate allegations of breaches of standards of financial conduct and of fraud and corruption.

9.2 The key drivers used to compile the corporate anti- fraud plan for 2019/20 have built on experience and takes account of the key issues arising from the revised Fraud Risk Register and includes:

- Continued development of a single Corporate Anti-Fraud resource under one managerial structure.
- Management requests and priorities;
- Local Knowledge;
- Fraud Risk Register;

- Emerging Risks identified by CIPFA Benchmarking / Anti-Fraud networks;
- Close working with Internal Audit and other review agencies where the assurance ratings are limited or nil;
- Joint working arrangements – external (Police, NHS, Boarder Force and other Local Authorities);
- Resourcing the Government’s initiative to examine instances of un lawful sub letting of Social Landlord properties;
- Joint Working arrangements – internal (payroll, pensions, parking services, housing services; and
- Issues identified from planned audit work;
- Good Practice as prescribed by the Fighting Fraud and Corruption Locally Strategy (2016-19);
- Data matching exercises with external and internal sources including the National Fraud Initiative and identifying Pro-active drives to highlight inconsistencies for further examination;
- Publications such as the “The Local Government Fraud Strategy” produced by CIPFA in it’s by Fighting Fraud Locally publication;
- Learning from previous experience and improvements to controls made

9.3 Our planned activities cover:-

- Planned activities for Tower Hamlets Homes that will include pro-active and reactive work, along with ongoing reviews of access to accommodation, including tenancy successions as part of the on-going work of the Social Housing Fraud resource.
- Continued management of the National Fraud Initiative process for the Authority, ensuring we meet our requirements under the Cabinet Office’s Code of Data Matching Practice and that the NFI exercise is appropriately resourced and finalised within prescribed deadlines;
- Ensure that the work of those engaged in Anti Fraud work supports the Council’s Strategic Objectives;
- Work jointly internally and externally by maintaining existing arrangements and developing better co-ordination;
- Continue to lead on pro-active Anti-Fraud initiatives that bring together all services within the Council and external including the Police, Boarder Force, NHS and those responsible for enforcement and financial governance thus maximising opportunities to share intelligence and joint working.
- Continue to pro-actively provide anti-fraud training and awareness to members and officers via training sessions and online awareness
- Ensure that appropriate training and development on ethical governance matters is rolled out to staff and members as appropriate;

- Publicise successes; and
- Ensure that all agreed timescales prescribed for the completion of investigation work are met and that all cases are adequately reported to senior management as part of our ongoing reporting procedures.
- Further develop mechanisms for categorising and quantifying fraud losses and recovery action and more accurate reporting to enable better informed risk assessments, utilising a Fraud Case Management system to ensure all cases are recorded and management information produced to assist reporting.

9.4 Corporate Anti-Fraud Team- Key functions

- To investigate internal allegations of fraud and corruption and take corrective action to minimise future risk. Undertake Pro –Active data matching exercises including data matching and the National Fraud Initiative
- Promote good practice and awareness through learning from investigations and sharing experience, proactive training including delivery of both electronic and face to face fraud awareness.
- To be at the forefront of the Councils governance agenda to embed an anti-fraud culture
- Investigate all parts of the organisation and contracted bodies, agencies and work closely with other review agencies and the Councils Legal Service
- Act as a ‘critical friend’ on systems development with the Internal Audit function and Risk management

9.5 Intelligence Unit

- This team supports the work of the Corporate Anti-Fraud Team as a whole by functioning as a hub for all referrals and undertaking initial risk assessment and evaluation of referrals prior to allocation. The unit is able to co-ordinate work that cuts across the team various disciplines and can inform both pro-active drives as well as acting as a barometer of risks emerging from sources.

9.6 Social Housing Fraud Team – Key activities

- to recover unlawfully let properties
- Investigate and support THH on suspicious tenancy successions and mutual exchanges.
- Investigate and support THH on suspicious Right to Buy’s where there may be unlawful lettings or Money Laundering issues.
- Work with RP’s on un lawful lettings and assist in recovery of property for release to the Common Housing Register

- To work closely with Legal Services to ensure Prosecutions are brought against tenants who have made unlawful profit from subletting their properties and apply for Proceeds of Crime financial recoveries where applicable.
- Investigate and close fraudulent applications made to the Common Housing Register
- Participate in Pro-active exercises with support from other enforcement agencies including the Police, Boarder Force etc.

