



Audit & Anti-Fraud Progress Report

1 April – 30 September 2019

1. INTRODUCTION

- 1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April – September 2019. It covers 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 the departure of the Head of Internal Audit & Risk Management in November 2018.
- 2.2 The 2019/20 Audit Plan consists of 103 audits (of which 40 are schools/children's centres), 9 audits have been postponed or cancelled since the plan was agreed. These changes are reflected in the Audit Plan at Appendix 2.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

- 3.1 Internal Audit's performance for 2019/20 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraphs 3.2 – 3.4.

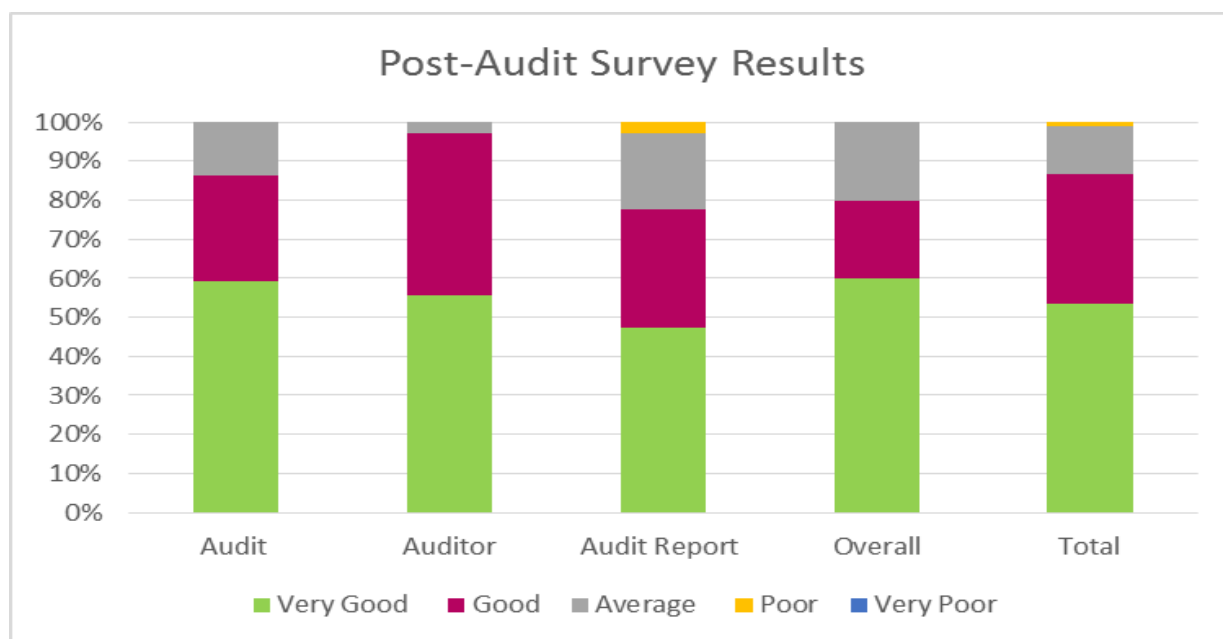
Objective	KPIs	Targets	Actual
Cost & Efficiency <i>To ensure the service provides Value for Money</i>	1) Percentage of planned audits completed to final/draft report stage 2) Average number of days between the end of fieldwork to issue of the draft report.	1) 90% by year end 2) Less than 15 working days	1) 36% complete or in progress at 30 September 2019 2) 12 days
Quality <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) 81% - fully implemented** 17% - partially implemented

Objective	KPIs	Targets	Actual
Client Satisfaction <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% (87% exceeded expectations and excellent) 2) N/A 3) None

** See paragraph 6.2 for explanation

Table 1

- 3.2 As at 30 September 2019 a total of 37 internal audit reviews have been started from the 2019/20 Plan, five have been finalised and a further one is at draft report stage. In addition, during the reporting period 11 reviews were completed from the 2018/19 Audit Plan.
- 3.3 Post Audit Survey results continue to show that overall expectations of auditees are met or exceeded, see bar chart below.



4. SUMMARY OF INTERNAL AUDIT WORK

4.1 Progress with 2019/20 planned audits is detailed in Appendix 2. Progress with the 2019/20 Audit Plan is summarised in Table 2 below.

