



---

## Audit & Anti-Fraud Progress Report

1 January – 31 March 2019

## 1. INTRODUCTION

- 1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period January – March 2019, 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, trainees rotate every six months. Resources have been impacted by an auditor vacancy and maternity leave as well as the departure of the Head of Internal Audit & Risk Management in November 2018.
- 2.2 The 2018/19 Audit Plan consists of 73 audits, 9 audits have been postponed since the plan was agreed and management have requested two additional audits be included. These changes are reflected in the Audit Plan at Appendix 2.

## 3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

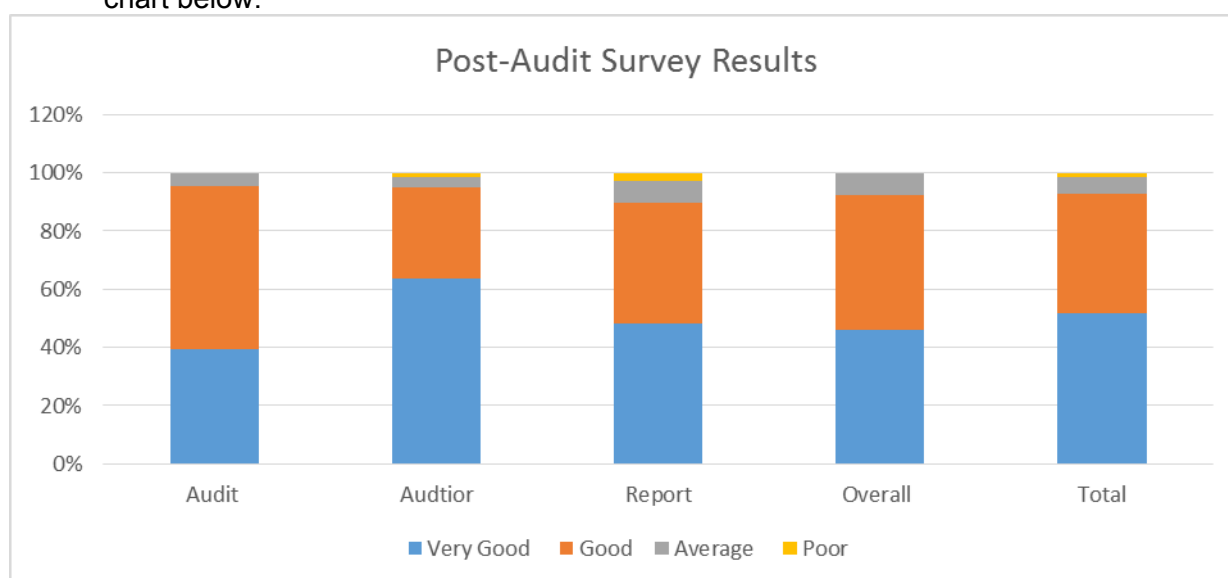
- 3.1 Internal Audit's performance for 2018/19 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraphs 3.2 – 3.4.

Objective	KPIs	Targets	Actual
<b>Cost &amp; Efficiency</b>  <i>To ensure the service provides Value for Money</i>	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) 81% complete or in progress by 31 March 2019  2) 11 days
<b>Quality</b>  <i>To ensure recommendations made by the service are agreed and implemented</i>	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) 65% - fully implemented** 29% - partially implemented
<b>Client Satisfaction</b>  <i>To ensure that clients are satisfied with the service and consider it to be good quality</i>	1) Results of Post Audit Questionnaires  2) Results of other Questionnaires  3) No. of Complaints / Compliments	1) Responses meeting or exceeding expectations  2) Satisfactory  3) Actual numbers reported	1) 99% (93% exceeded expectations and excellent)  2) N/A  3) None

\*\* See paragraph 6.2 for explanation

Table 1

- 3.2 The increase in timeframes from completion of fieldwork to issue of draft report was directly affected by the departure of the then Head of Internal Audit & Risk Management at the end of November 2018. All outstanding draft reports have now been issued. A recruitment exercise undertaken before her departure failed to attract a suitable candidate however, an interim has now been employed to cover this post until a permanent replacement can be found. A new recruitment drive is underway.
- 3.3 As at 31 March 2019 a total of 58 internal audit reviews have been started from the 2018/19 Plan, 26 have been finalised and a further 12 are at draft report stage. In addition, during the year 22 reviews were completed from the 2017/18 Audit Plan.
- 3.4 Post Audit Survey results continue to show that overall expectations of auditees are met or exceeded with 93% responding that expectations were exceeded, see bar chart below.



