# Hackney

---

## Audit & Anti-Fraud Progress Report

# 1 April – 31 August 2018

## 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 2018, 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. Internal Audit supports the Council's CIPFA trainee programme and trainees rotate every six months and gain experience of internal audit. Resources have been impacted by a recent auditor vacancy and maternity leave.

2.2    2018/19 consists of 73 specific audits, although one audit has been postponed since the plan was agreed and management have requested that an additional audit 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 2018/19 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraph 3.2

| Objective | KPIs | Targets | Actual |
|---|---|---|---|
| **Cost & Efficiency**<br><br>*To ensure the service provides Value for Money* | 1)  Percentage of planned audits completed to final/draft report stage<br>2)  Average number of days between the end of fieldwork to issue of the draft report. | 1)  90% by year end<br><br><br>2)  Less than 15 working days | 1) 35% complete or in progress by 31 August 2018<br><br>2)  5 days |
| **Quality**<br><br>*To ensure recommendations made by the service are agreed and implemented* | 1)  Percentage of significant recommendations made which are agreed<br>2)  Percentage of agreed high priority recommendations which are implemented | 1)  100%<br><br><br>2)  90% | 1)  100%<br><br><br>2) 67% - fully implemented**<br>20% - partially implemented |
| **Client Satisfaction**<br><br>*To ensure that clients are satisfied with the service and consider it to* | 1)  Results of Post Audit Questionnaires<br><br>2)  Results of other Questionnaires | 1)  Responses meeting or exceeding expectations<br><br>2)  Satisfactory | 1)  100% (99% exceeded expectations and excellent)<br><br>2)  N/A |

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

Table 1

** See paragraph 6.2 for explanation.

3.2     Post Audit Survey Results
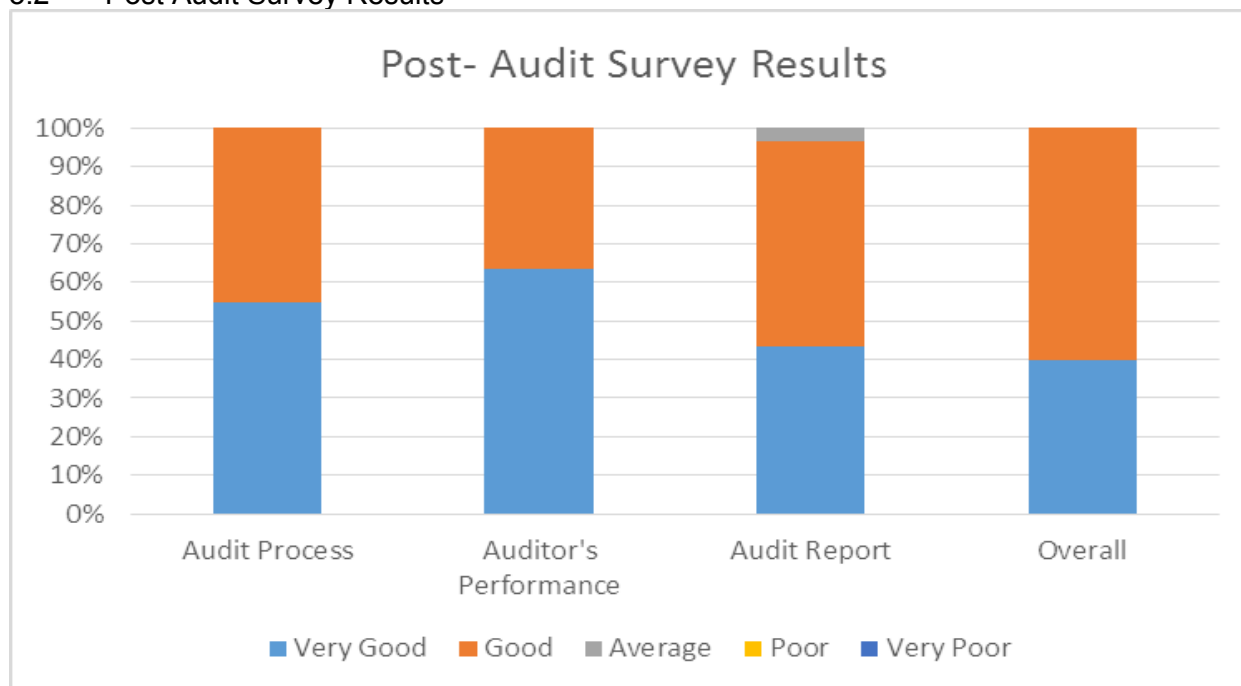


3.3     As at 31 August 2018 a total of 29 internal audit reviews have been started from the 2018/19 Plan, 5 have been finalised and a further audit is at the draft report stage. In addition during this period, 18 reviews have been completed from the 2017/18 Audit Plan and a further 6 are in draft.