2019/20 Audit Plan Stage of Audit Activity	Number of assignments	Percentage of the original plan
Scoping/TOR agreed	24	23%
Fieldwork in progress	6	6%
Draft report issued	1	1%
Completed	6	6%
Total work completed and in progress	37	36%
Original Plan	103	
Cancelled and Postponed	9	
Additional requests		
Total Revised Plan	94	

Table 2

4.2 The table shows 36% of planned assignments have been completed or are in progress at the time of reporting.

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

Review	Reason for Cancellation/Deferral
Pension Fund	Deferred - management request
Use of UASC-Controlling Migration Fund	Cancelled - management request
Consultants	Deferred - management request
Wick TMO Follow Up	On hold pending management action
Capital Schemes- monitoring/PM	Deferred - management request
Lubavitch Children's Centre	Cancelled - moved to Academy
Colvestone Primary School	Deferred - management request
St John the Baptiste CE Primary School	Deferred – new federation
St Matthias CE Primary School	Deferred – new 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	2019/20	2018/19
No	0	0
Limited	1	2
Reasonable	0	7
Significant	5	2
Not Applicable	0	0
Total	6	11

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 30 September 2019 are shown in Table 5 below.

Categorisation of Risk	Definition	Number 2019/20 Plan not previously reported	Number 2018/19 Plan not previously reported
High	Major issues that we consider need to be brought to the attention of senior management.	5	8
Medium	Important issues which should be addressed by management in their areas of responsibility.	11	33
Total		16	41

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 30 September 2019, two school audits had been completed and terms of reference/fieldwork has started at 11 schools. 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 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 onward that were due to be implemented by 30 September 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	15	0	0	4	15
Neighbourhoods and Housing	32	10	1	3	43
Finance & Corporate Resources	13	2	1	2	16
Chief Executive's	4	1	0	0	5
Corporate	3	1	0	0	4
Total number	67	14	2	9	83
Percentage (%)*	81%	17%	2%	n/a	100%

* Does not include "Not Yet Due"

Table 6

6.2 The Council's target for 2019/20 is 90% of 'High' priority recommendations should be implemented in accordance with agreed timescale. Audit followed up 83 'High' priority recommendations, the implementation rate currently stands at 81% fully implemented by the agreed date, with a further 17% partially implemented.

6.3 Of the 320 'Medium' priority recommendations followed up 85% were assessed as implemented and 8% partially implemented. Details are shown in Table 7 below.

Directorate	Implemente d (including no longer relevant)	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Children's, Adults & Community Health	61	1	2	10	64
Neighbourhoods and Housing	81	5	7	12	93
Finance & Corporate Resources	93	18	10	12	121
Chief Executive's	23	1	1	0	25
Corporate	15	1	1	0	17
Total number	273	26	21	34	320
Percentage (%)	85%	8%	7%	n/a	100%

* 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	45	1	1	3	47
Medium	240	2	8	2	250
Total Number	285	3	9	5	297
Percentage (%)	96%	1%	3%	n/a	100%

* 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 over the past year have proved unsuccessful. An interim has been recruited to cover this vacancy until a permanent replacement can be found.
- 7.2 The ICT audit provider contracted to conduct IT audits in 2018/19 has ceased trading which left Hackney without access to specialist ICT auditors to commence the work set out in the current annual plan. Following explorations of the marketplace a new provider has been identified and we are currently finalising a three year contract for this service. Assurance has been obtained that the necessary resources will be available to complete the planned audits for 2019/20.

