

REPORT TO: Audit Committee	DATE 15 December 2009	CLASSIFICATION	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director, Resources		Progress on National Fraud Initiative 2008-09 and Anti Fraud Update		
ORIGINATING OFFICER(S): Head of Audit Services		Ward(s) Affected: N/A		

1. SUMMARY

- 1.1 This report updates Audit Committee of the current progress of the National Fraud Initiative 2008 -09 and provides an overview of anti fraud work undertaken during the past six months by Audit Services.

2. RECOMMENDATIONS

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

3. INTRODUCTION

- 3.1 This report updates the Audit Committee of the current progress of the National Fraud Initiative 2008 -09 and provides an overview of anti fraud work undertaken during the past six months by Audit Services.

LOCAL GOVERNMENT ACT, 2000 (SECTION 97)

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

Name and telephone number of holder
And address where open to inspection

Minesh Jani – 0207 364 0738

4. NATIONAL FRAUD INITIATIVE 2008-09

4.1 The National Fraud Initiative 2008-09 was launched by the Audit Commission in July 2008 and spans over a two year period from July 2008 to December 2009. The NFI data was supplied to the Audit Commission in October 2008 with the resultant output reports being issued to the Council in February 2009. The coverage of this year's NFI was extended to include new mandatory data sets with the objectives of identifying fraud or error on the following key areas :-

- Benefits fraud (housing and Council Tax)
- Employee fraud (employees with Border Agency issues and rights to work and employees failing to declare other employment which may have a conflict)
- Pension fraud/overpayments to deceased pensioners
- In appropriate Right - to - Buy
- Illegal tenancies and temporary accommodation
- Multiple insurance claims
- Creditors address book
- Potential duplicate payments
- In-appropriate issue/abuse of parking permits, blue badge or freedom passes

4.2 For the current NFI, since the reports issued in February 2009 there has a second NFI data match run, which generally concerned matches where data had either been submitted late or had to be resubmitted (LBTH data was submitted on time). Additionally in May 2009 LBTH participated in a pilot run of homelessness data. As a result of this the Authority has received over 18,000 matches from the Audit Commission for examination/investigation.

4.3 In acknowledgement by the Audit Commission that all outputs may not be actually frauds or error, the Commission has developed its own risk assessment for each output report and formulated a recommended filter to be applied to the output identifying the cases mostly likely to be of concern. The application of the recommended filter has reduced the circa 18,000 output to 2,242 (2,176 plus 66 from second run).

4.4 To manage the NFI the Internal Audit Service has set its own targets in order to achieve the objectives set out by the Audit Commission, these are :-

- 30th June 2009 - All recommended filter matches to be open and reviewed

- 30th September 2009 - All recommended filter matches to be examined and close all cases that are not required for further investigation
 - 31st December 2009 – All cases not being pursued for fraud/recovery to be closed
- 4.5 From the attached Appendix A it is confirmed that the targets for June and September have been met. It should also be noted that the Authority has not only looked at the recommended filter matches, it is also reviewing all other reports and applying its own filter or local knowledge for the additional test and following up individual cases. In appendix A shows that over 4,000 matches have already been examined and closed, open for investigation or designated as fraud or error.
- 4.6 So far, the NFI 2008-10 exercise has identified 28 cases of error and 6 cases of fraud which account for overpayments totalling some £98K.
- 4.7 In early 2008 a second NFI run had been also carried out matching single person's discounts to the electoral role, the work on this to date has resulted in 1,618 single persons discounts being ended with a total annual saving of circa £370K.
- 4.8 In October 2009 the Audit Commission was asked to support the RH John Healey MP action on identifying illegal and unauthorised tenants to stamp out tenancy fraud. All local authorities and the larger RSL's nationwide have been approached and participated in the release of tenancy data to support this action. The results of this is due within the next two months.

