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## **Audit & Anti-Fraud Progress Report**

1 April – 31 December 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 December 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 although one auditor is on maternity leave.
- 2.2 The Audit Annual Plan for 2017/18 originally consisted of 73 specific audits. During the year, following continuous review and reassessment, three audits have been cancelled, and three have been deferred to 2018/19. In addition management have requested that six new audits be included. Details are set out in paragraphs 4.3 and 4.4 and the changes are reflected in the Audit Plan at Appendix 2.

## 3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

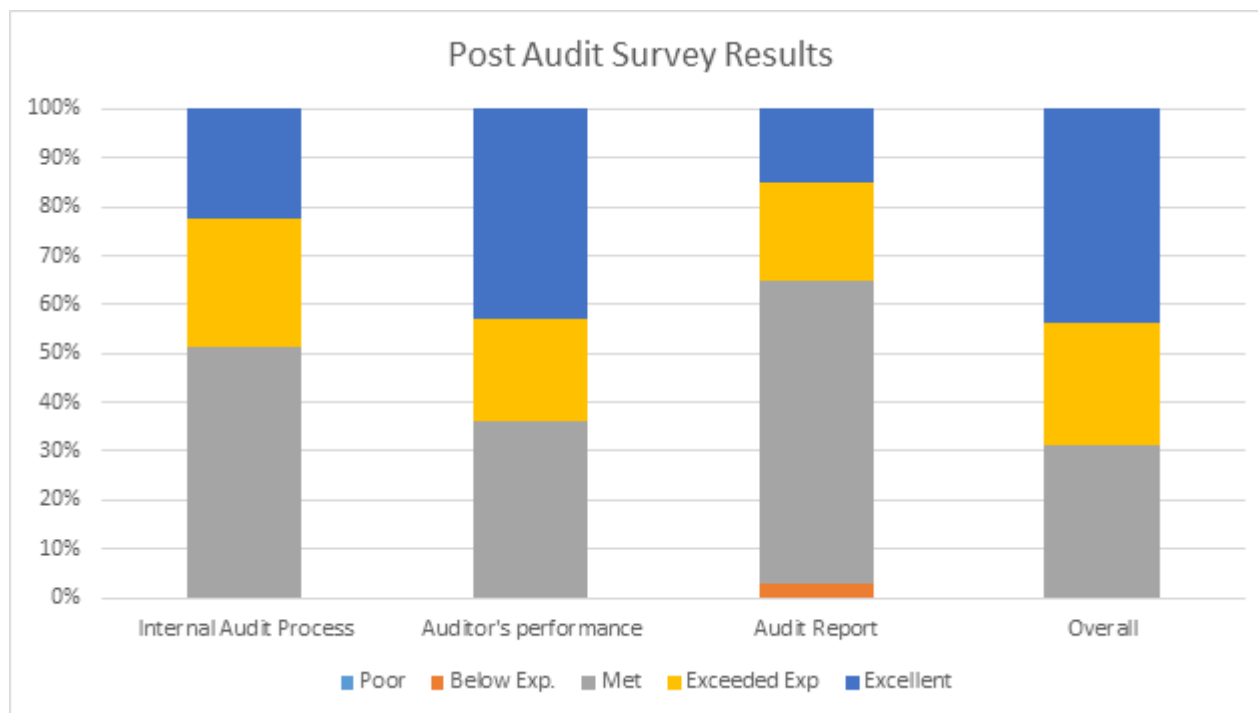
- 3.1 Internal Audit's performance for 2017/18 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraph 3.2

Objective	KPIs	Targets	Actual
<b>Cost &amp; Efficiency</b>  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) 71% complete or in progress by 31 December 2017  2) 14.6 days
<b>Quality</b>  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) 87.6% - fully implemented 5.7% - partially implemented
<b>Client Satisfaction</b>  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% (49.3% 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 December 2017 a total of 51 internal audit reviews have been started from the 2017/18 Plan, 20 have been finalised and a further report is at draft stage. In addition during this period, thirteen reviews have been completed from the 2016/17 Audit Plan and a further report is 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	19	26
Fieldwork in progress	6	8
Fieldwork complete-report being drafted	5	7
Draft report issued	1	1
Completed	20	28
<b>Total work completed and in progress</b>	<b>51</b>	<b>70</b>
Original Plan	73	
Cancelled	3	
Deferred to 2018/19	3	
Additional requests (incl. schools)	6	
<b>Total Revised Plan</b>	<b>73</b>	

