

REPORT TO: Audit Committee	DATE 12 December 2011	CLASSIFICATION Unrestricted	REPORT NO.	AGENDA NO. 5.3
REPORT OF: Corporate Director, Resources		Progress on National Fraud Initiative 2010-11 and Anti Fraud Update		
ORIGINATING OFFICER(S): <i>Tony Qayum, Corporate Fraud Manager</i>		<i>Ward(s) Affected: N/A</i>		

1. SUMMARY

- 1.1 This report updates the Audit Committee of the current progress of the National Fraud Initiative 2010-11 and provides an overview of anti fraud work undertaken during the past six months by Audit Services.

2. RECOMMENDATIONS

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

3. INTRODUCTION

- 3.1 This report updates the Committee of the current progress of the National Fraud Initiative 2010-11 and provides an overview of anti fraud work undertaken during the past six months by Audit Services and the Corporate Anti Fraud Team.

4. NATIONAL FRAUD INITIATIVE 2010-11

4.1 The National Fraud Initiative (NFI) 2010-11 was launched by the Audit Commission in February 2011 and spans a two year period from February 2011 to February 2013. The NFI data was supplied to the Audit Commission in October 2010 with the resultant output reports being issued to the Council in February 2011. 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, this Authority has received 15,046 matches to date from the Audit Commission for examination/investigation.

4.3 In acknowledgement by the Audit Commission that all outputs may not be always be fraud 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 **15,046 output to 3,130.**

4.4 The timetable for completion of the NFI exercise is outlined below:

- 30th May 2011 - All recommended filter matches to be open and reviewed.
- 30th September 2011 – Some matches to have been investigated with some prosecutions and outcomes recorded on the NFI system.
- 31st January 2012 – All selected matches to have been investigated and outcomes recorded on NFI system.

- 29th February 2012 final position statement and all work up to date.
- 4.5 The attached Appendix A shows the Authority is making in the process of opening and reviewing all recommended filter matches and to date a significant volume of savings and frauds have been identified.
 - 4.6 A number of the recommended matches yet to be sifted require the Department of Work and Pensions to consider the impact of the potential undeclared circumstances on their claim before the Authority can determine any fraud or error on theirs.
 - 4.7 Any prosecution outcomes are likely to be realised only in several month's time due to the time taken to process cases through the court system. The Department of Work and Pensions Investigation Service are working closely with the Authority on this exercise, and it is expected that some prosecutions will be routed through the DWP solicitor's branch.
 - 4.8 So far, the NFI 2010-11 exercise has identified 324 cases of error and 30 cases of fraud which account for overpayments/savings totalling £151,505.97.
 - 4.9 In early 2012 a second NFI run will be carried out matching Single Person's Discounts to the Electoral Roll. This will result in additional matches being released to the Authority.

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 August and September of this year site visits were undertaken on a number of Local Authorities to evaluate progress and resolve any queries. At this point due to the re-organisational of Risk Management, Tower Hamlets had fallen behind with the timetable, due to primarily to a short skills deficit following the retirement of the previous NFI Key Contact and Co coordinator.
- 5.2 However, following the visit, the advice given has enabled the authority to get the exercise back onto schedule.
- 5.3 It is anticipated that the deadlines for completing the exercise, as identified above, will be met and in order to achieve this a short term specialist support is being acquired to ensure that both targets are met and that there is an appropriate skills transfer to the new post holder who will act as the Councils Key contact for the NFI.

6. CREATION OF A CORPORATE FRAUD TEAM

- 6.1 Following departmental responses to the budget saving exercise for 2011-12 a number of organisational changes were introduced within the Risk Management Service to ensure the budget challenges could be met.
- 6.2 For the Anti Fraud services the favoured approach was to create a Corporate Fraud Team that took the existing Anti Fraud and Corporate Governance team, Housing Benefit Investigations team and the Blue Badge Fraud team and merged them under a single Service head responsible for Risk Management.
- 6.3 The Corporate Fraud team came into being in July of this year and it is intended develop the service to ensure the Council can achieve optimum value from the merger ensuring risks of fraud and impropriety are minimized and opportunities for working collectively are achieved.
- 6.4 The former Head of Audit Service is responsible for this service and has been re titled the Corporate Fraud Manager.
- 6.5 It is intended to provide regular reports to CMT and the Committee on the development of the Corporate Team and its evidence of added value to the governance of the authority.

7. OTHER KEY ACTIVITIES UNDERTAKEN DURING THE YEAR TO DATE

- 7.1 Audit Services is working with the Adult Health and Well Being Directorate on several potential cases of abuse of Personal Budgets as well as two reviews on the adequacy of arrangements in place with two separate care providers.
- 7.2 We have worked closely with other agents within the Council on these matters most notably Legal Services and it is anticipated that there will be a significant improvement to the assurance framework.
- 7.3 We have also worked jointly with the DWP, Legal Services and Adult Health and Wellbeing on a case regarding the under declaration of Capital in a residential care case.

- 7.4 The authority is acting as the prosecution authority in the matter and evidence has been gathered from the DWP, Housing Benefits and the Adults contributions section in order to bring the matter to trial, which will take place in December.
- 7.5 We have continued to work closely with Tower Hamlets Homes and the Council's registered Housing Partners on the matter of illegal sub letting. We have taken a holistic approach to doing this and have reviewed systems and procedures where appropriate to offer enhanced controls to minimise future abuse as well as seeking to recover assets and again where appropriate prosecute tenants who have met the standard of evidence to be pursued through the Fraud Act.
- 7.6 To date we have recovered 62 properties and one case is with Legal Services for prosecution under the Fraud Act.
- 7.7 The Corporate Fraud team has continued to work closely with the DWP on joint working for Prosecutions and we have had an increase this year on the number cases taken to Court through our own Legal Service.
- 7.8 We have also provided support to Directorates upon request.
- 7.9 This has included the review of controls and governance for a significant service within Children's Services and the implementation requirements of the new national Blue Badge scheme which comes in to effect from early next year.
- 7.10 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 have involved members of staff.
- 7.11 We have sought an independent review of the Council's arrangements for the prevention and detection of Fraud and Impropriety via an analytical review by the Head of Counter Fraud Services at the Audit Commission. The Committee will recall that the resultant positive report was brought to it in September 2011. This review took forward the requirements of the CIPFA Red Book 2 publication 'Managing the Risk of Fraud'.
- 7.12 The Corporate Fraud Manager is leading on the response to the Audit Commission's review on the areas considered worthy of improvement.
- 7.13 We have continued to provide training and development to directorates and have given training sessions to staff with the

Council's Lettings Service on Fraud and Corruption issues and have further training planned for later in the year.

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 The Council has a duty of Best Value under Section 3 of the Local Government Act 1999. By virtue of this duty it is required to ensure continuous improvement all its dealings. This includes distribution of public moneys as well as ownership and use of property. The Council needs to organise the most cost effective method of delivering services to the public. For example fraud prevents those in real need from accessing housing accommodation. The actions described in this report demonstrate how these issues are to be dealt with. The Council is taking action to recover the properties which have been identified as having been obtained by means of fraud. Legal proceedings are ongoing.

10. One Tower Hamlets

10.1 There are no specific one Tower Hamlets considerations.

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

11. Risk Management Implications

11.1 This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. This risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority's exposure to risk.

12. Sustainable Action for a Greener Environment (SAGE)

12.1 There are no specific SAGE implications.

Local Government Act, 1972 SECTION 100D (AS AMENDED) List of "Background Papers" used in the preparation of this report

Brief description of "background papers"

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N/A

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APPENDIX A