


<p><i>Non-Executive Report of the:</i></p> <p>Audit Committee</p> <p>28th June 2017</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Zena Cooke - Corporate Director, Resources</p>	<p>Classification: Unrestricted</p>
<p>Corporate Anti-Fraud Team Investigations Update.</p>	

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

1. **INTRODUCTION**

- 1.1 This report provides an update of the Corporate Anti-Fraud Team's investigation work.

2. **RECOMMENDATIONS**

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

3. **BACKGROUND**

- 3.1 The Corporate Anti-Fraud Team (CAFT) is based within the Risk Management Service, and is led by the Corporate Anti-Fraud Manager.
- 3.2 There are four teams that make up the unit and each is led by a designated team leader. The Corporate Anti-Fraud team considers allegations of fraud, corruption and impropriety and focus on internal matters, contractual relationships and service provision that may be the subject of financial abuse. The team via its Team Leader is also the Council's key contact for the National Fraud Initiative.
- 3.3 There is also a Social Housing Fraud investigation team that considers abuse of housing tenancy in the form of subletting, abandonment and false entitlement to housing allocation and more recently the integrity of Right to Buy applications and disposals. The team is partly funded by THH and offers a service to all Registered Providers in the borough. There is also a small Blue Badge team that is managed on behalf of Parking Services via a Service Level Agreement that considers the investigation of misuse and abuse of Blue Badges and persistent evaders of parking fines and undertakes pro-active drives with the Police to clamp down on misuse and other public facing

initiatives to protect the public and make better use of public assets. This team reports directly to the Corporate Anti-Fraud Manager.

- 3.4 The last team is the Intelligence Team that takes an overview with the Corporate Anti-Fraud Manager of trends and linkages between enquiries in order to take a more holistic approach to the investigation of abuse and where possible assist in improvement of systems through robust evidenced based Intelligence.
- 3.5 Each referral is profiled through internal systems interrogation to establish the provenance of an allegation/ management referral and to assist the early data gathering for an investigator to undertake an enquiry. The ability to undertake both internal and external data vouching is considered particularly helpful as it enables investigators to make more informed case management decisions and reduces investigation time because much of the required intelligence has already been gathered for them.
- 3.6 The Intelligence Team also provides support to other elements of the wider Anti-Fraud Team and Internal Audit / Insurance services.
- 3.7 Where necessary and appropriate the CAFT can draw resources from the Internal Audit Section as mentioned in their annual Audit Plan.

4. CORPORATE ANTI-FRAUD TEAM CASES INVESTIGATED

4.1 Summary of activity during the period

The table below summarises the activity of the CAFT for the financial year 2016 to date and highlights a number of notional savings valued at over £9 million.

Activity	Fraud Proven 2016/17	Fraud Identified 2016/17 (£'s)	Fraud Proven 2017/18	Fraud Identified 2017/18 (£'s)
Social Housing (inc Subletting, abandonment and false applications)	44	3,300,000	10	750,000
RTB	12	1,246,800	3	311,700
Parking Blue Badges Recovered	149	1,192,000	24	192,000

Housing Benefit (Legacy) Prosecution and Administrative Penalty	4	600,000	-	-
Prosecutions Corporate * See case studies below	3	64,080		
National Fraud Initiative 2014/15	Creditors, Pensions, Housing and payroll	1,045,069	New exercise commenced	
Parking Control Notices	56	3,360	5	300
Permits Cancelled	34	272,000	15	120,000
Total	-	7,723,309	-	1,374,000

5. CORPORATE ANTI-FRAUD TEAM CASES INVESTIGATED

- Sixty-five cases were examined within this period for investigative purposes.
- Seventeen cases were closed as rejected as unsuitable for investigation following initial evaluation by the Intelligence Team.
- Twenty-eight progressed to an investigation.
- Twenty more progressed to a very detailed investigation with each generating a substantial investigative report with expectations of management improvement to address significant issues. Six cases were either matters that required assurance as requested by senior management or which required an audit consideration where the balance of issues found tended to require system improvements and did not establish fraud or corruption issues. Findings from ten cases from the work undertaken by the service are outlined in Appendix A for consideration as they either raise governance issues or have generated criminal prosecutions and financial settlements or Proceeds of Crime applications.

