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|---|-----------------------|---------------------------------------|------------|--------------------------|
| REPORT TO:<br><b>Audit Committee</b>                                | DATE<br>30 March 2010 | CLASSIFICATION                        | REPORT NO. | AGENDA NO.<br><b>5.3</b> |
| REPORT OF:<br><br><b><u>Corporate Director, Resources</u></b>       |                       | <b>Annual Anti Fraud Plan 2010-11</b> |            |                          |
| ORIGINATING OFFICER(S):<br><br><b><u>Head of Audit Services</u></b> |                       | <b>Ward(s) Affected: N/A</b>          |            |                          |

## 1. INTRODUCTION

- 1.1 This report provides audit committee with a summary of the planned work to be carried out by the Corporate Anti Fraud Team in 2010/11.
- 1.2 Local Authorities in the United Kingdom are required to maintain high standards of probity and have sound arrangements for protecting the public purse. Sound systems of public accountability are also vital for effective management and in maintaining public confidence. This minimisation of losses from fraud and corruption is essential for ensuring that resources are used for their intended purpose.
- 1.3 The need for effective anti fraud work within local authorities has also been reflected by the Audit Commission, through the Use of Resources Assessment. The requirements highlight the expectations around the framework local authorities have in place in respect of the prevention and detection of fraud. As such, it is imperative that the Council has adequate processes, skills and resources to support anti fraud and corruption activities. The work of the Anti Fraud Team will increase in 2010/11 with the setting up and management of a small team to look at social housing fraud.

## 2. RECOMMENDATIONS

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

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### LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D 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*

### **3. ANNUAL CORPORATE ANTI FRAUD PLAN 2010/11**

- 3.1 This is the third year where we have provided a separate and specific plan for anti fraud work as previously it had been included within the Internal Audit Plan. This is to reflect the increasing priority of the service within Internal Audit.
- 3.2 The overall aims and objectives of this plan reflect the Council's Anti Fraud and Corruption Strategy. The key aims are to:
- Highlight and promote the Council's commitment to stop fraud and corruption;
  - Document the roles and responsibilities of Members and officers in respect of fraud and corruption;
  - Detail the current Council activity in respect of the five key elements of the Strategy, namely, prevention, detection, investigation, sanctions, and deterrence; and
  - Demonstrate the Council has sound arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct and of fraud and corruption.
- 3.3 The key drivers used to compile the corporate anti fraud plan for 2010/11 has built on experience and takes account of the: -
- Fraud Risk Register (maintained by audit through training with services);
  - Management requests and priorities;
  - Local Knowledge;
  - Joint working arrangements - external (DWP, PCT, Police and other Local Authorities);
  - Resourcing the Government's initiative to examine instances of un lawful sub letting of Registered Social Landlord properties
  - Joint Working arrangements – internal (payroll, pensions, parking services, benefits services, housing services;
  - Issues identified from planned audit work; and

- Good Practice checklists from the CIPFA Publication- Managing the risk of Fraud- Red Book 2.

3.4 Our plan is attached as Appendix A. The focus of the plan is to:-

- Planned activities for Tower Hamlets Homes that will include a pro active and reactive work and along with review of access to accommodation, including nominations, transfers, successions and management determinations; as part of the on-going work of the Social Housing Fraud resource
- Manage the internal audit process and continue to support the Authority on providing assurance on data quality of the National Indicators which have replaced the best value performance indicators; (n.b. this also includes the management of the 40 days resource from the Internal Audit Plan)
- Continue management of the National Fraud Initiative process for the Authority, ensuring we meet our requirements under the Audit Commissions Code of Data Matching Practice and that the NFI exercise is appropriately resourced and finalised within prescribed deadlines; in finalising the 2008/9 exercise and prepare and the deliver the 2010/11 NFI.
- Ensure that the work of those engaged in Anti Fraud work supports the Council's Strategic Plan;
- Work jointly, internally and externally by maintaining existing arrangements and developing better co-ordination;
- Continue to provide anti fraud training and awareness to members and officers;
- Continue to hold monthly meetings with the Assistant Chief Executive (Legal Services) on Governance issues;
- Ensure that appropriate training and development on ethical governance matters is rolled out to staff and members as appropriate;
- Publicise all our successes;
- Ensure that all agreed timescales prescribed for the completion of investigation work are met and that all cases are adequately reported to senior management as part of our ongoing reporting procedures; and

- Develop mechanisms for categorising and quantify fraud for more accurate reporting to enable better informed risk assessments.
- 3.5 The plan makes provision for the existing resource plus a buy in of circa 100 additional days along with the temporary resource to manage the social housing fraud work.
- 3.6 The following table shows the Corporate Anti Fraud Team resources for 2010/11 and the resource required to complete the anti fraud work in 2009/10.

| Reactive resources                                     | Days              |
|--|-------------------|
| Head of Audit Services                                 | 180               |
| NFI co-ordinator and Fraud Manager                     | 200               |
| Additional bought in requirement (1/2 post)            | 100               |
|  | <b><u>480</u></b> |
| Plus   |                   |
| Social Housing Fraud Temporary resource (3 x 6 months) | 300               |

#### **4. Comments of the Chief Financial Officer**

- 4.1 The comments of the Corporate Director of Resources have been incorporated into this report.