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 13 August 2019 (including 2017/18 & 2018/19 audits not previously reported)					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2018/19 Audits not previously reported					
1819LBH03	Subject Access Requests (SARs)	0	2	Reasonable	Draft
1819CE01	Disclosure & Barring Service (DBS) Checks	0	3	Reasonable	Draft
1819CACH06	SEN 2017/18 Follow up	2	4	Reasonable	Draft
1819FCR01	Health & Safety	0	4	Reasonable	Draft
1819FCR04	Commercial Property – Debt Management	0	2	Reasonable	Final
1819FCR05	VAT (HLT)	0	4	Reasonable	Final
1819FCR07	Accounts Payable	0	5	Reasonable	Draft
1819FCR12	Cash Receipting/banking				Deferred to 2019/20
1819ICT02	iTrent application post implementation review	2	3	Limited	Draft
1819ICT05	End user devices - security (incl. mobile devices, remote access)	0	1	Significant	Draft
1819NH05	Housing Asset Management				
1819NH06	Housing Service Control Framework				
1819NH08	Libraries	0	1	Significant	Draft
1819NH13	Waste Collection				WIP
1819SCH12	Yesodey Hatorah SGS	4	4	Limited	Final
2019/20 Audit Plan					
Corporate / Cross Cutting					
1920LBH01	AGS Co-ordination 2018/19 & 2019/20	N/A	N/A	N/A	Completed for 2018/19
1920LBH02	Pension Fund				Deferred to 2020/21
1920LBH03	Payroll				ToR
1920LBH04	Equal Pay				

Internal Audit Annual Plan 2018/19 Progress to 13 August 2019 (including 2017/18 & 2018/19 audits not previously reported)					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
1920LBH05	Recruitment & Retention Payments				ToR
1920LBH06	Savings Tracking				
1920LBH07	Contract Management - Performance				ToR
1920LBH08	Commercialisation				
1920LBH09	IR35				
Chief Executive's					
1920CE01	Electoral Services				
1920CE02	Environmental Sustainability				
1920CE03	Grants				
Children, Adults & Community Health					
Adult Services/Public Health					
1920CACH01	ALD				
1920CACH02	Residential Care				
1920CACH04	Health & Social Care/Integrated Commissioning				
1920CACH05	Agencies Supplying Care				WIP
1920CACH06	Housing with Care				
1920CACH07	Payments Team for Adults Homecare				
1920CACH08	Panel Processes				ToR
1920CACH09	Brokerage	4	2	Limited	Final
Children & Families					
1920CACH10	Safeguarding – New Arrangements				ToR
1920CACH11	Use of UASC - Controlling Migration Fund				Cancelled at Mgmt request
1920CACH12	LAC Incidentals				
1920CACH13	Children Leaving Care				

Internal Audit Annual Plan 2018/19 Progress to 13 August 2019 (including 2017/18 & 2018/19 audits not previously reported)					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
1920CACH14	Children's Disability Payments				ToR
Education					
1920CACH15	Schools Overview Report 2018/19				WIP
1920CACH16	Special Educational Needs (SEN) Transport				ToR
1920CACH17	Themed audit Early Years Setting -15 hrs free entitlement for 2 yr olds				
Public Health					
1920CACH03	Mortuary Statutory Review				
Follow Up					
1920CACH18	Direct Payments				On Hold
FINANCE & CORPORATE RESOURCES (EXCL ICT)					
Strategic Property					
1920FCR01	Consultants				Deferred to 2020/21
1920FCR02	Management Companies				ToR
Financial Management					
1920FCR03	Budget Monitoring				
1920FCR04	NNDR/Business Rates				
1920FCR05	Creditors/Accounts Payable				WIP
1920FCR06	Treasury and Investments				
1920FCR07	General Ledger	0	2	Significant	Final
1920FCR08	C/Tax & Hackney Housing - Cautionary Contact				
1920FCR09	Financial Resilience				WIP

Internal Audit Annual Plan 2018/19 Progress to 13 August 2019 (including 2017/18 & 2018/19 audits not previously reported)					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
Follow Up					
1920FCR14	Accounts Receivable – ASC Debt	1	1	Significant	Final
1920FCR15	FM in Schools				Deferred at Mgmt request
Customer Services					
1920FCR10	Council Tax				
1920FCR11	Housing Benefits				
1920FCR12	Cash Receipting/Banking	0	2	Significant	Final
Procurement					
1920FCR13	Single Tender Action (STA) Process				WIP
ICT					
1920ICT01	Back Office Side (eg Licensing & Parking)				
1920ICT02	Cyber Resilience				
1920ICT03	Programme & Project Governance, Delivery & QA				
1920ICT04	GDPR - Information/Data Security				
Neighbourhoods & Housing					
Housing					
1920NH01	Arden TMO				ToR
1920NH02	Lordship South TMO				WIP
1920NH03	Wick TMO				On Hold
1920NH04	Housing Rents				WIP
1920NH05	DLO				ToR
1920NH06	Right To Buy				
1920NH07	Major Works				ToR

