



Audit & Anti Fraud Progress Report

1 April – 31 August 2016

1. INTRODUCTION

The purpose of this report is to present the performance of the Audit & Anti Fraud Service for the period April to August 2016, the areas of work undertaken and information on current developments in the service area.

2. INTERNAL AUDIT RESOURCES AVAILABLE

- 2.1 The 2016/17 Internal Audit Annual Plan was based upon the resources available to the Council for an in-house internal audit service.
- 2.2 The Internal Audit Annual Plan for the year 2016/17 consisted of 77 named audits, three additional pieces of work have been added since the plan was agreed.
- 2.3 The Internal Audit Section has been fully staffed since April 2016 and now consists of two Principal Auditors and four Auditor posts.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

- 3.1 Internal Audit's performance for 2016/17 against key indicators is shown in Table 1.

Objective	KPIs	Targets	Actual
Cost & Efficiency To ensure the service provides Value for Money	1) Percentage of planned audits completed to final/draft report stage 2) Average number of days between end of fieldwork to issue of draft report.	1) 90% by year end 2) Less than 15 working days	1) 32% are complete or in progress at the end of August 2016 2) 10 days
Quality To ensure recommendations made by the service are agreed and implemented	1) Percentage of significant recommendations made which are agreed 2) Percentage of agreed significant recommendations which are implemented	1) 100% 2) 90%	1) 100% 2) 58% - Fully implemented 20% - partially implemented
Client Satisfaction To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) No. of Complaints / Compliments	1) Responses meeting expectations or above 2) Satisfactory 3) Actual numbers reported	1) 100% (29% exceeded expectations and excellent) 2) N/A 3) None

Table 1

- 3.2 As at 31 August 2016 a total of 25 internal audit reviews have been started from the 2016/17 Plan, three have been finalised and a further four are at Draft Report stage. In addition during this period seven reviews have been completed from the 2015/16 and a further six are at draft stage.

4. SUMMARY OF INTERNAL AUDIT WORK

- 4.1 Progress with each 2016/17 planned audit is attached as Appendix 2. This is summarised in Table 2 below:

Stage of audit activity 2015/16 Plan	Number of assignments	% of original plan
Scoping/TOR agreed	6	8
Fieldwork in progress	12	15
Fieldwork complete (report being drafted)	0	0
Draft report issued	4	5
Completed	3	4
Total work completed and in progress	25	32
Original Plan	77	
Cancelled and Postponed	0	
Additional requests	3	
Total Revised Plan	80	

Table 2

- 4.2 The table shows that 32% of planned assignments have been completed or are in progress.
- 4.3 The additional audit requests relate to a Parking Services International Standards Organisation review, a watching brief on the ITrent new Payroll/HR Implementation and a review of new procedures relating to grant applications.
- 4.4 Each completed audit is given an overall assurance grading. These are categorised 'Significant', 'Reasonable', 'Limited' or 'No' assurance. The assurances given so far this year are included in Appendix 2. Full definitions can be found at Appendix 3.
- 4.5 Of the three audits completed, two received an assurance grading of significant and one reasonable. There were also nine audits completed from the 2015/16 plan that have not previously been reported on, these were also given assurance ratings of significant (2), reasonable (5) and limited (2).
- 4.6 Where Internal Audit work identifies areas for improvement, recommendations are made to manage the level of risk. These are categorised as 'Critical', 'High', 'Medium' or 'Low' priority. The numbers of Critical, High and Medium recommendations issued up to 31 August 2016 are shown in Table 3 below.

