

REPORT TO:	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	29 June 2009			
REPORT OF:	Annual Fraud Report 2008/09			
ORIGINATING OFFICER(S):	<i>Ward(s) Affected: N/A</i>			
<i>Corporate Director, Resources</i>				
<i>Service Head Risk Management</i>				

## 1. Introduction

- 1.1 This report provides the Audit Committee with the results of reactive and Anti Fraud work undertaken during 2008/09.
- 1.2 It provides a corporate perspective on the results of the work of Audit Services as well as that of the Housing Benefit Investigations Team and the Parking Service.

## 2. Recommendations

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

## 3. Background

- 3.1 This report provides Audit Committee with a summary of work on sensitive and reactive enquiries undertaken during 2008/09. It includes an overview of the results of the investigations carried out by Housing Benefits Investigations and the Parking Service.
- 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>
	0.1	<ul style="list-style-type: none"> <li>• Fraud Assistant “bought in” resource</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 2008-09**

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 has covered an extensive range of systems and processes and has required substantial staff resources to finalise all of the issues relating to potential criminality. The matter has been referred to the Metropolitan Police and an arrest will be made shortly. Further reports on this matter will be presented to the Audit Committee as the case goes forward as will the outcomes of the improvement to the control environment.

4.3 Audit Services has also worked closely with the Corporate Property Services division of the Development and Renewal directorate on a number of matters including Asset Disposals, a financial review of charging and rental review of a number of sites within the borough and a financial review of Property Management arrangements for one of our centres. This last matter has been undertaken in close liaison with the Assistant Chief Executive (Legal Services).

4.3 The Audit Service has also provided support to Directorates upon request. This included an ongoing review of the SX3 system, Cheque formats for a number of Schools within the borough and

further investigative work on a number of identified abuses of our Corporate Purchase Card system.

- 4.4 We have continued to work closely with the Councils Legal Service on a number of matters including Right to Buy valuations, employment law matters and governance matters including Money Laundering issues, Data Protection and the Parking Service with regard to Blue Badge irregularity and worked corporately where instances of Blue Badge irregularity has involved members of staff.
- 4.5 We have challenged and enhanced the Anti- fraud and Corruption Strategy to ensure it reflects current best practice. A separate report on this and the CIPFA publication “Managing the Risk of Fraud- Actions to counter Fraud and Corruption- Red Book 2” can be found elsewhere in the agenda.
- 4.6 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.
- 4.7 Appendix B attached is a summary of the results and value of anti fraud work carried out in 2008/09 and in including some findings for the NFI 2007/08.

## **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 generally 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 -

- £432,143.36 has been identified as overpayment/loss and is in the process of recovery. This includes the following break down:-
- £50,391 in Housing Benefit / Council Tax overpayments.
- £31,546.67 representing 16 deceased pensioners
- £232,604 representing 1298 cases of Council Tax Single Person Discount
- 2 Housing properties were recovered.
- 2 Staff members left the Councils employment following the NFI probity checks

5.7 In addition to the above there were

- Fifteen employees who have left the Councils employment following investigative work

## **6. Other Audit Activity**

6.1 The following work areas have been undertaken, during 2008/09 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. Fraud Response Plan including Whistle-Blowing**

7.1 The Audit Committee received a report at the June 2008 meeting, proposing a number of minor enhancements to the existing Anti-fraud and Corruption Strategy following a review undertaken by the former Chief Legal Officer of the Council.

7.2 Following endorsement by the Audit Committee the Anti- fraud and Corruption Strategy was updated and placed on the new Council Internet.

- 7.3 As identified in paragraph 4.6 we have had an independent review undertaken of the Councils arrangements for the prevention and detection of Fraud and Corruption to assess our compliance with the new CIPFA publication "Managing the Risk of Fraud- Actions to counter Fraud and Corruption- Red Book 2".
- 7.4 The resultant findings will be implemented following endorsement by the Audit Committee.

## **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 2008/09 the Service has had the following successes and has been evidenced as one of the most successful of London Boroughs with:-
- 170 cases being dealt with;
  - 29 convictions at court;
  - 70 cautions (i.e. proven cases of fraud, whereby the amount was small or where there were mitigating circumstances to avoid prosecution);
  - 71 Administrative Penalties; and
  - Total Housing and Council Tax overpayments that represent the 170 cases equates to £509,344.25.

## **9. Parking Services**

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

Of these:-

- 13 cases resulted in convictions with fines amounting to £4,770 and costs in the sum of £2,675 - both of which were awarded to the Council;
- One case was disposed of via the application of a Caution.

- Three cases were withdrawn following representation on the grounds that there was no longer an economic prospect of conviction.

