


Non-Executive Report of the: Audit Committee 28th June 2016	 TOWER HAMLETS
Report of: <i>Zena Cooke - Corporate Director - Resources</i>	Classification: <i>Unrestricted</i>
<i>Annual Anti -Fraud Report 2015-16</i>	

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

1. Introduction

- 1.1 This report provides the Audit Committee with an update of sensitive and reactive Anti-Fraud work undertaken during 2015/16*.
- 1.2 It captures the work of the Corporate Anti-Fraud team which includes Corporate Investigations, Housing Benefit Fraud Team Investigations, Social Housing Fraud Investigations and anti- fraud work around Parking Services.

2. Recommendations

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

3. Reasons for Decisions

- 3.1 The Audit Committee can gain assurance around the work of the Council's anti fraud activity and in particular, the Council's legal obligations to participate in the National Fraud Initiative.

4. Alternative Options

- 4.1 The Committee does not receive or consider the annual report or decides that it wishes to receive further updates on matters raised in the annual report.

5. Background

5.1 This report provides Audit Committee with a summary of work on sensitive and reactive enquiries undertaken during 2015/16*. It includes an overview of the results of the investigations carried out by Housing Benefits Investigations*, the Parking Service, and the Social Housing Fraud Investigation service.

*The Housing Benefit fraud Team transferred to the DWP on 1 February 2016.

5.2 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	1	• Corporate Anti-Fraud Manager
	1	• Corporate Anti-Fraud Team Leader
	2	• Corporate Anti-Fraud Investigator
	2	• Tenancy Fraud Officers
	1	• Temp Tenancy Fraud Officer – THH Funded
Housing Benefits Fraud Team	2	• Team Leaders
	6	• Investigation Officers
	1	• Intelligence Officer
	1	• Intelligence Assistant
Parking Services	1.5	• Parking Fraud Investigation Officers

5.3 An analysis of the notional savings achieved covering the work of the anti - fraud and reactive work carried out by the team is attached as Appendix A.

6. Key matters arising from the Service Outturn for 2015-16

6.1 There have been six substantial inquiries which have involved close working between the relevant Directorates, the Corporate Anti- Fraud Service, the DWP, Police and Legal Services.

6.2 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.

6.3 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.

- 6.4 We also undertook a systematic review of Grants following ongoing allegations around the provision of service, suitability of award and associated matters. This led to a 'Service Type' review covering Declaration of Interests, use of Purchase cards and HR related matters.
- 6.5 We have also undertaken a detailed service review of the Youth Service resulting in extensive systems findings that have covered more corporate systems as well as service specific issues.
- 6.6 We have worked closely with the DWP Organised Fraud unit and London borough of Redbridge on an extensive fraud involving false pay details associated with EEA workers. The total value of the fraud was £1.6 million pounds including £600k for LBTH, £578k for LB Redbridge and £420k in Tax Credits.
- 6.7 For Tower Hamlets this meant 56 claimants for both Housing and Council Tax Benefit and the investigation identified three 'ringleaders' who were prosecuted at Snaresbrook Crown Court and sentenced in April 2016. The three accused were imprisoned for 5.5 years 3.3 years and 3 years respectively.
- 6.8 The resultant enquiries have been widely publicised and we have been shortlisted by the Association of Local Authority Risk Management for an award for our pro- active joint working.
- 6.9 The expectation is that we will have an eventual Housing Benefit Overpayment of circa £1m when all of the cases that have been affected by this fraud are assessed.
- 6.10 We are continuing to work closely with the DWP Organised Fraud unit on other potentially concerning employers who may have falsified income records in the same way.
- 6.11 We have continued to work closely with the Council's Legal Service on a number of matters including employment law issues and governance matters including Money Laundering, Whistleblowing processes for all types of whistleblows on fraud, corruption and professional practice including care and safeguarding matters (this is covered in a separate report elsewhere on the agenda) Data Protection and the Parking Service with regard to Blue Badge irregularity and worked corporately where instances of reputational concern and or fraud have been identified.
- 6.12 We have continued to support the Housing Tenancy Fraud Investigators to assist the Council in tackling Sub Letting of Tower Hamlets Homes and Registered Social Landlord properties.

- 6.13 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.
- 6.14 We have continued to deliver against the Service Level Agreement with Parking Services and undertaken Pro- active initiatives with the Police and Community Safety Service.
- 6.15 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.
- 6.16 Following the transfer of the HB Fraud Investigation team to the DWP we have developed the Intelligence team to take forward new areas of work including corporate work that affects the Council directly and by picking up trends we intend to inform the Risk Management service on emerging risks as they are identified.