Categorisation of Risk	Definition	Number 2016/17 Plan	Number 2015/16 Plan* not previously reported
Critical	Major issues that we consider could have a significant impact upon, not only the system, function or process objectives, but also the achievement of the Council's objectives.	0	0
High	Major issues that we consider need to be brought to the attention of senior management.	0	4
Medium	Important issues which should be addressed by management in their areas of responsibility.	5	20

Table 3

5. SCHOOLS

- 5.1 Audits of school's progress has been reported to the Hackney Learning Trust (HLT) within the Children's, Adults and Community Health Directorate. In addition, progress with the implementation of recommendations agreed during 2015/16 and this year to date have been followed up and reported.
- 5.2 As at 31 August 2016, fieldwork had been completed at three of the 24 schools and children centres listed in the plan. Dates are booked in for September and October for a further seven schools. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.
- 5.3 Assurances provided for the school assignments completed as part of the 2016/17 Internal Audit Annual Plan are shown in Table 4 below. A comparison with assurances provided in previous audits is also shown. It needs to be noted that these audits are still at draft stage and a response from the schools is awaited.

School	Assurance for 2016/17	Assurance in previous audit	Direction of travel	2016/16 Recommendations		
				High	Medium	Low
St Paul's and St Michael's Primary (Draft)	Reasonable	Reasonable	↔		6	
Thomas Fairchild Community School (Draft)	Reasonable	Significant	↓		7	
New Regent College (Upper and Lower PRU) (Draft)	Reasonable	N/A	N/A	1	2	2

Table 4

- 5.4 Table 4 shows that the direction of travel decreased for one school and stayed the same for another. No previous rating is available for New Regent's College as this is a new unit in its current form.

6. IMPLEMENTATION OF RECOMMENDATIONS

- 6.1 In order to track the Council's attitude towards improving the control environment, progress with implementation of agreed internal audit recommendations are tracked. The results of this work for the 'High' priority recommendations from audits undertaken from 2014/15 to date in 2016/17 that were due to be implemented by 31 August 2016 are presented in the Table 5.

Directorate	Implemented (including no longer relevant)	Implemented pending validation	Partially Implemented	Not implemented/ No response	Total
Children's, Adults and Community Health	1		3	2	6
Neighbourhoods and Housing					0
Finance & Corporate Resources	31	2	10	5	48
Chief Executive's	1		2		3
Schools	7			9	16
Total number	40	2	15	16	73
Percentage (%)	55%	3%	20%	22%	

Table 5

- 6.2 The Council's target for 2016/17 is that 90% of 'High' priority recommendations should be implemented in accordance with the agreed timescale. The implementation rate currently stands at 55% fully implemented although 3% are awaiting validation by Internal Audit. A further 20% have been partially implemented.
- 6.3 Meetings have been held with the new Director, ICT and other senior managers in ICT to discuss progress that has been made with ICT high and medium priority recommendations. At this point only five high priority recommendations remain outstanding, with a further two pending full validation by internal audit and eight that have been partially implemented.
- (i) ICT: Disaster Recovery (DR): There are two outstanding high recommendations which relate to a locational risk assessment for all servers and daily back up reports. A disaster recovery site has been set up at Stoke Newington Municipal Offices and a test was carried out over the 2016 Easter weekend on the Mosaic system (Care Services). Further tests were planned for the August bank holiday weekend but had to be cancelled due the power outages caused by building works. Hence these recommendations remain outstanding or partially complete. The latest position on these is being verified.
- (ii) Third Party Access: There are three outstanding high priority recommendations. These relate to establishing criteria for access in each system, establishing asset security classifications and logical access network controls. Further discussion is taking place on these to see if these recommendations remain relevant.
- 6.4. There were a number of schools that failed to provide Internal Audit with a response to the request for details of the implementation of recommendations prior to the start of the summer holidays. Hackney Learning Trust are aware of these and will be following up at the start of the new term.
- 6.4 There were 307 'Medium' priority recommendations followed up. Of these, 60% were assessed as implemented and 13% partially implemented. Details are shown below:

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented /No Response	Total
Children's, Adults and Community Health	11	6	10	27
Neighbourhoods and Housing	2	5	5	12
Finance & Corporate Resources	66	14	6	86
Chief Executive's	12		3	15
Schools	94	15	58	167
Total number	185	40	82	307
Percentage (%)	60	13	27	

