



Audit & Anti-Fraud Progress Report

1 April – 31 August 2017

1. INTRODUCTION

- 1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April to August 2017, the areas of work undertaken, progress with implementing audit recommendations and information on current developments in the service area.
- 1.2 Internal Audit provides an independent continuous review of key and high-risk activities across the Council. It is important that the effectiveness of the work of Internal Audit is monitored and reported in order to comply with the requirements of the Accounts & Audit regulations 2015 and to provide the necessary assurance on the adequacy of the Internal Audit service. This report, in part, meets these requirements.

2. INTERNAL AUDIT RESOURCES AVAILABLE

- 2.1 The Internal Audit function is an in-house service consisting of two Principal Auditors and four Auditors and is supplemented by specialist IT skills from an external provider in order to undertake technical IT audit reviews. The Internal Audit service is currently fully staffed.
- 2.2 The Audit Annual Plan for 2017/18 consists of 73 specific audits, although one audit has been cancelled, one has been postponed since the plan was agreed and management have requested an additional four audits be included. These changes are reflected in the Audit Plan at Appendix 2.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

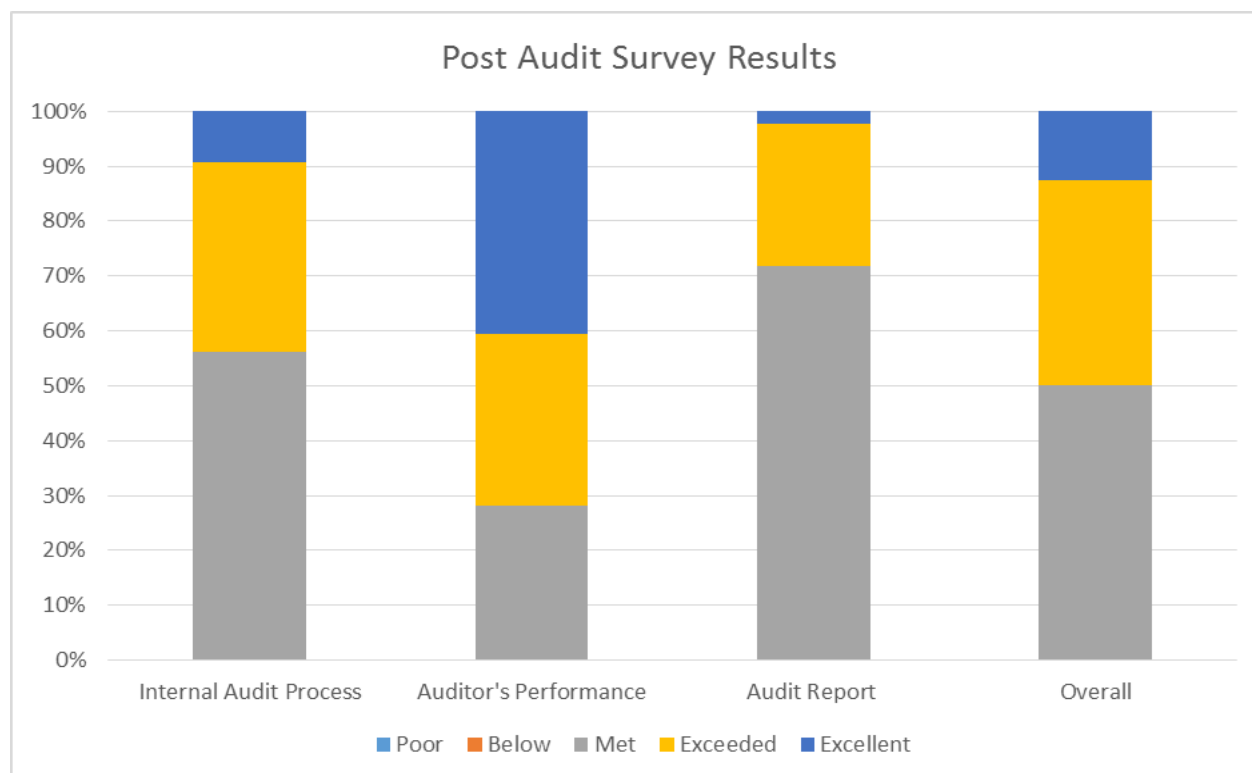
- 3.1 Internal Audit's performance for 2017/18 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraph 3.2

