



Audit & Anti-Fraud Quarterly Progress Report

1 January – 31 March 2017

1. INTRODUCTION

The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period January to March 2017, 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 76 named audits, five additional pieces of work have been added since the plan was agreed and two have been cancelled.

Source	Number of Audits/Projects
Original Plan	76
Additional requests	+5
Cancelled audits	-2
Total Revised Plan	79

Table 1

- 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 2.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) 91.1% are complete or in progress at the end of March 2017 2) 13 days
Quality To ensure recommendations made by the service are agreed and implemented	1) Percentage of 'High' level recommendations made which are agreed 2) Percentage of agreed 'High' level recommendations which are implemented	1) 100% 2) 90%	1) 100% 2) 87% - Fully implemented 11% - 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 2

- 3.2 As at 31 March 2017 a total of 72 internal audit reviews have been started from the 2016/17 Plan, 27 have been finalised and a further 2 are at Draft Report stage. In addition during this period 10 reviews have been completed from the 2015/16 plan and three 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 revised plan
Scoping/TOR agreed	27	34.2
Fieldwork in progress	11	13.9
Fieldwork complete (report being drafted)	5	6.3
Draft report issued	2	2.5
Completed	27	34.2
Total work completed and in progress	72	91.1
Audits to be started	3	3.8
Audits postponed by auditee	4	5.1
Total	79	100

Table 3

- 4.2 The table shows that 91.1% 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, advice to the PAUSE initiative regarding petty cash/procurement cards use and an additional school audit.
- 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 25 audits completed with assurance gradings applied, seven received an assurance grading of significant, 15 reasonable and three limited. There were also 10 audits completed from the 2015/16 plan during 2016/17, these were given assurance ratings of significant (3), 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 March 2017 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.	5	4
Medium	Important issues which should be addressed by management in their areas of responsibility.	105	21

Table 4

5. SCHOOLS

- 5.1 Audits of school's progress has been reported to The Learning Trust (TLT) 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 March 2017, audits were completed at 16 schools and children's centres with a further one at draft report stage and three where fieldwork was in progress. The audits focused 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.

School	Assurance for 2016/17	Assurance previous audit	Direction of travel	2016/17 Recommendations		
				High	Medium	Low
Baden Powell Primary School	Limited	Reasonable	↓	0	16	0
Benthal Primary School	Reasonable	Limited	↑	0	6	1
Berger Primary School	Significant	Reasonable	↑	0	1	2
De Beauvoir Primary School	Reasonable	Limited	↑	0	8	2
The Garden with Horizon	Reasonable	Reasonable	↔	0	4	2
Parkwood Primary School	Reasonable	Reasonable	↔	0	6	1
St Mary's Primary School	Significant	Limited	↑	0	2	2
St Paul's with St Michael Primary School	Reasonable	Reasonable	↔	0	6	0
St Scholastica RC Primary	Reasonable	Reasonable	↔	1	3	4
Thomas Fairchild Primary School	Reasonable	Significant	↓	0	7	0
New Regent's College PRU	Reasonable	N/A	NA	1	2	0
St John Of Jerusalem	Reasonable	Significant	↓	0	8	2
William Patten Primary School	Reasonable	Reasonable	↔	0	6	1
Wentworth Children's Centre	Reasonable	Reasonable	↔	1	6	2

School	Assurance for 2016/17	Assurance previous audit	Direction of travel	2016/17 Recommendations		
				High	Medium	Low
Woodbury Down Children's Centre	Significant	Reasonable	↑		1	1
Woodbury Down Primary	Reasonable	Reasonable	↔		2	4

Table 5

5.4 Table 4 shows that the direction of travel decreased for three schools, remained the same for seven and improved for five. 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, that were due to be implemented by 31 March 2017, are presented in Table 6.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented or no response	Total
Children's, Adults and Community Health	6	0	0	6
Neighbourhoods and Housing	1	0	1	2
Finance & Corporate Resources	48	0	1	49
Chief Executive's	4	1	0	5
Schools	31	4	1	36
Total number	90	5	3	98
Percentage	92%	5%	3%	100%