5. AUDIT COMMISSION EXAMINATION

- 5.1 The Audit Commission are able to view the progress of each authority in managing the NFI as the Commission have remote access to all sites via a web link. In September 2009 a site visit was undertaken on a number of Local Authorities to evaluate progress and resolve any queries and Tower Hamlets was inspected. The inspection confirmed that the Council was on target to meet the prescribed deadlines for managing the data and that there were no concerns resulting from the inspection that required follow up.
- 5.2 The deadlines for completing the exercise are being met and the remaining key dates for making the returns to the Audit Commission are 31 December 2009 with all outstanding investigations to be resolved or evidence of being investigated met by 31 March 2010.

6. ANTI FRAUD AND RISK AWARENESS TRAINING

- 6.1 Audit Services have undertaken two training initiatives during 2009-10, with further training exercises planned for the second half of the financial year.
- 6.2 These were in regard to Anti Money Laundering training for key Finance staff across the authority and formed part of our e-learning package which was developed in partnership with Legal Services, Organisational Development and an outside Solicitor's covering Anti Money Laundering and Anti Fraud and Corruption arrangements, Governance Standards and Risk Management including Code of Conduct for Employees and Members.
- 6.3 The training was delivered to the Resources Directorate and presented as a joint presentation between Legal and Audit Services and covered Ethical Standards to prevent Fraud and Corruption.

7. OTHER KEY ACTIVITIES UNDERTAKEN DURING THE YEAR TO DATE

- 7.1 Audit Services has also worked closely with the Police on two specific matters which have been recently finalised. One involved the prosecution of a former temporary employee for defrauding the Council of £22,000 coming from a range of deceptions. The matter has been successfully prosecuted with the culprit pleading guilty and being handed down a fifty two week sentence suspended for two years, a curfew for four months between the hours of 9 .00 pm and 7.00 am each day for four months, 200 hours unpaid work and electronic tagging.
- 7.2 The deterrent value of this case is considered considerable with press coverage being reported in the local press as well as the Councils own free newspaper, East End Life.
- 7.3 The system of control within the service area has been improved following this inquiry and revised operational arrangements have been introduced to manage risks more effectively.
- 7.4 The other matter involved a former School Governor who had stolen a sum of money from a Governor's group facilitated by the School. The School Governor has admitted to the theft and the Police have issued her with a formal Caution.
- 7.5 The Audit Service has also provided support to Directorates upon request.

- 7.6 The Audit Service has also worked jointly with the Procurement Team to minimise fraud and loss on the use of the corporate purchase cards.
- 7.7 We have also continued to develop closer working arrangements with the Parking Service and Legal Services with regard to Blue Badge irregularity and worked corporately where instances of Blue Badge irregularity has involved members of staff.
- 7.8 We have challenged ourselves against the requirements of the CIPFA Red Book 2 publication ‘ Managing the Risk of Fraud’ which was evaluated by an independent legal advisor and a detailed action plan is in place to ensure the Council achieves full compliance of the enhanced standards by the end of this financial year.
- 7.9 To this end the Head of Audit Services is leading on this to ensure that other parts of the Council make the necessary enhancements to processes and procedures and to ensure joined up working is developed further.
- 7.10 We have also developed a protocol for joint working between the PCT and Audit Services and Housing Benefits and are utilising Government funding to establish the extent of Housing Fraud within the authority by developing pro active drives to identify savings. This is being developed in conjunction with four other Local Authorities within the North East London area.
- 7.11 We are also undertaking an “in house” exercise looking at debts from a corporate perspective. It is proposed to examine a range of the authority’s debtors, with a view to profiling debts to provide information to support whether a corporate approach to recovery would be more effective and economical.

8. Comments of the Chief Financial Officer

- 8.1 These are contained within the body of this report.

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

- 9.1 There are no immediate legal implications arising from this report.