#### 4. SUMMARY OF INTERNAL AUDIT WORK

- 4.1 Progress with 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	2	3
Fieldwork in progress	19	26
Draft report issued	12	16
Completed	26	36
<b>Total work completed and in progress</b>	<b>59</b>	<b>81</b>
Original Plan	73	
Cancelled and Postponed	9	
Additional requests	2	
<b>Total Revised Plan</b>	<b>66</b>	

Table 2

- 4.2 The table shows 81% of planned assignments have been completed or are in progress.

4.3 Please details of cancelled/postponed audits in Table 3 below.

Review	Reason for Deferral
Capital Schemes (Public Realm)	Postponed to align better with the re-tender of this contract
Health & Social Care Integration/Integrated Commissioning	Postponed as PWC have recently reported on a review in this area
Special Educational Needs (SEN) Transport	Postponed due to manager leaving the service
Pension Fund	Postponed at management request
Capital Schemes	Postponed at management request
Wick TMO – follow up	Postponed at management request
Betty Layward PS St Paul's & St Michael's School	Postponed at management request
Daubeney PS+CC	Postponed at management request due to school joining Federation

Table 3

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 in Table 4.

Assurance Level	2018/19	2017/18
No	1	0
Limited	6	2
Reasonable	8	3
Significant	9	1
Not Applicable	2	0
<b>Total</b>	<b>26</b>	<b>6</b>

Table 4

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 March 2019 are shown in Table 5 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.	26	4
Medium	Important issues which should be addressed by management in their areas of responsibility.	107	20
<b>Total</b>		<b>133</b>	<b>24</b>

Table 5

## 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 March 2019, seven school audits were completed, another three are at draft report stage and fieldwork has been completed at the final one on the plan. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements. In addition follow-up audits were undertaken at two schools.

## 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 that were due to be implemented by 31 March 2019 are presented in Table 6.

Directorate	Implemented (including no longer relevant )	Partially Implemented	Not implemented/No response	Not Yet Due	Total*
Children's, Adults and Community Health	11	1	1	0	13
Neighbourhoods and Housing	25	16	1	2	42
Finance & Corporate Resources	9	4	3	1	16
Chief Executive's	4	1	0	0	5
Corporate	3	1	0	0	4
<b>Total number</b>	<b>52</b>	<b>23</b>	<b>5</b>	<b>3</b>	<b>80</b>
<b>Percentage (%)*</b>	<b>65%</b>	<b>29%</b>	<b>6%</b>	<b>n/a</b>	<b>100%</b>

\* Does not include "Not Yet Due"

Table 6

- 6.2 The Council's target for 2018/19 is 90% of 'High' priority recommendations should be implemented in accordance with agreed timescale. Audit followed up 80 'High' priority recommendations, the implementation rate currently stands at 65% fully implemented by the agreed implementation date, with a further 29% partially implemented. The high number of partially implemented recommendations in Neighbourhoods and Housing result from a large number of 'High' category recommendations arising from four TMO audits during 2017/18. TMO Services are assisting AAF to ensure that these are implemented and there is progress; however, TMOs are separate entities and so the process is taking longer than with many internal clients.
- 6.3 Of the 276 'Medium' priority recommendations followed up 74% were assessed as implemented and 17% partially implemented. Details are shown in Table 7.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Children's, Adults & Community Health	54	5	0	6	59
Neighbourhoods and Housing	56	10	5	17	71

