
Audit & Anti-Fraud Progress Report

1 April 2021 - 31 March 2022

1. INTRODUCTION

- 1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period January - March 2022. 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 two Auditors, supplemented by specialist IT skills from an external provider. Internal Audit also supports the Council's CIPFA trainee programme. Audit work has been disrupted as a result of the cyber attack in October which resulted in a lack of access to many of the Council IT systems and data. Completion of planned work has continued to be hampered by the inability of services to facilitate audit reviews whilst the Council focussed resources on responding to the pandemic and the recovery from the cyber attack.
- 2.2 The 2021/22 Audit Plan consisted of 50 audits (of which 13 are schools/children's centres), 22 audits were postponed or cancelled and 2 were added since the plan was agreed. Proposed changes to the plan have been discussed and agreed with directorate management teams. These changes are reflected in the Audit Plan at Appendix 2.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

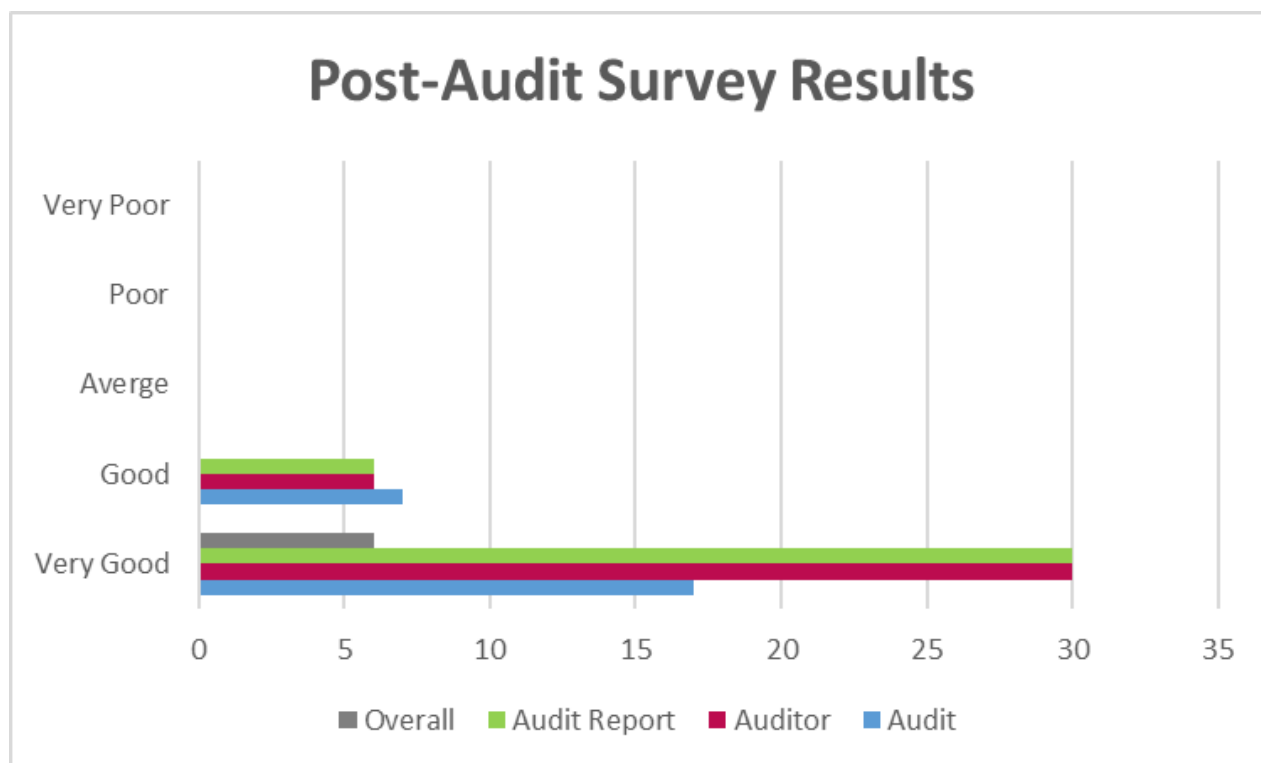
- 3.1 Internal Audit's performance for 2021/22 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraphs 3.2 – 3.4.

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) 93% complete or in progress by 31 March 2022 2) 5 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) 87% fully implemented** 8% - partially implemented 2) 88% - fully implemented** 10% - 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% (81% exceeded expectations or excellent) 2) N/A 3) None

** See paragraph 6.2 for explanation

Table 1

- 3.2 As at 31 March 2022 a total of 28 internal audit reviews have been started from the 2021/22 Plan, 12 have been completed and a further two are at draft report stage. In addition 10 reviews carried forward from the 2020/21 annual plan were finalised and three are at draft report stage.
- 3.3 Post-Audit Survey results continue to show that overall expectations of auditees are met or exceeded with 81% responding that expectations were exceeded, see bar chart below.