10. Equal Opportunity Considerations

10.1 There are no specific Equal Opportunities issues arising from this report.

11. Anti-Poverty Considerations

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

12. Risk Management Implications

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

13. Sustainable Action for a Greener Environment (SAGE)

13.1 There are no specific SAGE implications.

APPENDIX A

13-Nov-2009

NATIONAL FRAUD INITIATIVE 2008/2009
AUTHORITY SUMMARY: London Borough of Tower Hamlets

No.	Report Name	Total Run1	Total Run2	Status	Processed	In Progress	Frauds	Errors	Savings
1	Housing Benefit Claimants to Student Loans, high quality, within bodies	100	0	Opened	65	140	5	1	£69217.93
2	Housing Benefit Claimants to Student Loans, high quality, between bodies	32	0	Opened	27	26	0	0	£0.00
3	Housing Benefit Claimants to Student Loans, medium quality, within bodies	1	0	Opened	1	1	0	0	£0.00
4	Housing Benefit Claimants to Student Loans, medium quality, between bodies	3	0	Opened	2	7	0	0	£0.00
13	Housing Benefit Claimants to Payroll, high quality, within bodies	4	0	Opened	131	4	0	2	£0.00
13.1	Housing Benefit Claimants to Payroll Pensions, high quality, within bodies	1	0	Opened	42	3	0	0	£0.00
14	Housing Benefit Claimants to Payroll, high quality, between bodies	4	0	Opened	35	2	0	8	£0.00
14.1	Housing Benefit Claimants to Payroll Pensions, high quality, between bodies	15	0	Opened	7	8	0	3	£31235.42
17	Housing Benefit Claimants to Payroll, address quality, within bodies	83	0	Opened	439	276	0	0	£1668.05
17.1	Housing Benefit Claimants to Payroll Pensions, address quality, within bodies	8	0	Opened	8	0	0	0	£0.00
18	Housing Benefit Claimants to Payroll, address quality, between bodies	82	3	Opened	22	72	0	0	£0.00
18.1	Housing Benefit Claimants to Payroll Pensions, address quality, between bodies	137	0	Opened	45	92	0	1	£0.00

IMPORTANT! : This summary includes matches that occurred in previous years.

NATIONAL FRAUD INITIATIVE 2008/2009

AUTHORITY SUMMARY: London Borough of Tower Hamlets

13-Nov-2009

No.	Report Name	Total Run1	Total Run2	Status	Processed	In Progress	Frauds	Errors	Savings
20	Housing Benefit Claimants to Asylum Seekers, high quality, between bodies	3	0	Opened	6	3	0	0	£0.00
21	Housing Benefit Claimants to Asylum Seekers, medium quality, between bodies	5	0	Opened	5	3	0	0	£0.00
23	Housing Benefit Claimants to UK Visas, high quality, between bodies	3	1	Opened	3	1	0	1	£9892.05
24	Housing Benefit Claimants to UK Visas, medium quality, between bodies	29	25	Opened	16	97	0	0	£0.00
26	Housing Benefit Claimants to Housing Benefit Claimants, high quality, within bodies	20	0	Opened	5	23	0	1	£0.00
27	Housing Benefit Claimants to Housing Benefit Claimants, high quality, between bodies	35	0	Opened	32	6	0	11	£0.00
28	Housing Benefit Claimants to Housing Benefit Claimants, medium quality, within bodies	4	0	Closed	5	0	0	0	£0.00
29	Housing Benefit Claimants to Housing Benefit Claimants, medium quality, between bodies	13	0	Closed	14	0	0	0	£0.00
31	Housing Benefit Claimants to Housing Rents, high quality, between bodies	1	1	Closed	2	0	0	0	£0.00
32	Housing Benefit Claimants to Housing Rents, medium quality, within bodies	42	0	Opened	38	4	0	0	£0.00

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13-Nov-2009

NATIONAL FRAUD INITIATIVE 2008/2009
 AUTHORITY SUMMARY: London Borough of Tower Hamlets

