



Audit & Anti-Fraud Progress Report

31 December 2016

1. INTRODUCTION

The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April to December 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, four additional pieces of work have been added since the plan was agreed.
- 2.3 Following implementation of the new structure, the Internal Audit Section now consists of the Head of Internal Audit & Corporate Risk Management, two Principal Auditors and four Auditors.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

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

Objective	KPI	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 from completion of fieldwork to issue of draft report	1) 90% by year end 2) Less than 15 working days	1) 53.2% are complete or in progress at the end of December 2016 2) 13 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) 75% - Fully implemented 9% - 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% (44% exceeded expectations and excellent) 2) N/A 3) None

Table 1

- 3.2 As at 31 December 2016 a total of 41 internal audit reviews have been started from the 2016/17 Plan, 13 have been finalised and a further 10 are at Draft Report stage. In addition during this period 9 reviews have been completed from the 2015/16 plan with another two that are at draft stage, two further audits are still in progress.

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 2016/7 Plan	Number of assignments	% of original plan
Scoping/TOR agreed	13	16.9
Fieldwork in progress	4	5.2
Fieldwork complete (report being drafted)	1	1.3
Draft report issued	10	13
Completed	13	16.9
Total work completed and in progress	41	53.2
Original Plan	77	
Cancelled and Postponed	7	
Additional requests	4	
Total Revised Plan	74	

Table 2

- 4.2 The table shows that 53.2% of planned assignments have been completed or are in progress.
- 4.3 The additional audit requests related to a Parking Services International Standards Organisation review, a watching brief on the ITrent new Payroll/HR Implementation, a review of new procedures relating to grant applications, and advice to the PAUSE initiative regarding petty cash/procurement cards use.
- 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 13 audits completed, five received an assurance grading of significant, seven reasonable and one limited. There were also 9 audits completed from the 2015/16 plan during 2016/17, these were given assurance ratings of significant (2), reasonable (5) and limited (2).
- 4.6 Recommendations are made to manage the level of risk where internal audit reviews identify areas for improvement. These are categorised as 'Critical', 'High', 'Medium' or 'Low' priority. The numbers of Critical, High and Medium recommendations issued up to 31 December 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.	1	4
Medium	Important issues which should be addressed by management in their areas of responsibility.	58	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 December 2016, audits were completed at eight schools and children's centres with a further six at draft report stage and one where fieldwork was complete. The three remaining schools are scheduled for completion in the final quarter of 2016/17. 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	2016/17 Recommendations		
				High	Medium	Low
Baden Powell Primary School	Limited	Reasonable	↓		16	
Benthal Primary School	Reasonable	Limited	↑		6	1
St Mary's Primary School	Significant	Limited	↑		2	2
St Paul's with St Michael Primary School	Reasonable	Reasonable	↔		6	
Thomas Fairchild Primary School	Reasonable	Significant	↓		7	
New Regent's College PRU	Reasonable	NA	NA	1	2	
St John Of Jerusalem	Reasonable	Significant	↓		8	
Woodbury Down Children's Centre	Significant	Reasonable	↑		1	1

Table 4

- 5.4 Table 4 shows that the direction of travel decreased for three schools, remained the same for one and improved for three. 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 December

2016, are presented in the Table 5.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented or no response	Total
Children's, Adults and Community Health	6			6
Neighbourhoods and Housing	1	1		2
Finance & Corporate Resources	31	6	9	46
Chief Executive's	1	1		2
Schools	29		6	35
Total number	68	8	15	91
Percentage	75%	9%	16%	100%

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 75% fully implemented. A further 9% 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 December bank holiday weekend. 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 443 'Medium' priority recommendations followed up. Of these, 88 % were assessed as implemented and 3% partially implemented. Details are shown in the following table:

