

REPORT TO: <b>Audit Committee</b>	DATE <b>21 September 2010</b>	CLASSIFICATION	REPORT NO.	AGENDA NO.
REPORT OF: <b>Corporate Director, Resources</b>		<b><i>Annual Anti Fraud Report 2009-10</i></b>		
ORIGINATING OFFICER(S): <b><i>Tony Qayum, Head of Audit Services</i></b>		<b><i>Ward(s) Affected: N/A</i></b>		

## 1. Introduction

- 1.1 This report provides a summary of the anti fraud activity during 2009/10.
- 1.2 The report provides a corporate perspective of the work of Audit Services as well as that of the Housing Benefit Investigations team, Parking Service and insurance claims experience.

## 2. Recommendations

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

## 3. Background

- 3.1 This report provides the Audit Committee with a summary of work on sensitive and reactive enquiries undertaken during 2009/10. It includes an overview of the results of the investigations carried out by Housing Benefits Investigations, the Parking Service, and Insurance Services.
- 3.2 The following chart shows the resources expressed as full time equivalent (FTE) posts of the key services included within this report.

Service	FTE	Role
Risk Management	2	<ul style="list-style-type: none"> <li>• Head of Audit Services</li> <li>• NFI Co-ordinator and Corporate Fraud Manager</li> </ul>
	0.5	<ul style="list-style-type: none"> <li>• Fraud Assistant “bought in” resource</li> </ul>
	1.0	<ul style="list-style-type: none"> <li>• Insurance Claims Officer</li> </ul>
Central Benefits Fraud Team	1	<ul style="list-style-type: none"> <li>• Fraud Manager</li> </ul>
	2	<ul style="list-style-type: none"> <li>• Team Leaders</li> </ul>
	8	<ul style="list-style-type: none"> <li>• Investigation Officers</li> </ul>
	1	<ul style="list-style-type: none"> <li>• Intelligence Officer</li> </ul>
	1-2	<ul style="list-style-type: none"> <li>• Admin Support</li> </ul>
Parking Services	2	<ul style="list-style-type: none"> <li>• Parking Fraud Investigation Officers</li> </ul>

3.3 A detailed analysis of the results of the anti fraud and reactive work carried out by the Audit service is attached as Appendix A.

#### **4. Key matters arising from the Audit Service Outturn for 2009-10**

4.1 There has been one substantial inquiry which has involved close working between the relevant Directorate, Audit Services, the Police and Legal Services. The matter arose from an internal referral.

4.2 The resultant investigation covered an extensive range of systems and processes and required substantial staff resources to finalise all of the issues relating to criminality. The matter was referred to the Metropolitan Police and following arrest the case was successfully tried at Crown Court. The resultant system improvements were introduced by the relevant service and verified as being implemented by a follow up Audit review.

4.3 The case was given publicity in the local press.

4.4 Audit Services has also worked closely with the Corporate Property Services division of the Development and Renewal directorate on the adequacy of controls for income and expenditure at a training centre within the authority. This was undertaken in close liaison with the Assistant Chief Executive (Legal Services).

4.5 The Audit Service has also provided support to Directorates upon request. This has included an ongoing review of the operation of the London Illegal Money Lending team, a debtor integrity project and a

review of the financial arrangements operated within the Community Safety team.

- 4.6 We have continued to work closely with the Council's Legal Service on a number of matters around employment law issues and governance matters including Money Laundering, Data Protection and the Parking Service (with regard to Blue Badge irregularity) and have worked corporately where instances of Resident Parking Permits and Blue Badge irregularity has involved members of staff.
- 4.7 We have introduced a small team to assist the Council in tackling Sub Letting of RSL properties which is covered in detail in a separate report elsewhere on the agenda.
- 4.8 We have organised and run several training sessions with staff on Risk Management and the Anti Fraud and Corruption Strategy as part of our proactive initiatives and more are planned for this financial year.
- 4.9 During the year we introduced a monthly Governance paper which identifies key issues arising from sensitive inquiries and progress on investigations and this is issued to the Corporate Director, Resources and the Assistant Chief Executive, Legal Services who pick up any significant issues raised, through their own regular meetings.
- 4.10 The Head of Audit Services has continued to meet monthly with the Assistant Chief Executive, Legal Services on Governance and Risk issues.
- 4.11 Appendix B attached is a summary of the work of audit with an indicative value of anti fraud work carried out in 2009/10, including some findings for the NFI 2008/09.

## **5. The National Fraud Initiative (NFI)**

- 5.1 The National Fraud Initiative (NFI) data matching exercise has continued to be supported. The Audit Commission manage this under their powers in the Audit Commission Act 1998.
- 5.2 The NFI is managed and co-ordinated by the Audit Service with joint working and protocols with all the key services including Central Benefits Investigations Team, Payroll, Pensions, Rents and Right-to-Buy services to examine, refine and investigate the data matches.
- 5.3 For this exercise there were also formal joint working arrangements in place between the Central Benefits Team and the local fraud team from the Department of Works and Pensions (DWP) to work on cases which affected both Housing and Council Tax benefits along with the DWP benefits.

