

<b>Report To:</b>	<b>Date</b>	<b>Classification</b>	<b>Report No.</b>	<b>Agenda Item No.</b>
<b>Audit Committee</b>	<b>25 September 2012</b>	<b>Unrestricted</b>		
<b>REPORT OF:</b>  <b>Corporate Director, Resources</b>		<b>Annual Anti -Fraud Report 2011/12</b>		
<b>ORIGINATING OFFICER(S):</b>  <b><i>Tony Qayum</i></b> <b><i>Corporate Fraud Manager</i></b>		<b>WARD(S) AFFECTED:</b>  N/A		

## **1. Introduction**

- 1.1 This report provides the Audit Committee with an update of reactive and Anti - Fraud work undertaken during 2011/12.
- 1.2 The report captures the work of the Corporate Anti – Fraud team which includes Corporate Investigations, Housing Benefit Fraud Team Investigations, Social Housing Fraud Investigations and anti-fraud work around Parking Services.

## **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 2011/12. It includes an overview of the results of the investigations carried out by Housing Benefits Investigations, the Parking Service, and the Social Housing Fraud Investigation 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>• Corporate Fraud Manager</li> <li>• Senior Fraud Officer</li> </ul>
	3	<ul style="list-style-type: none"> <li>• Tenancy Fraud Officers</li> <li>• Temp Tenancy Fraud Officer 2 Months</li> </ul>
Housing Benefits Fraud Team	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	<ul style="list-style-type: none"> <li>• Admin Support</li> </ul>
Parking Services	1.5	<ul style="list-style-type: none"> <li>• Parking Fraud Investigation Officers</li> </ul>

- 3.3 An analysis of the actual and notional savings achieved resulting from the work of the anti fraud and reactive work carried out by the team is attached as Appendix A.

#### **4. Key matters arising from the Service Outturn for 2011-12**

- 4.1 There have been five substantial inquiries which have involved close working between the relevant Directorates, the Corporate Anti- Fraud Service, the Police and Legal Services.
- 4.2 The resultant investigations covered an extensive range of systems and processes and required substantial staff resources to finalise all of the issues relating to criminality.
- 4.3 The Corporate Anti – Fraud service has also provided support to Directorates upon request. This included an ongoing review of the National Fraud Initiative, a review of systems and procedures associated with the management of Direct Payments for Adults, an investigation into the probity of financial transactions at a large Secondary School and a sensitive review of the recruitment processes of posts at a partner organisation.
- 4.4 We have also undertaken a multi -agency review of arrangements for the provision of Residential Care for a client who later, it was established, had not disclosed all of his financial assets at the point of assessment for assistance or to the Housing Benefit service or DWP. The outcome of the matter was that the clients son who managed his father’s affairs had under stated the true financial circumstances of his father and following an investigation led by the Corporate Anti-Fraud Manager the Councils Legal Service successfully prosecuted the son and the Council was awarded £116,000 in unpaid Residential charges, HB and DWP liabilities. The son was imprisoned for 13 months.

- 4.5 We have reviewed the adequacy of cheque formats at a school where an attempted fraudulent encashment was suffered and provided guidance to ensure that new cheques meet APACS standards.
- 4.6 We have also undertaken a detailed review of Council Tax refunds to ensure we had not been subject to Money Laundering and supported the Annual Governance Statement by reviewing external assessments of the Council and undertaking detailed reviews of the Complaints system.
- 4.7 We have continued to work closely with the Council's Legal Service on a number of matters including employment law issues and governance matters including Money Laundering, Data Protection and the Parking Service with regard to Blue Badge irregularity and worked corporately where instances of reputational concern and or fraud have been identified.
- 4.8 We have further developed the small team of Housing Tenancy Fraud Investigators to assist the Council in tackling Sub Letting of Tower Hamlets Homes and Registered Social Landlord properties. A separate paper on the progress of this initiative is covered in detail on a separate report elsewhere on the agenda.
- 4.9 We have organised and run several training sessions with staff on Anti Fraud and Corruption matters as part of our proactive initiatives and more are planned for this financial year, together with training exercises with outside organisations including the Chartered Institute of Housing.
- 4.10 We have also developed close working relationships with the Homeless service which has resulted in the recovery of one unit which had been obtain falsely and further developed our working with the Right to Buy team resulting in one unit being stopped before sale.
- 4.11 Appendix A attached is a summary of the results and value of anti fraud work carried out in 2011/12 including the outturn of the findings for the NFI.

## **5. The National Fraud Initiative (NFI)**

- 5.1 The National Fraud Initiative (NFI) data matching exercise has continued to be supported, and our efforts continue to maximise the benefits from its output. 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 Corporate Anti- Fraud 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 -
- § £639,259 has been identified as overpayment/loss and is in the process of recovery. This includes the following break down:-
  - § HB/CTB £338,750.00
  - § Income Support /JSA £94,537.00
  - § Pensions £29,697.00
  - § Payroll £17,206.00
  - § Creditors £111,383.00
  - § Council Tax £47,686.00
- 5.7 In addition to the above the Council, through its own governance arrangements, undertook eighteen summary dismissals of employees, two contract terminations and twelve disciplinary dismissals.

## **6. Other Audit Activity**

- 6.1 The following work areas have been undertaken, during 20011/12 by the Corporate Anti Fraud Team:-
- ◆ 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.

- ◆ Monthly Governance reports have continued to be provided by the Corporate Anti Fraud Manager to the Corporate Director of Resources and Assistant Chief Executive (Legal) identifying on team activity and areas of inquiry requiring corporate input.
- ◆ The Corporate Anti Fraud Manager has continued to meet monthly with the Assistant Chief Executive (Legal) on governance matters.
- ◆ We have developed a Procurement best practice guide as part of the London Counter Fraud Partnership that has been adopted by both CIPFA and the National Fraud Authority and have played a pivotal role in the creation of a new CIPFA Benchmarking product to measure and compare the effectiveness of anti fraud functions across authorities and organisations. This went live in August 2012.

## **7. Housing Benefits Investigation Service**

7.1 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);

7.2 During 2011/12 the Service has had the following successes and has been evidenced as one of the most successful of London Boroughs with:-

- § 177 sanctions achieved;
- § 50 convictions at court. This is a significant achievement when set against the previous year's outcome of 26 convictions;
- § 54 cautions (i.e. proven cases of fraud, whereby the amount was small or where there were mitigating circumstances to avoid prosecution);
- § 28 Parking Offence Cautions;
- § 45 Administrative Penalties; and
- § Total Housing and Council Tax overpayments that represent these cases equates to £861,875.50

## **8. Parking Services**

8.1 The Parking Service investigations have resulted in twelve parking fraud cases being presented for prosecution.

8.2 180 Penalty Notices, 76 Removals, 123 Confiscations of disabled badges and 108 Confiscations of visitor scratch cards.

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

9.1 These are contained within the body of this report.

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

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

**11. One Tower Hamlets**

11.1 The maintenance of an effective system of internal control assists the Council to discharge its functions in accordance with its Community Plan objectives, including the cross-cutting theme of One Tower Hamlets.

**12. Risk Management Implications**

12.1 This report highlights fraud risks arising from weaknesses in controls. Effective risk management is an essential part of good governance and management is responsible for putting in place adequate controls to manage the authority's exposure to risks.

**13. Sustainable Action for a Greener Environment (SAGE)**

13.1 There are no specific SAGE implications.

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

14.1 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"

Contact :

None

N/a