

Committee	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Standards Advisory	17TH October 2012	Unrestricted		
REPORT OF: Corporate Director, Resources ORIGINATING OFFICER(S): <i>Tony Qayum, Anti -Fraud Manager</i>		<i>Anti- Fraud Update 2012</i> <i>Ward(s) Affected: N/A</i>		

1. PURPOSE

- 1.1 The purpose of this report is to bring ethical matters raised by the work of the Corporate Anti- Fraud team to the attention of Standards Advisory Committee. The report also includes activities of the team that have been recently reported to the Audit Committee; its purpose being to allow members to contextualize the ethical matters raised in this report.
- 1.2 The attached reports provide a summary of key areas of activity involving the Corporate Anti- Fraud team and picks up ethical matters in the areas of People, Contract and Procurement and Training and Development in order to enhance ethical standards and awareness.

2. SUMMARY

- 2.1 The report is broken down into three Appendices covering the following areas –
 - Appendix 1 -Annual Fraud Report
 - Appendix 2 - Fraud Survey Benchmarking exercise undertaken by the Audit Commission
 - Appendix 3 - National Fraud Initiative
- 2.3 Appendix 1 provides an outline of the achievements of the team over the last financial year and provides some examples of successful outcomes where the Corporate Anti- Fraud team had worked in partnership with other bodies to achieve a successful outcome for the authority.
- 2.4 The report provides a number of actual and notional savings resulting from the activities of the team and these are shown at the end of the report as an appendix.

- 2.5 Appendix 2 summarises 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 six specific types of frauds, 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; and Blue Badge fraud.
- 2.6 The report provides a context in both the national and local picture and comments on how well the Council has done against the key areas of risk identified in above. It also highlights areas where the identified number of fraudulent cases are low or where there is a potential case to prioritise more coverage to ensure the appropriate risk is managed.
- 2.7 It should be noted that the focus of this benchmarking is about cases of actual or potential fraud and by its nature the report does not consider the Councils operational systems of risk management and control.
- 2.8 The report asks whether the Council is doing enough to manage its risks and offers a checklist for those charged with governance to evaluate the Councils proportionate response.
- 2.9 The overall message from this report is that on the whole, Tower Hamlets is broadly on par with other inner London Boroughs and others in its peer group in tackling fraud. In 2010/11, the Tower Hamlets detected fraud estimated at approximately £8.7M. Within this, the traditional areas of known fraud such as housing and council tax benefit fraud are particularly well targeted. The more recent initiatives such as tenancy fraud makes up a substantial proportion of the fraud detected ((£7.8M). The report recommends a number of areas where the risk profiling will be required to better understand fraud risks and how they may be managed better particularly around social services fraud, procurement fraud and single person discount fraud. The other general message that is coming out from the Audit Commission, the National Fraud Authority and others such as the “big 4” is fraud is on the increase and organisations need to be alert to this rising trend.
- 2.10 With this latter point in mind, and to ensure the risk of fraud risk is better managed, in March 2011, all Service Heads responsible for managing the types of frauds identified in this Audit Commission report were contacted and provided with details of how fraudsters can exploit their systems and case studies of what other authorities have done to manage fraud risks in their area better. It is envisaged Service Heads will have used this information to safeguard the interests of the Council, particularly in this climate of financial restraint. The Corporate Fraud team will continue to alert Corporate Directors of significant frauds in line with normal protocols. This will alert Corporate Directors to fraud risks that have been exposed by fraudsters.

2.11 Appendix 3 outlines the requirements of the National Fraud Initiative which is a data matching service provided by the Audit Commission under their statutory powers created by the Audit Commission Act 1998. The paper provides the key requirements for consultation and deadlines for data submission in order for the matches to be processed and returned for investigation.

3. PEOPLE, CONTRACT AND PROCUREMENT AND TRAINING AND DEVELOPMENT

3.1 When investigating an allegation of sub-letting by a tenant who was also a member of staff (Principal Office Grade) enquiries turned up a number of discrepancies. The officer had made false statements relating to qualifications in his job application. He had given a family member as a referee without disclosing the relationship. He had made a false statement on a Voter Registration Form. Firm evidence of sub-letting for profit was obtained. The sub-let property has been recovered and the officer resigned with disciplinary proceedings pending. On advice from Legal Services a finding of Gross Misconduct was reached at a hearing following his departure.

3.2 Following a referral from the DWP the team undertook an investigation into the circumstances of a client who had been accepted for residential care and for whom his son had Power of Attorney. The initial financial assessment identified no material Capital on which to assess client contributions for the cost of the clients stay. Following a significant exercise between the Council and the DWP and the Council was able to establish that the son and the client had under declared substantial funds and consequently the authority was due a total of £116,000 in unpaid Client Contributions, Housing Benefit and DWP liabilities. The son was imprisoned for 13 Months and the Court ordered above sum to be restored back to the public purse.

3.3 In each of these cases it identifies opportunism on behalf of individuals but equally there is scope for the authority to review its existing procedures in order to evaluate whether there are areas to improve risk management further.

3.4 In another review undertaken by the team we have assessed the adequacy of existing arrangements for the management of Direct Payments to clients. This is seen as a growing area for potential fraud and Local Authorities need to be very mindful of the potential of clients funds being abused.

3.5 We have also undertaken a number of training and development exercises established to improve awareness of fraud risks and to improve the standards of evidence required before access to services can be provided. In this regard we have reviewed procedures with our partner organisation Tower Hamlets Homes and made recommendations for improved governance in regard to prime record

retention and documentary evidence on application forms for the Lettings Service.

4. RECOMMENDATION

The Standards Advisory Committee is : -

- asked to note the contents of this report and to take account of the matters raised by the Audit Commission in their report; and
- make suggestions and recommendations as it considers necessary to assist in the management of fraud risks.

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

These are contained within the body of this report.

6. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

There are no immediate legal implications arising from this report.

7. ONE TOWER HAMLETS

There are no specific one Tower Hamlets considerations.

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

8. RISK MANAGEMENT IMPLICATIONS

This report highlights the potential areas of fraud risks that any local authority is likely to be exposed to. A considered assessment of the nature and impact of the fraud risks will allow the authority to make better use of its resources.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT (SAGE)

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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