Finance & Corporate Resources	64	27	18	10	109
Chief Executive's	21	3	1	0	25
Corporate	10	1	1	0	12
<b>Total number</b>	<b>205</b>	<b>46</b>	<b>25</b>	<b>n/a</b>	<b>276</b>
<b>Percentage (%)</b>	<b>74%</b>	<b>17%</b>	<b>9%</b>	<b>n/a</b>	<b>100%</b>

\* Does not include "Not Yet Due"

Table 7

#### 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	27	0	10	8	37
Medium	197	5	23	16	225
<b>Total Number</b>	<b>224</b>	<b>5</b>	<b>33</b>	<b>n/a</b>	<b>262</b>
<b>Percentage (%)</b>	<b>85%</b>	<b>2%</b>	<b>13%</b>	<b>n/a</b>	<b>100%</b>

\* Does not include "Not Yet Due"

Table 8

#### 7. DEVELOPMENTS WITHIN INTERNAL AUDIT

7.1 The Head of Internal Audit & Risk Management left Hackney in November 2018, attempts to fill this vacancy before Christmas were unsuccessful. A further recruitment drive is underway at the time of reporting. An interim has been recruited to cover this vacancy until a permanent replacement can be found.

#### 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 Progress to March 2019 (including 2017/18 audits not previously reported)				
Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
<b>2017/18 Audits not previously reported</b>				
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/Domiciliary Services	0	5	Reasonable	FINAL
CILS (Section 106 Agreements)	0	4	Reasonable	FINAL
Building Control Fees	2	1	Limited	FINAL
Gainsborough & Children's Centre	2	6	Limited	FINAL
Planning enforcement – Breaches	0	1	Significant	FINAL
Morningside & Children's 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	5	Limited	FINAL
Gifts and Hospitality	1	3	Reasonable	DRAFT
Rent collection – (arrears & debt recovery)	0	4	Reasonable	FINAL
Disaster recovery	0	0	Significant	FINAL
Voluntary Sector Grants				Deferred to 2019/20
Telephone contracts – monitoring	2	5	Limited	FINAL
Adults with Learning Difficulties				TOR – deferred to 2019/20
Adoption Allowances				TOR – deferred
Service Payroll				Deferred to 2019/20
<b>2018/19 Audit Plan</b>				
<b>CORPORATE CROSS CUTTING</b>				
AGS co-ordination 2017/18 and 2018/19	N/A	N/A	N/A	Completed for 2017/18
Payroll				TOR
Subject Access Requests (SARs)				WIP
IR35				WIP
Matrix agency contract management				WIP
Commercialisation				TOR
Pension Fund				Deferred to 2019/20
Purchasing/procurement cards	0	1	Reasonable	DRAFT
<b>CHIEF EXECUTIVE'S</b>				
Disclosure & Barring Service (DBS) Checks				WIP

Internal Audit Annual Plan 2018/19 Progress to March 2019 (including 2017/18 audits not previously reported)				
Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
<b>CHILDREN, ADULTS &amp; COMMUNITY HEALTH</b>				
<b>Adult Services/Public Health</b>				
Appointeeships/Court of Protection	0	4	Reasonable	FINAL
Public Health Contracts - contract letting				
Health & Social Care Integration/Integrated Commissioning				Deferred to 2020/21
Mortuary Statutory Review	0	1	Significant	FINAL
<b>Children &amp; Families</b>				
Looked After Children (LAC)	1	3	Limited	FINAL
Special Educational Needs (SEN) Transport				Deferred to 2019/20
SEN 2017/18 follow up				DRAFT
S17 Children in Need spend	0	4	Reasonable	DRAFT
Multi-Agency Working (adults and children)				
Troubled Families – process review	n/a	n/a	N/A	-
<b>Education &amp; Schools</b>				
Schools overview report 2017/18			N/A	FINAL
Follow up schools reviews	0	7	Limited	FINAL
Facilities Management contract in schools	1	6	Limited	FINAL
<b>FINANCE &amp; CORPORATE RESOURCES (EXCL ICT)</b>				
<b>Strategic Property</b>				
Health & Safety				WIP
Asset management	1	2	Reasonable	FINAL
Capital Projects - Morning Lane (Tesco site)	0	1	Significant	FINAL
Commercial property - debt management				WIP
<b>Financial Management</b>				
VAT				WIP
NNDR/Business Rates	0	2	Significant	DRAFT
Accounts Payable				WIP
Treasury and Investments	0	1	Significant	FINAL
General Ledger – Cedar	0	1	Significant	FINAL
<b>Customer Services</b>				
Council Tax	0	0	Significant	DRAFT
Housing Benefits	1	0	Significant	FINAL
Cash receipting/banking				
Registrars Services	0	4	Reasonable	FINAL
Temporary Accommodation	2	2	Limited	FINAL
<b>Procurement</b>				
Single Tender Action (STA) Process				WIP
<b>ICT</b>				
Academy IT application review	1	1	Reasonable	DRAFT
iTrent application post implementation review				TOR
IT equipment disposals	1	7	Limited	FINAL



