# Audit & Anti-Fraud Progress Report

1 April - 31 December 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 - December 2020.  It covers areas of work undertaken, progress with implementing audit recommendations and information on developments in the service.

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 two Auditors, supplemented by specialist IT skills provided by an external provider. Internal Audit also supports the Council's CIPFA trainee programme. Resources have been impacted by the Council's response to the coronavirus pandemic which saw all auditors redeployed to assist with critical services delivery from March to September.  Completion of planned work was further hampered by the inability of services to facilitate audit reviews whilst the Council focussed resources on responding to the pandemic.

2.2    A revised 2020/21 Audit Plan was approved by the Audit Committee on 14 October 2020, consisting of 38 audits (of which 12 are schools/children's centres).  Reviews planned in services currently classed as critical in the response to the pandemic and cyber attack were deferred or revamped and others added to ensure changes to the system of internal controls, made during lockdown, are adequate and functioning as designed.

## 3.    INTERNAL AUDIT KEY PERFORMANCE INDICATORS

3.1    Data on the performance of Internal Audit for 2020/21 is stored on an ICT system called Pentana.  Unfortunately, as a result of the cyber attack it is not possible to access this information so it is not currently possible to provide detailed performance data on the implementation of outstanding recommendations.  Where it has been possible to calculate performance data manually this has been provided in the following tables.

| Objective | KPIs | Targets | Actual |
|---|---|---|---|
| **Cost & Efficiency**<br>*To ensure the service provides Value for Money* | 1)  Percentage of planned audits completed to final/draft report stage<br>2)  Average  days between the end of fieldwork & issue of the draft report. | 1)   90% by year end<br><br><br>2)   Less than 15 working days | 1)  21% complete or in progress by 31 December 2020<br>2)   17 days |
| **Quality**<br>*To ensure recommendations made by the service are agreed and implemented* | 1)  Percentage of significant recommendations made which are agreed<br>2)  Percentage of agreed high priority recommendations which are implemented | 1)   100%<br><br><br><br>2)  90% | 1)   100%<br><br><br><br>2) Unable to report due to cyber attack |
| **Client Satisfaction**<br>*To ensure that clients are satisfied with the service and consider it to be good quality* | 1)  Results of Post Audit Questionnaires<br><br>2)  Results of other Questionnaires<br>3)  No. of Complaints / Compliments | 1)  Responses  meet or exceed expectations<br><br>2)  Satisfactory<br>3)  Actual   numbers reported | 1)   100% (82% exceeded expectations and excellent)<br>2)  N/A<br>3)  None |

Table 1

3.2    As at 31 December 2020 a total of 19 internal audit reviews have been started from the 2020/21 Plan, six have been finalised and two are at draft report stage. In addition 14 reviews carried forward from the 2019/20 annual plan were finalised.