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 the end of fieldwork to issue of the draft report.	1) 90% by year end 2) Less than 15 working days	1) 31% complete or in progress by 31 August 2017 2) 21 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 high priority recommendations which are implemented	1) 100% 2) 90%	1) 100% 2) 92% - fully implemented 5% - partially implemented
Client Satisfaction To ensure that clients are satisfied with the service and consider it to	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires	1) Responses meeting or exceeding expectations 2) Satisfactory	1) 100% (45.4% exceeded expectations and excellent) 2) N/A

Objective	KPIs	Targets	Actual
be good quality.	3) No. of Complaints / Compliments	3) Actual numbers reported	3) None

Table 1

3.2 Post Audit Survey Results



3.3 As at 31 August 2017 a total of 13 internal audit reviews have been started from the 2017/18 Plan, three have been finalised and a further four are at draft report stage. In addition during this period, fifteen reviews have been completed from the 2016/17 and a further nine are at the draft stage.

4. SUMMARY OF INTERNAL AUDIT WORK

4.1 Progress with 2016/17 audits not previously reported and 2017/18 planned audits is detailed in Appendix 2. This is summarised in Table 2 below:

2017/18 Audit Plan Stage of Audit Activity	Number of assignments	% of the original plan
Scoping/TOR agreed	5	7
Fieldwork in progress	11	15
Draft report issued	4	5
Completed	3	4
Total work completed and in progress	23	31
Original Plan	73	
Cancelled and Postponed	2	
Additional requests (incl. schools)	4	
Total Revised Plan	75	

Table 2

- 4.2 The table shows that 31% of planned assignments have been completed or are in progress (32% at the same stage in 2016/17).
- 4.3 The cancelled audit relates to a Parking Services International Standards Organisation review and a school audit which has been postponed to the following year. An additional review has been requested to advise on the imprest arrangements for the CACH imprest account following a changing in bank processes. Three additional school audits have been included to reflect schools which have seen a change of Head teacher or are due to convert to an academy.
- 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 in Appendix 3.
- 4.5 Of the three audits completed, two received an assurance grading of significant and one reasonable. There were also fifteen audits completed from the 2016/17 plan that have not previously been reported on. The associated assurance ratings are significant (4), reasonable (7) limited (1) and no (2). One review was not allocated an assurance level as it provides an overview of audit issues emerging from school audits.
- 4.6 Where Internal Audit work identifies areas for improvement, recommendations are made to manage the level of risk. These are categorised as 'High', 'Medium' or 'Low' priority. The numbers of High and Medium recommendations issued up to 31 August 2017 are shown in Table 3 below.

Categorisation of Risk	Definition	Number 2017/18 Plan	Number 2016/17 Plan not previously reported
High	Major issues that we consider need to be brought to the attention of senior management.	2	15
Medium	Important issues which should be addressed by management in their areas of responsibility.	4	53
Total		6	68

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 2016/17 and this year to date have been followed up and reported.
- 5.2 As at 31 August 2017, fieldwork had been completed at four of the 20 schools and children centres listed in the plan. The remaining 14 audits will be scheduled across the autumn and spring term to ensure completion by the end of the financial year. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.
- 5.3 During the period the 2016/17 School's audit programme of reviews across 24 schools was completed and reports finalised. The overview of assurance levels for these school assignments are shown in Table 4 below. A comparison with assurances provided in previous audits is also shown.

School	Assurance for 2016/17	Assurance in previous audit	Direction of travel	2016/17 Recommendations		
				High	Medium	Low
Baden Powell Primary	Limited	Reasonable	↓	0	16	0
Benthal Primary	Reasonable	Limited	↑	0	6	1
Berger Primary	Significant	Reasonable	↑	0	1	2
Betty Layward	Limited	Reasonable	↓	1	8	2
De Beauvoir Primary	Reasonable	Limited	↑	0	8	2
Ickburgh	Limited	Significant	↓	1	9	0
Harrington Hill Primary	No	Reasonable	↓	4	5	5
Parkwood Primary	Reasonable	Reasonable	↔	0	6	1
Princess May	No	Reasonable	↓	7	8	0
Saint Scholastica RC Primary	Reasonable	Significant	↓	1	3	4
Springfield Community	Reasonable	Reasonable	↔	0	5	3
St John Of Jerusalem	Reasonable	Significant	↓	0	8	2
St Dominic's Catholic Primary	Reasonable	Significant	↓	0	5	3
St Mary C of E Primary	Significant	Limited	↑	0	2	2
St Paul's with St Michael Primary	Reasonable	Reasonable	↔	0	6	0
Thomas Fairchild Community School	Reasonable	Significant	↓	0	7	0
William Patten Primary	Reasonable	Reasonable	↔	0	6	1
Woodberry Down Primary	Reasonable	Reasonable	↔	0	2	4
Wentworth Children's Centre	Reasonable	Reasonable	↔	1	6	2
Woodberry Down Children's Centre	Significant	N/A		0	1	1
The Garden with Horizon	Reasonable	N/A		0	4	2
New Regent College PRU	Reasonable	N/A		1	2	0
Total				16	124	37
				9%	70%	21%