Table 6

- 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 92% fully implemented. A further 5% have been partially implemented.
- 6.3 There were 537 'Medium' priority recommendations followed up. Of these, 88% were assessed as implemented and 2% partially implemented. Details are shown in the following table:

Directorate	Implemented (incl no longer relevant)	Partially Implemented	Not implemented /No Response	Total
Children's, Adults & Community Health	24	0	3	27
Neighbourhoods & Housing	25	1	0	26
Finance & Corporate Resources	98	7	0	105
Chief Executive's	24	1	1	26
Schools	289	10	50	349
Total number	460	9	54	533
Percentage	88%	2%	10%	100%

Table 7

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 Director, Audit and Anti-Fraud post will be deleted at the end of April 2017. The Head of Internal Audit took voluntary redundancy at the end of December 2016 and recruitment to the new post of Head of Internal Audit & Corporate Risk Management is underway with an offer having been made. Two further posts were deleted under the voluntary redundancy scheme, comprising one Principal Auditor post and one Audit Investigator post under.
- 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.

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 has been addressed as part of the AAF restructure.
- 8.2 We have experienced some difficulty in recruiting to vacant posts on the TFT and one

post remains to be recruited to under the new AAF structure. 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 28 properties, the cancellation of 13 housing applications and 3 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 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 2016/17, 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	0	2	Significant	Complete
FR04	Banking Contract and Charges	0	3	Reasonable	Complete
FR10	NNDR	0	2	Reasonable	Complete
FR12	Council Tax				Draft
FR16	Property Services Procurement Procedures	0	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	0	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	0	1	Significant	complete
All (Cross Cutting)					
1617LBH01	Annual Governance Statement			Significant	Complete
1617LBH02	Purchasing/Procurement Cards - Follow Up				Fieldwork complete
1617LBH03	Transparency Code				C/f to 17/18
1617LBH04	Management of Capital Contracts				Scoping/TOR
Chief Executives					
1617CE01	DBS Checks				Scoping/TOR
1617CE02	Payroll – additional payments				Fieldwork In Progress
1617CE03	Electoral Services				Scoping/TOR
Additional	Grant applications/ procedures			N/A	Complete
Additional	ITrent				Fieldwork in progress
GROUP DIRECTOR CHILDREN, ADULTS AND COMMUNITY HEALTH					
Adult Services/Public Health					
1617CACH01	Appointeeships - Client Payment System	0	5	Reasonable	Complete
1617CACH02	Day Care Services (Grant Funded)				Scoping/TOR
1617CACH03	Deprivation Of Liberty Safeguards	0	3	Reasonable	Complete
1617CACH04	ASC Contracts Follow up				Scoping/TOR
1617CACH05	Care Assessments				C/f to 17/18
Additional	Pause project – petty cash arrangements			N/A	Complete
Children & Families Services					
1617CACH07	Overstayers (OFIT)	0	5	Reasonable	Complete
1617CACH08	Leaving Care				Scoping/TOR
Education and Schools					
1617CACH09	Overview of school findings and benchmarking				Fieldwork in progress
1617CACH10	SEN				Scoping/TOR
1617CACH11	HLT IT Purchasing	2	2	Limited	Complete