3.3    The Post Audit Survey results as reported to the October meeting showed that overall expectations of auditees are met or exceeded with 82% responding that expectations were exceeded, see bar chart below. It has not been possible to update this as the data is unavailable following the cyber attack.
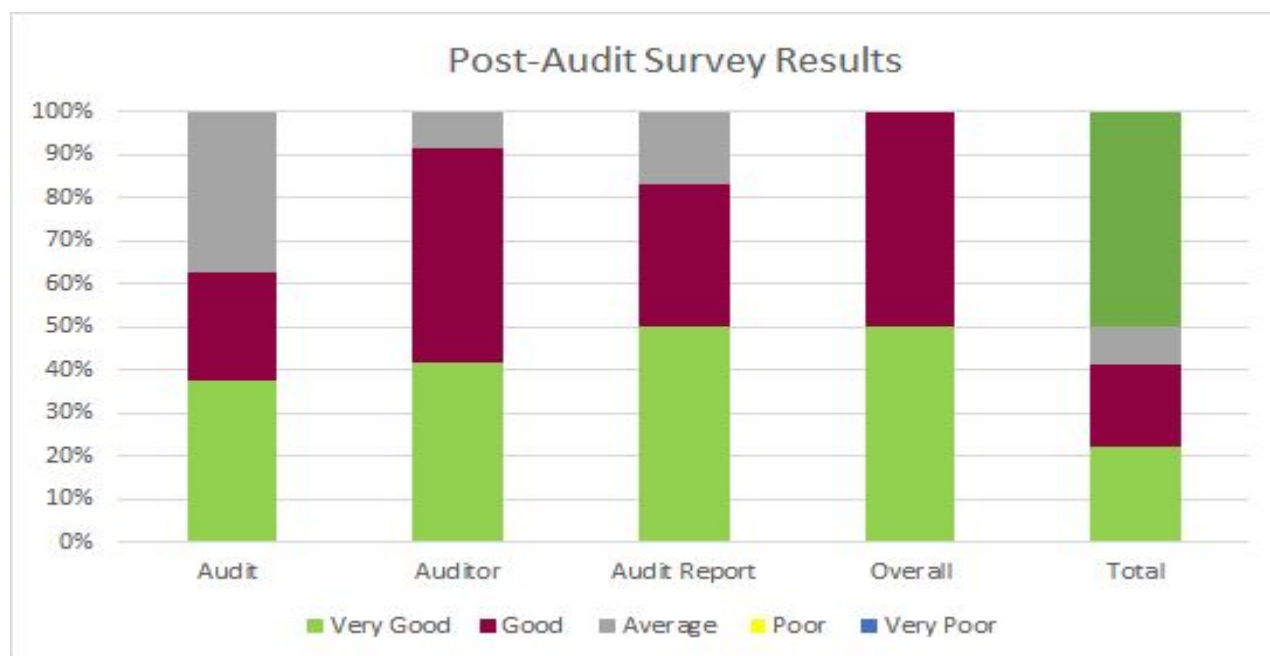


### 4.    SUMMARY OF INTERNAL AUDIT WORK

4.1    Progress with 2020/21 planned audits is summarised in Table 2 below and detailed in Appendix 2.

| 2020/21 Audit Plan<br>Stage of Audit Activity | Number of assignments | Percentage of the revised plan |
|---|---|---|
| Scoping/TOR agreed | 6 | 16% |
| Fieldwork in progress | 6 | 16% |
| Draft report issued | 2 | 5% |
| Completed | 6 | 16% |
| **Total work completed and in progress** | **19** | **53%** |
| Original Plan | 53 | |
| Cancelled/Deferred as at October | 17 | |
| Cancelled/deferred this period | 5 | |
| Additional requests | 7 | |
| **Total Revised Plan** | **38** | |

Table 2

4.2    Table 2 shows 53% of the planned assignments have been completed or are in progress.

4.3    Details of the five cancelled/postponed audits are shown in Table 3 below.

| Review | Reason for Deferral |
|---|---|
| Programmes & Projects - IT | Deferred to 2021/22 due to cyber attack |
| ICT Risk Management, sources of assurance | Deferred to 2021/22 due to cyber attack |
| Gayhurst Primary School | Cancelled by HE - Not required |
| Holmleigh Primary School | Cancelled by HE - Not required |
| Shoreditch Primary School | Cancelled by HE - Not required |

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 3. For those audits finalised this year, including 14 carried forward from the 2019/20 plan, the assurance levels are set out in Table 4 below.

| Assurance Level | 2020/21 | 2019/20 |
|---|---|---|
| No | 0 | 0 |
| Limited | 0 | 4 |
| Reasonable | 2 | 4 |
| Significant | 1 | 4 |
| Not Applicable | 3 | 2 |
| **Total** | **6** | **14** |

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 December 2020 are shown in Table 5.

| Categorisation of Risk | Definition | Number 2020/21 Plan | Number 2019/20 Plan not previously reported |
|---|---|---|---|
| High | Major issues that we consider need to be brought to the attention of senior management. | 0 | 15 |
| Medium | Important issues which should be addressed by management in their areas of responsibility. | 8 | 41 |
| | **Total** | **8** | **56** |

Table 5

## 5.    SCHOOLS

5.1    The results of schools' audits are reported to the Hackney Education (HE) within the Children's, Adults and Community Health Directorate. Progress with the implementation of agreed recommendations from 2016/17 to the current date are regularly followed up and reported.

