

## ***Briefing Paper to Audit Committee***

### ***Response to the Audit Commission Fraud Briefing - Protecting the Public Purse***

#### **1. SUMMARY**

- 1.1. The Audit Committee received at its last meeting a report and presentation from the Head of Counter Fraud Advisory Services, at the Audit Commission. The report summarised the work of the Audit Commission who compared Tower Hamlets performance in tackling a range of fraud with other similar authorities. The work of the Commission focused on seven specific types of fraud, highlighted as the most common from an earlier survey of all local authorities in England, these being; housing and council tax benefit fraud; single person discount fraud; housing tenancy fraud; social service fraud (personalised budgets); procurement fraud; Blue Badge fraud and recruitment fraud, payroll and employee contract fulfilment fraud and abuse of position fraud.
- 1.2. This report provides Committee with a formal response to the recommendations of the Audit Commission and where appropriate responses to action points where improvements were considered appropriate.

#### **2. NATIONAL PICTURE**

- 2.1. The Audit Commission survey showed Councils and relevant bodies in England detected around 119,000 cases of fraud in 2009/10, valued at £135M. The report emphasised the point, these statistics are for *detected* fraud, the actual levels of fraud are likely to be far higher. The majority of detected fraud relates to Housing and Council Tax Benefit, totalling £99M in that year.

#### **3. LOCAL PICTURE**

- 3.1. The overall message from the report is that on the whole, Tower Hamlets compared favourably with other inner London Boroughs and others in its peer group in tackling fraud. In 2009/10, the Tower Hamlets detected fraud estimated at £1.3M. Within this, the traditional areas of known fraud such as housing and council tax benefit fraud are particularly well targeted. Our work on more recent initiatives such as tenancy fraud were shown as developing and the report suggested may still require further efforts.
- 3.2. The report recommended several areas where the risk profiling would have been required to better understand fraud risks and how they may

be managed better particularly around social services fraud, procurement fraud and recruitment fraud.

- 3.3. The other general message that came from the Audit Commission, the National Fraud Authority and others such as the “big 4” is that fraud is on the increase and organisations need to be alert to this rising trend.
- 3.4. The attached Appendix 1 picks up the key findings from the Audit Commission report and outlines actions taken to ensure best practice is being achieved.

## Appendix 1

Slide Ref	Key Fraud Area	Fraud Survey Finding	LBTH Findings	Actions to achieve Best Practice
14	<b>Housing and Council Tax</b>	<b>London Boroughs Detected Fraud £35m and 22,300 cases</b>	1. Tower Hamlets had the highest number of HB/CTB cases of detected fraud in inner London	The bringing together of the Housing Benefit and Council Tax Benefit Fraud investigation resource within a Corporate setting should enhance the options to maximize the investigation of this fraud risk area by better utilisation of Data matching and follow up through legal proceedings.
			2. Tower Hamlets had the second highest number of SPD cases in all London	As above
16	<b>Housing Tenancy</b>	<b>Detected tenancy fraud cases as a percentage of the number of properties you manage</b>	Tower Hamlets had identified a relatively low number of Sub let properties (12) at the time of the review. Since then we have created a specialist team to investigate and recover sublet properties and to date we have successfully recovered 63 units, placing Tower Hamlets in the upper quartile of London Authorities.	The Social Housing Fraud team is developing its approach to the tackling of subletting of tenanted units and has developed an ambitious strategy to work with all Social Landlords to reduce the risk of subletting and to provide assurance to the public that the matter is being managed both professionally and proportionately. We currently have two cases referred for legal proceedings and have recently presented at a national conference on how we have achieved our success and maintained input from all of Registered providers within the borough.
17	<b>Detected Recruitment, payroll, employee</b>	<b>This showed that Tower Hamlets had the largest number of cases in this</b>	The position this finding placed us reflected the broad range of control	A proactive initiative to positively vet all prospective candidates prior to appointment is currently under consideration with HR. It is

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	<b>contract and abuse of position fraud</b>	<b>category within its sample base.</b>	and reporting the Council has in these matters	anticipated that if this is progressed it will provide greater assurance that those engaged meet and exceed integrity checks currently manually applied within HR.
18	<b>Social Care</b>	<b>This showed that Tower Hamlets experience of this type of Fraud was similar with other inner London Boroughs</b>  <b>The growing area of risk was Personal Budget abuse and at the time of the survey Tower Hamlets had no reported cases of this kind of abuse.</b>	At the time of the survey we had no proven cases of Personal Budget abuse. It was recognized that this was a growing area and needed to be reviewed to ensure our risks were minimized.	The Corporate Fraud team has investigated two separate cases of Personal Budget abuse currently.  We have also commenced a full review of the current working arrangements to provide assurance that systems, procedures, checks and balances are appropriate and protect the interests of the client as well as the reputation of the Council.
18	<b>Blue Badge Abuse</b>	<b>One local neighbouring borough had identified 172 cases of abuse</b>	Tower Hamlets had successfully prosecuted 16 cases in the year of the survey.	The Blue Badge investigation team was absorbed into the Risk Management service earlier this year is now part of the Corporate Fraud team. The work of the team is now being carefully monitored to ensure pro active initiatives with the Police are being undertaken and pro active work is being seen to be done to demonstrate to the community that parking abuse is taken seriously and tackled.
18	<b>Procurement</b>	This is an area of increased risk and has been highlighted by both the current survey as well as the previous report for 2009.	Tower Hamlets compared favorably with inner London boroughs having identified 15 cases of abuse.	The increased risk around procurement needs to be reviewed in terms of both the general belief that it is on the increase as well as the changing economic climate outside of the Council. The introduction of the Bribery Act has further enhanced the need to provide assurance that the Council's arrangements are robust and deliver good governance.

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				<p>To this end the Corporate Fraud Manager working with the Fraud Prevention working group a group that is represented by Fraud professional from the Police, Local and Central Government, the Audit Commission and the private Sector have produced a good governance check list to assist Local Authorities measure the effectiveness of their procurement controls.</p> <p>This is currently with Acting Head of Procurement and following completion by all authorities in the survey will be used to target pro active work. We are also planning to undertake a specific data matching exercise in the next quarter to assess our payments process to ensure duplicate payments under the new R2P system provide assurance that errors are minimized.</p>