9.7 The Parking Fraud Team undertakes the day to day review of Parking risk areas under an agreed Service Level Agreement with the following key activities being,

- Investigation, recovery and prosecution of blue badge abuse
- Investigation, recovery and sanctions as appropriate on Parking permits (residents and business) and parking scratch cards abuse
- Investigate and support parking services on persistent offenders
- Investigate and consider action as appropriate on abuse of parking meter income
- Participate and support joint working exercises with the Police, Safer Neighbourhood teams and Anti Social Behaviour initiatives as required.

9.8 The plan makes provision for the existing resource plus a buy in of additional days from the Internal Audit plan to be utilised as emerging issues arise.

9.9 The following table shows the Corporate Anti-Fraud Team resources for 2019/20 and the resource required to complete the anti-fraud work in 2019/20.

Reactive resources	Days
Corporate Anti-Fraud Manager	80
Corporate Anti-Fraud Team Leader and support	530
Allocation from Internal Audit Plan	50
	660
Social Housing Team Leader and Investigators x5	1090
Intel team 1 x Team Leader 1x Intel Officer	350
2 x Parking Fraud Officers	380

OTHER STATUTORY IMPLICATIONS

10.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,

- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment

10.2 One Tower Hamlets

This report identifies areas of significant risk and arrangements to combat incidence of Fraud and Corruption. It should allow the Audit Committee to assess the Council's arrangements to deal with Fraud and Corruption in consequence to perceived risk.

10.3 Best Value Implications

This report identifies practical steps to minimise fraud and corruption risks thus assisting the Council in achieving its best value duty.

10.4 Risk Management Implications

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.

10.5 Sustainable Action for a Greener Environment (SAGE)

There are no specific SAGE implications.

10.6 Crime and Disorder Reduction Implications

By having sound systems of controls, the Council can safeguard against the risk of fraud and corruption.

11. Comments of the Chief Financial Officer

- 11.1 The Internal Audit Service currently has a gross budget of £1.2m. The audit plan detailed within this report will be delivered within this budget. A contingency provision exists to allow for an element of unplanned audit work to be undertaken should that be necessary in response to an urgent issue that would not otherwise be resourced.

12. Legal Comments

- 12.1 The legislative framework in respect of the Council's anti-fraud policy is detailed in the body of the Reviewed Corporate Anti-Fraud and Corruption Strategy as set out in Appendix 3.
- 11.2 Under the Local Government Act 1972 the Chief Financial Officer has a duty to ensure that there is an adequate process of Internal Audit to ensure the independent appraisal of the Council's systems of internal control, practices and systems. This requirement is further reinforced by the Local Audit and

Accountability Act 2014 which established new arrangements for the auditing of local public bodies. The Anti-Fraud and Corruption Strategy is one of those processes.

- 11.3 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required by Regulation 5 to maintain an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

Appendix 3

London Borough of Tower Hamlets

Corporate Anti-Fraud & Corruption Strategy 2019/20

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1. Introduction

- 1.1. The London Borough of Tower Hamlets together with other public and private sector entities is at risk of loss due to fraud, corruption, theft and error. Although the council will have good policies and procedures, financial abuse can emerge due to non-compliance. The objective of all bodies is to minimise the risk of fraud and corruption in order that for the residents of Tower Hamlets resources are earmarked for their desired objectives and services are delivered efficiently and at best value, without fear of loss or abuse.
- 1.2. This Strategy forms part of the governance arrangements of the Council. It outlines the Council's intent to minimise the risk of loss to the organisation resulting from fraud and corruption originating both internally and externally. The Strategy is supported by management arrangements for effective governance and demonstrates the council's commitment to a counter-fraud culture with high ethical standards in the administration of public monies.
- 1.3. Tower Hamlets is one of the most diverse authorities in the country and has undergone vast change over the last thirty years. The resultant wealth with the introduction of big business emerging from Canary Wharf has significantly affected the financial landscape seeing huge increases in prosperity through employment opportunities and property price increases and yet despite this we still have large numbers of residents with above average deprivation. In light of these factors the Council has many challenges to manage for the benefit of all of its residents and service users. It is recognised that clearly the vast majority of our residents are honest and would not contemplate fraud.
- 1.4. There are however a tiny minority of people who seek to benefit themselves at the expense of others. Fraud is not a victimless crime despite the belief of perpetrators that it is. All charge payers meet the cost of fraud as services that are affected must make up the shortfall and the cost of services may well rise as a result. The objective then must be to minimise the scope for fraud and financial abuse from the outset.