5.2    Following the closure of school's as part of the national lockdown and the additional stresses placed on school management at that time, a decision was taken to defer all audits until after October half term.  During 2019/20 we successfully piloted the use of Internal Control Questionnaires (ICQs), this approach will be used for future school reviews.

This allows for the necessary assurances to be given whilst reducing the resources necessary to complete the audits, both for the school and the audit service. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.

5.3     As at 31 December 2020, five schools and children centre audits from the 2019/20 audit plan have been finalised.

5.4     In addition to undertaking the cyclical reviews the Internal Auditors have undertaken grant assurance work for two schools and one academy.  This is a new area of work for the team and was provided free of charge to the maintained schools to allow them to use the money saved to provide additional learning support for the pupils that had fallen behind with their education as a result of the pandemic.

**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.  This information is reported to the Audit Committee as part of this report each meeting to provide members of the committee with the opportunity to review progress as well as the ability to challenge any underperformance in  this area.

6.2     Unfortunately, due to the cyber attack it is not possible to access the IT system used to store this information, as a result no data is available for review on this occasion.

**7.     DEVELOPMENTS WITHIN INTERNAL AUDIT**

7.1     The Head of Internal Audit & Risk Management remains vacant, covered by an interim. Two auditor posts were deleted following the redundancy scheme in February 2020. The planned review of the management, resources and approach adopted by the internal audit team resulting from the reduction in resources, has been deferred until the current Covid19 crisis has passed.  Temporary cover was organised from the end of December 2019 to assist with completing the 2019/20 audit plan, this resource was redeployed along with the other three members of the team to assist critical front line services during the first wave of the pandemic, all four returned to audit work in October 2020 but are being called upon again to assist in particular with the verification of business grant applications.

7.2     The completion of ICT audits for 2019/20 were impacted by the Council's response to the Covid19 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. Audits not completed from the 2019/20 plan that were still relevant were included in the 2020/21 plan however as a result of the pressures on this area from both the cyber attack and the corporate response to the pandemic at the time of reporting no reviews have commenced in this service area.  Discussions held with the Director and management team have identified three specific areas where it is considered planned work would add value and could progress without having a negative effect on service delivery.  It is anticipated these reviews will be completed by the end of March 2021.

7.3     The auditors are doing all they can to assist with the corporated response to both the pandemic and the cyber attack but it needs to be stressed the important role Internal Audit has within the Council's governance framework.  The original 2020/21 audit plan was significantly scaled back to take account of the challenges facing many of the services that were due to be audited as well as the limited resources available while auditors were redeployed to other roles. Auditors will be sympathetic

to the challenges faced by colleagues when conducting audits and will endeavour to undertake the reviews with minimal disruption to the auditee. It is hoped that auditees will understand the need to assist the audit team to complete sufficient work during the remaining few months to enable the Head of Internal Audit to provide the annual assurance statement.

## 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). The planned review of structures and resources following the outcomes of the Council's Voluntary Redundancy Scheme has been delayed as a result of the Covid19 pandemic.

8.2 Investigators were redeployed to assist key services as part of the pandemic response. Some investigative activities have not been possible for much of the financial year, although these are being carefully reintroduced where possible with additional safeguards in place. Despite these difficulties, significant financial benefits continue to arise from this work.

8.3 Statistical information relating to all the work of the Anti-Fraud Teams is attached as Appendix 4.

## 9. CONCLUSIONS

9.1 The ability to complete internal audit reviews was severely hampered by the pandemic. Where it is possible to undertake work virtually this is being done. Work that has been put on hold will recommence as appropriate. Resources will focus on reviews that meet statutory requirements and will provide evidence to support the Head of Internal Audit & Risk Management's annual assurance statement.