7. DEVELOPMENTS WITHIN INTERNAL AUDIT

- 7.1 Like all services across the Council the Audit and Anti-Fraud Service has been affected by the Delegated Powers Report regarding the Council Restructure and requests for voluntary redundancies. The current position is that the Director, Audit and Anti Fraud post will be deleted and there has been a loss of one Principal Auditor post and one Audit Investigator post under the voluntary redundancy scheme. The current Head of Internal Audit is also due to take voluntary redundancy at the end of December 2016 but will be replaced. The deletion of the post of Director, Audit and Anti Fraud means that a restructure of the Audit and Anti Fraud Services is being undertaken to ensure the impact of these changes is kept to the minimum and that there are sufficient management resources within the service. This is currently out for consultation, which is due to end on 12 September 2016 with an implementation date of 1 October anticipated.
- 7.2 With effect from April 2016 Hackney Homes internal audit work has been amalgamated within the Neighbourhoods and Housing Directorate and the results will be reported to this Committee alongside all other reviews. During 2015/16 these were reported to the Hackney Homes Audit and Finance Committee and only reported to the Audit Sub-Committee if Hackney processes were involved.
- 7.3. The Internal Audit Service uses a contractor to carry out the ICT reviews. The previous contractor used for the last four years has not renewed their contract so an alternative ICT audit provider has been sought. Mazars LLP has been awarded a contract to carry out five ICT reviews this year. Mazars (who took over Deloitte's Public Sector Internal Audit Service about two years ago) are well known across the London Boroughs and have a number of contracts with other London Boroughs.

8. ANTI FRAUD SERVICE

- 8.1 The Anti Fraud Service consists of three distinct teams; the Audit Investigation Team (AIT), the Tenancy Fraud Team (TFT) and the recently created Pro-Active Fraud Team (PAFT). Management capacity across the Service is being addressed as part of the AAF restructure.
- 8.2 We have experienced some difficulty in recruiting to vacant posts on the TFT in recent

months but from June onward the team was fully resourced. This has inevitably had a detrimental effect on the rate of recovery of illegally sublet properties although the hard work and dedication of the investigators in post did still result in the recovery of 41 properties, the cancellation of 10 housing applications and 8 right to buy applications during the reporting period.

- 8.3 Following the successful bid by AAF for grant funding from central government for anti-fraud initiatives Hackney created the PAFT which consists of three officers, this funding was only available for one year. Hackney used these additional investigation resources to focus on project management of the Hackney Homes decent homes and planned maintenance contracts. This is an innovative use of resources and is being watched carefully by the anti-fraud community. Work is still ongoing however, the results to date provide sound evidence that using resources in this area of activity can have a significant financial benefit.
- 8.4 Statistical information relating to all the work of the Council's Anti Fraud Teams are attached as Appendix 4.

9. CONCLUSIONS

- 9.1 This report provides details of the performance of the Council's Internal Audit and Anti Fraud Services. It seeks to give reassurance that the service is being delivered to meet statutory responsibilities and is continually seeking to improve the standards of its service.
- 9.2 Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken to date within 2014/15, 2015/16 and this year to date, it is considered that overall, throughout the Council there continues to be a sound internal control environment.

