
Audit & Anti-Fraud Progress Report

1 January – 31 March 2020

1. INTRODUCTION

1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April 2019 – March 2020. 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 resignation of one internal auditor at the end of October 2019 and two auditors who left following the Council's voluntary redundancy scheme in February 2020. Additionally, performance has been affected by the Council's response to the coronavirus crisis which hampered the ability of auditors to complete planned work in the final quarter.

2.2 The 2019/20 Audit Plan consisted of 106 audits (of which 40 are schools/children's centres), 30 audits have been postponed or cancelled and six (two schools plus four others) were added 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.

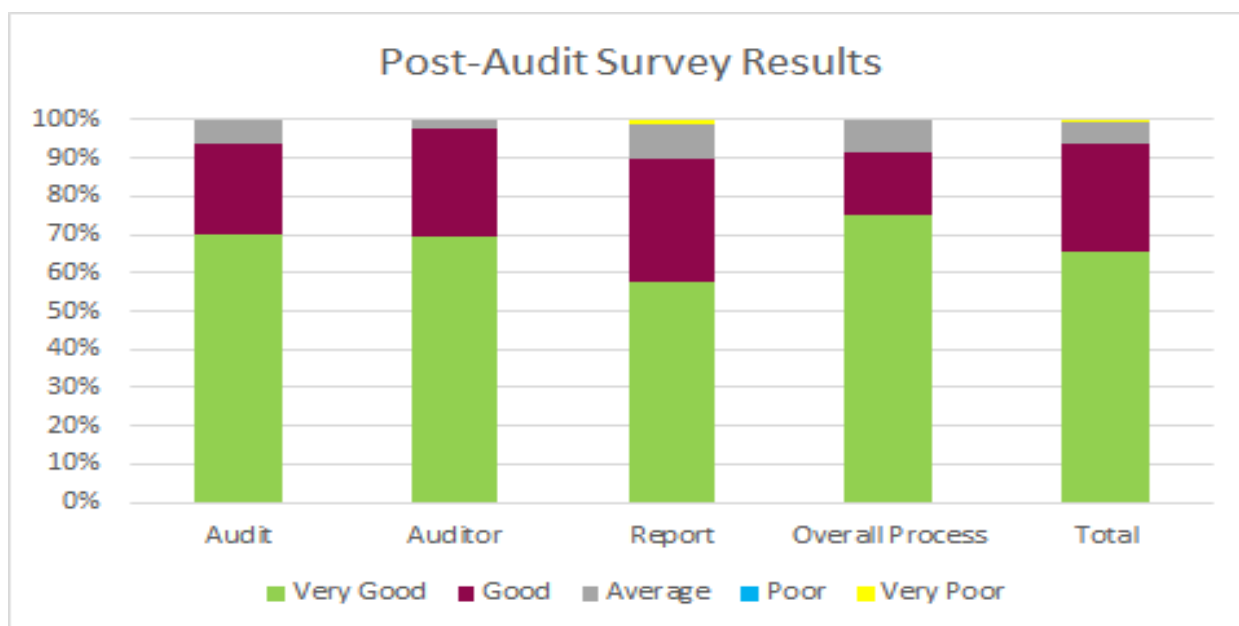
| Objective | KPIs | Targets | Actual |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| 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 days between the end of fieldwork & issue of the draft report. | 1) 90% by year end 2) Less than 15 working days | 1) 79% complete or in progress by 31 March 2020 2) 17 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) 78% - fully implemented** 16% - partially implemented |
| 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) 100% (94% exceeded expectations and excellent) 2) N/A 3) None |

** See paragraph 6.2 for explanation

Table 1

3.2 As at 31 March 2020 a total of 65 internal audit reviews have been started from the 2019/20 Plan, 42 have been finalised and a further 5 are at draft report stage. In addition 12 reviews carried forward from the 2018/19 annual plan were completed.

3.3 Post Audit Survey results continue to show that overall expectations of auditees are met or exceeded with 94% responding that expectations were exceeded, see bar chart below.