Table 2

- 4.2 The table shows that 70% of planned assignments have been completed or are in progress (53% at the same stage in 2016/17).
- 4.3 The following audits have either been cancelled from the plan or deferred until 2018/19.

Audit Area	Defer/Cancel	Reason
Parking Services – ISO	Cancel	Accreditation ceased, and compliance review no longer required
Building Schools for the Future	Cancel	Programme complete and risk reassessed
Youth Club Services	Cancel	Changes to delivery model. Will reconsider for 2018/19
Hoxton School	Defer	To be audited in 18/19 with the rest of the federation
IR35	Defer	Assurance to be provided by HMRC inspection December 2017
VAT	Defer	

- 4.4 The following audits have been added to the audit plan at the request of managers.

Audit Area	Reason
CACH Imprest	Change to banking processes resulting in need to assess impact on internal controls
Housing Transfers	To establish system of control across different departments
Mortuary Services – Traceability Review	Requirement of Human Tissue Authority (HTA) Standards
Haggerston School	Change of head teacher
Lubavitch Senior Girls	Impending academisation
Lubavitch Junior Boys	Impending academisation

- 4.5 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.
- 4.6 In summary, the assurance levels for audits finalised during the 9 month period are as follows:

Year	Significant	Reasonable	Limited	No
2017/18	9	4	4	2
2016/17	5	14	3	3
<b>Total</b>	<b>14</b>	<b>18</b>	<b>7</b>	<b>5</b>

- 4.7 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 December 2017 are shown in Table 3 below.

Categorisation	Number	Number 2016/17 Plan

of Risk	Definition	2017/18 Plan	not previously reported
High	Major issues that we consider need to be brought to the attention of senior management.	30	11
Medium	Important issues which should be addressed by management in their areas of responsibility.	73	50
Total		103	61

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 agreed recommendations have been followed up and reported.
- 5.2 As at 31 December 2017, fieldwork had been completed at eleven of the 20 schools and children centres listed in the plan. Of the remainder, one of the audits has been deferred until 2018/19 (see paragraph 4.3 above) and the remaining 8 audits have been scheduled to take place during the spring term. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.

## 6. IMPLEMENTATION OF RECOMMENDATIONS

- 6.1 In order to track the Council's response towards improving the control environment, progress with implementation of agreed internal audit recommendations is 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 December 2017 are presented in Table 4.

Directorate	Implemented (including no longer relevant )	Partially Implemented*	Not implemented/No response	Not Yet Due	Total*
Children's, Adults and Community Health	9	1	1	6	11
Neighbourhoods and Housing	3	1	1	16	5
Finance & Resources	41	4	0	5	45
Chief Executive's	3	0	0	3	3
Schools	36	0	5	0	41
<b>Total number</b>	<b>92</b>	<b>6</b>	<b>7</b>	<b>30</b>	<b>105</b>
<b>Percentage (%)*</b>	<b>87.6%</b>	<b>5.7%</b>	<b>6.7%</b>		

\* Does not include "Not Yet Due"

Table 4

- 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 87.6% fully implemented by the agreed implementation date, with a further 5.7% partially implemented.
- 6.3 In respect of those recommendations categorised as 'Medium' priority, 90.7% were assessed as implemented and 2.3% partially implemented. Details are shown in Table 5 below:

Directorate	Implemented (including no longer relevant)	Partially Implemented*	Not implemented /No Response	Not yet due	Total*
Children's, Adults and Community Health	47	1	3	23	51
Neighbourhoods and Housing	47	1	5	11	53
Finance & Resources	111	8	0	26	119
Chief Executive's	20	2	1	8	23
Schools	329	2	34	1	365
<b>Total number</b>	<b>554</b>	<b>14</b>	<b>43</b>	<b>69</b>	<b>611</b>
<b>Percentage (%)</b>	<b>90.7%</b>	<b>2.3%</b>	<b>7%</b>		