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented /No Response	Total
Children's, Adults and Community Health	27		3	30
Neighbourhoods and Housing	22	2	1	25
Finance & Corporate Resources	71	6	14	91
Chief Executive's	10		2	12
Schools	261	5	19	285
Total number	391	13	39	443
Percentage	88%	3%	9%	100%

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 has taken voluntary redundancy at the end of December 2016 but will be replaced in due course. The deletion of the post of Director, Audit and Anti-Fraud, due to take effect at the end of April 2017 meant that a restructure of the Audit and Anti-Fraud Services was needed to ensure the impact of these changes is kept to the minimum and that there are sufficient management resources within the service. The new structure was consulted upon in line with corporate procedures and signed off at the end of September 2016. Recruitment to the newly created Corporate Head of Internal Audit, Anti-Fraud & Risk Management has taken place, recruitment to the new Head of Internal Audit & Corporate Risk Management is currently underway.

- 7.2 The Internal Audit Service uses a contractor to carry out the ICT reviews. 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.

- 7.3. The Public Sector Internal Audit Standards (PSIAS) require under the Quality Assurance programme that an External Review of the Internal Audit Service must be carried out every five years. To satisfy this new requirement the London Boroughs have joined together and are conducting peer reviews. Each review is carried out by a suitably qualified senior officer. During April 2016 the London Borough of Hillingdon conducted a review into Hackney's Internal Audit Service and the summary results of this review are included in Appendix 4. Overall the conclusion was that we "Generally Conform" to the standards. An Action Plan of changes made or planned to take account of the comments in the review is included in Appendix 5. We have sent our comments on the report back to Hillingdon and we are still awaiting the Final Report.

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 Anti-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 35 properties, the cancellation of 26 housing applications and 6 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. As a result of the outstanding results achieved this team has been permanently established in the new structure of AAF.
- 8.4 Statistical information relating to all the work of the Council's Anti-Fraud Teams are attached as Appendix 5.

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 December 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	Complete
FR17	Grey Fleet	1	1	Limited	Complete
ICT03	Landesk Authorisation			Significant	Complete
ICT07	Resourcelink	2	3	Limited	Complete
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				C/f to 2017/18
FR14	Marketing of Commercial Property				Draft
All (Cross Cutting)					
1617LBH01	Annual Governance Statement			Significant	Complete
1617LBH02	Purchasing/Procurement Cards - Follow Up				Planned Quarter 4
1617LBH03	Transparency Code				Planned Quarter 4
1617LBH04	Management of Capital Contracts				Planned Quarter 4
Chief Executives					
1617CE01	DBS Checks				TOR agreed
1617CE02	Payroll – additional payments				TOR agreed
1617CE03	Electoral Services				TOR agreed
GROUP DIRECTOR CHILDREN, ADULTS AND COMMUNITY HEALTH					
Adult Services/Public Health					
1617CACH01	Appointeeships - Client Payment System		5	Reasonable	Complete
1617CACH02	Day Care Services (Grant Funded)				Planned Quarter 4
1617CACH03	Deprivation Of Liberty Safeguards		3	Reasonable	Complete
1617CACH04	ASC Contracts Follow up				Planned Quarter 4
1617CACH05	Care Assessments				Planned Quarter 4
Children & Families Services					
1617CACH06	Mosaic previously (Framework i) IT audit				Planned Quarter 4
1617CACH07	Overstayers (OFIT)				Draft
1617CACH08	Leaving Care				Planned Quarter 4
Education and Schools					
1617CACH09	Overview of school findings and benchmarking				Draft
1617CACH10	SEN				Planned Quarter 4
1617CACH11	HLT IT Purchasing				Draft