- 1.5. To achieve this, we must have strong gateways to prevent abuse and apply effective governance arrangements. This together with robust management checks and meaningful audit assurance reviews will assist in reducing our risk. Where breaches do occur, it is important that they are investigated, resolved and proportionate action taken together with any weaknesses closed to minimise future exposure.
- 1.6 Internal Audit & Risk Management in delivering an internal audit function to the Council, reviews the effectiveness of internal controls in operation. The service also includes investigations into suspected cases of fraud or corruption and the development and implementation of fraud prevention practices. Fraud and Corruption can be reported to the Council in a number of different ways. These are outlined in Section 4, the Fraud Response Plan.
- 1.7 This strategy outlines the Council's commitment and approach to tackling both internal and external fraud, including roles and responsibilities. It applies to:
- Councillors
 - Employees
 - Agency workers
 - Contractors
 - Partners
 - Consultants
 - Suppliers
 - Service users

2. Scope

- 2.1 The Strategy is designed to:
- Encourage prevention
 - Promote transparency
 - Ensure effective investigation where suspected fraud or corruption has occurred
 - Prosecute offenders where appropriate and proportionate to do so
 - Close system weaknesses as they are identified
 - Publicise success to act as a deterrent
 - Revise controls with Internal Audit and Management
- 2.2. There is a reasonable expectation and requirement that all of our Members, employees, consultants, contractors, and service users be fair and honest in their dealings with the council and will provide help, information and support to assist in the investigation of fraud and corruption.
- 2.3 This Anti-Fraud and Corruption Strategy links into the National Fraud Strategy, "Fighting Fraud Locally" and provides a strategic approach for Local Authorities to tackle fraud, by **Acknowledging** and seeking to understand fraud risks. **Preventing** and **Detecting** more fraud and

Pursuing those who commit fraud against the authority by prosecuting and seeking financial redress to recover losses. This strategy outlines how the Corporate Anti-Fraud Team (CAFT) will deliver this commitment and provides advice on how individuals and organisations may raise concerns relating to fraud and corruption.

3. Definition of Fraud and Corruption

3.1 Fraud can be defined as;

'any intentional false representation, including failure to declare information or abuse of position, which is carried out to make gain, cause loss or expose another to the risk of loss'.

The Fraud Act 2006 introduced a general offence of fraud, divided into three categories as follows:

Fraud by false representation - A person commits fraud by false representation if he/she:

- Dishonestly makes a false representation, and
- Intends, by making the representation, to make a gain for him/herself or another, or to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information - A person commits fraud by failing to disclose information if he/she:

- dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- Intends, by failing to disclose the information to make a gain for him/herself or another, or to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position - A person commits fraud by abuse of position if he/she:

- Occupies a position, in which he is expected to safeguard, or not to act against, the financial interests of another person, and dishonestly abuses that position, and
- Intends, by means of the abuse of that position to make a gain for him/herself or another, or to cause loss to another or to expose another to a risk of loss.

3.2 The Bribery Act 2010 makes it an offence to offer, promise or give a bribe, as well as requesting, receiving or accepting a bribe. The consequences of committing breaches of this legislation include custodial sentences, as well as substantial fines for organisations including Local Authorities who fail to prevent bribery.

In those circumstances any person who represents the council who is offered a bribe must report this approach without delay, as detailed in the Council's Bribery Policy. Please see : [Anti Bribery Policy](#)

4. Roles and Responsibilities

4.1 Conduct

The Council is an ethical organisation and requires that it's elected Members, Staff, inclusive of permanent and temporary workers, agency workers and contractors and all individuals and organisations associated with it to be honest and fair in their dealings with the Council and its service users.