6. FRAUD PREVENTION ACTIVITIES

6.1 E- Learning

- 6.1.1 The Risk Management service introduced an E-Learning programme that sought to enhance existing arrangements around awareness of the risk of Fraud and provided all staff and members with a short but focused programme that demonstrated how to identify key fraud risks and awarded a certificate if the multiple choice questions were answered correctly.
- 6.1.2 The course reaches the whole organisation, individual directorates, management and individuals and creates an enhanced awareness of the Council's anti-fraud policies and culture.
- 6.1.3 CAFT has continued to promote an anti-fraud culture and have delivered training in various forms to local teams and the wider audience through risk talks and presentations as part of borough wide risk presentations.
- 6.1.4 For example CAFT presented to Adult Services in June 2016 and undertook a Risk Management talk to the Council on the July 2016 which sought to focus specifically on the risk of fraud and the responsibility placed on management to mitigate fraud risk in the systems and procedures under their stewardship.
- 6.1.5 CAFT has engaged with the authorities Risk Champions forum to maximise the fraud agenda which was delivered in January 2017 and attended the Financial Conduct Authority in March 2017 to help develop greater awareness and risk identification particularly in the area of Social Housing and Right to Buy cases.
- 6.1.6 CAFT is also active member of the London Boroughs Fraud Investigation Group on sits on its Executive Committee and has worked closely with CIPFA on the Anti-Fraud landscape and future consideration to achieving universal values for fraud types thus enabling consistency in output valuation.

6.2 Right to Buy

- 6.2.1 The number of Right to Buy applications continue to increase with tenants benefitting from the scheme's discounts of up to a maximum of £103,900.
- 6.2.2 With such significant discounts available to prospective purchasers there is an increased risk of fraud. In order to minimise this risk the Corporate Anti-Fraud Team have applied enhanced fraud prevention processes to all new RTB applications, including anti-money laundering questionnaires as well as financial and residential verification. This has meant that many applications having been referred to the CAFT have been reviewed and assessed and those applications have been either rejected or the applicant has withdrawn their application following due diligence reviews.

- 6.2.3 In order to enhance the control environment we have worked very closely with the RTB team at THH and the Council's Legal Service which have adopted new practices and closer working. The resultant practices have encouraged THH to fund a post to be managed by the CAFT to act as a link between themselves, Legal Services and ourselves to embed improved procedures and undertake financial checks with our Intel team. The post is in the process of being recruited to currently.
- 6.2.4 CAFT has engaged with CASCADE the Mortgage lenders intelligence group and providers forum, following a presentation we delivered to the industry in October 2016 and played a key part in generating an SLA with the National Hunter mortgage vouching service.
- 6.2.5 CAFT has also engaged with the Solicitors Regulatory Authority to highlight poor practice with solicitors acting inappropriately and with Lloyds in mortgage lending review.

6.3 CORPORATE INVESTIGATIONS

- 6.3.1 Corporate Investigations involve cases that affect the internal operations of the Council as mentioned in 3.2 above and relate to employee fraud or other third party fraud which does not necessarily fall within the other services the CAFT covers. Examples of the range and depth of these reviews are contained in the sample cases shown in Appendix A.
- 6.3.2 It is intended to provide regular updates on the team's activity several times during the municipal year.

7 COMMENTS OF THE CHIEF FINANCE OFFICER

- 7.1.1 This report provides an update on the Corporate Anti-Fraud Team's investigation work for the financial year 2016/17 to date.
- 7.1.2 There are no specific financial implications emanating from this report. The report however highlights a number of notional savings valued at over £9 million as a result of successful investigations leading to prosecution in some instances, system improvements and facilitated future preventative measures that will be put in place.

8 LEGAL COMMENTS

- 8.1 This report advises of the work of the Anti-Fraud Service undertaken between the financial year 2016/17 to date including enforcement Investigations.
- 8.2 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

8.3 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.

9. ONE TOWER HAMLETS CONSIDERATIONS

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

10. ANTI-POVERTY CONSIDERATIONS

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

11. RISK MANAGEMENT IMPLICATIONS

11.1 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.

12. SAGE

12.1 There are no specific SAGE implications.

13. CRIME AND DISORDER IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- Appendix A – Findings from ten cases as they either raise governance issues or have generated criminal prosecutions and financial settlements or proceeds of Crime applications

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- NONE

Officer contact details for documents:

N/A