4. SUMMARY OF INTERNAL AUDIT WORK

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

| 2019/20 Audit Plan Stage of Audit Activity | Number of assignments | % of the original plan |
|-----------------------------------------------|--------------------------|------------------------------|
| Scoping/TOR agreed | 8 | 10 |
| Fieldwork in progress | 6 | 7 |
| Draft report issued | 9 | 11 |
| Completed | 42 | 51 |
| Total work completed and in progress | 65 | 79 |
| Original Plan | 106 | |
| Cancelled and Postponed | 30 | |
| Additional requests | 6 | |
| Total Revised Plan | 82 | |

Table 2

4.2 The table shows 65% of the planned assignments have been completed or are in progress.

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

| Review | Reason for Deferral |
|------------------------------|--------------------------------------|
| Pension Fund | Deferred - management request |
| Commercialisation | Deferred - management request |
| Savings Tracking | Deferred |
| Electoral Services | Deferred due to unexpected elections |
| Environmental Sustainability | Deferred |
| Grants | Deferred - management request |

| | |
|-------------------------------------------------------------|------------------------------------------|
| NNDR/Business Rates | Deferred - revised audit risk assessment |
| Adults with Learning Difficulties | Deferred |
| Health & Social Care Commissioning/Integrated Commissioning | Deferred |
| Housing with Care | Deferred |
| Adults Homecare Payments Team | Deferred |
| Use of UASC-Controlling Migration Fund | Cancelled - management request |
| Early Years Setting - 15 hours free entitlement | Deferred |
| Looked After Children Incidentals | Deferred |
| Consultants | Deferred - management request |
| Budget Monitoring | Deferred - revised audit risk assessment |
| Treasury & Investments | Deferred - revised audit risk assessment |
| Council Tax | Deferred - revised audit risk assessment |
| IT - Back Office Side (e.g. Licensing, Parking) | Deferred |
| Capital Schemes- monitoring/PM | Deferred - management request |
| Build Quality of New Builds | Cancelled |
| Direct Payments follow-up | On hold |
| FM in Schools follow-up | Deferred - management request |
| Wick TMO Follow Up | On hold - management request |
| Brook Children's Centre | Cancelled - No longer funded by LBH |
| Gainsborough Primary School & Children's Centre | 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 as 'Significant', 'Reasonable', 'Limited' or 'No' assurance. The assurances given this year are included in Appendix 2. Full definitions can be found in Appendix 3. For those audits finalised this year, including 12 carried forward from the 2018/19 plan, the assurance levels are as follows in Table 4.

| Assurance Level | 2019/20 | 2018/19 |
|-----------------|-----------|-----------|
| No | 0 | 0 |
| Limited | 2 | 2 |
| Reasonable | 13 | 7 |
| Significant | 27 | 3 |
| Not Applicable | 0 | 0 |
| Total | 42 | 12 |

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 2020 are shown in Table 5.

| Categorisation of Risk | Definition | Number 2019/20 Plan | Number 2018/19 Plan not previously reported |
|------------------------|-----------------------------------------------------------------------------------------|---------------------|---------------------------------------------|
| High | Major issues that we consider need to be brought to the attention of senior management. | 16 | N/A |

| | | | |
|--------------|--------------------------------------------------------------------------------------------|-----------|------------|
| Medium | Important issues which should be addressed by management in their areas of responsibility. | 82 | N/A |
| Total | | 98 | N/A |

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 agreed recommendations from 2016/17 to the current date are regularly followed up and reported.

5.2 As at 31 March 2020, twentyfour school and children centre audits had been completed, five had been issued with draft reports and terms of reference/fieldwork had started at two 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 that were due to be implemented by 31 March 2020 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 | 4 | 0 | 19 |
| Neighbourhoods and Housing | 37 | 11 | 0 | 0 | 48 |
| Finance & Corporate Resources | 16 | 4 | 1 | 0 | 21 |
| Chief Executive's | 5 | 0 | 0 | 0 | 5 |
| Corporate | 3 | 1 | 1 | 0 | 5 |
| Total number | 76 | 16 | 6 | 0 | 98 |
| Percentage (%)* | 78% | 16% | 6% | 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 76 'High' priority recommendations, the implementation rate currently stands at 78% fully implemented, with a further 16% partially implemented.