Members and managers are expected to lead by example in this regard, observing the Principles of the Nolan Committee into Standards in Public Life. These are shown below:

Selflessness- Holders of public office take decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends

Integrity- Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in their performance of their official duties

Objectivity- In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability- Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness- Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty- Holders of public office have a duty to declare any private interests relating to their public duties to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership- Holders of public office should promote and support these principals by leadership and example.

4.2 Employee Responsibilities

Employees have a critical role to play in the prevention of fraud and corruption throughout their daily undertakings and in their general conduct.

All individuals should be aware of and understand the Councils expectations as relevant to their role under the Officer Code of Conduct, Financial Regulations and other regulations of the Council as outlined in section 4 below. Failure to adhere to these regulations may result in disciplinary action.

Employees who suspect a fraud or irregularity have a duty to report their concerns. Where such concerns exist, individuals are asked to make a note of all relevant details, such as what was said in phone or other conversations, when these conversations took place and the names of anyone involved. The matter should be reported immediately to either your:

- Line Manager
- Head of Service
- Divisional Director
- Corporate Director

Or independently to the Monitoring Officer, Asmat Hussain, in accordance with the Councils Whistleblowing Policy “Speak Up” as detailed in section 7 How to Report a Concern.

Anyone wishing to report a concern should be aware that every effort will be made to preserve confidentiality, although in certain circumstances, such as those resulting in criminal proceedings, individuals may be called upon to provide a witness statement or attend court as a witness.

Employees must not do any of the following:

- Contact the suspected perpetrator in an effort to determine facts or demand restitution
- Discuss the case facts, suspicions or allegations with anyone outside the Council (including the Press)
- Discuss the case with anyone within the Council other than those listed above.

4.3 Members

4.3.1 Members will:

- Sign to evidence that they have been trained in and understood the Code of Conduct for Members when they take office;
- Discharge their duties by complying with the Code of Conduct for Members and the Constitution;
- Declare personal interests which could enable them to gain from, or be perceived as potential conflicts with, the Council’s business;
- Provide a key link to the residents of the borough and have a wider role in promoting the Council’s ethics and values within the community;
- Raise any fraud concerns with the Head of Audit & Risk Management Services or the Monitoring Officer.

If complaints are received in relation to the conduct of Members, these will be considered by the Council's Monitoring Officer who can refer the matter either to the Corporate Anti-Fraud Team or Standards Committee.

4.4 Section 151 Officer

4.4.1 The Corporate Director of Resources is the Council's appointed Section 151 Officer, responsible for the proper administration of the Council's financial affairs. The Section 151 Officer will:

- Authorise Internal Audit to examine financial and non-financial records and to inspect the Council's stores, assets and cash balances and those of its partner organisations;
- Require employees to provide the internal auditor with information or explanations that they may need to effectively perform their duties.

4.5 Monitoring Officer

4.5.1 The Corporate Director of Law and Governance is the Council's Monitoring Officer, entrusted with ensuring that all decisions that the Council makes are within the law. The Monitoring Officer will promote and maintain high standards of conduct amongst Members, through supporting them to follow the Code of Conduct for Members and the Council's other rules and procedures.

4.6 Chief Executive and Senior Management

4.6.1 The Chief Executive is responsible for leading and promoting the Council's ethical agenda.

4.6.2 Corporate Directors, Divisional Directors and heads of service must maintain adequate systems of internal control within their respective departments. Corporate Directors will:

- Promote and implement this Strategy and supporting policies, including the Whistleblowing Policy and Anti Money Laundering Policy;
- Ensure that staff and other workers, including agency staff and contractors with a financial responsibility, are made aware of the standards expected of them, as set out in Financial Regulations and the Council's counter fraud policies and procedures;
- Notify the Head of Audit & Risk Management or the Corporate Anti-Fraud Manager immediately of any matter relating to loss or irregularities, including those affecting cash, stores or other property of the Council or its clients for whom the Council has accepted financial responsibility;
- Encourage employees to raise any concerns they may have about bribery, fraud or corruption, in line with the Anti-Fraud Policy and Whistleblowing Policy;
- Confirm that sufficient actions have been taken to reduce fraud as part of the Council's Annual Governance Statement.