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 | | | | | |
|---|---|---|---|---|---|
| *Progress to 31 December 2020* | | | | | |
| **Code** | **Description** | **High Priority Recs** | **Medium Priority Recs** | **Audit Assurance** | **Status** |
| **2019/20 Audits** | | | | | |
| 1920LBH01 | AGS Co-ordination 2019/20 | N/A | N/A | **N/A** | Completed |
| 1920LBH09 | IR35 | 2 | 2 | **Limited** | Final |
| 1920CACH13 | Children Leaving Care | 2 | 9 | **Limited** | Final |
| 1920CACH14 | Children's Disability Payments | 6 | 3 | **Limited** | Final |
| 1920CACH15 | Schools Overview Report 2018/19 | 0 | 1 | N/A | Final |
| 1920CACH16 | Special Educational Needs (SEN) Transport | 0 | 7 | **Reasonable** | Final |
| 1920CACH03 | Mortuary Statutory Review | | | | Draft on hold due to pandemic |
| 1920ICT02 | Cyber Resilience | | | | Draft |
| 1920NH05 | DLO | 0 | 0 | **Significant** | Final |
| 1920NH07 | Major Works | 2 | 5 | **Limited** | Final |
| 1920NH12 | Parking Income | | | | Draft |
| 1920NH13 | Markets Management | 0 | 0 | **Significant** | Final |
| 1920SCH06 | Daubeney Primary School | 1 | 3 | **Reasonable** | Final |
| 1920SCH14 | Sebright School | 1 | 2 | **Reasonable** | Final |
| 1920SCH23 | Lauriston Primary School | 0 | 2 | **Significant** | Final |
| 1920SCH29 | Randal Cremer Primary School | 1 | 5 | **Reasonable** | Final |
| 1920SCH41 | St Scholastica Catholic Primary School (replaces St Matthias) | 0 | 2 | **Significant** | Final |

| Internal Audit Annual Plan | | | | | |
|---|---|---|---|---|---|
| *Progress to 31 December 2020* | | | | | |
| Code | Description | High Priority Recs | Medium Priority Recs | Audit Assurance | Status |
| **2020/21 Audits** | | | | | |
| **Corporate / Cross Cutting** | | | | | |
| 2021LBH01 | AGS co-ordination 2020/21 | | | | Q4 |
| 2021LBH02 | Pension Fund | | | | Q4 |
| 2021LBH04 | Equal Pay | | | | In progress but on hold due to cyber attack |
| 2021LBH05 | Company Management/ Governance (e.g. Hackney Light & Power, Tiger Way, Ed Partnerships) | | | | Draft |
| 2021LBH06 / 2021CE02 | Climate Change & Environmental Sustainability | | | | Merged with 2021CE02 |
| 2021LBH07 | Review of Contract Management - Performance Management | 0 | 3 | **Reasonable** | Final |
| 2021LBH08 | Corporate Response to Covid-19 | | | | Various areas - In progress |
| **Chief Executive's** | | | | | |
| 2021CE02 | Environmental Sustainability | | | | Audit merged with Climate Change see 2021LBH06 |
| **Children, Adults & Community Health** | | | | | |
| **Adult Services/Public Health** | | | | | |
| 2021CACH01 | Mortuary Statutory Review | | | | WiP |
| 2021CACH03 | Integrated Learning Disabilities Service (ILDS) | | | | Q4 |