Internal Audit Annual Plan 2016/17 Progress to December 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		16	Limited	Complete
1617SCH02	Benthal Primary School		6	Reasonable	Complete
1617SCH03	Berger Primary School				Planned Quarter 4
1617SCH04	Betty Layward				Draft Report
1617SCH05	De Beauvoir Primary School				Draft Report
1617SCH06	Gainsborough Community Primary School				Postponed
1617SCH07	Harrington Hill Primary School				Planned Quarter 4
1617SCH08	Holmleigh Primary School				Postponed
1617SCH09	Parkwood Primary School				Draft Report
1617SCH10	Princess May				Postponed
1617SCH11	Saint Scholastica RC Primary				Draft Report
1617SCH12	Southwold School				Cancelled – completed with Orchard Primary School in 2015/16
1617SCH13	Springfield Community School				Planned Quarter 4
1617SCH14	St John Of Jerusalem		8	Reasonable	Complete
1617SCH15	St Dominic's Catholic Primary				Postponed
1617SCH16	St Mary C of E Primary			Significant	Complete
1617SCH17	St Paul with St Michaels primary		6	Reasonable	Complete
1617SCH18	Thomas Fairchild Community School		7	Reasonable	Complete
1617SCH19	William Patten Primary School				Draft Report
1617SCH20	Woodberry Down Primary				Fieldwork Complete
CHILDREN CENTRES					
1617SCH21	Wentworth CC				Draft Report
1617SCH22	Woodberry Down CC		1	Significant	Complete
SPECIAL SCHOOL/PRU					
1617SCH23	The Garden with Horizon				Draft Report
1617SCH24	New Regent College Upper/Lower PRU	1	2	Reasonable	Complete
GROUP DIRECTOR - FINANCE AND CORPORATE RESOURCES					
Financial Management					
1617FCR01	Pension Investments				TOR agreed
1617FCR02	Creditors/ Central Payments Team				TOR agreed
1617FCR03	Asset Management				Planned Quarter 4
1617FCR04	Accounts Receivable				Planned Quarter 4
Strategic Property					
1617FCR05	LBH Building Maintenance				Planned Quarter 4
1617FCR07	Vehicle Sales and Disposals				Planned Quarter 4
Procurement					
1617FCR06	Tendering Procedures				Planned Quarter 4

Internal Audit Annual Plan 2016/17 Progress to December 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				In Progress
1617FCR09	Revenues and Benefits – NNDR-Consolidation				Scoping
1617FCR10	Revenues and Benefits - Housing Benefit				In Progress
1617FCR11	Council Tax – Consolidation				Scoping
1617FCR12	Housing Needs (Choice Based lettings)				Planned Quarter 4
1617FCR13	Temporary accommodation (B&B)				TOR agreed
1617FCR14	Deposit Guarantee scheme/Cash Incentive Scheme				Planned Quarter 4
Director ICT					
1617ICT01	Universal Housing				Planned Quarter 4
1617ICT02	Mosaic (previously Framework I) Post Implementation Review				TOR agreed
1617ICT03	Housing Needs Payment System - Post Implementation Review				Planned Quarter 4
1617ICT04	CRM				Planned Quarter 4
1617ICT05	One Account - Post Implementation Review				Planned Quarter 4
1617ICT06	IT Recruitment and retention				Planned Quarter 4
1617ICT07	IT Governance				In Progress
GROUP DIRECTOR NEIGHBOURHOODS AND HOUSING					
Regeneration					
1617NH01	Regeneration - Contract letting and Monitoring				In Progress
Housing					
1617NH02	Ground work estate Maintenance (Stores)				Cancelled
1617NH03	Resident Participation Team (Renting of Halls income)				Scoping
1617NH04	Rent Collection				Planned Quarter 4
1617NH05	TMO (rolling Programme)				Planned Quarter 4
1617NH06	Right to Buy		2	Significant	Complete
1617NH07	Complaints				Planned Quarter 4
1617NH08	Voids				Planned Quarter 4
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)				TOR Agreed
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).