No.	Report Name	Total Run1	Total Run2	Status	Processed	In Progress	Frauds	Errors	Savings
33	Housing Benefit Claimants to Housing Rents, medium quality, between bodies	35	2	Closed	38	0	0	0	£0.00
37	Housing Benefit Claimants to Right to Buy, medium quality, between bodies	15	0	Opened	15	1	0	0	£0.00
45.1	Housing Benefit Claimants to Insurance Claimants, high quality, within bodies	7	0	Opened	4	21	0	0	£0.00
45.3	Housing Benefit Claimants to Insurance Claimants, medium quality, within bodies	1	0	Opened	2	2	0	0	£0.00
45.5	Housing Benefit Claimants to Insurance Claimants, address quality, within bodies	4	0	Opened	11	17	0	0	£0.00
46.1	Housing Benefit Claimants to Market Traders, high quality, within bodies	21	0	Opened	7	67	0	0	£0.00
46.2	Housing Benefit Claimants to Market Traders, high quality, between bodies	1	0	Opened	0	3	0	0	£0.00
46.3	Housing Benefit Claimants to Market Traders, medium quality, within bodies	1	0	Opened	0	1	0	0	£0.00
46.5	Housing Benefit Claimants to Market Traders, address quality, within bodies	31	0	Opened	8	133	0	0	£0.00
46.6	Housing Benefit Claimants to Market Traders, address quality, between bodies	2	0	Opened	1	13	0	0	£0.00
47.2	Housing Benefit Claimants to Taxi Drivers, high quality, between bodies	75	1	Opened	4	74	0	0	£0.00

IMPORTANT : This summary includes matches that occurred in previous years.

NATIONAL FRAUD INITIATIVE 2008/2009

AUTHORITY SUMMARY: London Borough of Tower Hamlets

No.	Report Name	Total Run1	Total Run2	Status	Processed	In Progress	Frauds	Errors	Savings
47.4 Medium	Housing Benefit Claimants to Taxi Drivers, medium quality, between bodies	3	0	Opened	0	3	0	0	£0.00
47.6 Low	Housing Benefit Claimants to Taxi Drivers, address quality, between bodies	54	0	Opened	11	43	0	0	£0.00
48.3 Medium	Housing Benefit Claimants to Personal alcohol licences, medium quality, within bodies	2	0	Opened	0	4	0	0	£0.00
48.4 Medium	Housing Benefit Claimants to Personal alcohol licences, medium quality, between bodies	1	1	Opened	0	4	0	0	£0.00
48.5 Low	Housing Benefit Claimants to Personal alcohol licences, address quality, within bodies	30	0	Opened	7	122	0	0	£0.00
48.6 Low	Housing Benefit Claimants to Personal alcohol licences, address quality, between bodies	1	0	Opened	0	8	0	0	£0.00
52 High	Payroll Pensions and Pension Gratuity to Benefits Agency Deceased Persons, high quality, within bodies	26	0	Opened	66	27	0	0	£15675.08
54 High	Payroll Pensions to Payroll, high quality, within bodies	26	0	Opened	38	0	0	0	£0.00
55 High	Payroll Pensions to Payroll, high quality, between bodies	29	1	Opened	24	1	0	0	£0.00
65 High	Payroll to Payroll, high quality, within bodies	1	0	Opened	1	0	0	0	£0.00