Internal Audit Annual Plan 2018/19 Progress to 13 August 2019 (including 2017/18 & 2018/19 audits not previously reported)					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
1920NH08	Resident Safety Compliance & Testing Team				
1920NH09	Housing Capital Budget				ToR
Public Realm					
1920NH10	Capital Schemes - Monitoring/Project Management				Deferred to 2020/21
1920NH12	Parking Income				ToR
1920NH13	Markets Management				ToR
Regeneration					
1920NH11	Build Quality on New Builds				
1920NH14	Disability Facilities Grant - Private Sector Housing				
Schools					
Children's Centres					
1920SCH01	Ann Tayler Children's Centre				
1920SCH02	Brook Children's Centre (With School)				
1920SCH03	Clapton Park Children's Centre				
1920SCH04	Comberton Children's Centre				ToR
1920SCH05	Comet Children's Centre				
1920SCH06	Daubeney Children's Centre				
1920SCH07	Fernbank Children's Centre (linked to Jubilee)				
1920SCH08	Gainsborough Children's Centre				
1920SCH09	Hillside Children's Centre				
1920SCH10	Linden Children's Centre				
1920SCH11	Lubavitch Children's Centre (New to LBH)				Deleted moved to Academy
1920SCH12	Mapledene Children's Centre				

Internal Audit Annual Plan 2018/19 Progress to 13 August 2019 (including 2017/18 & 2018/19 audits not previously reported)					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
1920SCH13	Morningside Children's Centre				
1920SCH14	Sebright Children's Centre				
1920SCH15	Tyssen Children's Centre				
Primary Schools					
1920SCH16	Betty Layward Primary School				Draft
1920SCH17	Colvestone Primary School				Deferred to 2020/21
1920SCH06	Daubeney Primary School				
1920SCH08	Gainsborough Community School				ToR
1920SCH19	Gayhurst Community School				ToR
1920SCH20	Holy Trinity CE Primary School				ToR
1920SCH07	Jubilee School (incl Fernbank CC)				ToR
1920SCH22	Kingsmead Primary School				ToR
1920SCH23	Lauriston Primary School				
1920SCH24	Mandeville Primary School				ToR
1920SCH13	Morningside Primary School	0	2	Significant	Final
1920SCH26	Our Lady and St Joseph's RC Primary School				ToR
1920SCH27	Princess May Primary School				ToR
1920SCH28	Queensbridge Primary School				
1920SCH29	Randal Cremer Primary School				
1920SCH14	Sebright School				
1920SCH31	Simon Marks Jewish Primary School				
1920SCH32	Sir Thomas Abney School				

Internal Audit Annual Plan 2018/19 Progress to 13 August 2019 (including 2017/18 & 2018/19 audits not previously reported)					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
1920SCH33	St. John the Baptist CE Primary School				Deferred to 2020/21
1920SCH34	St. Matthias CE Primary School				Deferred to 2020/21
1920SCH35	St. Monica's Roman Catholic Primary School				ToR
1920SCH15	Tyssen Community Primary School				ToR
1920SCH19	Gayhurst Community School				
1920SCH37	Shoreditch Park Primary School				
Secondary Schools					
1920SCH38	Cardinal Pole Catholic School	0	2	Significant	Final
1920SCH39	Our Lady's Convent High School				
1920SCH40	The Urswick School				

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

Level of assurance	Description	Link to risk ratings
Significant	Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.	There are two or less medium-rated issues or only low rated or no findings to report.
Reasonable	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than critical or they would be unlikely to occur.	There is no more than one high priority finding and/or a low number of medium rated findings. However, where there are many medium rated findings, consideration will be given as to whether the effect is to reduce the assurance to Limited.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.	There are up to three high-rated findings. However, if there are three high priority findings and many medium rated findings, consideration will be given as to whether in aggregate the effect is to reduce the opinion to No assurance.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.	There are a significant number of high rated findings (i.e. four or more).