<b>Internal Audit Annual Plan 2018/19</b> <b>Progress to March 2019 (including 2017/18 audits not previously reported)</b>				
IT Asset Management	0	1	<b>Reasonable</b>	DRAFT
End user devices - security (incl. mobile devices, remote access)				
IT risk/needs assessment	n/a	n/a	<b>n/a</b>	FINAL
<b>NEIGHBOURHOODS AND HOUSING</b>				
<b>Housing</b>				
Fire related safety work and H&S compliance				WIP
TMOs –Wenlock Barn	1	8	<b>Reasonable</b>	FINAL
- Downs	0	7	<b>Reasonable</b>	FINAL
- Clapton Park – follow up	1	2	<b>Significant</b>	FINAL
- Tower – follow up				WIP
- Cranston – follow up				WIP
- Wick – follow up				Deferred to 2019/20
Housing Rents				
DLO				WIP
Housing Asset Management				DRAFT
Housing Service Control Framework				TOR
Housing Asset Management Contracts				
<b>Public Realm</b>				
Libraries				WIP
Leisure Centres Management (GLL) - contract monitoring				WIP
APCOA parking contract				WIP
CCTV monitoring contract				WIP
Capital schemes				Deferred to 2019/20
Waste Collection				WIP
<b>Regeneration</b>				
Hackney Sales	0	1	<b>Significant</b>	FINAL
<b>Schools</b>				
Baden Powell PS	0	4	<b>Reasonable</b>	DRAFT
Betty Layward PS				Deferred to 2019/20
Viridis Federation (3 schools)	0	1	<b>Significant</b>	FINAL
Daubeney PS+CC				Deferred to 2019/20
New Wave Teaching School Alliance (3 schools)		2	<b>Significant</b>	FINAL
Harrington Hill PS (follow up)		2	<b>Reasonable</b>	FINAL
Holmleigh PS	3	5	<b>Limited</b>	DRAFT
London Fields PS	1	2	<b>Reasonable</b>	DRAFT
Mandeville PS				
Princess May PS	9	11	<b>No</b>	FINAL
Stoke Newington School and Sixth Form	0	4	<b>Reasonable</b>	FINAL
Yesodey Hatorah SGS				WIP
Ickburgh School	3	5	<b>Limited</b>	FINAL
Stormont House School	0	5	<b>Reasonable</b>	FINAL
St Pauls with St Michael				Deferred to 2019/20

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 January to 31 March 2019

#### 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	0	2	2	9	12
	Hackney Homes	2	4	8	5	13
	Tenancy Fraud	73	80	262	263	394
	Parking	64	56	70	198	243
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	3	3	5	6	5
	Overstaying Families Intervention Team (OFIT)	21	19	71	75	104
	Hackney Learning Trust	3	1	4	5	0
Finance & Corporate Resources (F&CR)	Finance & Resources	2	2	5	9	9
Chief Executive Directorate	Chief Executive Directorate	3	6	4	10	2
<b>Total</b>		<b>171</b>	<b>173</b>	<b>431</b>	<b>580</b>	<b>782</b>