Table 4

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 2017/18 that were due to be implemented by 31 August 2017 are presented in Table 5.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented/No response	Not Yet Due	Total*
Children's, Adults and Community Health	9	0	0	1	9
Neighborhoods and Housing	1	0	1	1	2
Finance & Corporate Resources	37	1	1	7	39
Chief Executive's	2	1	0	0	3
Schools	19	2	0	5	21
Total number	68	4	2	14	74
Percentage (%)*	92%	5%	3%		

* Does not include "Not Yet Due"

Table 5

6.2 The Council's target for 2017/18 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 by the agreed implementation date, with a further 5% partially implemented.

6.3 There were 440 'Medium' priority recommendations followed up. Of these, 87% were assessed as implemented and 6% partially implemented. Details are shown in Table 6 below:

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Children's, Adults and Community Health	40	4	0	3	44
Neighbourhoods and Housing	23	3	5	5	31
Finance & Corporate Resources	84	11	10	7	105
Chief Executive's	14	1	1	0	16
Schools	220	8	16	16	244
Total number	381	27	32	31	440
Percentage (%)	87%	6%	7%		

* Does not include "Not Yet Due"

Table 6

7. DEVELOPMENTS WITHIN INTERNAL AUDIT

- 7.1 As a consequence of the Delegated Powers Report regarding the Council Restructure, the Audit and Anti-Fraud Service underwent a restructure resulting in the deletion of the Director, Audit and Anti-Fraud post and the loss of one Principal Auditor post and one Audit Investigator post. To ensure that the impact of these changes is kept to a minimum and that there are sufficient management resources within the service, a Head of Audit & Risk was appointed and took up post at the end of May 2017.
- 7.2 The Internal Audit Service uses a contractor to carry out technical ICT reviews. Following the decision last year of the IT audit contractor not to renew their contract, Mazars LLP were engaged to carry out five ICT reviews during 2016/17. Mazars are well known across the London Boroughs and have a number of contracts with other London Boroughs. Mazars have again been contracted to perform five IT audits from the 2017/18 Audit Plan. The final stages of appointing a provider for the 2017/18 IT audits are underway and it is envisaged that the IT audits will be performed by January 2018.

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).
- 8.2 We have experienced some difficulty in recruiting to vacant posts on the TFT in recent months. 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 30 properties, the cancellation of 25 housing applications and 4 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 is 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 assurance 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, it is considered that overall, throughout the Council there continues to be a sound internal control environment.

Internal Audit Annual Plan 2017/18 Progress to August 2017 (including 2016/17 audits not previously reported)					
Code	Internal Audit	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
Prior Year's Audits not previously reported					
FR12	Council Tax	0	4	Reasonable	FINAL
HLT02	Fees For Children Centres	0	3	Reasonable	Draft
LHRRS02	Health and Safety procedures				In progress
HH08	Wick Village TMO	5	6	No	Draft
LBH03	Transparency Code	0	5	Reasonable	Draft
CE01	DBS Checks				In progress
CE02	Payroll – additional payments	3	4	Limited	Draft
CE03	Electoral Services				In progress
CACH04	ASC Contracts follow up	0	3	Reasonable	FINAL
CACH05	Care Assessments – turnaround time				In progress
CACH08	Leaving Care	0	2	Significant	FINAL
CACH09	Overview of Schools findings 15/16 and 16/17	2	0	N/A	FINAL
CACH10	SEN	2	4	Limited	Draft
SCH07	Harrington Hill School	4	5	No	FINAL
SCH10	Princess May School	7	8	No	FINAL
SCH13	Springfield Community School	0	5	Reasonable	FINAL
CR01	Pension Investments	0	0	Significant	FINAL
CR03	Asset Management				In progress
CR05	Building Maintenance	0	5	Reasonable	Draft
CR06	E - tendering Procedures	1	5	Limited	FINAL
CR08	Council tax Reduction Scheme				In progress
CR12	Choice based lettings				In progress
CR13	Temporary Accommodation				In progress
CR14	Deposit Guarantee Scheme				In progress
CT01	Universal Housing – application review	1	9	Reasonable	FINAL
CT02	Mosaic post implementation review	0	0	Significant	FINAL
CT03	Housing Needs Payment System - PIR	0	3	Reasonable	Draft
CT04	CRM – application review	0	7	Limited	Draft
CT05	One Account - PIR	0	5	Reasonable	FINAL
CT06	IT Recruitment and Retention				In progress
NH03	Resident Participation Team	0	3	Reasonable	FINAL
NH07	Complaints	0	6	Limited	Draft
NH10	Parking Appeals	0	3	Reasonable	FINAL
NH11	Waste management - recycling	0	1	Significant	FINAL
2017/18 Audit Plan					
Corporate (Cross Cutting)					
LBH01	Annual Governance Statement	N/A	N/A	Significant	FINAL
LBH02	Car Mileage Claims				Q3
LBH03	Gifts and Hospitality				Q3
LBH04	IR35				Q4
CHIEF EXECUTIVES					
CE01	iTrent				ToR issued
CE02	Payroll				Q4
CE03	Service Payroll				Q4