6.3 Of the 276 'Medium' priority recommendations followed up 81% were assessed as implemented and 11% 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 | 66 | 2 | 4 | 4 | 72 |

| | | | | | |
|-------------------------------|------------|------------|-----------|------------|-------------|
| Neighbourhoods and Housing | 99 | 18 | 5 | 3 | 122 |
| Finance & Corporate Resources | 106 | 22 | 16 | 1 | 144 |
| Chief Executive's | 25 | 0 | 0 | 0 | 25 |
| Corporate | 15 | 1 | 3 | 2 | 19 |
| Total number | 311 | 43 | 28 | 10 | 382 |
| Percentage (%) | 81% | 11% | 8% | 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 | 4 | 1 | 0 | 50 |
| Medium | 249 | 7 | 6 | 1 | 262 |
| Total Number | 294 | 11 | 7 | 1 | 312 |
| Percentage (%) | 94% | 4% | 2% | 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 remains vacant, covered by an interim. The service, like many services in the Council, was subject to changes resulting from the current voluntary redundancy scheme. This resulted in two auditor posts being deleted. The management, resources and approach adopted by the internal audit team will need to be reviewed as a result of the reduction in resources, however, this has been deferred until the current Covid-19 crisis has passed. Temporary cover was organised from the end of December to assist with completing the audit plan, this resource has been transferred to assist front line services during the crisis.

7.2 The completion of ICT audits have been impacted by the Council's response to the Covid-19 pandemic. These had been scheduled to be completed during Q4 however although work did start this had to be put on hold to allow IT to focus on supporting the Council's management of its workforce. The audits not completed from the 2019/20 plan will be included in the 2020/21 plan if they are still considered relevant.

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). Following the outcomes of the Council's Voluntary Redundancy Scheme there will be a need to review the structures and resources allocated to these teams. This has also been deferred as a result of the Covid-19 pandemic.

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 The ability to complete internal audit reviews has been hampered by the Covid-19 pandemic which has affected the whole country. Where it is possible to undertake work virtually this is being done. Work that has been put on hold will recommence as appropriate when the Council returns to normal.

9.3 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 Progress to 31 March 2020 (including 2018/19 audits completed in the year) | | | | | |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------|----------------------|-----------------|---------------------|
| Code | Description | High Priority Recs | Medium Priority Recs | Audit Assurance | Status |
| 2018/19 Audits | | | | | |
| 1819LBH03 | Subject Access Requests (SARs) | 0 | 2 | Reasonable | Final |
| 1819CE01 | Disclosure & Barring Service (DBS) Checks | 0 | 3 | Reasonable | Final |
| 1819CACH06 | SEN 2017/18 Follow up | 2 | 4 | Reasonable | Final |
| 1819FCR01 | Health & Safety | 0 | 4 | Reasonable | Final |
| 1819FCR04 | Commercial Property – Debt Management | 0 | 2 | Reasonable | Final |
| 1819FCR05 | VAT (HLT) | 0 | 4 | Reasonable | Final |
| 1819FCR07 | Accounts Payable | 0 | 5 | Reasonable | Final |
| 1819FCR12 | Cash Receipting/banking | | | | Deferred to 2020/21 |
| 1819ICT02 | iTrent application post implementation review | 2 | 3 | Limited | Final |
| 1819ICT05 | End user devices - security (incl. mobile devices, remote access) | 0 | 1 | Significant | Final |
| 1819NH05 | Housing Asset Management | | | | Deferred to 2020/21 |