4.7 Audit Committee

The Anti-Fraud and Corruption Strategy is approved by the Audit Committee. The Committee receives regular fraud update reports, regarding the investigation caseload and details of proactive anti-fraud activities planned and undertaken.

5. Regulations and Legislation

5.1 The Council has developed a series of regulatory documents and protocols which govern how we operate and take decisions and outline the procedures to follow to ensure that our actions are fair, efficient, transparent and accountable to our community. As well as governing operations, our regulations form a key component of the internal control environment, following and applying these creates a strong basis on which to reduce the risk of fraud and corruption. The following documents which are endorsed by the Council provide further information and guidance.

- Council Constitution
- Standing Orders
- Financial Regulations
- Employee Code of Conduct
- Member code of Conduct
- Money Laundering Policy

There is a range of relevant legislation that is also available. These include:

- Fraud Act 2006
- Theft Acts 1968 and 1978 as amended
- Prevention of Social Housing Fraud Act 2013
- Bribery Act 2010
- Public Interest Disclosure Act 1998
- Proceeds of Crime Act 2003
- Local Audit and Accountability Act 2014
- Regulation of Investigatory Powers Act 2000
- Money Laundering Regulations 2007 as amended
- Computer misuse Act 1990

6. Strategy

6.1 Deterrence

6.1.1 The Council will seek actively to deter potential fraudsters from committing or attempting to commit fraudulent or corrupt acts. It will do so through:

- Publicising that the Council will not tolerate fraud and corruption, demonstrated by this anti-fraud & corruption strategy and the whistleblowing policy.

- Encouraging a strong anti-fraud culture amongst its employees and Members, and providing easy and effective means to report suspicions of fraud or corruption, e.g. the whistle blow hotline **0800 528 0294** the dedicated email address **anti-fraud@towerhamlets.gov.uk** and **on-line form for raising concerns**.
- Taking robust action when fraud and/ or corruption are identified, in the form of conducting complete and thorough investigations, and taking decisive action if allegations are proven, such as prosecution, dismissal, and civil actions and financial recovery through the Proceeds of Crime Act, where appropriate.
- Engaging with the Councils Communications service where appropriate, in order to maximise the publicity of successful outcomes in combating fraud and corruption.
- Deploying robust systems of internal control to mitigate the opportunity for fraud and corruption on an on-going basis.
- Developing and delivering general and tailored fraud awareness sessions to Council employees and its partner Tower Hamlets Homes.
- Maintaining fraud awareness presentations and e-learning for all officers.

6.2 Prevention

6.2.1 The Council employs a range of control mechanisms within its systems, policies and procedures in order to mitigate the risk of fraud and corruption. Chief Officers and Managers across the authority are the key management control and are responsible for assessing the risk of fraud and corruption in their operational area and, as such are responsible for implementing appropriate strategies in order to manage this risk.

6.2.2 The Head of Audit and Risk Management is responsible for both Risk Management & Counter-Fraud & Investigation; while these two operational functions are distinct from the main assurance role of Internal Audit, all three work together in order to promote and advise on key actions that can be taken to aid in the prevention of fraud and corruption against the Council.

6.3 Detection

6.3.1 The Council has a robust Whistleblowing procedure and our Financial Regulations require employees to report any suspected cases of fraud or corruption appropriately.

- 6.3.2 The Council participates in a range of data matching exercises to detect fraud including-
- 6.3.3 The National Fraud Initiative currently managed by the Cabinet Office
- 6.3.4 Undertaking internal data – matching exercises utilising data held by the Council.
- 6.3.5 Working in partnership with local authorities, the National Anti-Fraud Network, government bodies and the commercial sector
- 6.3.6 Sample transaction and control testing as part of Internal Audit reviews undertaken as part of the on-going Internal Audit Plan.

7. Investigations

- 7.1 The Council is committed to the highest possible standards of openness, probity and accountability. Therefore, the Council expects all councillors, employees, contractors, partners and suppliers to raise any concerns they may have about standards of probity in any aspect of the Council's work.

This Fraud Response Plan sets out the responsibilities of stakeholders and provides guidance for the action that should be taken in relation to suspected instances of theft, bribery, fraud or corruption involving the Council's funds and assets or those that the Council administers on behalf of others.