7. The National Fraud Initiative (NFI)

- 7.1 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 role since the closure of the Audit Commission in March 2015.
- 7.2 The National Fraud Initiative and the outcome of the last exercise is covered in a separate report to be found elsewhere in the agenda.
- 7.3 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.
- 7.4 The following is a summary of the results of the LBTH outcome from the NFI work –

A total of £1,045,069 (£988,240 from the main exercise and £56,829 from the C/Tax exercise) has been identified as monetary losses in total so far. The 2014 exercise will be drawing to a close later this year. A breakdown of the above is as follows:

- HB/CTR/CTB overpayments amount to £569,684
- DWP overpaid benefits amount to £237,054
- Administrative Penalties levied amounts to £15,074
- Pensions amounts to £14,819.00
- Payroll related amounts to £29,312
- Creditors duplicate payments identified amounts to £122,297
- Council Tax SPD for the 2014/15 exercise is £56,829

8. Other Activity

8.1 The following work areas have been undertaken, during 2015/16 by the Corporate Anti-Fraud Team:-

- ◆ 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

9. Housing Benefits Investigation Service

9.1 The Housing Benefits Investigation Service was 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);

9.2 During 2015/16 the Service had had the following successes:-

Breakdown of Prosecutions & Sanctions 2015-16	
Convictions (Benefits)	29
Penalties(c tax)	4
Admin Penalties (Benefits)	29
Admin Penalties (CTR)	9
Cautions (Benefits)	19
Cautions (Parking)	22
TOTAL	112

9.3 The service transferred to the DWP on 1st February 2016.

10. Social Housing Recoveries

- 10.1 The team achieved 34 recoveries for the year and were able to prevent 7 Right to Buy sales from going forward that represents a saving of in excess of £102,300 per unit in non-applied discounts.
- 10.2 In January we launched a Key Amnesty which ran until 6 March and resulted in the handing back of 8 units. The Amnesty was very well publicised in the media and picked up by Radio London and the BBC who ran a case study which highlighted the benefits to the community in releasing units for the use of genuine potential tenants and a recently housed tenant was highlighted and interviewed as she had been awarded a unit we had previously recovered. The Mayor was also interviewed to set the corporate picture.
- 10.3 The positive publicity that the Amnesty gave resulted in 67 referrals being received and from those 50 have been evaluated for further follow up and investigation.
- 10.4 We have also focused on Right to Buy cases and assisted Tower Hamlets Homes and the Council's legal service on improved verification arrangements of financial circumstances and introduced anti- money laundering documentation to satisfy ourselves that we are disposing of assets correctly.
- 10.5 We continued with the data matching exercise with a commercial organisation in December 2013 which has enabled us to match data on tenancies to credit histories in order to improve our intelligence of suspected subletting. This was repeated in January 2015 and has assisted in helping to target higher risk cases for examination.
- 10.6 The success of the team is unquestioned with in excess of 200 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.
- 10.7 The team consists of three staff which have been successfully funded via the Council are continuing to perform as part of the Corporate Anti-Fraud team resource.

11 Parking Services

- 11.1 The Parking Service investigations have resulted in 6 Parking fraud cases being presented for prosecution. All of which were successfully resolved.
- 11.2 There were also 120 Recovered Disabled badges and 46 Recovered Resident Parking Permits together with 31 Penalty Notices issued and 14 vehicle Removals to the Car pound. In addition the team assisted with the identification and removal 14 vehicles that had been classed as Persistent Evaders representing a ticket liability of £96,595.

12 Comments of the Chief Financial Officer

- 12.1 This report is an update of reactive and Anti - Fraud work undertaken during 2015/16. A total of £1,045,069 has been identified as monetary losses through the National Fraud Initiative (NFI) work – see section 5.4 for more details.
- 12.2 There are no specific financial implications emanating from this report.

13 Legal Comments

- 13.1 This report advises of the work of the Anti-Fraud Service undertaken during 2015/16 including Enforcement Investigations.
- 13.2 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.
- 13.3 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.

14 One Tower Hamlets

- 14.1 There are no specific one Tower Hamlets considerations.
- 14.2 There are no specific Anti-Poverty issues arising from this report.

15 Best Value Implications

15.1 This report highlights areas where internal control, governance and risk management can be improved to meet the Best Value Duty of the Council.

16 Risk Management Implications

16.1 This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. The risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority's exposure to risk.

17 Sustainable Action for a Greener Environment (SAGE)

17.1 There are no specific SAGE implications.

18 Crime and Disorder Reduction Implications

18.1 By having sound systems of controls, the Council can safeguard against the risk of fraud and abuse of financial resources and assets.

APPENDIX A				
	No.	Notional future savings value	Notional future savings value total	Actual Value
<u>NFI (Final 2 year outturn)</u>				
Identified value of overpayment/losses - recovery in process				1,045,069
Housing properties recovered.	34	75,000	2, 550,000	6,800,000*
				7,845,069
<u>Value of other Anti Fraud work carried out in 2015/16</u>				
Benefits Prosecutions	29*	3,200	692,800*	
Benefits Cautions	19	1,200	22,800	
Benefits Administrative penalties	29	1,200	34,800	
Resident Parking Recoveries	22	8,000	176,000	
Right to Buy Prevention	7	102,300	716, 100	
Blue badge recoveries	120	8,000	960,000	
Persistent Evaders	14			96,595
* 3 Prosecutions were related to the EEA fraud valued at £600K				
<i>overall totals</i>			5,152,500	7,941,664

* Figure based on a conservative open value valuation of £200,000 per unit.