| **Children & Families** | | | | | |
|---|---|---|---|---|---|
| 2021CACH08 | Safeguarding - Children not registered in School - Follow up | | | | Q4 |
| **Education** | | | | | |
| 2021CACH10 | Schools overview report 2020/21 | | | | Q4 |
| 2021CACH11 | Themed audit Early Years Setting -15 hours free entitlement for 2 year olds | | | | Q4 |
| **Public Health** | | | | | |
| | | | | | No reviews planned due to pressures on this service resulting from Covid response |
| **FINANCE & CORPORATE RESOURCES** | | | | | |
| **Financial Management** | | | | | |
| 2021FCR05 | Treasury and Investments | 0 | 1 | **Significant** | Final |
| 2021FCR06 | Upgraded Main Financial WSystem Post Implementation Review | | | | Q4 |
| 2021FCR11 | Income Compensation Scheme - audit of grant claim | | | | Q4 |
| **Audit &  Anti-Fraud** | | | | | |
| 2021FCR09 | Anti-Fraud | | | | Q4 |
| **Procurement** | | | | | |
| 2021FCR08 | Virtual Payment Cards - Post Implementation Review | | | | In progress |
| 2021FCR10 | Conflicts of Interest in Procurement | | | | In progress |
| **Human Resources** | | | | | |

| 2021CE04 | Establishment | | | | ToR |
|---|---|---|---|---|---|
| **ICT** | | | | | |
| ~~2021ICT01~~ | ~~Programmes & Projects/Project Benefit Appraisal~~ | | | | Deferred to 2021/22 due to pandemic/cyber attack |
| ~~2021ICT02~~ | ~~ICT RM, sources of assurance~~ | | | | Deferred to 2021/22 due to pandemic/cyber attack |
| 2021ICT03 | Mobile Device Security & EP Security | | | | Planned Q4 |
| 2021ICT04 | Service Desk Case Management & End User experience (focussed on the new ways of working) | | | | Planned Q4 |
| 2021ICT05 | GDPR - Privacy by Design | | | | WiP |
| **Neighbourhoods & Housing** | | | | | |
| **Housing** | | | | | |
| 2021NH01 | Wyke TMO | | | | Q4 |
| 2021NH02 | Suffolk TMO | | | | Q4 |
| 2021NH03 | Cautionary Contact C/Tax & Hackney Housing | | | | WiP |
| **Public Realm** | | | | | |
| 2021NH06 | Use of Infrastructure Levy/section 106 | | | | Q4 |
| **Schools** | | | | | |
| **Children's Centres** | | | | | |
| 2021SCH01 | Gainsborough Children's Centre (with school) | | | | See Primary Schools |
| 2021SCH02 | Lubavitch Children's Centre | | | | Q4 |
| 2021SCH03 | Mapledene Children's Centre (linked to Queensbridge PS) | | | | See Primary Schools |

| **Primary Schools** | | | | | |
|---|---|---|---|---|---|
| 2021SCH01 | Gainsborough Community Primary School | | | | ToR |
| 2021SCH04 | Berger Primary School | | | | ToR |
| ~~2021SCH05~~ | ~~Gayhurst Community School~~ | | | | Cancelled |
| ~~2021SCH06~~ | ~~Holmleigh Primary School~~ | | | | Cancelled |
| 2021SCH03 | Queensbridge Primary School | | | | Q4 |
| 2021SCH07 | St. John the Baptist CE Primary School | | | | ToR |
| 2021SCH08 | St. Matthias CE Primary School | | | | ToR |
| 2021SCH09 | Colvestone Primary School | | | | Q4 |
| ~~2021SCH10~~ | ~~Shoreditch (Whitmore) Primary School~~ | | | | Cancelled |
| 2021SCH13 | Primary Advantage Federation (PAF) | 0 | 5 | **Reasonable** | Final |
| 2021SCH16 | Viridis Federation Grant Assurance | N/A | N/A | N/A | Final |
| **Secondary Schools** | | | | | |
| 2021SCH11 | Yesodey Hatorah Senior Girls' School | | | | ToR |
| **Other Schools** | | | | | |
| 2021SCH12 | Ickburgh School | | | | Q4 |
| 2021SCH15 | Clapton Girls' Academy Grant Assurance | | | N/A | Final |
| 2021SCH17 | Stormont House Grant Assurance | | | N/A | 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. | No more than one high priority finding &/or a low number of medium rated findings. 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 December 2020**