Internal Audit Annual Plan 2016/17 Progress to August 2016 (including 2015/16 audits not previously reported)					
Code	Internal Audit	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2015/16 Audits not previously reported					
HCS08	Highways Maintenance Contracts		2	Significant	Complete
FR04	Banking Contract and Charges		3	Reasonable	Complete
FR10	NNDR		2	Reasonable	Complete
FR12	Council Tax				Draft
FR16	Property Services Procurement Procedures		4	Reasonable	Draft
FR17	Grey Fleet	1	1	Limited	Complete
ICT03	Landesk Authorisation			Significant	Complete
ICT07	Resourcelink	2	3	Limited	Draft
HH08	3 x TMO's				Draft
HH09	Neighbourhood Offices	1	2	Reasonable	Complete
HH14	Leaseholder Charges		3	Reasonable	Complete
HLT02	Fees For Children Centres				In Progress
LHRRS03	Payroll				In Progress
LHRRS02	Health and Safety procedures				In Progress
HS01	Leaseholders Buyback				In progress
FR14	Marketing of Commercial Property				In Progress
All (Cross Cutting)					
1617LBH01	Annual Governance Statement			Significant	Complete
1617LBH02	Purchasing/Procurement Cards - Follow Up				Planned Quarter 3
1617LBH03	Transparency Code				Planned Quarter 4
1617LBH04	Management of Capital Contracts				Planned Quarter 3
Chief Executives					
1617CE01	DBS Checks				Scoping
1617CE02	Payroll -				Planned Quarter 3
1617CE03	Electoral Services				Planned Quarter 3
GROUP DIRECTOR CHILDREN, ADULTS AND COMMUNITY HEALTH					
Adult Services/Public Health					
1617CACH01	Appointeeships - Client Payment System				In Progress
1617CACH02	Day Care Services (Grant Funded)				Planned Quarter 4
1617CACH03	Deprivation Of Liberty Safeguards		3	Reasonable	Complete
1617CACH04	ASC Contracts Follow up				Planned Quarter 3
1617CACH05	Care Assessments				Planned Quarter 3
Children & Families Services					
1617CACH06	Mosaic previously (Framework i) IT audit				Planned Quarter 3
1617CACH07	Overstayers				In Progress
1617CACH08	Leaving Care				Planned Quarter 3
Education and Schools					
1617CACH09	Overview of school findings and benchmarking				In Progress
1617CACH10	SEN				Planned Quarter 4
1617CACH11	HLT IT Purchasing				Scoping

Internal Audit Annual Plan 2016/17 Progress to August 2016 (including 2015/16 audits not previously reported)					
Code	Internal Audit	High Priority Rec's	Medium Priority Rec's	Audit Assurance	Status
SCHOOLS					
1617SCH01	Baden Powell Primary School				Booked Sept 2016
1617SCH02	Benthal Primary School				Planned Oct 2016
1617SCH03	Berger Primary School				Planned Quarter 4
1617SCH04	Betty Layward				Booked Sept 2016
1617SCH05	De Beauvoir Primary School				Postponed
1617SCH06	Gainsborough Community Primary School				Planned Quarter 3/4
1617SCH07	Harrington Hill Primary School				Planned Quarter 4
1617SCH08	Holmleigh Primary School				Planned Quarter 3
1617SCH09	Parkwood Primary School				Planned Quarter 3
1617SCH10	Princess May				Postponed
1617SCH11	Saint Scholastica RC Primary				Planned Quarter 2/3
1617SCH12	Southwold School				Planned Quarter 4
1617SCH13	Springfield Community School				Planned Quarter 3
1617SCH14	St John Of Jerusalem				Booked Oct 2016
1617SCH15	St Dominic's Catholic Primary				Booked Sept 2016
1617SCH16	St Mary C of E Primary				Booked Sept 2016
1617SCH17	St Paul with St Michaels primary				Draft Report
1617SCH18	Thomas Fairchild Community School				Draft Report
1617SCH19	William Patten Primary School				Planned for Q3
1617SCH20	Woodberry Down Primary				Planned Quarter 2/3
CHILDREN CENTRES					
1617SCH21	Wentworth CC				Planned Quarter 3
1617SCH22	Woodberry Down CC				Planned Sept 2016
SPECIAL SCHOOL/PRU					
1617SCH23	The Garden with Horizon				Rescheduled
1617SCH24	New Regent College Upper/Lower PRU				Draft Report
GROUP DIRECTOR - FINANCE AND CORPORATE RESOURCES					
Financial Management					
1617FCR01	Pension Investments				Planned Quarter 2/3
1617FCR02	Creditors/ Central Payments Team				Planned Quarter 3
1617FCR03	Asset Management				Planned Quarter 2/3
1617FCR04	Accounts Receivable				Planned Quarter 3
Strategic Property					
1617FCR05	LBH Building Maintenance				Planned Quarter 4
1617FCR07	Vehicle Sales and Disposals				Planned Quarter 4
Procurement					
1617FCR06	Tendering Procedures				Planned Quarter 2/3