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

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

#### **6. One Tower Hamlets Considerations**

- 6.1 There are no specific One Tower Hamlets Considerations issues arising from this report.

#### **7. Equal Opportunity Considerations**

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

## **8. Anti-Poverty Considerations**

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

## **9. Risk Management Implications**

- 9.1. The implications arising from failure to control and manage risks could result in vulnerability to the systems of control that may be exploited. This report identifies areas of risk for management to mitigate.

## **10. Sustainable Action for a Greener Environment (SAGE)**

- 10.1. There are no specific SAGE implications.

**APPENDIX A**

| <b>Activity</b>  | <b>No of days</b> | <b>Broad Scope</b>  | <b>Risk Assessment</b> | <b>Scale of Service</b> | <b>Business risk as %</b> | <b>Source of Risk</b>              | <b>Link to Corporate priorities</b>                                  |
|--|-------------------|---|------------------------|-------------------------|---------------------------|------------------------------------|--|
| <u>Tower Hamlets Homes</u>   |                   |   |                        |                         |                           |                                    |  |
| Management Support and Advice  | 5                 |   | H                      | Circa £140M             | 0.5% to 3%                | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Work carried forward, Whistle blows management referrals and proactive contingency | 35                | Finalising work carried forward, Whistle blows management including those for THH, Management referrals and reactive and proactive contingency. There will be additional work as part of the work on Social Housing Fraud included in subsequent items of this plan | H                      | Circa £140M             | 0.5% to 3%                | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Anti Fraud Arrangements/ Joint Working-  | 10                | This work includes the Fraud Forums, training with the service on Anti Fraud and Corruption Strategy, Money Laundering etc. There is also provision for in year unplanned investigations and support to management.   | H                      | Circa £140M             | 0.5% to 3%                | Legislative Requirement            | One Tower Hamlets Working efficiently and effectively as one Council |
|  | <b><u>50</u></b>  |   |                        |                         |                           |                                    |  |

| Activity   | No of days | Broad Scope  | Risk Assessment | Scale of Service | Business risk as % | Source of Risk                     | Link to Corporate priorities   |
|--|------------|--|-----------------|------------------|--------------------|------------------------------------|--|
| <u>Housing Client</u>  |            |  |                 |                  |                    |                                    |  |
| NFI Management   | 10         | This work will involve managing the Audit Commission Web base site, provision of training and support and monitor progress.  | H               | Circa £140M      | 0.5% to 3%         | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
|  | <u>10</u>  |  |                 |                  |                    |                                    |  |
| <u>Proactive Training and Development</u>  |            |  |                 |                  |                    |                                    |  |
| Anti fraud liaison groups development  | 5          | This will involve close working with a number of our external partners including the Police, DWP and PCT.  | H               | N/A              |                    | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Anti fraud training and development for members and services- Includes multi module E-Learning package | 10         | This is an ongoing mechanism that seeks to embed good practice within the Council and will be enhanced by the introduction of our E- Learning package on Governance matters. | H               | N/A              |                    | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
|  | <u>15</u>  |  |                 |                  |                    |                                    |  |

| Activity   | No of days | Broad Scope   | Risk Assessment | Scale of Service | Business risk as % | Source of Risk                     | Link to Corporate priorities   |
|--|------------|---|-----------------|------------------|--------------------|------------------------------------|--|
| <b><u>Overall Governance</u></b>                 |            |   |                 |                  |                    |                                    |  |
| Audit Committee                                  | 10         | Preparation and presentation of reports to the Committee  | H               | N/A              |                    | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Standards Committee                              | 5          | Preparation and presentation of reports to the Committee  |                 | N/A              |                    |                                    |  |
| FOI  | 5          | Reactive responses to Freedom of Information requests for information.  | H               | N/A              |                    | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Money laundering- Training Module and compliance | 10         | This work enhances our existing arrangements for the proper disclosure of Money Laundering instances and will ensure we meet best practice. | H               | N/A              |                    | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Categorising and Quantifying fraud               | 10         | Developing systems and procedures for categorising and quantify fraud to enable meaning savings targets                                     | H               | Over £1B         | 0.5% to 3%         | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
|  | <b>40</b>  |   |                 |                  |                    |                                    |  |



| Activity                           | No of days | Broad Scope   | Risk Assessment | Scale of Service | Business risk as % | Source of Risk                     | Link to Corporate priorities   |
|------------------------------------|------------|---|-----------------|------------------|--------------------|------------------------------------|--|
| <b><u>National Indicators</u></b>  |            |   |                 |                  |                    |                                    |  |
| National Indicators                | 40         | This is a first year review of the new National Indicators and will form a key evaluation within the CAA process.   | H               | N/A              |                    | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| National Indicators Working Groups | 10         | Working with the each of the directorate performance teams and the corporate performance team providing support and training on data quality testing and evaluation of the adequacy of returns in preparation of the external audit review. | H               | N/A              |                    | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
|                                    | <b>50</b>  |   |                 |                  |                    |                                    |  |