**4.      SUMMARY OF INTERNAL AUDIT WORK**

4.1     Progress with 2017/18 audits not previously reported and 2018/19 planned audits is detailed in Appendix 2. Progress with the 2018/19 Audit Plan is summarised in Table 2 below:

| 2018/19 Audit Plan Stage of Audit Activity | Number of assignments | % of the original plan |
|---|---|---|
| Scoping/TOR agreed | 16 | 22 |
| Fieldwork in progress | 5 | 7 |
| Draft report issued | 3 | 4 |
| Completed | 6 | 8 |
| **Total work completed and in progress** | **30** | **41%** |
| Original Plan | 73 | |
| Cancelled and Postponed | 1 | |
| Additional requests | 1 | |
| **Total Revised Plan** | **73** | |

Table 2

4.2    The table shows that 41% of planned assignments have been completed or are in progress (31% at the same stage in 2017/18).

4.3    The postponed audit relates to Capital Schemes (Public Realm) which has been postponed to the following year to align better with the re-tender of this contract. An additional review has been requested to provide assurance over the process for checking Troubled Families quarterly claims.

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. For those audits finalised since the last Audit Committee report, the assurance levels are as follows:

| Assurance Level | 2018/19 | 2017/18 |
|---|---|---|
| No | 0 | 1 |
| Limited | 3 | 4 |
| Reasonable | 1 | 7 |
| Significant | 1 | 5 |
| Not Applicable | 1 | 1 |
| **Total** | **6** | **18** |

4.5    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 2018 are shown in Table 3 below.

| Categorisation of Risk | Definition | Number 2018/19 Plan | Number 2017/18 Plan not previously reported |
|---|---|---|---|
| High | Major issues that we consider need to be brought to the attention of senior management. | 5 | 19 |
| Medium | Important issues which should be addressed by management in their areas of responsibility. | 18 | 46 |
| **Total** | | **23** | **65** |

Table 3

## 5.    SCHOOLS

5.1    The results of schools' audits are 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 since 2016/17 up to the current date are regularly followed up and reported.

5.2    As at 31 August 2018, fieldwork is taking place at four of the 15 schools and children centres listed in the plan and one Audit was completed. The remaining 10 audits will be scheduled across the autumn and spring terms 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 2017/18 School's audit programme of reviews across 18 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.

Table 4

| School | High Priority Recs | Medium Priority Recs | Audit Assurance 2017/18 | Previous Assurance | Direction of Travel |
|---|---|---|---|---|---|
| Yesodey Hatorah | 1 | 10 | Limited | Significant | ↓ |
| Haggerston – high level review | 0 | 1 | Significant | Significant | = |
| Gainsborough incl. Childrens Centre | 2 | 5 | Limited | Reasonable | ↓ |
| Grasmere | 0 | 4 | Reasonable | Reasonable | = |
| Holmleigh Follow Up | 3 | 3 | Limited | No | ↓ |
| Holy Trinity CE (draft as at 2/10/18) | 1 | 4 | Limited | Reasonable | ↓ |
| Lauriston | 0 | 2 | Significant | Significant | = |
| Millfields PS and Childrens Centre | 0 | 3 | Reasonable | Reasonable | = |
| Morningside incl. Childrens Centre | 2 | 5 | Limited | Reasonable | ↓ |
| Nightingale | 0 | 4 | Reasonable | Reasonable | = |
| Rushmore | 0 | 8 | Reasonable | Limited | ↑ |
| St Matthais | 1 | 2 | Reasonable | Reasonable | = |
| St John and St James | 0 | 2 | Significant | Significant | = |
| Comet Children Centre | 0 | 2 | Significant | Significant | = |
| Linden's Children Centre | 0 | 3 | Reasonable | Reasonable | = |
| Princess May | 6 | 9 | No | Reasonable | ↓ |
| Springfield | 0 | 5 | Reasonable | Reasonable | = |
| Harrington Hill | 4 | 5 | No | Reasonable | ↓ |