4. SUMMARY OF INTERNAL AUDIT WORK

- 4.1 Progress with 2021/22 planned audits is summarised in Table 2 below and detailed in Appendix 2.

2021/22 Audit Plan Stage of Audit Activity	Number of assignments	% of revised plan
Scoping/TOR agreed	4	13
Fieldwork in progress	10	33
Draft report issued	2	7
Completed	12	40
Total work completed and in progress	28	93%
Original Plan	50	
Additional requests	2	
Cancelled or Postponed	22	
Total Revised Plan	30	

Table 2

- 4.2 The table shows 93% of the planned assignments have been completed or are in progress.
- 4.3 Audit reviews into the Housing Supply Programme and Area Regeneration were added to the plan however due to difficulties as a result of the cyber attack these have had to be

deferred until 2022/23. In addition, following discussions with senior managers changes have been made to some planned audits which could not progress as originally planned due to the lack of access to systems following the cyber attack.

4.4 Details of cancelled/postponed audits are shown in Table 3 below.

Review	Reason for Deferral
Public Health Information Governance	Deferred due to cyber attack
Public Health Financial Control	Deferred due to cyber attack
Direct Payments	Deferred due to cyber attack
Integrated Learning Disabilities Service (ILDS)	Deferred due to cyber attack
Residential Care	Deferred due to cyber attack
Adults Homecare Procurement	Deferred due to cyber attack
Council Tax	Deferred due to cyber attack
NNDR/Business Rates	Deferred due to cyber attack
Equal Pay	Deferred due to cyber attack
Housing Supply Programme	Deferred due to cyber attack
Area Regeneration	Deferred due to cyber attack
Programme & Projects (ICT)	Deferred due to cyber attack
ICT Risk Management	Deferred due to cyber attack
FOI	Deferred due to cyber attack
Main Financial System Upgrade	Deferred due to cyber attack
Streetscene	Deferred due to cyber attack
Tenant Arrears - effect of changes to UC	Deferred due to cyber attack
Pension Fund	Deferred due to cyber attack
Commercial Property Income	Deferred due to cyber attack
Mortuary	Deferred due to pandemic
LAC Incidentals	Deferred due to cyber attack
Matrix ICT Contract	Deferred at management request

Table 3

4.5 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 10 carried forward from the 2020/21 plan, the assurance levels are set out in Table 4.

Assurance Level	2021/22	2020/21
No	0	0
Limited	0	2
Reasonable	7	4
Significant	4	3
Not Applicable	1	1
Total	12	10

Table 4

4.6 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 November 2021 are shown in Table 5.

Categorisation of Risk	Definition	Number 2021/22 Plan	Number 2020/21 Plan not previously reported
High	Major issues that we consider need to be brought to the attention of senior management.	3	0
Medium	Important issues which should be addressed by management in their areas of responsibility.	41	2
Total		44	3

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. 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 a result of schools being closed as part of the national lockdown and the stresses placed on school management a decision was taken to defer all audits until after October half term. Following the successful pilot of Internal Control Questionnaires (ICQs) in 2019/20 this approach will be used for future reviews. This approach 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 March 2022, five school and children centre audits ongoing from the 2020/2021 audit plan and eight schools from the 2021/22 audit plan have been finalised.

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 2017/18 that were due to be implemented by 31 March 2022 are presented in Table 6.

Directorate	Implemented /No longer relevant	Partially Implemented	Not implemented /No response	Not Yet Due	Total*
AHI	7	2	1	0	10
Children & Education	4	0	0	0	4
N&H	52	4	1	0	57
F&CR	17	2	0	0	19
Chief Executive's	1	0	0	0	1
Corporate	0	1	0	0	1
Total number	81	9	2	0	92
Percentage (%)*	88%	10%	2%	n/a	100%

* Does not include "Not Yet Due"

** There are no recommendations for the newly formed directorates at the time of reporting

Table 6

- 6.2 The Council's target for 2021/22 is 90% of 'High' priority recommendations should be implemented in accordance with agreed timescale. Audit followed up 92 'High' priority recommendations, the implementation rate currently stands at 88% fully implemented, with a further 10% partially implemented.
- 6.3 Of the 340 'Medium' priority recommendations followed up 87% were assessed as implemented and 8% partially implemented. Details are shown in Table 7.