SUMMARY ASSESSMENT

PSIAS Area	Assessment				Comments
	Does not conform	Partially conforms	Generally conforms	Fully conforms	
Purpose & Positioning					
Remit				X	
Reporting lines			X		
Independence			X		
Risk based plan		X			See items 1 – 3 on Action Plan
Other assurance providers			X		See items 2 on Action Plan
Structure & Resources					
Competencies				X	
Technical training & development			X		See item 4 on Action Plan
Resourcing			X		
Performance management				X	
Knowledge management			X		
Audit Execution					
Management of the IA function			X		See item 5 on Action Plan
Engagement planning			X		See item 8 on Action Plan
Engagement delivery				X	See item 6 on Action Plan
Reporting			X		See item 7 on Action Plan
Impact					
Standing & reputation of IA					Unable to conclude
Impact on organisational delivery					Unable to conclude
Impact on governance, risk, & control					Unable to conclude
Overall			X		

External Review of Internal Audit by London Borough of Hillingdon

Management Action Plan

Priority Scale: H = High, M = Medium, L=Low

No.	Recommendations	Potential Risk / Impact	Priority	Management Comments	Accountable / Responsible Officer	Agreed Completion Date
1	Risk Assessment To use the risk assessment framework within Covalent to assess impact/likelihood in the IA Planning	The Audit Plan may not be focusing on the highest risk areas	M	Covalent is used to carry out the risk assessment on each item of the Audit Universe.	Carole Murray/Paul Thirkettle/Matt Powell	December 2016 Completed
2	Review of Charter and Strategy Review and update the Charter and Strategy in light of this review, the 2016 PSIAS and the restructure.	The Charter/Strategy may not conform to the PSIAS, best practice or current practices	M	This will be carried out and the documents amended accordingly.	Carole Murray/Tracy Barnett	March 2017
3	Cyclical Approach to the Audit of Schools To consider a more risk assessed method of the audit of schools	Resources are not targeted at the highest risk areas	M	At the moment we are meeting the requirements of Hackney Learning Trust. Alternative approaches have been raised with them including greater use of self-assessments and cross cutting audits, a response is still awaited. Any changes agreed will be reflected in the 2017/18 Plan.	HIA	April 2017
4	Refresher Training All auditors to review what on line training is available and ensure that they are up to date in completing the modules. DP and Information Security to be carried out every two/three years. Training undertaken to be logged on Training	Auditors may not be aware of current regulations or be up to date	M	Training needs are picked up during the annual appraisal process. Auditors/managers have been reminded of the need to ensure any training	All auditors	Ongoing

	spreadsheet and any evidence saved in this e docs folder			undertaken is logged on the central training record.		
5	<p>Signing off Working Papers</p> <p>All testing summary sheets to have space for the HIA /Principal auditor to enter their name and date of review. This will be completed by the HIA or Principal Auditors when they review the file</p>	Non compliance with PSIAS	L	Implemented.	All Auditors and HIA	Ongoing
6	<p>Cross Referencing of Working Papers</p> <p>All working papers to be clearly cross referenced to the Control Evaluation and Test Summaries</p>	Non Compliance with PSIAS	L	This will be checked by the HIA on review.	All Auditors	Ongoing
7	<p>Evidence of Review and Feedback given</p> <p>Review template to be used between the HIA and Auditor and saved into the relevant eDocs folder</p>	Appears that there is non compliance with the standards	L	Historically feedback was provided verbally or by email. A template has now been created to record the feedback. This is saved into a newly designated folder	HIA and all auditors	Ongoing
8	<p>Review of the contents of the Audit Terms of Reference</p> <p>Terms of references containing explicit Service Objectives are to be researched and consideration given as to how better to include this into our own terms of reference.</p>	Service objectives are not understood	L	Examples of Terms of References including this have been requested. Parking Services – On and Off street Parking TOR included Service Objectives.	HIA	March 2017