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13-Nov-2009

NATIONAL FRAUD INITIATIVE 2008/2009

AUTHORITY SUMMARY: London Borough of Tower Hamlets

No.	Report Name	Total Run1	Total Run2	Status	Processed	In Progress	Frauds	Errors	Savings
66	Payroll to Payroll, high quality, High	11	1	Opened	168	8	0	0	£0.00
69	Payroll to Asylum Seekers, high quality, between bodies	2	0	Closed	2	0	0	0	£0.00
70	Payroll to Asylum Seekers, medium quality, between bodies	1	0	Opened	0	1	0	0	£0.00
72	Payroll to UK Visas, high quality, between bodies	3	0	Opened	1	2	0	0	£0.00
73	Payroll to UK Visas, medium quality, between bodies	38	28	Opened	67	3	1	0	£13319.52
75	Payroll to Housing Benefit Claimants, high quality, between bodies	1	0	Opened	2	3	0	0	£0.00
102	Housing Rents to Housing Rents, medium quality, within bodies	233	0	Closed	245	0	0	0	£0.00
103	Housing Rents to Housing Rents, medium quality, between bodies	29	0	Opened	19	12	0	0	£0.00
111	Housing Rents to Housing Benefit Claimants, high quality, between bodies	2	0	Opened	1	1	0	0	£0.00
113	Housing Rents to Housing Benefit Claimants, medium quality, between bodies	40	0	Opened	3	0	0	0	£0.00
144	Right to Buy to UK Visas, medium quality, between bodies	2	2	Opened	21	0	0	0	£0.00
150	Right to Buy to Housing Rents, medium quality, within bodies	33	0	Closed	44	0	0	0	£0.00

IMPORTANT - This summary includes matches that occurred in previous years.

NATIONAL FRAUD INITIATIVE 2008/2009

AUTHORITY SUMMARY: London Borough of Tower Hamlets

No.	Report Name	Total Run1	Total Run2	Status	Processed	In Progress	Frauds	Errors	Savings
151	Right to Buy to Housing Rents, medium quality, between bodies	4	0	Opened	6	2	0	0	£0.00
154	Right to Buy to Right to Buy, medium quality, within bodies	2	0	Opened	16	0	0	0	£0.00
156	Right to Buy to Housing Benefit Claimants, high quality, within bodies	263	0	Opened	278	10	0	0	£0.00
158	Right to Buy to Housing Benefit Claimants, medium quality, within bodies	6	0	Closed	12	0	0	0	£0.00
159	Right to Buy to Housing Benefit Claimants, medium quality, between bodies	1	0	Closed	29	0	0	0	£0.00
172.1	Blue Badge Parking Permit to Benefits Agency Deceased Persons, high quality, within bodies	252	0	Opened	150	102	0	0	£0.00
172.2	Concessionary Travel Passes to Benefits Agency Deceased Persons, high quality, within bodies	97	0	Closed	97	0	0	0	£0.00
172.3	Resident Parking Permit to Benefits Agency Deceased Persons, high quality, within bodies	15	0	Closed	35	0	0	0	£0.00
173	Private Residential Care Homes to Benefits Agency Deceased Persons, high quality, within bodies	14	0	Opened	0	14	0	0	£0.00
180.1	Insurance Claimants to Insurance Claimants, high quality, within bodies	17	0	Opened	17	2	0	0	£0.00

IMPORTANT : This summary includes matches that occurred in previous years.

NATIONAL FRAUD INITIATIVE 2008/2009
 AUTHORITY SUMMARY: London Borough of Tower Hamlets

No.	Report Name	Total Run1	Total Run2	Status	Processed	In Progress	Frauds	Errors	Savings
180.2 High	Insurance Claimants to Insurance Claimants, high quality, between bodies	2	0	Opened	2	1	0	0	£750.00
180.3 Medium	Insurance Claimants to Insurance Claimants, medium quality, within bodies	7	0	Opened	7	2	0	0	£0.00
180.4 Medium	Insurance Claimants to Insurance Claimants, medium quality, between bodies	1	0	Opened	1	0	0	0	£0.00
180.5 Low	Insurance Claimants to Insurance Claimants, address quality, within bodies	95	0	Opened	95	0	0	0	£0.00
180.6 Low	Insurance Claimants to Insurance Claimants, address quality, between bodies	14	0	Opened	14	0	0	0	£0.00
TOTAL		2176	66		2519	1475	6	28	£141758.05

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