

REPORT TO: Audit Committee	DATE 18th March 2014	CLASSIFICATION Unrestricted	REPORT NO.
REPORT OF: Corporate Director, Resources		Anti-Fraud and Corruption Strategy and Proactive Anti - Fraud Plan 2014-15	
ORIGINATING OFFICER(S): Tony Qayum Corporate Anti-Fraud Manager		Ward(s) Affected: N/A	

1. SUMMARY

- 1.1 This report provides the Audit Committee with an updated Anti -Fraud and Corruption Strategy and outlines a summary of the proposed Proactive Anti- Fraud Plan for 2014-15.

2. RECOMMENDATIONS

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

3. INTRODUCTION

- 3.1 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.
- 3.2 The need for effective anti fraud work within local authorities has also been reflected by the Audit Commission, through the Use of Resources Assessment and Protecting the Public Purse publications as well as the CIPFA Better Governance Forum. 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.

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

N/A

Tony Qayum, 0207 3644773

4. ANTI FRAUD AND CORRUPTION STRATEGY

4.1 As part of our ongoing efforts to ensure the strategy and systems in place within the Council remain relevant and meet best practice the Anti Fraud and Corruption Strategy has been reviewed and attached at Appendix 1a is the revised strategy that picks up key changes resultant from new legislation and best practice as identified by CIPFA.

4.2 The strategy is based upon the following key areas of coverage as outlined by the following key tests that were set by the CIPFA Publication-Protecting the Public Purse, which has been issued annually since 2009 and new legislation including the Criminalisation of Social Housing Subletting in October 2013.

4.3 The key tests were:-

4.3.1 Adopting the right strategy

Does the organisation have a counter fraud and corruption strategy that can be clearly linked to the Effective policies and procedures in relation to identifying, reporting and investigating suspected fraudulent/corrupt activity are in place.

4.3.2 Measuring Fraud and Corruption Losses

Are fraud and corruption risks considered as part of the organisation's strategic risk management arrangements.

4.3.3 Creating and Maintaining a strong structure

Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the organisation's counter fraud and corruption strategy.

4.3.4 Taking action to tackle the problem

Is the organisation undertaking the full range of necessary action.

4.3.5 Defining Success

Relevant officers and Committees are made aware of investigations which may affect their Services.

4.4 It is considered that by updating the Anti-Fraud and Corruption Strategy in this way it will remain in compliance with best practice.

5. ANNUAL CORPORATE ANTI FRAUD PLAN 2014/15

5.1 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.

5.2 The key drivers used to compile the corporate anti- fraud plan for 2014/15 has built on experience and takes account of the: -

- Fraud Risk Register (maintained by the Corporate Fraud Team and responsive to both the organisations changing circumstances, the results of Internal Audit work and the Risk Environment);
- Continued development of a single Corporate Anti-Fraud resource under one managerial structure.
- Management requests and priorities;
- Local Knowledge;
- Joint working arrangements - external (DWP, CCG, Police and other Local Authorities);
- Resourcing the Government's initiative to examine instances of un lawful sub letting of Social Landlord properties
- Joint Working arrangements – internal (payroll, pensions, parking services, benefits services, housing services; and
- Issues identified from planned audit work;
- Good Practice checklists from the Audit Commissions-Protecting the Public Purse.
- New government initiatives including the DWP Single Fraud Investigation Service and national Blue Badge scheme for disabled people

- Emerging risk areas as identified from national research from the Audit Commission, the National Fraud Authority and publications such as the “The Local Government Fraud Strategy” produced by Fighting Fraud Locally.

5.3 Our plan is attached as Appendix 1. The focus of the plan is to cover :-

- Planned activities for Tower Hamlets Homes that will include pro active and reactive work and along with ongoing reviews of access to accommodation, including nominations, transfers, successions and management determinations; as part of the on-going work of the Social Housing Fraud resource
- 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;
- 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 lead on pro-active Anti-Fraud initiatives that bring together all services within the Council and with the Police, UKBA and CCG responsible for enforcement and financial governance thus maximising opportunities to share intelligence and joint working.
- Continue to provide anti fraud training and awareness to members and officers;
- Continue to produce monthly reports on Governance issues for consideration by the Corporate Director of Resources and Monitoring Officer;
- Ensure that appropriate training and development on ethical governance matters is rolled out to staff and members as appropriate;
- Publicise all our successes; and
- 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.