\* Does not include "Not Yet Due"

Table 5

## 7. DEVELOPMENTS WITHIN INTERNAL AUDIT

- 7.1 The Internal Audit Service uses a contractor to carry out technical ICT reviews. Mazars LLP were engaged to carry out the ICT reviews from the Audit Plan for 2016/17 and have again been contracted to perform the 2017/18 ICT audit reviews. Mazars are well known across the London Boroughs and have a number of contracts with other London Boroughs. The 2017/18 ICT audits have been scoped and audit fieldwork is scheduled to take place during January and February 2018. The process for procuring an ICT audit provider for 2018/19 will begin shortly.

## 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 and the overstaying families post on the AIT 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 16 properties, the cancellation of 7 housing applications and 5 right to buy applications during the reporting period. In addition, 16 over staying family applications were rejected following investigation.
- 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 December 2017 (including 2016/17 audits not previously reported)					
Code	Internal Audit	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
<b>Prior Year's Audits not previously reported</b>					
HLT02	Fees For Children Centres	0	3	Reasonable	FINAL
HH08	Wick Village TMO	5	6	No	FINAL
LBH03	Transparency Code	0	5	Reasonable	FINAL
CE02	Payroll – additional payments	3	4	Limited	FINAL
CE03	Electoral Services	1	5	Reasonable	FINAL
CACH05	Care Assessments – turnaround time				Draft
CACH10	SEN	2	4	Limited	FINAL
FCR05	Building Maintenance	0	5	Reasonable	FINAL
FCR08	Council Tax Reduction Scheme				In progress
FCR12	Choice Based Lettings	0	2	Reasonable	FINAL
FCR13	Temporary Accommodation	0	4	Reasonable	FINAL
FCR14	Deposit Guarantee Scheme	0	1	Significant	FINAL
ICT03	Housing Needs Payment System - PIR	0	3	Reasonable	FINAL
ICT04	CRM – application review	0	7	Reasonable	FINAL
ICT06	IT Recruitment and Retention				In progress
NH07	Complaints	0	6	Limited	FINAL
LHRRS02	Health and Safety				Defer to 2018/19 Audit Plan
CE01	DBS Checks				
FCR03	Asset Management				
<b>2017/18 Audit Plan</b>					
<b>Corporate (Cross Cutting)</b>					
LBH01	Annual Governance Statement	N/A	N/A	Significant	FINAL
LBH02	Car Mileage Claims				Q4
LBH03	Gifts and Hospitality				Q4
LBH04	IR35				Defer to 2018/19
<b>CHIEF EXECUTIVES</b>					
CE01	iTrent				WIP
CE02	Payroll				WIP
CE03	Service Payroll				Q4
CE04	Staff Agency Contract				Q4
CE05	Voluntary Sector Grants				ToR issued
CE06	Speakers Office				Q4
<b>GROUP DIRECTOR CHILDREN, ADULTS AND COMMUNITY HEALTH</b>					
<b>Adult Services/Public Health</b>					
CACH01	Adult Learning Disabilities				Q4
CACH02	Public Health Contracts				Preparing draft report
CACH03	Home Care/Domiciliary Services				Q4
CACH04	Residential Care Placements				Q4
CACH05	Direct Payments	3	10	Limited	FINAL
<b>Children &amp; Families Services</b>					
CACH06	Youth Club Services				Cancel
CACH07	Adoption Allowances				Q4
CACH13*	Imprest	2	5	Limited	FINAL