Anti-Fraud Service

Statistical Information 1 September to 31 December 2016

1. Investigations Referred

The number of non-benefit related 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 (N&H)	Neighbourhoods & Housing	2	2	2	6	n/a
	Hackney Homes	4	2	14	11	14
	Housing	0	1	0	n/a	0
	Tenancy Fraud	138	137	417	292	413
	Parking	70	44	53	146	166
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	2	1	2	4	n/a
	Health & Community Services (H&CS)	0	1	3	n/a	11
	Children & Young People's Services	0	0	0	n/a	3
	Overstaying Families Intervention Team (OFIT)	48	6	82	74	89
	The Learning Trust	0	2	3	1	6
Finance & Corporate Resources (F&CR)	Finance & Resources	2	6	7	10	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		266	202	584	544	714

Table 1

Note 1: Departments from the old Council structure are shown under the new Group Directorates that most closely approximate to them. While the large majority of pre-2016/17 investigations listed above are appropriate to the Group Directorates shown, there will be isolated exceptions (for example, some H&CS operations are now performed by N&H).

Note 2: Fraud reporting going forward will be at 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	198	198	0	214	293
Other Local Authorities	18	18	0	47	75
Police	10	10	0	28	103
Immigration	1	1	0	2	7
DWP	299	299	0	612	910
Other	6	4	2	20	14
Total	532	530	2	923	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, AAF 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)	31	343	64
Right to Buy	261 (256)	11	224	18
Housing Waiting List	3,201	34	62	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	304	4,532	2,854
Other	261 (176)	0	34	39
Total	29,945 (4,603)	522	10,164	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 part time 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	4	7	14
Resigned as a result of the investigation	1	4	11
Referred to Police or other external body	9	18	28
Prosecution	2	3	4
Referred to Legal Services	1	2	3
Investigation Report/ Management Letter issued	6	13	19
Council service or discount cancelled	18	43	80
Blue Badges recovered	24	43	63
Other fraudulent parking permit recovered	14	32	31
Parking misuse warnings issued	18	38	36
Penalty Charge Notice (PCN) issued	17	36	47
Vehicle removed for parking fraud	16	32	32
Recovery of tenancy	35	76	104
Housing application cancelled or downgraded	26	36	57
Legal action to recover tenancy in progress	103	103	n/a
Right to Buy application withdrawn or cancelled	6	14	10

Table 4

Disciplinary Action

As a result of investigations conducted by the Audit Investigation Team (AIT) disciplinary action was taken against four staff in the period 1 September - 31 December 2016 for the following reasons: -

- Two linked instances of misuse of LBH equipment
- One false declaration on a job application
- One instance of misuse of a Council computer system

Prosecution

During the same period two people were prosecuted for the following reasons: -

- Fraudulent receipt of a deceased former Hackney employee's pension
- Fraudulent use of a visitor parking permit

Other

A separate investigation identified an overpayment of a Hackney pension to a former employee who had passed away in Italy. No fraud was involved, a sum of £28,000 was recovered.

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, 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 September to December 2016 a total of 35 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 £630,000.

In the same period 26 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 £104,000 and £468,000.

During this period six Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of between £75,000 and £102,700 on the sale of a Council asset. The value of discount for the RTB's declined represents a total of between £450,000 and £616,200.

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). Following AAF investigation 17 support packages were cancelled or refused between April and August 2016. This equates to a saving in the region of £5,916 per week, if these had been paid for the full financial year it would have cost Hackney approximately £308,000.

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 24 Blue Badges, this equates to £2,400 plus enforcement charges of £4,305.

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 14 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 Anti-Fraud Team (PAFT)

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. 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 here 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. No referrals were received via the hotline in the reporting period.

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 accredited officers, as are currently employed by AAF and Trading Standards. 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**.

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. Hackney received £3,584.95 from the Home Office as a result of POCA work in this period which was largely attributed to planning cases investigated by the Trading Standards team.

Type of Order	Number authorised in period	2016/17 to date	2015/16 total
Production	3	5	5
Compensation	0	0	0
Confiscation	0	2	0
Total	3	7	5

Table 6