Appendix 2

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|----------------------------------|-------------------------------------|-----|-----|--------------------|-----------------------|
| 1819NH06 | Housing Service Control Framework | | | | Deferred to 2020/21 |
| 1819NH08 | Libraries | 0 | 1 | Significant | Final |
| 1819NH13 | Waste Collection | 0 | 0 | Significant | Final |
| 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 | 1 | 3 | Reasonable | Final |
| 1920LBH04 | Equal Pay | | | | ToR |
| 1920LBH05 | Recruitment & Retention Payments | 0 | 1 | Significant | Final |
| 1920LBH06 | Savings Tracking | | | | |
| 1920LBH07 | Contract Management - Performance | | | | ToR |
| 1920LBH08 | Commercialisation | | | | Deferred |
| 1920LBH09 | IR35 | | | | Draft |

| Chief Executive's | | | | | |
|-------------------------------------|-----------------------------------------------|---|---|-------------|--------------------------------------|
| 1920CE01 | Electoral Services | | | | Deferred due to unexpected elections |
| 1920CE02 | Environmental Sustainability | | | | Deferred |
| 1920CE03 | Grants | | | | Deferred |
| Children, Adults & Community Health | | | | | |
| Adult Services/Public Health | | | | | |
| 1920CACH01 | ALD | | | | ToR |
| 1920CACH02 | Residential Care | | | | Deferred |
| 1920CACH04 | Health & Social Care/Integrated Commissioning | | | | ToR |
| 1920CACH05 | Agencies Supplying Care | 0 | 3 | Reasonable | Final |
| 1920CACH06 | Housing with Care | | | | ToR |
| 1920CACH07 | Payments Team for Adults Homecare | | | | Deferred |
| 1920CACH08 | Panel Processes | 0 | 2 | Significant | Final |
| 1920CACH09 | Brokerage | 4 | 2 | Limited | Final |
| Children & Families | | | | | |

Appendix 2

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|------------------------------------------|-------------------------------------------------------------------------|---|---|----------------|---------------------------------|
| 1920CACH10 | Safeguarding – New Arrangements | 2 | 9 | Limited | Final |
| 1920CACH11 | Use of UASC - Controlling Migration Fund | | | | Cancelled at Management request |
| 1920CACH12 | LAC Incidentals | | | | Deferred |
| 1920CACH13 | Children Leaving Care | | | | WiP |
| 1920CACH14 | Children's Disability Payments | | | | WiP |
| Education | | | | | |
| 1920CACH15 | Schools Overview Report 2018/19 | | | | WiP |
| 1920CACH16 | Special Educational Needs (SEN) Transport | | | | Draft |
| 1920CACH17 | Themed audit Early Years Setting -15 hrs free entitlement for 2 yr olds | | | | Deferred |
| Public Health | | | | | |
| 1920CACH03 | Mortuary Statutory Review | | | | Draft |
| Follow Up | | | | | |
| 1920CACH18 | Direct Payments | | | | On Hold |
| FINANCE & CORPORATE RESOURCES | | | | | |
| Strategic Property | | | | | |

Appendix 2

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|-----------------------------|----------------------------------------------|---|---|--------------------|--------------------------------|
| 1920FCR01 | Consultants | | | | Deferred to 2020/21 |
| 1920FCR02 | Management Companies | | | | ToR |
| Financial Management | | | | | |
| 1920FCR03 | Budget Monitoring | | | | Deferred |
| 1920FCR04 | NNDR/Business Rates | | | | Deferred |
| 1920FCR05 | Creditors/Accounts Payable | | | | Draft |
| 1920FCR06 | Treasury and Investments | | | | Deferred |
| 1920FCR07 | General Ledger | 0 | 2 | Significant | Final |
| 1920FCR08 | C/Tax & Hackney Housing - Cautionary Contact | | | | Deferred at management request |
| 1920FCR09 | Financial Resilience | 0 | 0 | Significant | Final |
| Follow Up | | | | | |
| 1920FCR14 | Accounts Receivable – ASC Debt | 1 | 1 | Significant | Final |
| 1920FCR15 | FM in Schools | | | | Deferred at management request |
| Customer Services | | | | | |
| 1920FCR10 | Council Tax | | | | Deferred |