## 6. IMPLEMENTATION OF RECOMMENDATIONS

6.1 In order to track the Council's response to 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 2016/17 to date that were due to be implemented by 31 August 2018 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 | 1 | 0 | 2 | 10 |
| Neighbourhoods and Housing | 20 | 6 | 7 | 16 | 33 |
| Finance & Corporate Resources | 6 | 2 | 1 | 1 | 9 |
| Chief Executive's | 4 | 0 | 0 | 0 | 4 |
| Corporate | 1 | 3 | 0 | 0 | 4 |
| **Total number** | **40** | **12** | **8** | **19** | **60** |
| **Percentage (%)*** | **67%** | **20%** | **13%** | **n/a** | **100%** |

\* Does not include "Not Yet Due"  Table 5

6.2 The Council's target for 2018/19 is that 90% of 'High' priority recommendations should be implemented in accordance with the agreed timescale. The implementation rate currently stands at 67% fully implemented by the agreed implementation date, with a further 20% partially implemented. The main reason for this is due to the large number of 'High' category recommendations arising from 4 TMO audits during 2017/18. These recommendations should now have been implemented, but it is proving hard to obtain progress updates which can be verified. Internal Audit are working with TMO Services Team and have scheduled a series of follow up visits to those TMOs audited last year.

6.3 There were 222 'Medium' priority recommendations followed up. Of these, 72% were assessed as implemented and 14% 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 | 45 | 2 | 2 | 20 | 49 |
| Neighbourhoods and Housing | 53 | 11 | 11 | 34 | 75 |
| Finance & Corporate Resources | 40 | 15 | 11 | 20 | 66 |
| Chief Executive's | 13 | 2 | 7 | 5 | 22 |
| Corporate | 9 | 1 | 0 | 3 | 10 |
| **Total number** | **160** | **31** | **31** | **82** | **222** |
| **Percentage (%)** | **72%** | **14%** | **14%** | **n/a** | **100%** |

\* Does not include "Not Yet Due"  Table 6

6.4. **SCHOOLS**

Recommendations made during school audits are followed up in the same way as for other recommendations. In circumstances where audits are categorised as 'No' or 'Limited' assurance, or where the school fails to provide progress updates with implementation of 'High' category recommendations, a follow up review is scheduled.

| Recommendation Priority | Implemented (including no longer relevant) | Partially Implemented | Not implemented /No Response | Not yet due | Total* |
|---|---|---|---|---|---|
| High | 9 | 0 | 6 | 9 | 15 |
| Medium | 130 | 4 | 18 | 18 | 152 |
| **Total Number** | **139** | **4** | **24** | **27** | **167** |
| **Percentage (%)** | **83%** | **2%** | **15%** | **n/a** | **100%** |

\* Does not include "Not Yet Due"

7. **DEVELOPMENTS WITHIN INTERNAL AUDIT**

7.1 The Internal Audit Service uses a contractor to carry out technical ICT reviews. Mazars LLP have performed this work for the last two years. Mazars are well known across the London Boroughs and have a number of contracts with other London Boroughs. However, Mazars recently won the contract to provide external audit services to a number of local authorities, and from 2018/19 financial year, will be the Council's external auditor. Following a competitive procurement process, Gateway Assure Ltd have been appointed to provide IT audit services in support of the 2018/19 Audit Plan.

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 Pro-Active Fraud Team (PAFT).

