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| REPORT TO: Audit Committee | DATE 17th March 2015 | CLASSIFICATION Unrestricted | REPORT NO. |
| REPORT OF: Corporate Director, Resources | | Anti-Fraud and Corruption Strategy and Proactive Anti-Fraud Plan 2015-16 | |
| ORIGINATING OFFICER(S): Tony Qayum Corporate Anti-Fraud Manager | | Ward(s) Affected: N/A | |

1. SUMMARY

- 1.1 This report provides the Audit Committee with an updated Anti -Fraud and Corruption Strategy and outlines a summary of the proposed Proactive Anti-Fraud Plan for 2015-16.

2. RECOMMENDATIONS

- 2.1 The Audit Committee is asked to note the contents of the report and endorse the Council's Anti-Fraud and Corruption Strategy and the pro-active Anti-Fraud plan.

3. INTRODUCTION

- 3.1 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.
- 3.2 The need for effective anti fraud work within local authorities has also been reflected by the Audit Commission, through the Use of Resources Assessment and Protecting the Public Purse publications as well as the CIPFA Better Governance Forum. 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.

4. ANTI FRAUD AND CORRUPTION STRATEGY

4.1 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 and attached at Appendix 1 is the revised strategy that picks up key changes resultant from new legislation and best practice as identified by CIPFA.

4.2 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, which has been issued annually since 2009 and new legislation including the Criminalisation of Social Housing Subletting in October 2013.

4.3 The key tests were:-

4.3.1 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.

4.3.2 Measuring Fraud and Corruption Losses

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

4.3.3 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.

4.3.4 Taking action to tackle the problem

Is the organisation undertaking the full range of necessary action.

4.3.5 Defining Success

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

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

5. ANNUAL CORPORATE ANTI FRAUD PLAN 2015/16

5.1 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 proper standards of financial conduct and of fraud and corruption.

5.2 The key drivers used to compile the corporate anti- fraud plan for 2015/16 has built on experience and takes account of the: -

- Continued development of a single Corporate Anti-Fraud resource under one managerial structure.
- Management requests and priorities;
- Local Knowledge;
- Joint working arrangements - external (DWP, UKBA, Police and other Local Authorities);
- Resourcing the Government's initiative to examine instances of unlawful sub letting of Social Landlord properties
- Joint Working arrangements – internal (payroll, pensions, parking services, benefits services, housing services; and
- Issues identified from planned audit work;
- Good Practice checklists from the Audit Commissions- Protecting the Public Purse.
- New government initiatives including the DWP Single Fraud Investigation Service and national Blue Badge scheme for disabled people
- Emerging risk areas as identified from national research from the Audit Commission, the National Fraud Authority and publications such as the "The Local Government Fraud Strategy" produced by Fighting Fraud Locally.

5.3 Our plan is attached as Appendix 2. The focus of the plan is to cover :-

- Planned activities for the Council and Tower Hamlets Homes that will include pro active and reactive work and along with ongoing reviews of access to accommodation, including nominations, transfers, successions and management determinations; as part of the on-going work of the Social Housing Fraud resource

- Continue management of the National Fraud Initiative process for the Authority, ensuring we meet our requirements under the Audit Commissions 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 Plan;
- 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 with the Police, UKBA and NHS responsible for enforcement and financial governance thus maximising opportunities to share intelligence and joint working.
- Continue to provide anti fraud training and awareness to members and officers;
- Continue to produce monthly reports on Governance issues for consideration by the Acting Director of Resources and Interim Monitoring Officer;
- Ensure that appropriate training and development on ethical governance matters is rolled out to staff and members as appropriate;
- Publicise all our 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 for more accurate reporting to enable better informed risk assessments

5.4 Social Housing Fraud Team – Key activities

- to recover unlawfully let properties
- Jointly investigate Housing Benefit Fraud where the accommodation is unlawfully let
- Investigate and support THH on suspicious Assignments, successions and Mutual exchanges

- Investigate and support THH on suspicious Right to Buy's where there may be unlawful letting 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.
- Participate in Pro-active exercises with support from other enforcement agencies including the Police, UKBA etc.

5.5 The Parking Fraud Team was transferred to Risk Management in February 2011 to undertake the day to day management and co-ordinate their work, the 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.

5.6 The Housing Benefit Fraud team transferred to Risk Management in July 2011 following a reorganisation of the arrangements for the management and investigation of allegations of Fraud, Corruption and Impropriety with the expectation that a Corporate Team would accrue a broader and collectively better response than maintaining individual teams all under different management arrangements and without a single focus.

5.7 The Government initiative to revise welfare benefits by the introduction of Universal Credit has meant that a Single Fraud Investigation Service is being established within the DWP to investigate benefit related fraud cases thus replacing local Housing Benefit fraud investigation teams. In the case of Tower Hamlets the service will transfer to the DWP in February 2016. Therefore there will be works currently undertaken by the Housing Benefit Fraud Team that will require resourcing separately. This will include Resident Parking abuses, Single Person Discount abuse, Council Tax Reduction cases and Student Discount false claims.

- 5.8 The plan makes provision for the existing resource plus a buy in of circa 50 additional days from the Internal Audit plan to be utilised as emerging issues arise.
- 5.9 The following table shows the Corporate Anti-Fraud Team resources for 2015/16 and the resource required to complete the anti - fraud work in 2015/16.

| Reactive resources | Days |
|--|------------|
| Corporate Anti-Fraud Manager | 80 |
| Corporate Anti-Fraud Team Leader and support | 470 |
| Allocation from Internal Audit Plan | 50 |
| | 600 |
| Housing Benefit Fraud Investigation * | 1175 |
| 3 x Social Housing Fraud Officers | 585 |
| 2 x Parking Fraud Officers (one term time) | 330 |

- *Six investigators for 10 months

6. Comments of the Chief Financial Officer

- 6.1 This report provides the Audit Committee with an updated Anti-Fraud and Corruption Strategy and outlines a summary of the proposed Proactive Anti - Fraud Plan for 2015-16.
- 6.2 There are no specific financial implications emanating from this report. The Internal Audit team work programme meets the Council's legal requirements under section 151 of the Local Government Act 1972 and reports directly to the Director of Resources in order to minimise to the Council the risk of fraud, error and omission to the Council's finances and assets.

7. Legal Comments

- 7.1. The legislative framework in respect of the Council's anti-fraud policy is detailed in the body of the Anti-Fraud and Corruption Strategy and appendices.

- 7.2. The Local Audit and Accountability Act 2014 will abolish the Audit Commission from 1 April 2015 and introduces a new local audit framework. The Local Government Association will set up a new company to take on responsibility for management of the Audit Commission's contracts until the legal introduction of local appointment in 2017.
- 7.3. 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.
- 7.4. 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.

8. One Tower Hamlets Considerations

- 8.1 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.

9. Anti-Poverty Considerations

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

10. Risk Management Implications

- 10.1 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.

11. Sustainable Action for a Greener Environment (SAGE)

- 11.1 There are no specific SAGE implications.