Appendix 2

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|-------------------------------------|-----------------------------------------------|---|---|-------------|-------------------------------|
| 1920FCR11 | Housing Benefits | 0 | 1 | Significant | Final |
| 1920FCR12 | Cash Receipting/Banking | 0 | 2 | Significant | Final |
| Procurement | | | | | |
| 1920FCR13 | Single Tender Action (STA) Process | 0 | 4 | Reasonable | Final |
| ICT | | | | | |
| 1920ICT01 | Back Office Side (e.g. Licensing & Parking) | | | | Deferred |
| 1920ICT02 | Cyber Resilience | | | | Draft |
| 1920ICT03 | Programme & Project Governance, Delivery & QA | | | | ToR |
| 1920ICT04 | GDPR - Information/Data Security | | | | ToR |
| Neighbourhoods & Housing | | | | | |
| Housing | | | | | |
| 1920NH01 | Arden TMO | 1 | 9 | Reasonable | Final |
| 1920NH02 | Lordship South TMO | 1 | 8 | Reasonable | Final |
| 1920NH03 | Wick TMO | | | | On hold at management request |
| 1920NH04 | Housing Rents | 0 | 3 | Significant | Final |

Appendix 2

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|---------------------------|------------------------------------------------------|---|---|-------------|-------------------------------------------|
| 1920NH05 | DLO | | | | WIP |
| 1920NH06 | Right To Buy | 0 | 0 | Significant | Final |
| 1920NH07 | Major Works | | | | WIP |
| 1920NH08 | Resident Safety Compliance & Testing Team | | | | Deferred |
| 1920NH09 | Housing Capital Budget | 0 | 2 | Reasonable | Final |
| Public Realm | | | | | |
| 1920NH10 | Capital Schemes - Monitoring/Project Management | | | | Deferred to 2020/21 at management request |
| 1920NH12 | Parking Income | | | | Draft |
| 1920NH13 | Markets Management | | | | WIP |
| Regeneration | | | | | |
| 1920NH11 | Build Quality on New Builds | | | | Deferred |
| 1920NH14 | Disability Facilities Grant - Private Sector Housing | 2 | 3 | Reasonable | Final |
| Schools | | | | | |
| Children's Centres | | | | | |
| 1920SCH01 | Ann Tayler Children's Centre | 0 | 0 | Significant | Final |

Appendix 2

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|------------------------|------------------------------------------------------|---|---|--------------------|-----------------------------------------|
| 1920SCH02 | Brook Children's Centre (With School) | | | | Cancelled to do audit with school |
| 1920SCH03 | Clapton Park Children's Centre | | | Significant | Final |
| 1920SCH04 | Comberton Children's Centre | 0 | 2 | Significant | Final |
| 1920SCH05 | Comet Children's Centre | | | Significant | Final |
| 1920SCH06 | Daubeney Children's Centre | - | - | - | See info for Duabney Primary |
| 1920SCH07 | Fernbank Children's Centre (linked to Jubilee) | - | - | - | See info for Jubilee Primary |
| 1920SCH08 | Gainsborough Children's Centre | - | - | - | See info for Gainsborough Primary |
| 1920SCH09 | Hillside Children's Centre | | | Significant | Final |
| 1920SCH10 | Linden Children's Centre | | | Significant | Final |
| 1920SCH11 | Lubavitch Children's Centre (New to LBH) | | | | Cancelled - moved to Academy |
| 1920SCH12 | Mapledene Children's Centre | | | | See info for Queensbridge Primary |
| 1920SCH13 | Morningside Children's Centre | - | - | - | See info for Morningside Primary |
| 1920SCH14 | Sebright Children's Centre | - | - | - | See info for Sebright Primary |
| 1920SCH15 | Tyssen Children's Centre | - | - | - | See info for Tyssen Primary |
| Primary Schools | | | | | |