Anti-Fraud Service:

Statistical Information 1 April to 31 August 2019

1. Investigations Referred

The Anti-Fraud Service received 580 referrals during 2018/19 and based on the current level of referrals looks set to receive a similar number during the current year. 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 2019/20 to date	Referrals 2018/19
Neighbourhoods & Housing (N&H)	Neighbourhoods & Housing	8	5	5	8	9
	Hackney Homes	3	8	3	3	5
	Tenancy Fraud	131	124	269	131	263
	Parking	90	95	65	90	198
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	7	1	11	7	6
	No Recourse to Public Funds Team (NRPF)	29	50	50	29	75
	Hackney Learning Trust	2	2	4	2	5
Finance & Corporate Resources (F&CR)	Finance & Resources	6	4	8	6	9
Chief Executive Directorate	Chief Executive Directorate	1	0	5	1	10
	Total	277	289	420	277	580

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 Enquiries in period	Number of Enquiries Closed in period	Enquiries Currently Under Investigation	2019/20 to date	2018/19
Internal	111	112	1	111	145
Other Local Authorities	18	18	0	18	56
HMRC	8	8	0	8	0
Police	10	10	0	10	68
Immigration	1	1	0	1	11
DWP	346	346	0	346	866
Other	28	29	0	28	77
Total	522	524	1	522	1,223

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 NFI2018	Number Matches Cleared NFI2016
Payroll	145	8	75	63
Housing Benefit	3,041	4	69	51
Housing Tenants	1,441	8	17	68
Right to Buy	55	0	10	1
Housing Waiting List	2,607	1	34	88
Concessionary travel / parking	203	119	57	169
Creditors	6,428	0	0	638
Pensions	217	0	205	171
Council Tax	13,688	13,688	0	3,163
Council Tax Reduction Scheme	2,453	4	27	22
Other	72	2	40	29
Total	30,350	13,834	534	4,463

Table 3

The Council is no longer responsible for undertaking Housing Benefit investigations, however, Audit & Anti-Fraud (AAF) are required to undertake a large volume of enquiries in support of DWP investigations into Housing Benefit fraud.

DWP advised Hackney that limited financial support would be provided to the Council to support Housing Benefit investigations in 2019/20. 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 transferred to DWP in 2014.

Hackney will be taking part in a national trial with the DWP where they will be granted direct access to Hackney's Housing Benefit records. If this trial is successful it is expected that this will reduce the financial burden in providing support to Housing Benefit investigations undertaken by the 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	2019/20 to date	2018/19
Disciplinary action	2	2	8
Resigned as a result of the investigation	5	5	9
Referred to Police or other external body	1	1	12
Prosecution	0	0	1
Referred to Legal Services	0	0	0
Investigation Report/ Management Letter issued	7	7	19
Council service or discount cancelled	44	44	71
Blue Badges recovered	9	9	35
Other fraudulent parking permit recovered	1	1	6
Parking misuse warnings issued	11	11	19
Penalty Charge Notice (PCN) issued	21	21	29
Vehicle removed for parking fraud	0	0	2
Recovery of tenancy	39	39	63
Housing application cancelled or downgraded	28	28	47
Legal action to recover tenancy in progress	119	119	n/a
Right to Buy application withdrawn or cancelled	5	5	13

Table 4

Resigned as a result of the investigation

As a result of the investigations conducted by the Audit Investigation Team (AIT) disciplinary action resulted in the dismissal of one employee. Five members of staff left their employment while enquiries were still in progress to investigate the following allegations: -

- Failing to disclose a criminal conviction
- Breach of the Code of Conduct
- 2 cases of the misuse of a Blue Badge
- Claiming sick pay whilst undertaking work in an undeclared business
- Theft
- Misuse of Council funds

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 2019 a total of 39 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 £702,000.

In the same period 28 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 £112,000 and £504,000.

During this period five Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of £110,000 on the sale of a Council asset. The value of the discount for the RTBs that were declined represents a total of £550,000.

5.2 No Recourse to Public Funds Team (NRPF)

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 April to August 2019, 44 support packages were cancelled or refused following AAF investigations as part of collaborative working with CACH. This equates to a saving in the region of £17,028 per week, if these had been paid for the full financial year it would have cost Hackney approximately £887,888.

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 nine Blue Badges, this equates to £900, and enforcement charges of £1,365 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 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. Three 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, Anti-Fraud & Risk Management / Group 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	2019/20 to date	2018/19 total
Production	0	0	6
Restraint	0	0	0
Compensation	0	0	1
Confiscation	0	0	1
Total	0	0	8

Table 5