1. **Investigations Referred**

The Anti-Fraud service has received 299 referrals so far during 2020/21, which represents a significant decrease on 2019/20. This is due to reductions of tenancy and parking referrals and is entirely due to the pandemic. Other areas of operation remain broadly consistent with previous levels of activity.

| Group | Department | Number of Cases Referred in Period | Number of Cases Closed in Period | Cases Currently Under Investigation | Referrals 2020/21 to date | Referrals 2019/20 |
|---|---|---|---|---|---|---|
| Neighbourhoods & Housing (N&H) | Neighbourhoods & Housing | 2 | 1 | 6 | 6 | 6 |
| | Hackney Homes | 0 | 0 | 4 | 0 | 12 |
| | Tenancy Fraud | 20 | 4 | 266 | 105 | 266 |
| | Parking | 46 | 17 | 104 | 97 | 220 |
| Children, Adults & Community Health (CACH) | Children, Adults & Community Health | 2 | 2 | 8 | 2 | 10 |
| | No Recourse to Public Funds (NRPF) | 11 | 3 | 48 | 52 | 89 |
| | Hackney Education | 0 | 4 | 8 | 4 | 5 |
| Finance & Corporate Resources (F&CR) | Finance & Resources | 0 | 15 | 13 | 7 | 12 |
| | Covid19 Business Grants | 12 | 0 | 26 | 26 | n/a |
| Chief Executive Directorate | Chief Executive Directorate | 0 | 0 | 2 | 0 | 0 |
| **Total** | | 93 | 46 | 485 | 299 | 620 |

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 Hackney Education 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 | 2020/21 to date | 2019/20 |
|---|---|---|---|---|---|
| Internal | 21 | 21 | 1 | 80 | 184 |
| Other Local Authorities | 9 | 2 | 7 | 13 | 64 |
| HMRC | 1 | 0 | 1 | 4 | 16 |
| Police | 15 | 8 | 7 | 32 | 32 |
| Immigration | 0 | 0 | 0 | 1 | 3 |
| DWP | 26 | 26 | 0 | 203 | 708 |
| Other | 1 | 0 | 2 | 14 | 35 |
| **Total** | 73 | 57 | 18 | 347 | 1042 |

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 NFI2018/19 | Number Matches Cleared NFI2016/17 |
|---|---|---|---|---|
| Payroll | 145 | 3 | 82 | 63 |
| Housing Benefit | 3376 | 6 | 128 | 51 |
| Housing Tenants | 1443 | 19 | 73 | 68 |
| Right to Buy | 55 | 0 | 10 | 1 |
| Housing Waiting List | 2614 | 351 | 108 | 88 |
| Concessionary travel / parking | 203 | 0 | 187 | 169 |
| Creditors | 6,428 | 0 | sample | 638 |
| Pensions | 217 | 8 | 208 | 171 |
| Council Tax | 22608 | 291 | 9628 | 3,163 |
| Council Tax Reduction Scheme | 2453 | 29 | 185 | 22 |
| Covid19 business grants | 9,825 | 26 | 937 | n/a |
| Other | 23 | 3 | 15 | 29 |
| **Total** | 49,390 | 736 | 11,561 | **4,463** |

Table 3

There has been a significant increase in the number of matches reviewed from the most recent NFI release. This is in part due to extra focus in this area as capacity has been made available by a reduction in some reactive work due to Covid. In particular, the number of waiting list cases reviewed or in progress has increased from 192 to 459. Particular areas where outcomes have resulted in 2020/21 to date are -

- Twelve business grants with a joint value of at least £120,000 have been withheld following AAF investigation during this reporting period;
- CTRS claims have been cancelled following the discovery of undeclared income, resulting in assistance to the value of £116,500 being cancelled.
- A further £87,531 of incorrectly claimed Council Tax single person discounts have been identified and are in the process of being recovered (taking the total that has been identified from the 2018/19 exercise to £392,205).

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.

