


<p><i>Non-Executive Report of the:</i> Audit Committee 23rd January 2018</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>	

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

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 Following a restructure of the team a number of posts were advertised, two for Corporate Fraud and one for Social Housing investigation. Attached at Appendix A is current structure. The team is broken down into four teams that make up the unit and each is led by a designated team leader.
- 3.3 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.
- 3.4 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. We also have a small Blue Badge team that we manage 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.

- 3.5 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.
- 3.6 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.
- 3.7 The Intelligence Team also provides support to other elements of the wider Anti-Fraud Team and Internal Audit / Insurance services.
- 3.8 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 current financial year 2017/18 and highlights a number of notional savings valued at almost £6 million so far this financial year.

Activity	Fraud Proven 2017/18 (April to June)	Notional Value of Fraud Identified 2017/18 (£'s)	Fraud Proven 2017/18 (Apr to December)	Notional Value of Fraud Identified 2017/18 to date (£'s)
Social Housing (inc Subletting, abandonment and false applications)	10	750,000	33	2,475,000
RTB	3	311,700	14	1,454,600
Parking Blue Badges	24	192,000	81	648,000

Recovered				
Parking Permits Cancelled	15	120,000	28	224,000
Parking Control Notices	5	300	30	1,600
National Fraud Initiative 2014/15 Creditors, Pensions, Housing and payroll	-	1,045,069	-	1,045,069
Total	87	2, 419,069	186	5,874,855

5. FRAUD PREVENTION ACTIVITIES

5.1 E- Learning

- 5.1.1 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.
- 5.1.2 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.
- 5.1.3 We have 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.
- 5.1.4 For example we presented to all Departmental Leadership Teams in September 2017 on the arrangements for Anti-Fraud and Corruption and Whistleblowing and undertook a Risk Management talk to the Council on what Fraud is and how it affects you in October 2017 and this was followed up by a talk on the work of the Social Housing Fraud Team and how it works with THH and the Councils Lettings team in December 2017.
- 5.1.5 It is intended to continue these themes at local Departmental Leadership Teams in the final quarter of this financial year.

5.1.6 We have engaged with the Monitoring Officer on specific risks around Right to Buy irregularity and Money Laundering matters and we are also active members of the London Boroughs Fraud Investigation Group on which we sit on its Executive Committee and are working closely with CIPFA on the Anti-Fraud landscape and further professionalization of the anti-fraud offering within Local Authorities.

5.2 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 Tower Hamlets Homes (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 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 was recruited to in November 2017.

6.2.4 We have 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 We have 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.

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 2017/18 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 almost £6 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. 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.
- 8.2. 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.

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.