Appendix 2

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|-----------|---------------------------------------------|---|---|--------------------|---------------------|
| 1920SCH16 | Betty Layward Primary School | 0 | 4 | Reasonable | Final |
| 1920SCH17 | Colvestone Primary School | | | | Deferred to 2020/21 |
| 1920SCH06 | Daubeney Primary School | | | | ToR |
| 1920SCH08 | Gainsborough Community School | | | | Deferred |
| 1920SCH19 | Gayhurst Community School (Leap Federation) | 0 | 3 | Reasonable | Final |
| 1920SCH20 | Holy Trinity CE Primary School | 0 | 0 | Significant | Final |
| 1920SCH07 | Jubilee School (incl Fernbank CC) | 0 | 2 | Significant | Final |
| 1920SCH22 | Kingsmead Primary School (Leap Federation) | 0 | 0 | Reasonable | Final |
| 1920SCH23 | Lauriston Primary School | | | | Draft |
| 1920SCH24 | Mandeville Primary School (Leap Federation) | 0 | 0 | Reasonable | Final |
| 1920SCH13 | Morningside Primary School | 0 | 2 | Significant | Final |
| 1920SCH26 | Our Lady and St Joseph's RC Primary School | 0 | 1 | Significant | Final |
| 1920SCH27 | Princess May Primary School | 1 | 0 | Significant | Final |
| 1920SCH28 | Queensbridge Primary School | | | | Deferred |
| 1920SCH29 | Randal Cremer Primary School | | | | Draft |

Appendix 2

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|--------------------------|--------------------------------------------|---|---|--------------------|---------------------|
| 1920SCH14 | Sebright School | | | | Draft |
| 1920SCH31 | Simon Marks Jewish Primary School | 1 | 1 | Significant | Final |
| 1920SCH32 | Sir Thomas Abney School | 0 | 0 | Significant | Final |
| 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 | 0 | 0 | Reasonable | Final |
| 1920SCH15 | Tyssen Community Primary School | 0 | 3 | Reasonable | Final |
| 1920SCH37 | Shoreditch Park Primary School | 0 | 2 | Significant | Final |
| 1920SCH41 | St Scholastica Catholic Primary School | 0 | 0 | Significant | Final |
| Secondary Schools | | | | | |
| 1920SCH38 | Cardinal Pole Catholic School | 0 | 2 | Significant | Final |
| 1920SCH39 | Our Lady's Convent High School | 0 | 0 | Significant | Final |
| 1920SCH40 | The Urswick School | 0 | 0 | Significant | Final |

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 January to 31 March 2020

1. Investigations Referred

The Anti-Fraud service received 620 referrals during 2019/20, which represents a small increase on 2018/19. 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 | 0 | 3 | 3 | 6 | 9 |
| | Hackney Homes | 2 | 3 | 4 | 12 | 5 |
| | Tenancy Fraud | 55 | 75 | 240 | 266 | 263 |
| | Parking | 58 | 67 | 70 | 220 | 198 |
| Children, Adults & Community Health (CACH) | Children, Adults & Community Health | 2 | 2 | 10 | 10 | 6 |
| | Overstaying Families Intervention Team (NRPF) | 23 | 32 | 22 | 89 | 75 |
| | Hackney Learning Trust | 3 | 2 | 4 | 5 | 5 |
| Finance & Corporate Resources (F&CR) | Finance & Resources | 0 | 1 | 9 | 12 | 9 |
| Chief Executive Directorate | Chief Executive Directorate | 0 | 3 | 1 | 0 | 10 |
| Total | | 143 | 186 | 363 | 620 | 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 NRPF).