Internal Audit Annual Plan 2016/17 Progress to August 2016 (including 2015/16 audits not previously reported)					
Code	Internal Audit	High Priority Rec's	Medium Priority Rec's	Audit Assurance	Status
Customer Services					
1617FCR08	Council Tax Reduction Scheme				Planned Quarter 2/3
1617FCR09	Revenues and Benefits – NNDR				Planned Quarter 3
1617FCR10	Revenues and Benefits - Housing Benefit				Planned Quarter 3
1617FCR11	Council Tax				Planned Quarter 3
1617FCR12	Housing Needs (Choice Based lettings)				Planned Quarter 3
1617FCR13	Temporary accommodation (B&B)				Planned Quarter 3
1617FCR14	Deposit Guarantee scheme/Cash Incentive Scheme				Planned Quarter 4
Director ICT					
1617ICT01	Universal Housing				Planned Quarter 3/4
1617ICT02	Mosaic (previously Framework I) Post Implementation Review				Planned Quarter 3/4
1617ICT03	Housing Needs Payment System - Post Implementation Review				Planned Quarter 3/4
1617ICT04	CRM				Planned Quarter 3/4
1617ICT05	One Account - Post Implementation Review				Planned Quarter 3/4
1617ICT06	IT Recruitment and retention				Planned Quarter 3/4
1617ICT07	IT Governance				Planned Quarter 3/4
GROUP DIRECTOR NEIGHBOURHOODS AND HOUSING					
Regeneration					
1617NH01	Regeneration - Contract letting and Monitoring				Scoping
Housing					
1617NH02	Ground work estate Maintenance (Stores)				Scoping
1617NH03	Resident Participation Team (Renting of Halls income)				Planned Quarter 2
1617NH04	Rent Collection				Planned Quarter 3
1617NH05	TMO (rolling Programme)				Planned Quarter 3
1617NH06	Right to Buy				Draft Report
1617NH07	Complaints				Planned Quarter 3
1617NH08	Voids				Planned Quarter 3
1617NH09	Contract Monitoring/Contingency				Planned Quarter 4
Public Realm					
1617NH10	Parking Appeals				Scoping
1617NH11	Waste Management – Recycling				Planned Quarter 4
1617NH12	Highways Assets				Scoping
1617NH13	Car Parking Income (Pay and Display)				Planned Quarter 3
1617NH14	Street Lighting Contract				Planned Quarter 4
16/17NH+	Parking ISO Procedures		2	Significant	Complete

Definitions of Audit Assurances

The **Overall Assurance** given in respect of an audit is categorised as follows:

Level of assurance	Description	Link to risk ratings
Significant	Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.	There are two or less medium-rated issues or only low rated or no findings to report.
Reasonable	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than critical or they would be unlikely to occur.	There is no more than one high priority finding and/or a low number of medium rated findings. However, where there are many medium rated findings, consideration will be given as to whether the effect is to reduce the assurance to Limited.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.	There are up to three high-rated findings. However, if there are three high priority findings and many medium rated findings, consideration will be given as to whether in aggregate the effect is to reduce the opinion to No assurance.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.	There are a significant number of high rated findings (i.e. four or more).

Anti Fraud Service

Statistical Information 1 April to 31 August 2016

1. Investigations Referred

The number investigations undertaken by the Anti Fraud Service has increased significantly in recent years, from 150 in 2009/10 to 714 in 2015/16. As new fraud threats have emerged, investigative responses have been developed in partnership with other Council teams and external partners.