Appendix 2

CACH14*	Mortuary Services	0	1	Significant	FINAL
<b>Education and Schools</b>					
CACH08	Overview of school findings and benchmarking 2015/16 and 2016/17	2	0	N/A	FINAL
CACH09	IT Services in Schools				ToR issued
CACH10	Roll Numbers in Schools				ToR issued
CACH11	Building Schools for the Future				Cancelled
CACH12	Traded Services (Customer Satisfaction)				ToR issued
<b>SCHOOLS</b>					
<b>Secondary Schools</b>					
SCH01	Yesodey Hatorah	2	9	Limited	FINAL
SCH18*	Haggerston – high level review	0	1	Significant	FINAL
<b>Primary Schools</b>					
SCH02	Hoxton Gardens				Defer to 18/19 to audit with rest of federation
SCH03	Gainsborough				Q 4
SCH04	Grasmere	0	4	Reasonable	FINAL
SCH05	Holmleigh Follow Up	3	3	Limited	FINAL
SCH06	Holy Trinity CE				Q4
SCH07	Lauriston	0	2	Significant	FINAL
SCH08	Lubavitch Junior Girls	5	10	No	FINAL
SCH09	Millfields PS and CC	0	3	Reasonable	FINAL
SCH10	Morningside				Q4
SCH11	Nightingale	0	4	Reasonable	FINAL
SCH12	Rushmore	0	8	Reasonable	FINAL
SCH13	St Matthais				ToR issued
SCH14	St John and St James				Q4
SCH19*	Lubavitch Junior Boys				Preparing draft report
SCH20*	Lubavitch Senior Girls				Preparing draft report
<b>Children Centres</b>					
SCH15	Comet Children Centre				ToR issued
SCH16	Lubavitch Children Centre				ToR issued
SCH17	Linden's Children Centre				ToR issued
<b>GROUP DIRECTOR - FINANCE AND CORPORATE RESOURCES</b>					
<b>Financial Management</b>					
FCR01	Insurance	0	2	Significant	FINAL
FCR02	Creditors/ Central Payments Team	0	0	Significant	FINAL
FCR03	My budget - Monitoring				Q4
FCR04	VAT				Defer to 2018/19
FCR05	Bank Accounts				In progress
FCR06	Accounts Receivable				ToR issued
<b>Strategic Property</b>					
FCR07	Commercial Voids				ToR issued
<b>Procurement</b>					
ICT08	IT commodities - software and hardware				Draft
<b>Customer Services</b>					
FCR10(15)	Revenues and Benefits – NNDR	0	1	Significant	FINAL
FCR11	Revenues and Benefits - Housing Benefit				Q4
FCR15	Council Tax	0	1	Significant	FINAL
FCR13	Social Housing Re-lets Monitoring Follow				In progress

## Appendix 2

	Up				
FCR14	Online Payments/Telephone Payments	0	2	Significant	FINAL
<b>ICT</b>					
ICT01	Software Licencing				ToR issued
ICT02	Telephone Contracts - Monitoring				Q4
ICT03	Information Governance – preparation for GDPR				ToR issued
ICT04	Academy - Applications Review				ToR issued
ICT05	E Street - Post Implementation Review				ToR issued
ICT06/FC R09	Network/Firewall/Wireless Security incl. use of CIS (DWP) system				Q4
ICT07	Disaster Recovery				ToR issued
<b>GROUP DIRECTOR NEIGHBOURHOODS AND HOUSING</b>					
<b>Regeneration</b>					
NH01	Leaseholders Buy Back				ToR issued
<b>Housing</b>					
NH02	Leaseholders Charges Debt Collection				ToR issued
NH03	Gas Servicing				Q4
NH04	Rent Collection (Arrears and Debt Recovery)				Q4
NH05	TMO – Clapton Park	13	7	No	FINAL
NH06	TMO – Tower				Draft report issued
NH07	TMO – Cranston Estate				Preparing draft report
NH08	Contract Monitoring				Q4
<b>Public Realm</b>					
NH09	Planning Enforcement – Breaches				Q4
NH10	Hackney and City Tennis Club				Preparing draft report
NH11	Building Control Fees				In progress
NH12	Parking – compliance assurance				Cancelled – ISO accreditation no longer in place
NH13	Section 106 Agreements				ToR issued
NH15*	Housing Transfers				ToR issued