- 5.4 The work on the NFI is largely finalised with all reports having been examined and refined. Investigations have also been largely completed although there are still some investigations in progress.
- 5.5 The Audit service has undertaken detailed reviews of all subject areas to ensure the final out turn for the exercise is robust and evidenced based.
- 5.6 The following is a summary of the results of the LBTH outcome from the NFI work -
- £341,455 has been identified as overpayment/loss and is in the process of recovery. This includes the following break down:-
  - £238,267 of overpaid Housing and Council tax benefits (currently being recovered)
  - £15,675 representing 9 deceased pensioners
  - 2 Housing properties were recovered.
  - 5 Staff members left the Council's employment following the NFI probity checks
- 5.7 In addition to the above there were
- Fifteen employees who have left the Council's employment following investigative work
- 5.8 The Council has enhanced the NFI outputs relating to Council tax single persons discounts and trade creditors potential duplicate payments. :-
- The Council Tax Service worked in partnership with external contractor which helped to identify over 1,000 cases of inappropriate single person's discounts; this has resulted in £400,000 being identified and currently being recovered.
  - A trade creditor's duplicate payments exercise was carried out by both Internal Audit and an external contractor which looked at the potential for duplicate payments to have been effected over the past three years. The resultant work identified some £500,000 of overpaid invoices and these sums have now been recovered.

## 6. Other Audit Activity

6.1 The following work areas have been undertaken, during 2009/10 by the Audit Service:-

- On-going liaison and support to corporate and departmental personnel;
- Proactive joint working with other Local Authorities, the Police, the DWP and other government Agencies; and
- Training and Development via the Public Sector Partnership with the Metropolitan Police.

## 7. Insurance Claims Experience

7.1 The Council operates a system for the management of its Insurance risks through a specific team within Risk Management. During 2009-10 the Council introduced a new case management system that lends itself to better reporting of claims activity and so for this year we have included the raw data on the Councils claims experience for information. It is envisaged that this will be a regularly reported to reflect trends and the outcome of anti fraud initiatives designed to minimise the insurance fund's exposure to fraudulent/ exaggerated claims.

7.2 The table below shows the claims experience that covers a three year cycle.

<i>Year</i>	<i>No. Claims</i>	<i>Closed (paid)</i>	<i>Closed (settled £0)</i>	<i>Open</i>	<i>Total Est Outstanding £</i>	<i>Total Paid £</i>	<i>Total Claim £</i>
2007 /8	557	220	296	41	1,118,566	662,147	1,780,713
2008 /9	570	221	249	100	804,782	232,821	1,037,603
2009 /10	586	92	178	316	1,991,505	113,411	2,104,916

## 8. Housing Benefits Investigation Service

8.1 The Housing Benefits Investigation Service is responsible for the reactive and proactive management and investigation of local government benefit fraud, including:-

- Benefits Whistle-blowing hotline;
- Internal Referrals;
- External Referrals (Agencies and public);

- Joint working with Department of Work and Pensions (DWP);and
- Data matching referrals (NFI and Housing Benefit Matching Service output from DWP);

8.2 During 2009/10 the Service have had the following successes-

- 189 cases being dealt with;
- 26 convictions at court;
- 85 cautions (i.e. proven cases of fraud, whereby the amount was small or where there were mitigating circumstances to avoid prosecution);
- 78 Administrative Penalties; and
- Total Housing and Council Tax overpayments that represent the 189 cases equates to £607,392

## **9. Parking Services**

9.1 The Parking Service investigations have resulted in seventeen parking fraud cases.

Of these:-

- 16 cases resulted in convictions with fines amounting to £4,310 and costs in the sum of £4,425 - both of which were awarded to the Council;
- two cases were disposed of via the application of a Caution; and
- three cases were withdrawn following representation on the grounds that there was no longer an economic prospect of conviction.

## APPENDIX A

### Tower Hamlets Homes

<u>No. of Days</u>	<u>Audit Activity</u>	<u>Comments/Outcome</u>
7	Services Charges data cleansing	On-going support to the leaseholders service charges data cleansing and data migration
7	Rent Increase matters	Investigation into the failure to issue rent increase notices to all tenants
5	RTB valuation and litigation	On-going support on the litigation resulting from in-appropriate valuations of RTB's
2	THH Finance Committee	
3	4 Police and other external agency referrals	Joint working with other agencies concerning THH current and employees
5	2 Whistle bows under 5 days	Management of whistle blows and investigations as necessary
7	4 referrals under 2 days	Support to management on management referrals
12	NFI investigations work for the 2008-9 exercise	National fraud initiative 2008-9 meeting requirements for Section 151 officer under the Audit Commissions Code of Data matching Practice 2008 including Tenancy data set pilot
32	Social Housing Fraud	Management of social housing fraud team and carrying out investigations and recovery of properties
-		
<u>80</u>	<u>sub total</u>	