7.2 What to do when fraud, bribery or corruption is suspected

- 7.2.1 The Corporate Anti-Fraud team is responsible for the investigation of allegations of fraud and corruption against the Council. Each allegation will be considered on its individual merits and a decision made on the most appropriate way to proceed with any investigation, this may include:

- Criminal or civil investigation by the Council's Corporate Anti-Fraud Team.
- Internal examination as part of an Internal Audit review.
- Dedicated internal fraud investigation.
- Management investigation overseen by the Corporate Anti-Fraud Team.

7.2.2 Initial Action

- All allegations will be logged and risk assessed by the Intel Team Leader and reviewed by Corporate Anti-Fraud Manager.
- If it is considered the allegation requires further investigation, a lead Investigating Officer will be appointed. This officer will be suitably

trained and experienced in undertaking fraud investigations to a prosecution standard by our internal Legal Service.

- The investigator will prepare an investigation plan and agree a scope of work with a nominated manager in the department where the investigation is being completed.

7.2.3 Investigations into allegations, as part of any investigation, the Council will ensure that:

- Any allegation is dealt with promptly, confidentially and fairly.
- The investigation will be undertaken against an agreed scoping brief and be compliant with existing procedures and legislative guidelines.
- All records, assets and correspondence will be held securely and if it is believed that computer records are held that are relevant to the investigation these will be secured for analysis.
- If email data is considered appropriate to access in order to take the investigation forward this will be approved by the Head of Audit and Risk Management before access is granted.
- The investigation will be undertaken with a view to obtaining evidence to a criminal standard.
- Where sufficient evidence leads to belief that criminal action should be considered a referral will be made to the Councils Legal Service for consideration to prosecute.
- Where abuse identifies system breaches or other weaknesses these will be reported upon and suggestions for improvement made.
- Human Resources and/or the Corporate Director of Law and Governance are consulted where appropriate.
- All evidence that has been collected is stored securely and recorded appropriately.
- Any interviews undertaken are conducted fairly and in line with appropriate legislation such as the Police & Criminal Evidence Act.
- Relevant Chief Officers and Managers are informed of the progress of the investigation as appropriate.
- All investigations are conducted in a timely manner, in-line with the Criminal Procedures & Investigations Act, and the Human Rights Act.

7.2.4 As part of the investigation the Council will consider whether:

- Disciplinary action will be taken against any employee involved
- Civil or criminal prosecution action should be instigated
- The matter should be referred to the Police
- Changes are required to improve the systems and controls of the affected area to improve effective governance and reduce further risk to fraud or impropriety
- Any other action should be recommended

7.2.5 At the conclusion of an investigation, the investigating officer will report the findings to the relevant managers, Chief Officer and Human Resources. Any disciplinary action considered will be in compliance with human resources policy and procedures. Where necessary, the individual who is subject to investigation will be informed of the outcome in writing and will be advised of what action, if any is to be taken.

7.2.6 Where it is found that a fraud has been committed against the Council we will make recommendations to ensure that any control weaknesses which provided the opportunity for the fraud are addressed and followed up as part of the Internal Audit review cycle.

7.3 Disciplinary Procedures and Suspension from Work

7.3.1 Where investigations result in a case of breaches of the appropriate Council Code of Conduct there may be occasions when 'prima facie' a disciplinary investigation is appropriate. The Investigating Officer will support this enquiry but it will be undertaken independently from the Corporate Anti-Fraud Team and led by HR. Where it is appropriate to consider suspension from work a decision will be made by Divisional Director, HR Business Partner and the Head of Audit and Risk Management.

8. Liaison with Other Organisations

The Council will actively engage with other organisations, and develop and maintain strong links in its efforts to pursue and strengthen its anti-fraud and corruption strategy at both a local and national level. The Corporate Anti-Fraud Team works with the Police, Local Authorities, the CIPFA Counter Fraud Centre, the DWP Home Office Immigration teams and central Government departments.

The Council is an active user of the National Anti-Fraud Network (NAFN) services and will utilise the full range of intelligence and evidence gathering avenues to support its counter-fraud and investigation activity.

The Council is a member of the London Borough Fraud Investigators Group (LBFIG), with the Corporate Anti-Fraud Manager being part of the LBFIG Executive Committee.