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 | 2019/20 to date | 2018/19 |
|-------------------------|------------------------------------|----------------------------------|-------------------------------------|-----------------|-------------|
| Internal | 23 | 23 | 0 | 184 | 145 |
| Other Local Authorities | 14 | 15 | 1 | 64 | 56 |
| HMRC | 2 | 1 | 1 | 16 | 0 |
| Police | 7 | 8 | 0 | 32 | 68 |
| Immigration | 1 | 1 | 0 | 3 | 11 |
| DWP | 148 | 147 | 1 | 708 | 866 |
| Other | 4 | 3 | 1 | 35 | 77 |
| Total | 199 | 198 | 4 | 1042 | 1223 |

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 | 4 | 81 | 63 |
| Housing Benefit | 3376 | 6 | 128 | 51 |
| Housing Tenants | 1443 | 13 | 32 | 68 |
| Right to Buy | 55 | 0 | 10 | 1 |
| Housing Waiting List | 2614 | 1 | 38 | 88 |
| Concessionary travel / parking | 203 | 0 | 187 | 169 |
| Creditors | 6,428 | 0 | sample | 638 |
| Pensions | 217 | 9 | 207 | 171 |
| Council Tax | 22608 | 7,302 | 2617 | 3,163 |
| Council Tax Reduction Scheme | 2453 | 32 | 114 | 22 |
| Other | 72 | 3 | 50 | 29 |
| Total | 39,614 | 7,370 | 3,464 | 4,463 |

Table 3

Council Tax discounts totalling £29,448 have been cancelled following review of the most recent NFI data matches.

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 have all transferred to DWP.

Hackney will be taking part in a national trial with 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 | 0 | 3 | 8 |
| Resigned as a result of the investigation | 1 | 9 | 9 |
| Referred to Police or other external body | 0 | 1 | 12 |
| Prosecution | 1 | 1 | 1 |
| Referred to Legal Services | 6 | 9 | 0 |
| Investigation Report/ Management Letter issued | 0 | 10 | 19 |
| Council service or discount cancelled | 16 | 87 | 71 |
| Blue Badges recovered | 24 | 41 | 35 |
| Other fraudulent parking permit recovered | 0 | 0 | 6 |
| Parking misuse warnings issued | 3 | 19 | 19 |
| Penalty Charge Notice (PCN) issued | 35 | 71 | 29 |
| Vehicle removed for parking fraud | 32 | 38 | 2 |
| Recovery of tenancy | 21 | 85 | 63 |
| Housing application cancelled or downgraded | 7 | 42 | 47 |
| Legal action to recover tenancy in progress | 81 | 81 | n/a |
| Right to Buy application withdrawn or cancelled | 3 | 15 | 13 |

Table 4

Resigned as a result of the investigation

As a result of the investigations conducted by the Audit Investigation Team (AIT) one person was prosecuted and a member of staff left while they were under investigation: -

- 1 prosecution for displaying a blue badge that had been reported as stolen
- A staff investigation concerning an undeclared second job

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 2020 a total of 21 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 £378,000.

In the same period seven housing applications have been cancelled following TFT review. These investigations help to ensure that Hackney's social housing is only allocated to those in genuine need. The Audit Commission has variously reported the potential benefit to the public purse of each cancelled application as between £4,000 and £18,000, so the value of this work represents a potential saving of between £28,000 and £126,000.

During this period three Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of £110,500 on the sale of a Council asset. The value of the discount for the RTBs that were declined represents a total of £331,500.

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 'service cancelled' category in Table 4). In the period January to March 2020 sixteen support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £6,192 per week, if these had been paid for the full financial year it would have cost Hackney approximately £322,868.

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 24 Blue Badges, this equates to £2,400, and enforcement charges of £8,675 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. Some of these works were re-performed at the contractors' expense following our investigation. Evidence of substantial over-claiming for work has been collected which is informing the Council's claim against the contractor's assets following the company going into liquidation.

Our investigation led to further enquiries by the Police which recently concluded with six people being found guilty of charges of bribery, theft and money laundering. One of the defendants was sentenced to six years imprisonment.

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. Two referrals were received via the hotline in the reporting period, neither concerned fraud.

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 | 2019/20 to date | 2018/19 total |
|---------------|-----------------------------|-----------------|---------------|
| Production | 4 | 10 | 4 |
| Restraint | 0 | 0 | 0 |
| Compensation | 0 | 1 | 0 |
| Confiscation | 1 | 2 | 2 |
| Total | 5 | 13 | 6 |

Table 5