Appendix 2

CE04	Staff Agency Contract				Q4
CE05	Voluntary Sector Grants				Q3
CE06	Speakers Office				Q3
GROUP DIRECTOR CHILDREN, ADULTS AND COMMUNITY HEALTH					
Adult Services/Public Health					
CACH01	Adult Learning Disabilities				Q4
CACH02	Public Health Contracts				Q4
CACH03	Home Care/Domiciliary Services				Q2
CACH04	Residential Care Placements				Q3
CACH05	Direct Payments				Work in progress
Children & Families Services					
CACH06	Youth Club Services				Q3
CACH07	Adoption Allowances				Q4
new	Imprest				Additional request – Q2. ToR issued
Education and Schools					
CACH08	Overview of school findings and benchmarking 2015/16 and 2016/17	2	0	N/A	FINAL
CACH09	IT Services in Schools				Q4
CACH10	Roll Numbers in Schools (Form 7?)				Q3
CACH11	Building Schools for the Future				Q2
CACH12	Traded Services Customer Satisfaction				Q4
SCHOOLS					
Secondary Schools					
SCH01	Yesodey Hatorah				October 2017
new	Haggerston – high level review				Q 3
Primary Schools					
SCH02	Hoxton Gardens				Postpone to 18/19 to audit with rest of federation
SCH03	Gainsborough				Q 4
SCH04	Grasmere				Draft
SCH05	Holmleigh Follow Up				Q3
SCH06	Holy Trinity CE				Q3
SCH07	Lauriston				Q4
SCH08	Lubavitch Junior Girls				Q3
SCH09	Millfields PS and CC				Draft
SCH10	Morningside				Q4
SCH11	Nightingale	0	4	Reasonable	FINAL
SCH12	Rushmore				Draft
SCH13	St Matthais				Q3
SCH14	St John and St James				Q3
new	Lubavitch Senior Boys				Q3
new	Lubavitch Senior Girls				Q3
Children Centres					
SCH15	Comet Children Centre				Q4
SCH16	Lubavitch Children Centre				January 2018
SCH17	Linden's Children Centre				Q4
GROUP DIRECTOR - FINANCE AND CORPORATE RESOURCES					
Financial Management					
FCR01	Insurance				ToR issued
FCR02	Creditors/ Central Payments Team				Q3
FCR03	My budget - Monitoring				Q3
FCR04	VAT				Q4

Appendix 2

FCR05	Bank Accounts				Q3
FCR06	Accounts Receivable				Q3
Strategic Property					
FCR07	Commercial Voids				Q4
Procurement					
	IT commodities - software and hardware				ToR issued
Customer Services					
FCR10	Revenues and Benefits – NNDR				Q3
FCR11	Revenues and Benefits - Housing Benefit				Q3
FCR12	Council Tax				Q3
FCR13	Social Housing Contract Monitoring Follow Up				Q4
FCR14	Online Payments/Telephone Payments				ToR issued
Director ICT					
ICT01	Software Licencing				Q3
ICT02	Telephone Contracts - Monitoring				Q4
ICT03	Information Governance – preparation for GDPR				Q4
ICT04	Academy - Applications Review				Q3
ICT05	E Street - Post Implementation Review				Q3
ICT06/FCR09	Network/Firewall/Wireless Security incl. use of CIS (DWP) system				Q3
ICT07	Disaster Recovery				Q3
GROUP DIRECTOR NEIGHBOURHOODS AND HOUSING					
Regeneration					
NH01	Leaseholders Buy Back				Q3
Housing					
NH02	Leaseholders Charges Debt Collection				
NH03	Gas Servicing				
NH04	Rent Collection (Arrears and Debt Recovery)				
NH05	TMO - Clapton Park				Draft
NH06	TMO - Tower				Q3
NH07	TMO - Cranston Estate				Q3
NH08	Contract Monitoring				Q4
Public Realm					
NH09	Planning Enforcement - Breaches				Q4
NH10	Hackney and City Tennis Club				Q3
NH11	Building Control Fees				Q4
NH12	Parking PCN				Cancelled – ISO accreditation no longer in place
NH13	Section 106 Agreements				Q4

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 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 partners.