9. Post Investigations

9.1 Sanctions

9.1.1 Where financial impropriety has been discovered, whether perpetrated by Officers, Members or third parties (e.g. suppliers, contractors, service providers), the Head of Audit & Risk Management will consult with the Corporate Director of Resources and Corporate Director of Law and Governance as appropriate, to form a view on whether the matter should

be reported to the Police. In cases where matters are referred to the Police, the Crown Prosecution Service will determine whether or not a prosecution will be pursued.

- 9.1.2 Should matters be dealt with internally, a decision will be made in conjunction with Senior Management and Corporate HR on the most suitable course of action, in accordance with the Councils Enforcement Policy, Members Code of Conduct, Employee Code of Conduct and the Councils disciplinary procedure.
- 9.1.3 Suspected financial impropriety by any third party that the Council has dealings with will be the subject of investigation. If proven, this may result in the termination of individual contracts and may result in prosecution or civil action.

9.2 Prosecution

- 9.2.1 Any matters considered for prosecution will be subject to the Code for Crown Prosecutors, the Evidential Test and the Public Interest test. While each case is considered on its own merits, a consistent set of principles will be applied in forming the decision whether or not to prosecute.
- 9.2.2 In cases where fraud and/or corruption is proven, the Council in-line with its Enforcement Policy, will consider instigating prosecution proceedings in conjunction with the Corporate Director of Law and Governance. Please see [Enforcement Policy](#)
- 9.2.3 Should matters that are referred to the Police be considered for prosecution, action will be instigated through the Crown Prosecution Service.

9.3 Recovery of Losses

- 9.3.1 In proven cases of financial loss, the Council will seek to recover all such losses through whatever means it considers appropriate. If the fraud was committed by an employee, the loss may be recovered from any monies due to the individual on termination of employment.
- 9.3.2 Where the opportunity exists and evidence is strong enough to utilise the services of the Councils Financial Investigator this will be done to exercise recovery through the application of Proceeds of Crime action.

10. Review of internal controls

- 10.1 To prevent any recurrence of fraud, the system of internal control will be assessed to identify weaknesses that have allowed the fraud to occur. The investigation report will highlight the system failures and make recommendations for improvements which will be included in an action plan for agreement with the relevant Head of Service.

10.2 The Corporate Anti-Fraud Manager will liaise with the Internal Audit team to ensure that future audit plans and work programmes reflect identified control weaknesses.

10.3 Elected Members and directors have a significant role to play in the Council's corporate governance. To facilitate this role, a summary of all fraud cases will be submitted on a regular basis to the Audit Committee and Statutory Officers Meetings.

11. How to Report a Concern

11.1 There are a number of ways that individuals may raise a concern or report a suspected fraud or irregularity; any reports received will be treated confidentially in accordance with the Councils Whistleblowing Policy.
[Whistleblowing Policy](#)

11.2 Employees are urged to consider the nature of the concern, whether it involves immediate management, and the seriousness and sensitivity of the issues involved.

11.3. As soon as an employee becomes reasonably concerned about a matter, they are encouraged to raise this in the first instance with their line manager. All managers have a responsibility to act on concerns raised. The line manager should report the concern to the Councils Monitoring Officer who will consider referral to the Head of Audit & Risk Management or the Corporate Anti-Fraud Manager as soon as practicably possible.

11.4 Contact details

11.4.1 For further advice on any fraud issues or to report a fraud please contact one of the following:

Steven Tinkler – Head of Audit and Risk

Email: Steven.Tinkler@towerhamlets.gov.uk

Tony Qayum – Corporate Anti-Fraud Manager

Email: Tony.Qayum@towerhamlets.gov.uk

Sue Oakley – Corporate Anti-Fraud Team Leader

Email: - Sue.Oakley@towerhamlets.gov.uk

Rob Watt – Social Housing Investigations Fraud Team Leader

Email: Rob.Watt@towerhamlets.gov.uk

You can also email us on socialhousingfraud@towerhamlets.gov.uk for any housing fraud or illegal sub-letting.

And for any other fraud matters concerning Tower Hamlets these can be reported on the following link [Report a fraud](#)