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	0	16	Limited	Complete
1617SCH02	Benthal Primary School	0	6	Reasonable	Complete
1617SCH03	Berger Primary School	0	1	Significant	Complete
1617SCH04	Betty Layward				Draft Report
1617SCH05	De Beauvoir Primary School	0	8	Reasonable	Complete
1617SCH06	Gainsborough Community Primary School				Postponed
Additional	Ickburgh School				Fieldwork complete
1617SCH07	Harrington Hill Primary School				Scoping/TOR
1617SCH08	Holmleigh Primary School				Postponed
1617SCH09	Parkwood Primary School	0	6	Reasonable	Complete
1617SCH10	Princess May				Fieldwork in progress
1617SCH11	Saint Scholastica RC Primary	1	3	Reasonable	Complete
1617SCH12	Southwold School				Cancelled – completed with Orchard Primary School in 2015/16
1617SCH13	Springfield Community School				Scoping/TOR
1617SCH14	St John Of Jerusalem	0	8	Reasonable	Complete
1617SCH15	St Dominic's Catholic Primary				Fieldwork complete
1617SCH16	St Mary C of E Primary	0		Significant	Complete
1617SCH17	St Paul with St Michaels primary	0	6	Reasonable	Complete
1617SCH18	Thomas Fairchild Community School	0	7	Reasonable	Complete
1617SCH19	William Patten Primary School	0	6	Reasonable	Complete
1617SCH20	Woodberry Down Primary	0	2	Reasonable	Complete
CHILDREN CENTRES					
1617SCH21	Wentworth CC	1	6	Reasonable	Complete
1617SCH22	Woodberry Down CC	0	1	Significant	Complete
SPECIAL SCHOOL/PRU					
1617SCH23	The Garden with Horizon	0	4	Reasonable	Complete
1617SCH24	New Regent College Upper/Lower PRU	1	2	Reasonable	Complete
GROUP DIRECTOR - FINANCE AND CORPORATE RESOURCES					
Financial Management					
1617FCR01	Pension Investments				Scoping/TOR
1617FCR02	Creditors/ Central Payments Team				Fieldwork In Progress
1617FCR03	Asset Management				Scoping/TOR
1617FCR04	Accounts Receivable				Fieldwork complete
Strategic Property					
1617FCR05	LBH Building Maintenance				Scoping/TOR
1617FCR07	Vehicle Sales and Disposals				Scoping/TOR
Procurement					
1617FCR06	Tendering Procedures				Fieldwork In Progress

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				Fieldwork In Progress
1617FCR09	Revenues and Benefits – NNDR-Consolidation				Scoping/TOR
1617FCR10	Revenues and Benefits - Housing Benefit				Draft Report
1617FCR11	Council Tax – Consolidation				Scoping/TOR
1617FCR12	Housing Needs (Choice Based lettings)				Scoping/TOR
1617FCR13	Temporary accommodation (B&B)				Scoping/TOR
1617FCR14	Deposit Guarantee scheme/Cash Incentive Scheme				Scoping/TOR
Director ICT					
1617ICT01	Universal Housing				Scoping/TOR
1617ICT02	Mosaic (previously Framework I) Post Implementation Review				Scoping/TOR
1617ICT03	Housing Needs Payment System - Post Implementation Review				Fieldwork In Progress
1617ICT04	CRM				C/f to 2017/18
1617ICT05	One Account - Post Implementation Review				Scoping/TOR
1617ICT06	IT Recruitment and retention				Fieldwork In Progress
1617ICT07	IT Governance				Fieldwork complete
GROUP DIRECTOR NEIGHBOURHOODS AND HOUSING					
Regeneration					
1617NH01	Regeneration - Contract letting and Monitoring	0	3	Significant	Complete
Housing					
1617NH02	Ground work estate Maintenance (Stores)				Cancelled
1617NH03	Resident Participation Team (Renting of Halls income)				Scoping/TOR
1617NH04	Rent Collection	0	1	Significant	Complete
1617NH05	TMO (rolling Programme)				Postponed
1617NH06	Right to Buy	0	2	Significant	Complete
1617NH07	Complaints				Scoping/TOR
1617NH08	Voids				Fieldwork In Progress
1617NH09	Contract Monitoring/Contingency				Postponed
Public Realm					
1617NH10	Parking Appeals				Scoping/TOR
1617NH11	Waste Management – Recycling				Scoping/TOR
1617NH12	Highways Assets				Scoping/TOR
1617NH13	Car Parking Income (Pay and Display)				Scoping/TOR
1617NH14	Street Lighting Contract				Fieldwork In Progress
Additional	Parking ISO Procedures	0	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 January to 31 March 2017

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 726 in 2016/17. As new fraud threats have emerged, investigative responses have been developed in partnership with other Council teams and external providers.