Group	Department	Number of Cases Referred in Period	Number of Cases Closed in Period	Cases Currently Under Investigation	Referrals 2016/17 to date	Referrals 2015/16
Neighbourhoods & Housing	Neighbourhoods & Housing	4	2	2	4	n/a
	Hackney Homes	7	5	12	7	14
	Housing	0	0	1	n/a	0
	Tenancy Fraud	154	156	416	154	413
	Parking	76	119	27	76	166
Children, Adults & Community Health	Children, Adults & Community Health	2	1	1	2	n/a
	Health & Community Services	0	3	4	n/a	11
	Children & Young People's Services	0	0	0	n/a	3
	Overstaying Families Intervention Team (OFIT)	26	30	40	26	89
	The Learning Trust	1	2	5	1	6
Finance & Corporate Resources	Finance & Resources	8	6	11	8	11
Chief Executive Directorate	Chief Executive Directorate	0	0	0	0	n/a
	Chief Executive's	0	0	1	n/a	1
	Legal, HR & Regulatory Services	0	0	0	n/a	0
Total		278	324	520	278	714

Table 1

Note 1: The former departments from the previous Council structure are shown under the new Group Directorates that most closely approximate to them. While a large majority of pre-2016/17 investigations listed above are appropriate to the Group Directorates shown, there will be isolated exceptions (for example, some Health & Community Services operations are now performed by Neighbourhoods & Housing).

Note 2: Fraud reporting going forward will be at the Group Directorate level, with additional detail being provided for areas that were recently separate organisations (Hackney Homes and The Learning Trust) and specific Anti-Fraud projects (Tenancy, Parking and OFIT).

Note 3: Cases closed and under investigation may include those carried forward from previous reporting periods.

2. Fraud Enquiries

Investigative support is provided to other bodies undertaking criminal enquiries, including the Police, Home Office and other Local Authorities. The team also supports other LBH teams to obtain information where they do not have direct access and it is available under the Data Protection Act crime prevention and detection gateways.

Source	Number of Cases Referred in period	Number of Cases Closed in period	Cases Currently Under Investigation	2016/17 to date	2015/16
Internal	16	13	3	16	293
Other Local Authorities	29	29	0	29	75
Police	18	18	0	18	103
Immigration	1	1	0	1	7
DWP	313	313	0	313	910
Other	14	12	2	14	14
Total	391	386	5	391	1,402

Table 2

3. National Fraud Initiative (NFI) Matches

The NFI is a biennial data matching exercise, the majority of datasets were most recently received in January 2015. Matches are investigated by various LBH teams over the 2 year cycle. AIT investigate some matches and coordinate the overall response. The total number of matches includes 4603 outcomes that are identified as high priority, participants are expected to further risk assess the results to determine which are followed up.

Type of Match	Number of Matches – Total & (recommended)	Cases Currently Under Investigation	Number Matches Cleared NFI2014	Number Matches Cleared NFI2012
Payroll	137 (51)	10	35	13
Housing Benefit	8,198 (2,738)	3	19	655
Housing Tenants	1,416 (583)	32	315	64
Right to Buy	261 (256)	11	224	18
Housing Waiting List	3,201	34	44	387
Concessionary travel/parking	187 (146)	125	22	176
Creditors	5,173 (571)	0	4,724	0
Pensions	175 (82)	4	169	177
Council Tax	10,936	137	507	2,854
Other	261 (176)	0	33	39
Total	29,945 (4,603)	356	6,092	4,383

Table 3

On 1 December 2014, Hackney's Housing Benefit Counter Fraud Team was transferred to the Department for Work & Pensions (DWP) as part of their Single Fraud Investigation Service. Whilst the Council is no longer responsible for undertaking Housing Benefit investigations, Audit & Anti-Fraud (AAF) are required to undertake a large volume of enquiries in support of DWP investigations.

DWP advised Hackney that financial support would continue to be provided to the Council to support their Housing Benefit investigations in 2016/17. Hackney has

continued to fund a part time resource to address specific investigation enquiries, but it is insufficient to allow for review of the thousands of benefit concerns identified by the NFI. The officers that previously undertook this work have all transferred to DWP. The funding provided by DWP covers only 65% of the cost of the remaining post.