- Further develop mechanisms for categorising and quantifying fraud for more accurate reporting to enable better informed risk assessments

5.4 Social Housing Fraud Team – Key activities

- to recover unlawfully let properties
- Jointly investigate Housing Benefit Fraud where the accommodation is un lawfully let
- Investigate and support THH on suspicious assignments, successions and Mutual exchanges
- Investigate and support THH on suspicious Right to Buy's where there may be unlawful letting issues
- Work with RP's on un lawful lettings and assist in recovery of property for release to the Common Housing Register
- To attend Gas Servicing visits where access has not been made in order to ensure compliance with statutory duties and tenant conditions remain met.
- Participate in Pro active exercises with support from other enforcement agencies including the Police, UKBA etc.

5.5 The Parking Fraud Team was transferred to Risk Management in February 2011 to undertake the day to day management and co-ordinate their work , the key activities, being

- Investigation, recovery and prosecution of blue badge abuse
- Investigation, recovery and sanctions as appropriate on Parking permits (residents and business) and parking scratch cards abuse
- Investigate and support parking services on persistent offenders
- Investigate and consider action as appropriate on abuse of parking meter income
- Participate and support joint working exercises with the Police, Safer Neighbourhood teams and Anti Social Behaviour initiatives as required.

- 5.6 The Housing Benefit Fraud team transferred to Risk Management in July 2011 following a reorganisation of the arrangements for the management and investigation of allegations of Fraud, Corruption and Impropriety with the expectation that a Corporate Team would accrue a broader and collectively better response than maintaining individual teams all under different management arrangements and without a single focus.
- 5.7 The plan makes provision for the existing resource plus a buy in of circa 50 additional days from the Internal Audit plan to be utilised as emerging issues arise.
- 5.8 The following table shows the Corporate Anti-Fraud Team resources for 2014/15 and the resource required to complete the anti -fraud work in 2014/15.

Reactive resources	Days
Corporate Anti-Fraud Manager	80
Corporate Anti-Fraud Team Leader and support*	360
Allocation from Internal Audit Plan	50
	<u>490</u>
Housing Benefit Fraud Investigation	1,170
3 x Social Housing Fraud Officers	585
2 x Parking Fraud Officers (one term time)	315

- *Recruitment procedure in place to fill one Corporate Fraud Investigator post.

6. Comments of the Chief Financial Officer

- 6.1 This report provides the Audit Committee with an updated Anti-Fraud and Corruption Strategy and outlines a summary of the proposed Proactive Anti -Fraud Plan for 2014-15.
- 6.2 There are no specific financial implications emanating from this report. The Internal Audit team work programme meets the Council's legal requirements under section 151 of the Local Government Act 1972 and reports directly to the Corporate Director of Resources in order to minimise to the Council the risk of fraud, error and omission to the Council's finances and assets.

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

8. One Tower Hamlets Considerations

8.1 This progress update on significant issues arising from the National Fraud Initiative should allow the Audit Committee to focus on management action taken to date to improve risk management and control in order to minimise future risk exposure.

9. Anti-Poverty Considerations

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

10. Risk Management Implications

10.1 This report highlights risks relating to the coverage of Anti-Fraud within the Council and the arrangements to respond to allegations of Fraud and Corruption. It demonstrates how the Council is responding to potential risks to the control framework that may be exploited by fraudsters.

11. Sustainable Action for a Greener Environment (SAGE)

11.1 There are no specific SAGE implications.

Appendix 1

Activity	No of Days	Broad Scope	Risk Assessment	Scale of Service	Business Risk as %	Source of Risk	Link to Corporate Priorities
<u>Tower Hamlets Homes</u>							
Management Support and Advice	5		-	N/A	N/A	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
Work carried forward, Whistle blows, management referrals and proactive contingency	10	Management of Whistle blows, management referrals and reactive and proactive contingency	H	£140M	0.5% - 3%	Various	One Tower Hamlets Working efficiently and effectively as one Council.
Anti Fraud Arrangements/Joint Working	5	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	£140M	0.5% - 3%	Legislative Requirement	One Tower Hamlets Working efficiently and effectively as one Council.
Social Housing Fraud Joint Working and Systems improvement	10	Feeding back and learning from systems issues identified by the Social housing fraud team from their working with THH as added value	H	£140M	0.5% - 3%	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
THH total	<u>30</u>						