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	0	4	8	n/a
	Hackney Homes	5	2	17	16	14
	Housing	n/a	0	0	n/a	0
	Tenancy Fraud	67	401	83	359	413
	Parking	50	67	36	196	166
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	1	1	2	5	n/a
	Health & Community Services (H&CS)	n/a	1	2	n/a	11
	Children & Young People's Services	n/a	0	0	n/a	3
	Overstaying Families Intervention Team (OFIT)	56	34	104	130	89
	The Learning Trust	1	1	3	2	6
Finance & Corporate Resources (F&CR)	Finance & Resources	0	3	4	10	11
Chief Executive Directorate	Chief Executive Directorate	0	0	0	0	n/a
	Chief Executive's	n/a	0	1	n/a	1
	Legal, HR & Regulatory Services	n/a	0	0	n/a	0
Total		182	510	256	726	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	157	156	1	371	293
Other Local Authorities	9	9	0	56	75
Police	3	3	0	31	103
Immigration	0	0	0	2	7
DWP	185	185	0	797	910
Other	6	8	0	26	14
Total	360	361	1	1,283	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 on 20 January 2017 (with the exception of the Council Tax matches which were received in April 2016). 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 4,366 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 NFI2016	Number Matches Cleared NFI2014
Payroll	113 (35)	8	5	35
Housing Benefit	3,966 (325)	1	37	19
Housing Tenants	491 (177)	3	17	344
Right to Buy	58 (40)	0	0	224
Housing Waiting List	2,679 (2,603)	32	3	62
Concessionary	225 (188)	178	20	22

travel / parking				
Creditors	5,943 (721)	638	0	4,724
Pensions	166 (105)	0	52	169
Council Tax	10,936	73	6,605	n/a
Council Tax Reduction Scheme	3,498 (146)	0	0	n/a
Other	48 (26)	0	0	34
Total	28, 123 (4,366)	933	6,739	5,633

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 limited financial support would be provided to the Council to support 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. No information has been provided by DWP about any funding arrangement for 2017/18.

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 to date
Disciplinary action	1	8	14
Resigned as a result of the investigation	1	5	11
Referred to Police or other external body	4	22	28
Prosecution	0	3	4
Referred to Legal Services	1	3	3
Investigation Report/ Management Letter issued	1	14	19
Council service or discount cancelled	46	89	80
Blue Badges recovered	17	60	63
Other fraudulent parking permit recovered	3	35	31
Parking misuse warnings issued	12	50	36
Penalty Charge Notice (PCN) issued	13	49	47
Vehicle removed for parking fraud	8	40	32
Recovery of tenancy	28	104	104
Housing application cancelled or downgraded	13	49	57
Legal action to recover tenancy in progress	98	98	n/a
Right to Buy application withdrawn or cancelled	3	17	10

Table 4

Disciplinary Action

As a result of the investigations conducted by the Audit Investigation Team (AIT) disciplinary action was taken against one member of staff in the period 1 January to 31 March 2017 for the following reasons: -

- Not declaring their earnings in connection with a benefit claim.

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 January to March 2017 a total of 28 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 £504,000.

In the same period 13 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 £52,000 and £234,000.

During this period three Right to Buy 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 the discount for the RTB's that were declined represents a total of between £225,000 and £308,100.

5.2 Overstaying Families Intervention Team (OFIT)

An average weekly support package valued at c£387 is paid to each family supported (applicable to the majority of the 'service cancelled' category in Table 4). Forty one support packages were cancelled or refused following AAF investigation between January and March 2017. This equates to a saving in the region of £15,867 per week, if these had been paid for the full financial year it would have cost Hackney approximately £827,350 in 2016/17.

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 46 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 reporting period AIT recovered 17 Blue Badges, this equates to £1,700 plus enforcement charges of £2,445 which also arose.

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 three 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 the denial of genuine blue badge holders and residents being able to make use of dedicated parking areas, and the reputational damage that could be caused to Hackney if we were seen not to be tackling the of abuse of parking concessions within the borough.

5.4 Proactive 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. 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 Housing 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 (Head of Service/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 four 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**.
- Preventing the subject of a criminal enquiry from disposing of assets prior to a trial, where these may have been obtained from criminal activity, by use of a **Restraint Order**, subject to Court approval.
- 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 did not receive any payments from the Home Office as a result of POCA work in this period.

Type of Order	Number authorised in period	2015/16 to date	2014/15 total
Production	6	11	5
Restraint	1	1	0
Compensation	0	0	1
Confiscation	0	2	0
Total	7	14	6

Table 5