\*Additional audits included at request of managers

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

Level of assurance	Description	Link to risk ratings
<b>Significant</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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 September to 31 December 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	0	1	2	4	8
	Hackney Homes	5	0	23	10	16
	Tenancy Fraud	115	118	285	320	359
	Parking	58	73	55	183	196
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	1	3	1	3	5
	Health & Community Services (H&CS)	n/a	1	1	n/a	n/a
	Overstaying Families Intervention Team (OFIT)	32	28	102	84	130
	The Learning Trust	1	4	0	1	2
Finance & Corporate Resources (F&CR)	Finance & Resources	2	0	3	6	10
Chief Executive Directorate	Chief Executive Directorate	1	0	1	1	0
<b>Total</b>		<b>215</b>	<b>228</b>	<b>473</b>	<b>612</b>	<b>726</b>

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	17	16	4	131	371
Other Local Authorities	36	38	0	53	56
Police	21	22	0	32	31
Immigration	2	2	0	6	2
DWP	391	391	0	646	797
Other	12	12	0	14	26
<b>Total</b>	<b>479</b>	<b>481</b>	<b>4</b>	<b>882</b>	<b>1,283</b>

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 late December 2017). 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 5,383 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	117 (36)	11	52	35
Housing Benefit	4,144 (366)	1	49	19
Housing Tenants	1,368 (972)	16	46	344
Right to Buy	139 (49)	1	1	224
Housing Waiting List	2,841 (2,740)	19	72	62
Concessionary travel / parking	225 (188)	36	169	22
Creditors	5,943 (721)	638	0	4,724
Pensions	172 (110)	1	161	169
Council Tax (2017)	22,608	0	0	n/a
Council Tax Reduction Scheme	3,536 (147)	2	22	n/a
Other	88 (54)	0	29	34
<b>Total</b>	<b>41,181 (5,383)</b>	<b>714</b>	<b>601</b>	<b>5,633</b>

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	0	4	8
Resigned as a result of the investigation	0	1	5
Referred to Police or other external body	3	6	22
Prosecution	2	6	3
Referred to Legal Services	0	0	3
Investigation Report/ Management Letter issued	7	11	14
Council service or discount cancelled	16	66	89
Blue Badges recovered	28	53	60
Other fraudulent parking permit recovered	12	26	35
Parking misuse warnings issued	9	24	50
Penalty Charge Notice (PCN) issued	17	44	49
Vehicle removed for parking fraud	17	34	40
Recovery of tenancy	16	46	104
Housing application cancelled or downgraded	7	32	49
Legal action to recover tenancy in progress	97	97	n/a
Right to Buy application withdrawn or cancelled	5	9	17

Table 4

##### Disciplinary Action

No disciplinary processes arising from Audit Investigation Team (AIT) enquiries were concluded during the reporting period.

##### Prosecution

Two prosecutions were completed during the reporting period following investigations, these related to:

- One offence of money laundering;
- One offence of theft at a partner organisation.

## 5. Financial Losses as a Result of Fraud

The most apparent consequence of many frauds is a financial loss, however, 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 average fraud prevention values, without adjustment for local factors:

### 5.1 Tenancy Fraud Team (TFT)

During the period September to December 2017 a total of 16 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 £288,000.

In the same period 7 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 £28,000 and £126,000.

During this period five Right to Buy applications were cancelled following investigation. Each RTB represents a discount of £104,900 on the sale of a Council asset. The value of the discount for the RTB's that were declined represents a total of £524,500.

### 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). Sixteen support packages were cancelled or refused following AAF investigation between April and August 2017. This equates to a saving in the region of £6,192 per week, if these had been paid for the full financial year it would have cost Hackney approximately £322,868 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 28 Blue Badges, this equates to £2,800, and enforcement charges of £4,505 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 twelve 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 dedicated parking areas to genuine blue badge holders and residents, 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 2014 to 2016 only, has enabled AAF to focus investigation resources on the project management of the former 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 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	17	21	11
Restraint	0	0	1
Compensation	0	0	0
Confiscation	0	0	2
<b>Total</b>	<b>17</b>	<b>21</b>	<b>14</b>

Table 5