8.2 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 provides assurance that the service is being delivered to meet statutory responsibilities and is continually seeking to improve the standard 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 2018/19<br>Progress to August 2018 (including 2017/18 audits not previously reported) | | | | |
|---|---|---|---|---|
| **Description** | **High Priority Recs** | **Medium Priority Recs** | **Audit Assurance** | **Status** |
| **2017/18 Audits not previously reported** | | | | |
| Commercial voids | 0 | 2 | Significant | FINAL |
| Housing Transfers - process map | 3 | 2 | Limited | FINAL |
| Network/firewall/wireless security/ use of CIS (DWP) system | 0 | 3 | Reasonable | FINAL |
| Home Care/Domicilliary Services | 0 | 5 | Reasonable | FINAL |
| CILS (Section 106 Agreements) | 0 | 4 | Reasonable | FINAL |
| Building Control Fees | 2 | 1 | Limited | FINAL |
| Gainsborough & Childrens Centre | 2 | 6 | Limited | FINAL |
| Planning enforcement - Breaches | 0 | 1 | Significant | FINAL |
| Morningside & Childrens Centre | 2 | 5 | Limited | FINAL |
| M3 - application review | 0 | 2 | Significant | FINAL |
| Social Housing/RSLs - follow up | 1 | 0 | N/A | FINAL |
| Roll numbers in schools (Census Survey) | 0 | 0 | Significant | FINAL |
| IT Services in schools | 0 | 0 | Significant | FINAL |
| Information Governance - GDPR | 1 | 3 | Reasonable | FINAL |
| iTrent-new HR/payroll system | 1 | 1 | Reasonable | FINAL |
| Car Mileage Claims | 0 | 6 | Reasonable | FINAL |
| Contract monitoring - lift servicing report | 7 | 2 | No | FINAL |
| Speakers Office | 0 | 3 | Reasonable | FINAL |
| Software licensing | 0 | 3 | Reasonable | DRAFT |
| Holy Trinity CE | 1 | 4 | Limited | DRAFT |
| Gifts and Hospitality | | | | DRAFT |
| Rent collection – (arrears & debt recovery) | | | | DRAFT |
| Disaster recovery | | | | DRAFT |
| Voluntary Sector Grants | | | | WIP |
| Telephone contracts - monitoring | | | | DRAFT |
| Adults with Learning Difficulties | | | | TOR - defer |
| Adoption Allowances | | | | TOR |
| Service Payroll | | | | WIP |
| **2018/19 Audit Plan** | | | | |
| **CORPORATE CROSS CUTTING** | | | | |
| AGS co-ordination 2017/18 and 2018/19 | N/A | N/A | N/A | Complete for 2017/18 |
| Payroll | | | | |
| Subject Access Requests (SARs) | | | | |
| IR35 | | | | |
| Matrix agency contract management | | | | TOR |
| Commercialisation | | | | TOR |
| Pension Fund | | | | |
| Purchasing/procurement cards | | | | WIP |
| **CHIEF EXECUTIVE'S** | | | | |
| Disclosure & Barring Service (DBS) Checks | | | | TOR |

| Internal Audit Annual Plan 2018/19 Progress to August 2018 (including 2017/18 audits not previously reported) | | | | |
|---|---|---|---|---|
| **Description** | **High Priority Recs** | **Medium Priority Recs** | **Audit Assurance** | **Status** |
| **CHILDREN, ADULTS & COMMUNITY HEALTH** | | | | |
| **Adult Services/Public Health** | | | | |
| Appointeeships/Court of Protection | 0 | 4 | Reasonable | FINAL |
| Public Health Contracts - contract letting | | | | |
| Health & Social Care Integration/Integrated Commissioning | | | | |
| Mortuary Statutory Review | | | | |
| **Children & Families** | | | | |
| Looked After Children (LAC) | 1 | 3 | Reasonable | Draft |
| Special Educational Needs (SEN) Transport including 2017/18 follow up | | | | |
| S17 Children in Need spend | | | | |
| Multi-Agency Working (adults and children) | | | | |
| Troubled Families – process review | 0 | 0 | Significant | FINAL |
| **Education & Schools** | | | | |
| Schools overview report 2017/18 | | | N/A | FINAL |
| Follow up schools reviews | | | | |
| Facilities Management contract in schools | 1 | 6 | Limited | FINAL |
| **FINANCE & CORPORATE RESOURCES (EXCL ICT)** | | | | |
| **Strategic Property** | | | | |
| Health & Safety | | | | TOR |
| Asset management | | | | WIP |
| Capital Projects - Morning Lane (Tesco site) | | | | WIP |
| Commercial property - debt management | | | | |
| **Financial Management** | | | | |
| VAT | | | | |
| NNDR/Business Rates | | | | |
| Accounts Payable | | | | |
| Treasury and Investments | | | | TOR |
| General Ledger - Cedar | | | | TOR |
| **Customer Services** | | | | |
| Council Tax | | | | |
| Housing Benefits | | | | |
| Cash receipting/banking | | | | |
| Registrars Services | | | | TOR |
| Temporary Accommodation | | | | TOR |
| **Procurement** | | | | |
| Single Tender Action (STA) Process | | | | |
| **ICT** | | | | |
| Academy IT application review | | | | TOR |
| iTrent application post implementation review | | | | |
| IT equipment disposals | 1 | 7 | Limited | FINAL |
| IT Asset Management | | | | TOR |
| End user devices - security (incl. mobile devices, remote access) | | | | |
| IT risk/needs assessment | | | | |