Activity	No of Days	Broad Scope	Risk Assessment	Scale of Service	Business Risk as %	Source of Risk	Link to Corporate Priorities
<u>Proactive Training and Development</u>							
Anti fraud liaison groups development	15	This will involve close working with a number of our external partners including the Police, DWP and CCG.	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	40	Provide continuous update and training to Members and Officers including lunchtime workshops for Directorate Staff	H	N/A	-	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
	<u>55</u>						
<u>Overall Governance</u>							
Audit Committee	10	Preparation and presentation of reports to the Audit Committee	H	N/A	-	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
Standards Advisory Committee	10	Preparation and presentation of reports to the Standards Committee	H	N/A	-	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
FOI	10	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 Officer responsibilities	15	Identify and deliver training and act as the money laundering officer, providing advise, single point of contact on any issues and co-ordination with other agencies	H	-	-	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
Categorising and quantifying fraud	5	Continue the development of categorising and quantifying fraud to influence system controls and improvement	H	Over £1B	0.1% - 3%	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
	<u>50</u>						

Activity	No of Days	Broad Scope	Risk Assessment	Scale of Service	Business Risk as %	Source of Risk	Link to Corporate Priorities
<u>NFI 2013/14</u>							
NFI management Key Contact Function	25	This work will involve managing the Audit Commission Web base site, provision of training and support and monitor progress. Managing NFI pilots as they arise	H	over £500M	0.5% - 3%	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
NFI Co-ordinator and Corporate Investigations	75	Manage the NFI output with corporate risk support/train other investigators as appropriate, respond the enquiries from other LA's or agencies	H	over £500M	0.5% - 3%	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
	<u>100</u>						
<u>Joint working with other agencies</u>							
Joint working and referrals DWP	10	Provide support to DWP referrals on staff related matters	H	Circa £140M	0.5% - 3%	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
Joint working and referrals from the Police	5	Respond to Met Police referrals from both the local and specialist police functions	H	Unknown dependant on values of referrals	-	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
<u>Anti Fraud Forums</u>							
Anti Fraud forums	5	Internal and external (other LA's, Police, DWP, CCG) anti fraud groups working on information sharing and joint working and fraud co-ordination	H	Unknown dependant on values of referrals	-	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
	<u>5</u>						
<u>Proactive</u>							
Internal data matching exercises with council services and trial of Fraud Hub with, inter alia, Social Housing providers, Housing benefit and Housing Allocations Development of new areas of investigation including C. Tax reduction scheme, SPD and Student discount reduction awards and NNDR reduction schemes.	100		H	Circa £300M	.03%-5%	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
Data matching - corporate assurance	35		H	Unknown dependant on matching results	-	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
Development of FMMS fraud modules case managements systems	20	Building developing the FMMS cases management systems for Social Housing Fraud, Parking Fraud and Corporate reactive modules	H	N/A	N/A	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
	<u>155</u>						

Activity	No of Days	Broad Scope	Risk Assessment	Scale of Service	Business Risk as %	Source of Risk	Link to Corporate Priorities
<u>Contingencies</u>							
Anti Fraud Reactive contingency	50	See Internal audit plan	H	-	-	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
Management of Whistle blows	25		H	-	-	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
<u>Reactive (audit and anti fraud) total</u>	490						

Activity	No of Days	Broad Scope	Risk Assessment	Scale of Service	Business Risk as %	Source of Risk	Link to Corporate Priorities
<u>Social Housing Fraud Team (3 full time resources)</u>	<u>585</u>	Working with THH and other RSL's on recovering of Unlawfully let properties, in appropriate successions, assignments, mutual exchanges RTBs. Joint working with LBTH to identify and learn from weaknesses. Co-ordinate associate fraud work with benefits, Council Tax, Parking Fraud, Electoral Role etc...	H	£140M plus	1% - 5%	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
<u>Parking Fraud Team (one full time one P/T)</u>	<u>315</u>	Investigating blue badges, parking and permits associated abuses in line with SLA with CLC	H	-	0.5% to 10%	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.
<u>Housing Benefit Fraud Team</u>	<u>1170</u>	Investigation of allegations of HB abuse, Joint working with DWP, Data matching and NFI Output investigation.	H	-	-	Governance arrangements and Ethics	One Tower Hamlets Working efficiently and effectively as one Council.