4. Analysis of Outcomes

Investigations can result in differing outcomes from prosecution to no further action. Table 4 below details the most common outcomes that result from investigations conducted by the Anti Fraud Teams.

Outcome	Reporting Period	2016/17 to date	2015/16 total
Disciplinary action	3	3	14
Resigned as a result of the investigation	3	3	11
Referred to Police or other external body	9	9	28
Prosecution	2	2	4
Referred to Legal Services	1	1	3
Investigation Report/ Management Letter issued	7	7	19
Council service or discount cancelled	25	25	80
Blue Badges recovered	19	19	63
Other fraudulent parking permit recovered	18	18	31
Parking misuse warnings issued	20	20	36
Penalty Charge Notice (PCN) issued	19	19	47
Vehicle removed for parking fraud	16	16	32
Recovery of tenancy	41	41	104
Housing application cancelled or downgraded	10	10	57
Legal action to recover tenancy in progress	108	108	n/a
Right to Buy application withdrawn or cancelled	8	8	10

Table 4

Disciplinary Action

Disciplinary action was taken against three staff between 1 April and 31 August 2016 as a result of an AIT investigation for the following reasons: -

- Two false declarations on job applications
- One instance of abuse of position for personal gain

Prosecution

During this period two prosecutions were concluded through the courts: -

- One ex-worker was prosecuted for fraud by abuse of position and conspiring to commit money laundering.
- One person was prosecuted for fraudulent use of a parking permit.

5. Financial Losses as a Result of Fraud

The most apparent consequence of many frauds is a financial loss however, it needs to be noted that it is not always possible to put a value in monetary terms.

In many cases the financial loss accounts for only a small amount of the total cost of the fraud, with the additional amount comprising intangibles such as reputational damage, the cost of the investigation and prosecution, additional workplace controls, costs from replacing staff involved and management time taken to deal with the event and its' aftermath.

The following are estimates of the monetary cost for some of Hackney's priority investigation areas based (where relevant) upon the values that the Audit Commission previously calculated as a reasonable estimate of the value nationwide:

5.1 Tenancy Fraud Team (TFT)

During the period April to August 2016 a total of 41 tenancies have been recovered by the TFT. Using the Audit Commission figure for the estimated cost of temporary accommodation of £18,000pa, this equates to a saving of £738,000.

In the same period 10 housing applications have been cancelled following TFT review. These investigations help to ensure that Hackney's social housing is only allocated to those in genuine need. The Audit Commission has variously reported the potential benefit to the public purse of each cancelled application as between £4,000 and £18,000, so the value of this work represents a potential saving of between £40,000 and £180,000.

As a result of intervention during the RTB application process 8 applications were cancelled in this reporting period. Each RTB represents a discount of between £75,000 and £102,700 on the sale of a Council asset.

5.2 Overstaying Families Intervention Team (OFIT)

An average weekly support package valued at c£348 is paid to each family supported (applicable to the majority of the 'service cancelled' category in Table 4). Twenty three support packages were cancelled or refused following AAF investigation between April and August 2016. This equates to a saving in the region of £8,004 per week, if these had been paid for the full financial year it would have cost Hackney approximately £417,000.

5.3 Parking Concessions

The Audit Commission estimated the cost of each fraudulently used Blue Badge to be £100 (equivalent to on-street parking costs in the Hackney Central parking zone for less than 39 hours). Fees of £65 are also payable where a Penalty Charge Notice is issued as part of the enforcement process, or £265 if the vehicle is also removed. In this period AIT recovered 19 Blue Badges, this equates to £1,900 plus enforcement charges of £4,435.

In addition to the work undertaken on blue badge abuse, investigations have also been undertaken into misuse of residents and visitor parking permits. During the reporting period 18 fraudulently used residents/visitor parking permits were recovered. It is not possible to quantify the value of this abuse. However, the cost for these types of fraud is far greater in terms of genuine blue badge holders and residents being denied the use of dedicated parking areas, and the reputational damage that could be caused to Hackney if we were seen not to be tackling the abuse of parking concessions within the borough.