| Internal Audit Annual Plan 2018/19<br>Progress to August 2018 (including 2017/18 audits not previously reported) | | | | |
|---|---|---|---|---|
| **Description** | **High Priority Recs** | **Medium Priority Recs** | **Audit Assurance** | **Status** |
| **NEIGHBOURHOODS AND HOUSING** | | | | |
| **Housing** | | | | |
| Fire related safety work and H&S compliance | | | | |
| TMOs –Wenlock Barn, Downs | | | | TOR |
| - Clapton Park – follow up | | | | Draft |
| - Tower – follow up | | | | |
| - Cranston – follow up | | | | |
| - Wick – follow up | | | | |
| Housing Rents | | | | |
| DLO | | | | |
| Housing Asset Management | | | | |
| Housing Service Control Framework | | | | WIP |
| Housing Asset Management Contracts | | | | |
| **Public Realm** | | | | |
| Libraries | | | | |
| Leisure Centres Management (GLL) - contract monitoring | | | | |
| APCOA parking contract | | | | |
| CCTV monitoring contract | | | | |
| Capital schemes | | | | Defer to 2018/19 |
| Waste Collection | | | | |
| **Regeneration** | | | | |
| Hackney Sales | | | | TOR |
| **Schools** | | | | |
| Baden Powell PS | | | | |
| Betty Layward PS | | | | |
| Viridis Federation (3 schools) | | | | TOR |
| Daubeney PS+CC | | | | |
| New Wave Teaching School Alliance (3 schools) | | | | WIP |
| Harrington Hill PS (follow up) | | | | Draft |
| Holmleigh PS | | | | |
| London Fields PS | | | | |
| Mandeville PS | | | | |
| Princess May PS | | | | TOR |
| Stoke Newington School and Sixth Form | | | | TOR |
| Yesodey Hatorah SGS | | | | |
| Ickburgh School | 3 | 5 | Limited | FINAL |
| Stormont House School | | | | TOR |
| St Pauls with St Michael | | | | |

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 30 September 2018

## 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 782 in 2017/18. 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 2018/19 to date | Referrals 2017/18 |
|---|---|---|---|---|---|---|
| Neighbourhoods & Housing (N&H) | Neighbourhoods & Housing | 6 | 7 | 3 | 6 | 12 |
| | Hackney Homes | 1 | 6 | 21 | 1 | 13 |
| | Tenancy Fraud | 126 | 136 | 294 | 126 | 394 |
| | Parking | 96 | 83 | 71 | 96 | 243 |
| Children, Adults & Community Health (CACH) | Children, Adults & Community Health | 2 | 1 | 4 | 2 | 5 |
| | Overstaying Families Intervention Team (OFIT) | 39 | 62 | 62 | 39 | 104 |
| | Hackney Learning Trust | 2 | 0 | 2 | 2 | 0 |
| Finance & Corporate Resources (F&CR) | Finance & Resources | 3 | 4 | 3 | 3 | 9 |
| Chief Executive Directorate | Chief Executive Directorate | 1 | 1 | 2 | 1 | 2 |
| **Total** | | **276** | **300** | **462** | **276** | **782** |

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 is now provided at Group Directorate level, with additional detail being provided for areas that were previously 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 | 2018/19 to date | 2017/18 |
|---|---|---|---|---|---|
| Internal | 75 | 78 | 0 | 75 | 206 |
| Other Local Authorities | 31 | 32 | 1 | 31 | 74 |
| Police | 40 | 41 | 0 | 40 | 51 |
| Immigration | 5 | 5 | 0 | 5 | 10 |
| DWP | 448 | 448 | 0 | 448 | 872 |
| Other | 27 | 27 | 0 | 27 | 24 |
| **Total** | **626** | **631** | **1** | **626** | **1,237** |