**LBTH Re-active**

<u>No. of Days</u>	<u>Audit Activity</u>	<u>Comments/Outcome</u>
12	Advice to Management	Advice and support to management on internal enquiries and controls
6	Annual Governance Statement	Collation of evidence for the an preparation of annual governance statement 2009/10
10	Anti Fraud Forums and Training	Co-ordinating anti fraud forum groups, providing fraud training to employees and joint working with East London Solutions partners
20	Community Safety Unit	Review of the work and governance arrangements of the Community Safety Unit and specific issues concerning budgetary control
20	Bethnal Green Training Centre	Financial review of the BGTC to test the controls for income and expenditure and quality assessments of the accounts
15	Data integrity project	Debtors pilot with external organisation software to manage/link debts across the Council
8	Employee re verification	Support to management on specific employee re verification matter and review re-verification options to enhance governance
15	Joint working with Directorates on Internal referrals	Joint working and referrals from Payroll Services, Benefits Services and Trading Standards
7	LPSA 2	Audit of LPSA 2 activities to support claim
10	Money Laundering	Setting up referral system with the cash collecting services to ensure compliance with money laundering regulations. Including liaising with the police on potential breaches



<u>No. of Days</u>	<u>Audit Activity</u>	<u>Comments/Outcome</u>
105	National Fraud Initiative	Managing and co-ordinating NFI 2008/9 exercise (and NFI's in the 2009/10 rolling programme) work across Services and also investigating the matches with governance impact including employee associated matches and creditors
35	National Indicators	This output includes all internal Audit work on supporting data quality and joint working with the Performance Review Team including review and assurances on quality of services data sampling, testing and preparation of documentation for National indicators. It also includes comprehensive reviews of all the high risk NI's and retained BVPI's in preparation for the external audit, with additional emphasis on third party data which could impact on the CAA review.
10	Outside agencies	Requests for information, and whistle blow referrals from other local Authorities, DWP and other agencies, Banks, Building Societies, Health Authorities, etc.
8	Parking Services	Joint working with parking service and support on specific cases
12	Police Enquiries and police referrals	Joint working on police referrals and reactive support to police enquires from local Financial Investigation Units on recovery of assets and support to enquires to Metropolitan Police
7	Purchase cards	On going joint working with procurement on purchase card fraud (external)
71	Reactive work 3-5 days	19 jobs - include management inquiries and support on code of conduct matters arising
15	Reactive work/enquiries under 3 days	12 Reactive responses to internal inquiries under three days, these include review and response to appropriate Service Head.
23	Review of duplicate payments	Duplicates payments testing to identify level potential duplicate payments and recovery
18	Review of London Illegal Money Lending Team	Review of management arrangements, systems and procedures and recruitment arrangements
13	Review of use of Resources for CAA	Implementation of Red Book 2 requirements guidance by Audit Commission on managing, tackling and prevention of fraud
10	Servicing Committees and management support	

<u>No. of Days</u>	<u>Audit Activity</u>	<u>Comments/Outcome</u>
10	Tackling Social Housing Fraud	Obtaining Government funding £50K, recruitment of Temporary Social Housing Fraud Team and publicising the Authority's action on tackling un lawful subletting of public housing stock
7	Whistle blow -Youth Service	Investigations into inappropriate payments to employees
12	Whistle blow -Youth Service	Investigations into appointments process
27	Whistle blowing and anti fraud email referrals under 5 days	Management of 45 Whistle blowing hotline and anti fraud email enquiries (excludes social housing fraud investigations on whistle-blows)
506	<i>sub total</i>	
<b>586</b>	<b><i>Total days</i></b>	

<b>APPENDIX B</b>					
	No.	Notional future savings value	Notional future savings value total	Actual Value	Total
<u>NFI 2008/9 (2 year outturn)</u>			-		
Identified value of overpayment/losses - recovery in the process			-	341,455	341,455
2 Housing properties were recovered.	2	75,000	150,000		150,000
5 Staff members left the Council's employment following the NFI probity checks	5	5,000	25,000		25,000
Council Tax single person discount cancelled to beginning of year	1000	250	250,000		250,000
Council Tax single person discount overpayments extending one year being also recovered			-	150,000	150,000
Duplicate payments work initiated by NFI but additionally work carried out by Audit and contractor identified and recovered			-	500,000	500,000
<u>Sub total</u>			<u>425,000</u>	<u>991,455</u>	<u>1,416,455</u>

	No.	Notional future savings value	Notional future savings value total	Actual Value	Total
<u>Value of other anti Fraud work carried out in 2008/09</u>					
Employees leaving after identity checks and dismissal following code of conduct (all relatively low grade employees)	32	5,000	160,000		160,000
Benefits Prosecutions	189	3,200	604,800		604,800
Benefits Cautions	85	1,200	102,000		102,000
Benefits Administrative penalties	26	1,200	31,200		31,200
Housing benefits overpayments under recovery				607,392	607,392
Parking Fraud Prosecutions	16	1000	16,000		16,000
Parking Fraud –Formal Caution	1	500	500		500
<u>Page sub total</u>			<u>914,500</u>	<u>607,392</u>	<u>1,521,892</u>
<u>overall totals</u>			<u>1,339,500</u>	<u>1,598,847</u>	<u>2,938,347</u>