Hackney has agreed to provide DWP officers with direct access to our Housing Benefit records, although the timescale for doing this has been adversely impacted by Covid19. When this trial is able to proceed it is expected that this will reduce the financial burden in providing support to Housing Benefit investigations undertaken by the DWP.

The NFI data for the 2020/21 run is currently being matched by the Cabinet Office. Hackney data has been provided where this is currently available, it has not been possible to provide some information because of the cyber attack. We are continuing to liaise with the Cabinet Office and will provide outstanding data for matching as it is recovered.

## 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 | 2020/21 to date | 2019/20 to date |
|---|---|---|---|
| Disciplinary action | 0 | 0 | 3 |
| Resigned as a result of the investigation | 0 | 1 | 9 |
| Referred to Police or other external body | 2 | 2 | 1 |
| Prosecution | 0 | 0 | 1 |
| Referred to Legal Services | 0 | 0 | 9 |
| Investigation Report/ Management Letter issued | 1 | 4 | 10 |
| Council service or discount cancelled | 3 see para 5.2 | 50 | 87 |
| Covid business grants cancelled | 26 | 26 | n/a |
| Blue Badges recovered | 16 | 36 | 41 |
| Other fraudulent parking permit recovered | 4 | 6 | 0 |
| Parking misuse warnings issued | 5 | 15 | 19 |
| Penalty Charge Notice (PCN) issued | 16 | 37 | 71 |
| Vehicle removed for parking fraud | 15 | 23 | 38 |
| Recovery of tenancy | 2 | 8 | 85 |
| Housing application cancelled or downgraded | 11* see para 5.1 | 86 | 42 |
| Legal action to recover tenancy in progress | Information not available | 115 | n/a |
| Right to Buy application withdrawn or cancelled | 0 | 0 | 15 |

Table 4

## 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 direct 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 September 2020 a total of 2 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 36,000.

In the same period 11 housing applications have been cancelled following a TFT review. These investigations help to ensure that Hackney's social housing is only allocated to those in genuine need. The Audit Commission had 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 £44,000 and £198,000. There are a substantial number of additional applications that have been identified during this reporting period where the applicant no longer appears to be eligible.

Tenancy investigations have focussed on housing applications in the last quarter but outcomes from these enquiries cannot be confirmed, or updated on Housing Needs systems at present because of the cyber attack. An additional 293 applications have been identified in this reporting period which AAF believe should be removed from the register but which remain subject to consideration by Housing Needs when systems allow.

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 October to December 2020, 3 support packages were cancelled or refused following AAF investigations.  This equates to a saving in the region of £1,161 per week, if these had been paid for the full financial year it would have cost Hackney approximately £20,179.

It is expected that more packages will be cancelled as a result of investigations carried out during this reporting period, but it is taking longer than usual to update systems and confirm outcomes.

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 removed.  In this period AIT

recovered 16 Blue Badges, this equates to £1,600, enforcement charges of £4,040 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     Covid19 Business Grants

The investigations team have worked closely with the grant administration teams since March 2020 to assist with the grant verification process. This has identified 26 grant applications which were inaccurate resulting in payment being withheld. The value of these applications was £290,000. Concerns are being reported to the Police where this is appropriate.

## 6.     Matters Referred from the Whistleblowing Hotline

All Hackney staff (including Hackney Homes and Hackney Education) 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 is able to benefit financially from the use of POCA investigation powers.  The amount awarded to the Council is greater in instances where the Council is both the investigating and prosecuting authority.   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 | 2020/21 to date | 2019/20 to date |
|---|---|---|---|
| Production | 0 | 0 | 10 |
| Restraint | 0 | 0 | 0 |
| Compensation | 0 | 0 | 1 |
| Confiscation | 0 | 0 | 2 |
| **Total** | 0 | 0 | **13** |

Table 5

So far this year the Council has not received any income as a result of POCA Confiscation and Compensation Orders.  It should be noted that funds awarded from successful POCA investigations can often be received some time after the investigation is reported.