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 January 2018). 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 5,954 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 (36) | 3 | 61 | 35 |
| Housing Benefit | 4,202 (325) | 1 | 51 | 19 |
| Housing Tenants | 1,368 (972) | 1,224 | 30 | 344 |
| Right to Buy | 139 (49) | 1 | 1 | 224 |
| Housing Waiting List | 2,841 (2,740) | 20 | 88 | 62 |
| Concessionary travel / parking | 225 (188) | 36 | 169 | 22 |
| Creditors | 5,943 (721) | 638 | 0 | 4,724 |
| Pensions | 172 (110) | 1 | 171 | 169 |
| Council Tax | 22,580 (601) | 2,715 | 69 | 3,163 |
| Council Tax Reduction Scheme | 3,555 (158) | 3 | 22 | n/a |
| Other | 88 (54) | 0 | 29 | 34 |
| **Total** | **41,232 (5,954)** | **4,642** | **691** | **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 2017/18. 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.

## 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 | 2018/19 to date | 2017/18 |
|---|---|---|---|
| Disciplinary action | 7 | 7 | 5 |
| Resigned as a result of the investigation | 4 | 4 | 3 |
| Referred to Police or other external body | 3 | 3 | 13 |
| Prosecution | 1 | 1 | 7 |
| Referred to Legal Services | 0 | 0 | 0 |
| Investigation Report/ Management Letter issued | 9 | 9 | 12 |
| Council service or discount cancelled | 48 | 48 | 100 |
| Blue Badges recovered | 23 | 23 | 64 |
| Other fraudulent parking permit recovered | 6 | 6 | 36 |
| Parking misuse warnings issued | 5 | 5 | 28 |
| Penalty Charge Notice (PCN) issued | 12 | 12 | 60 |
| Vehicle removed for parking fraud | 2 | 2 | 44 |
| Recovery of tenancy | 23 | 23 | 66 |
| Housing application cancelled or downgraded | 20 | 20 | 40 |
| Legal action to recover tenancy in progress | 104 | 104 | 98 |
| Right to Buy application withdrawn or cancelled | 3 | 3 | 14 |

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 and three agency workers in the period 1 April to 30 September 2018 for the following reasons: -
- Suspected theft by two agency workers;
- Two employees failing to follow procedure;
- False sickness claim;
- Immigration status did not give the right to work in the UK;
- Suspected fraud.

Prosecution
A Hackney tenant was sentenced in August 2018 after pleading guilty to three criminal offences under the Fraud Act 2006 for subletting and submitting two false applications for the right to buy. They received a 2 year suspended prison sentence, 250 hours community service and a 3 month curfew. The criminal prosecution followed separate legal proceedings in the civil court to end the tenancy which resulted in an award of outright possession to the Council.

A conviction for certain criminal offences enables the Council to take further action under the Proceeds of Crime Act (POCA). POCA sets out to support the principle that crime should not pay. It does this by enabling the confiscation of criminal assets, regardless of whether they are directly linked to the original conviction, providing that certain criteria are met. POCA proceedings concluded at Snaresbrook Crown Court on 19 September resulting in a confiscation order for £147,998.97.

## 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 23 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 £414,000.

In the same period 20 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 £80,000 and £360,000.

During this period three Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of £108,000 on the sale of a Council asset. The value of the discount for the RTBs that were declined represents a total of £324,000.

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). Thirty seven support packages were cancelled or refused following AAF investigation between April and September 2018.  This equates to a saving in the region of £14,319 per week, if these had been paid for the full financial year it would have cost Hackney approximately £746,633.

5.3      Parking Concessions
The Audit Commission estimated the cost of each fraudulently used Blue Badge to be £100 (equivalent to on-street parking costs in the Hackney Central parking zone for less than 39 hours). Fees of £65 are also payable where a Penalty Charge Notice is issued as part of the enforcement process, or £265 if the vehicle is also removed.  In this period AIT recovered 23 Blue Badges, this equates to £2,300, and enforcement charges of £1,310 also arose.

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 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 has emerged 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. One referral was 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.**

| Type of Order | Number authorised in period | 2018/19 to date | 2017/18 total |
|---|---|---|---|
| Production | 4 | 4 | 4 |
| Restraint | 0 | 0 | 0 |
| Compensation | 1 | 1 | 0 |
| Confiscation | 1 | 1 | 2 |
| **Total** | **6** | **6** | **4** |

Table 5