Group	Department	Number of Cases Referred in Period	Number of Cases Closed in Period	Cases Currently Under Investigation	Referrals 2017/18 to date	Referrals 2016/17
Neighbourhoods & Housing (N&H)	Neighbourhoods & Housing	4	5	3	4	8
	Hackney Homes	5	3	18	5	16
	Tenancy Fraud	205	213	288	205	359
	Parking	125	91	70	125	196
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	2	1	3	2	5
	Health & Community Services (H&CS)	n/a	0	2	n/a	n/a
	Overstaying Families Intervention Team (OFIT)	52	58	98	52	130
	The Learning Trust	0	0	3	0	2
Finance & Corporate Resources (F&CR)	Finance & Resources	4	7	1	4	10
Chief Executive Directorate	Chief Executive Directorate	0	0	0	0	0
Total		397	378	486	397	726

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	2017/18 to date	2016/17
Internal	114	111	3	114	371
Other Local Authorities	17	15	2	17	56
Police	11	10	1	11	31
Immigration	4	4	0	4	2
DWP	255	255	0	255	797
Other	2	2	0	2	26
Total	403	397	6	403	1,283

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 5,351 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	119 (35)	11	51	35
Housing Benefit	4,061 (325)	1	43	19
Housing Tenants	1,367 (972)	11	30	344
Right to Buy	139 (49)	1	1	224
Housing Waiting List	2,838 (2,738)	21	69	62
Concessionary travel / parking	225 (188)	39	166	22
Creditors	5,943 (721)	638	0	4,724
Pensions	172 (110)	9	147	169
Council Tax	20,521	1,428	3,163	n/a
Council Tax Reduction Scheme	3,552 (158)	10	1	n/a
Other	88 (54)	0	25	34
Total	39,025 (5,351)	2,169	3,696	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	2017/18 to date	2016/17 to date
Disciplinary action	4	4	8
Resigned as a result of the investigation	1	1	5
Referred to Police or other external body	3	3	22
Prosecution	4	4	3
Referred to Legal Services	0	0	3
Investigation Report/ Management Letter issued	4	4	14
Council service or discount cancelled	50	50	89
Blue Badges recovered	25	25	60
Other fraudulent parking permit recovered	14	14	35
Parking misuse warnings issued	15	15	50
Penalty Charge Notice (PCN) issued	27	27	49
Vehicle removed for parking fraud	17	17	40
Recovery of tenancy	30	30	104
Housing application cancelled or downgraded	25	25	49
Legal action to recover tenancy in progress	90	90	n/a
Right to Buy application withdrawn or cancelled	4	4	17

Table 4

Disciplinary Action

As a result of the investigations conducted by the Audit Investigation Team (AIT) disciplinary action was taken against four members of staff in the period 1 April to 31 August 2017 for the following reasons: -

- Theft;
- Not providing an honest account to management about a serious issue;
- Immigration status did not give the right to work in the UK;
- Late payment of a debt due to the Council.

Prosecution

Four prosecutions were completed during the same period following investigations for the following offences:

- Three offences of money laundering;
- Fraudulent application to obtain housing and subsequently attempt a right to buy purchase;

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 April to August 2017 a total of 30 tenancies have been recovered by the TFT. Using the Audit Commission figure for the estimated cost of temporary accommodation of £18,000 pa, this equates to a saving of £540,000.

In the same period 25 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 £100,000 and £450,000.

During this period four 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 £300,000 and £410,800.

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 four support packages were cancelled or refused following AAF investigation between April and August 2017. This equates to a saving in the region of £17,028 per week, if these had been paid for the full financial year it would have cost Hackney approximately £887,888 in 2017/18.

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 period AIT recovered 25 Blue Badges, this equates to £2,500, and enforcement charges of £5,155 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 fourteen 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 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 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 (Corporate Head of Audit, Investigations & Risk Management/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 has been 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	2017/18 to date	2016/17 total
Production	4	4	11
Restraint	0	0	1
Compensation	0	0	0
Confiscation	0	0	2
Total	4	4	14

Table 5