**10. Comments of the Chief Financial Officer**

10.1 These are contained within the body of this report.

**11. Concurrent Report of the Assistant Chief Executive (Legal Services)**

11.1 There are no immediate legal implications arising from this report.

**12. One Tower Hamlets**

12.1 There are no specific one Tower Hamlets considerations.

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

**13. Risk Management Implications**

13.1 The revised control environment should pick up the areas identified as of concern and reduce the residual risk.

**14 Sustainable Action for a Greener Environment (SAGE)**

14.1 There are no specific SAGE implications.

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Local Government Act, 1972 SECTION 100D (AS AMENDED)

***List of "Background Papers" used in the preparation of this report***

Brief description of "background papers"

Contact :

*Minesh Jani, 0738*

## APPENDIX A

<u>Tower Hamlets Homes</u>		
<u>No. of Days</u>	<u>Audit Activity</u>	<u>Comments/Outcome</u>
11	Whistle bow concerning appropriate allocation of property.	Allegations of inappropriate allocation were not substantiated, although systems control weaknesses identified. Improved system of control being implement by management
9	Theft of fuel	Disciplinary hearing found serious management weakness in system of controls
15	RTB valuation and litigation	On-going support on the litigation resulting from in-appropriate valuations of RTB's
6	Follow-up work RTB employee	Support to management, employee has now left organisation
7	4 Police and other external agency referrals	Joint working with other agencies concerning THH current and employees
10	4 Whistle bowing under 5 days	Management of whistle bows and investigations as necessary
10	Members enquiry concerning recovery of utilities charges	Investigations confirmed that utility charges had been under recovered. Action plan to recover
15	NFI investigations and apportionment of preparatory work for the 2008-9 exercise	National fraud initiative 2006-7 and 2008-9 meeting requirements for Section 151 officer under the Audit Commissions Code of Data matching Practice 2008
5	Governance	
17	9 Enquiries under 3 days	
5	Anti fraud arrangements and partnership	
<b><u>110</u></b>		

**LBTH Re-active**

<u>No. of Days</u>	<u>Audit Activity</u>	<u>Comments/Outcome</u>
3	Anti Fraud Forums	3 Anti fraud forum groups were setup across the Council as a proactive co-ordination of anti fraud work in key areas
26	Data Quality Review and Best Value Performance Indicator	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 BVPI returns. It also includes comprehensive reviews of all the high risk BVPIs in preparation for the external audit, and minimising the need for amendments to BVPIs and training and development of Coordinators for the return preparation...
4	Freedom of information enquires	Investigating and responding to freedom of investigation enquiries
9	Governance and code of conduct	Joint working into improve systems and procedures for declarations of interest, gifts and hospitality and code of conduct
8	Internal referrals	Joint working and referrals from Payroll Services, Benefits Services and Trading Standards
21	LPSA 2	Audit of LPSA 2 activities to support claim
14	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
59	National Fraud Initiative	Finalising the 2006/07 exercise and publicising consulting and initiating the 2006/07 to meet the requirements of the Audit Commission Code of Data Matching Practice. Including resultant review of output data, and co-ordinating follow-up work.
9	Outside agencies	Requests for information, and whistle blow referrals from other local Authorities, DWP and other agencies, Banks, Building Societies, Health Authorities, etc.
7	Parking joint working	Joint working with parking service and support on specific cases
7	Parking Shop	Joint working with parking service for the closure of the Parking shop and restructure and re engineering of the service
15	Police Enquiries	Reactive support to police enquires from local Financial Investigation Units on recovery of assets and support to enquires to Metropolitan Police





<b><u>APPENDIX B</u></b>		No.	Notional future savings value	Notional future savings value total	Actual Value
	<u>NFI 2006/17 (2 year outturn)</u>				
	Identified value of overpayment/losses - recovery in the process				432,143.36
	2 Housing properties were recovered.	2	75,000.00	150,000.00	
	2 Staff members left the Councils employment following the NFI probity checks	2	5,000.00	10,000.00	
				<u>160,000.00</u>	<u>432,143.36</u>
	<u>Value of other anti Fraud work carried out in 2008/09</u>				
	Employees leaving after identity checks	15	5,000.00	75,000.00	
	Benefits Prosecutions	29	3,200.00	92,800.00	
	Benefits Cautions	70	1,200.00	84,000.00	
	Benefits Administrative penalties	71	1,200.00	85,200.00	
	Housing benefits overpayments under recovery				509,344.00
	Blue badge recovery	1	1,500.00	1,500.00	
	Blue badge misuse	12	500.00	6,000.00	
				<u>344,500.00</u>	<u>509,344.00</u>
	<u>overall totals</u>			<u>504,500.00</u>	<u>941,487.36</u>