|  |    |  |   |            |            |                                    |  |
|--|----|--|---|------------|------------|------------------------------------|--|
| <b><u>National Fraud Initiatives</u></b> |    |  |   |            |            |                                    |  |
| NFI 2008/09 and 2009 pilots              | 20 | NFI 2009/10 finalising previous exercises and pilots             | H | Over £500M | 0.5% to 3% | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| NFI 2010/11 new exercise                 | 25 | Preparation, consultations and data management for new exercise. | H | Over £500M | 0.5% to 3% | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |

| Activity                                | No of days | Broad Scope  | Risk Assessment | Scale of Service | Business risk as % | Source of Risk                     | Link to Corporate priorities   |
|---|------------|--|-----------------|------------------|--------------------|------------------------------------|--|
| <u>National Fraud Initiatives</u>       |            |  |                 |                  |                    |                                    |  |
| NFI 2010/11 new exercise investigations | 60         | This work will involve managing the Audit Commission Web base site, provision of training and support and monitoring progress for the Council as a whole. It will also include the provision of reporting to the Audit Commission in accordance with prescribed deadlines. | H               | Over £500M       | 0.5% to 3%         | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
|   | <b>105</b> |  |                 |                  |                    |                                    |  |

|  |   |   |   |  |            |                                    |  |
|--|---|---|---|--|------------|------------------------------------|--|
| <u>Joint working with other agencies</u> |   |   |   |  |            |                                    |  |
| DWP joint working and referrals          | 9 | This involves providing support to DWP referrals on staff related inquiries             | H | £140m                                    | 0.5% to 3% | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Police referrals                         | 8 | Responding to Met Police referrals from both the local and specialist police functions. | H | Unknown dependent on values of referrals |            | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |

| Activity                                    | No of days | Broad Scope   | Risk Assessment | Scale of Service                         | Business risk as % | Source of Risk                     | Link to Corporate priorities   |
|---|------------|---|-----------------|--|--------------------|------------------------------------|--|
| <u>Joint working with other agencies</u>    |            |   |                 |  |                    |                                    |  |
| Joint working with PCT                      | 20         | This will involve joint Risk Assessment of key Fraud Risks to both organisations and resultant joint working      | H               | Over £100M                               | 0.5% to 3%         | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Joint working and referrals from other LA's | 9          | Supporting inquiries from other Local Authorities where cases of suspected Fraud and Irregularity are identified. | H               | Unknown dependent on values of referrals |                    | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| Joint work with Benefits Fraud              | 9          | Joint working with Benefits Fraud on crossover matters arising from social housing fraud matters                  | H               | £140M                                    | 0.5% to 3%         | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
|   | <b>55</b>  |   |                 |  |                    |                                    |  |

|  |    |   |   |            |            |                                    |  |
|--|----|---|---|------------|------------|------------------------------------|--|
| <u>Planned other pro active work</u>                         |    |   |   |            |            |                                    |  |
| Access controls- Review of recruitment vetting for new staff | 20 | This review will evaluate the effectiveness of access to employment to the Council from both permanent and temporary staff to ensure systems are as robust as possible. | H | Over £100M | 0.5% to 3% | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |

| Activity                                    | No of days        | Broad Scope  | Risk Assessment | Scale of Service                         | Business risk as % | Source of Risk                     | Link to Corporate priorities   |
|---|-------------------|--|-----------------|--|--------------------|------------------------------------|--|
| <b><u>Planned other pro active work</u></b> |                   |  |                 |  |                    |                                    |  |
| Anti Fraud Data Matching Testing            | 20                | This will involve data matching various key financial systems to ensure that the data held is reliable and provides good evidence of the minimisation of fraud and or error. | H               | £300M                                    | 0.5% to 3%         | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
|   | <b><u>40</u></b>  |  |                 |  |                    |                                    |  |
| Social Housing Fraud management             | 30                | Management overview of social housing fraud team and objectives  | H               | Over £150M                               | 0.5% to 5%         | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
| <b><u>Contingencies</u></b>                 |                   |  |                 |  |                    |                                    |  |
| Proactive contingency                       | 60                |  |                 | Unknown dependent on values of referrals |                    |                                    |  |
| W/B contingency                             | 25                |  |                 | Unknown dependent on values of referrals |                    |                                    |  |
|   | <b><u>85</u></b>  |  |                 |  |                    |                                    |  |
|   | -                 |  |                 |  |                    |                                    |  |
| <b><u>TOTAL</u></b>                         | <b><u>480</u></b> |  |                 |  |                    |                                    |  |

| Activity             | No of days | Broad Scope  | Risk Assessment | Scale of Service | Business risk as % | Source of Risk                     | Link to Corporate priorities   |
|----------------------|------------|--|-----------------|------------------|--------------------|------------------------------------|--|
| Social Housing Fraud | <u>300</u> | Temporary team to set up to identify unlawful accommodated public sector properties, recover and work with THH and RSL partners to improve systems | H               | Over £150M       | 0.5% to 5%         | Governance arrangements and Ethics | One Tower Hamlets Working efficiently and effectively as one Council |
|                      |            |  |                 |                  |                    |                                    |  |