5.4 Pro-Active Fraud Team

AAF successfully bid for government funding for new counter fraud initiatives. The funding, allocated for 2015/16 only, has enabled AAF to focus investigation resources on the project management of the Hackney Homes

Decent Homes and Planned Maintenance contracts. Currently, a significant sum of money has been retained against a contract because works claimed to have been carried out are under dispute. Six different work areas have been investigated and a further seven are under review. Evidence of substantial over-claiming for work is emerging which may lead to further financial claims by Hackney.

There are ongoing enquiries involving possible criminal matters therefore it is not possible to expand on this important work at this time.

6. Matters Referred from the Whistleblowing Hotline

All Hackney staff (including Hackney Homes and Hackney Learning Trust) can report concerns about suspected fraud and other serious matters in confidence to a third party whistleblowing hotline. Other referral methods are available (and may indeed be preferable from an investigatory perspective), however, the hotline allows officers to raise a concern that they might not otherwise feel able to report.

Department	Number of Cases Referred in Period	Number of Cases Closed in Period	Cases Currently Under Investigation	2016/17 to date	2015/16 total
Neighbourhoods & Housing	0	0	0	0	0
Children, Adults & Community Health	0	0	0	0	2
Finance & Corporate Resources	0	0	0	0	0
Chief Executive	0	0	0	0	0
Total	0	0	0	0	2

Table 5

7. Regulation of Investigatory Powers Act (RIPA) Authorisations

RIPA is the legislation that regulates the use of surveillance by public bodies. Surveillance is one tool that may be used to obtain evidence in support of an investigation, where it can be demonstrated to be proportionate to the seriousness of the matter concerned, and where there is no other less intrusive means of obtaining the same information.

Because surveillance has the potential to be a particularly intrusive means of evidence gathering, the approval process requires authorisation by a nominated senior Hackney officer (Director/Group Director/Chief Executive) and approval by a magistrate. Although Hackney will use its surveillance powers conferred by RIPA when it is appropriate to do so, no application was made in the current financial year.

8. Proceeds of Crime Act (POCA) Investigations

POCA investigations can only be undertaken by Council officers who have been accredited by the National Crime Agency (NCA), as are currently employed by AAF and Trading Standards. Since October 2015 one AAF accredited financial investigator was on maternity leave which has impacted the AAF cases. A second AAF financial investigator has now been accredited by the National Crime Agency (NCA), it is expected an increase in AAF POCA investigations as a result.

Although this report outlines the achievements of AAF details of all POCA orders authorised on behalf of the Council are included below in order to provide the Committee with a full picture of the use of POCA by Hackney officers.

POCA supports the Council's investigation processes in three principal ways: -

- Providing access to financial information in connection with a criminal enquiry, subject to approval by Crown Court by way of a **Production Order**
- Recognising that offenders should not be able to benefit from their criminal conduct through the use of **Confiscation Orders**. These allow the courts to confiscate any benefit that a defendant may have received as a result of their crime.
- Under the confiscation process the courts are also able to ensure that victims are compensated for their loss by way of a **Compensation Order**.

During the reporting period the Council recovered a total of £294,231.21 as a result of POCA orders, £289,748.65 arose from investigations undertaken by Trading Standards (including £275,000 from a property development case), the remaining £4,482.56 resulted from an AAF criminal investigation. It should be noted that delays can often occur in receiving payments particularly if disposal of assets have to take place in order to satisfy a compensation or confiscation order.

Table 6 below outlines the number of POCA orders authorised in the reporting period. All four orders in the period related to Trading Standards investigations.

Type of Order	Number authorised in the period	2016/17 to date	2015/16 total
Production	2	2	5
Compensation	0	0	0
Confiscation	2	2	0
Total	4	4	5

Table 6