Table 1

**Note 1:** Fraud reporting is 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 2:** Cases closed/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	55	56	2	145	206
Other Local Authorities	12	12	0	56	74
Police	14	14	0	68	51
Immigration	0	0	0	11	10
DWP	212	212	0	866	872
Other	24	23	1	77	24
<b>Total</b>	<b>317</b>	<b>317</b>	<b>3</b>	<b>1,223</b>	<b>1,237</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 in January 2019. Matches are investigated by various LBH teams over the 2 year cycle, AAF investigate some matches and coordinate the Council's overall response. The total number of matches includes a number of recommended cases 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	Cases Under Investigation	Number Matches Cleared NFI2016	Number Matches Cleared NFI2016
Payroll	139	2	2	63
Housing Benefit	2,514	4	66	51
Housing Tenants	1,035	0	4	68
Right to Buy	45	0	0	1
Housing Waiting List	2,590	0	18	88
Concessionary travel / parking	203	49	0	169
Creditors	6,445	0	0	638
Pensions	209	0	192	171
Council Tax	40,450	1,367	605	3,163
Council Tax Reduction Scheme	1,830	4	24	22
Other	27	0	21	29
<b>Total</b>	<b>55,487</b>	<b>1,426</b>	<b>932</b>	<b>4,463</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 2018/19. Hackney has continued to fund a part time resource to address specific investigation enquiries, but this 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	1	8	5
Resigned as a result of the investigation	3	9	3
Referred to Police or other external body	3	12	13
Prosecution	0	1	7
Referred to Legal Services	0	0	0
Investigation Report/ Management Letter issued	5	19	12
Council service or discount cancelled	19	71	100
Blue Badges recovered	4	35	64
Other fraudulent parking permit recovered	0	6	36
Parking misuse warnings issued	10	19	28
Penalty Charge Notice (PCN) issued	7	29	60
Vehicle removed for parking fraud	0	2	44
Recovery of tenancy	19	60	66
Housing application cancelled or downgraded	3	41	40
Legal action to recover tenancy in progress	110	n/a	n/a
Right to Buy application withdrawn or cancelled	4	12	14

Table 4

##### Resigned as a result of the investigation

As a result of the investigations conducted by the Audit Investigation Team (AIT) disciplinary action is being taken against an officer of a partner organisation. Three members of staff left their employment while enquiries were still in progress to investigate the following allegations: -

- Failing to follow procedures
- Incorrect reporting of work targets
- False declaration on job application (checks prevented employment being taken up)

#### 5. Financial Losses as a Result of Fraud

The most apparent consequence of many frauds is a financial loss, however, it needs to be noted that it is not always possible to put a value in monetary terms.

In many cases the financial loss accounts for only a small amount of the total cost of the fraud, with the additional amount comprising intangibles such as reputational damage,

the cost of the investigation and prosecution, additional workplace controls, replacing staff involved and management time taken to deal with the event and its' aftermath.

The following are estimates of the monetary cost for some of Hackney's priority investigation areas based (where relevant) upon the values that the Audit Commission previously calculated as a reasonable estimate of the value nationwide:

#### 5.1 Tenancy Fraud Team (TFT)

During the period January to March 2019 a total of 19 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 £342,000.

In the same period three 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 £12,000 and £54,000.

During this period four 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 £432,000.

#### 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). In the period October to December 2018 thirteen support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £5,031 per week, if these had been paid for the full financial year it would have cost Hackney approximately £262,330.

#### 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 four Blue Badges, this equates to £400, and enforcement charges of £455 also arose.

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 has investigated 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. Some of these works were re-performed at the contractors' expense following our investigation. Evidence of substantial over-claiming for work has emerged which has been used to reduce payments that would otherwise have been due to the contractor, and further financial claims may yet arise.

There are ongoing enquiries involving possible criminal matters therefore it is not possible to expand here on this 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. The Council's investigation processes are supported by POCA 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	1	6	4
Restraint	0	0	0
Compensation	0	1	0
Confiscation	0	1	2
<b>Total</b>	<b>1</b>	<b>8</b>	<b>6</b>