Directorate	Implemented /No longer relevant	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Adults, Health & Integration	34	4	3	0	41
Children & Education	25	3	0	0	28
Neighbourhoods and Housing	108	4	9	3	121
Finance & Corporate Resources	97	5	4	2	106
Chief Executive's	15	6	2	2	23
Corporate	15	6	0	2	21
Total number	294	28	18	9	340
Percentage (%)	87%	8%	5%	n/a	100%

* Does not include "Not Yet Due"

Table 7

** There are no recommendations for the newly formed directorates at the time of reporting

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/ No longer relevant	Partially Implemented	Not implemented/ No Response	Not yet due	Total*
High	38	1	0	0	39
Medium	178	6	19	1	203
Total Number	216	7	19	1	242
Percentage (%)	89%	3%	8%	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, in addition there is a vacant internal auditor post following the resignation of one member of the team in September 2021. The planned review of the division's management and resources, resulting from the reduction in resources following the voluntary redundancy scheme in 2020, was deferred as a result of the Covid-19 pandemic.

- 7.2 The completion of ICT audits were significantly hampered by both the service's response to the Covid-19 pandemic and the cyber attack in October 2020. Focus of planned audits in this service area were reconsidered with management to try to ensure planned reviews could be undertaken given the strain on the division's resources and the ongoing lack of access to IT systems. Unfortunately despite revising the planned audits it was not possible to complete most of the audits in this area.

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 2020 has been delayed as a result of the Covid-19 pandemic.
- 8.2 Some investigative activities have not been possible for much of the financial year, although these are being carefully reintroduced with additional safeguards in place. Despite these difficulties, financial benefits continue to arise from these enquiries albeit that they are impacted by the pandemic at Hackney and within the criminal justice system generally, and the cyber attack.
- 8.3 Statistical information relating to the work of the Anti-Fraud Teams is shown at 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 During the 2021/22 financial year, in addition to the Covid-19 pandemic continuing to impact upon the ability of the Audit & Anti Fraud Service to carry out its work, including the completion of internal audit reviews and investigations as was the case in all London Boroughs, like all services in Hackney it had to contend with the criminal cyber attack. The service demonstrated its agility, creativity and resilience to continue to undertake much of its core work, whilst also being deployed to support key council services delivering the wide range of new business grants and support that had to be stepped up at pace with the necessary assurance requirements of these grants being met. Inevitably, some work had to be deferred but this now beginning to restart. Resources have been focussed on reviews that provide evidence to support the Head of Internal Audit & Risk Management's annual assurance statement.
- 9.3 The loss of data and access to systems as a result of the cyber attack and the challenges this posed when undertaking audit reviews has understandably impacted upon the level of assurance that can be given under what are extraordinary circumstances. The Council moved to put in place alternative working practises to ensure essential services continued to be provided to our residents. It was recognised that the use of interim measures involved accepting a greater level of risk than under normal circumstances but these were unprecedented times and the risks needed to be accepted in order for the Council to deliver essential services. This was also recognised in the establishment of 'Gold' Emergency arrangements in relation to cyber as well as the pandemic. Using the cumulative knowledge and experience from the audit review of the systems and controls in place over many years, including the results of previous audit work and the work undertaken to date, it is considered that overall, throughout the Council there is an adequate internal control environment. The roll-out of new systems to replace legacy systems, designed to take account of current service requirements, emerging risks and new working arrangements, will considerably enhance the internal control systems of the Council.

Internal Audit Annual Plan					
Progress to 30 November 2021 (including 2020/21 audits completed in the year)					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2020/21 Audits					
2021LBH01	AGS co-ordination 2020/21	N/A	N/A	Adequate	N/A
2021LBH08	Corporate Response to Covid 19 - PPE - Business Continuity	N/A 0	N/A 6	N/A Reasonable	Final
2021CACH12	Schools overview report 2020/21				Cancelled due to Covid
2021CACH08	Safeguarding - Children Missing from School - F/up	0	0	Significant	Final
2021FCR09	Anti-Fraud				Draft
New review	Consultants role in Procurement	1	9	Limited	Final
2021CE04	Establishment	0	2	Significant	Final
2021ICT03	Mobile Device Management & End to End Security				Draft
2021ICT04	Move to support homeworking during pandemic				WIP
2021ICT05	GDPR - Privacy by Design				WIP
2021NH01	Suffolk TMO	2	7	Limited	Final
2021NH02	Wyke TMO				WIP
2021NH03	C/Tax & Housing - Cautionary Contact				Draft
2021SCH01	Gainsborough School & CC	0	3	Reasonable	Final
2021SCH03	Queensbridge School & Mapledene CC	0	3	Significant	Final
2021SCH04	Berger Primary School	0	5	Reasonable	Final
2021SCH07	St. John the Baptist CE Primary School	0	3	Reasonable	Final
2021SCH08	St. Matthias CE Primary School	0	3	Reasonable	Final

Appendix 2

Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2021/22 Audits					
Corporate / Cross Cutting					
2122LBH01	AGS co-ordination 2021/22				ToR
2122LBH02	Co Management/ Governance (e.g. Hackney Light & Power)				WiP
2122LBH03	Equal Pay				Deferred due to Cyber attack
Chief Executive's					
2122CEX01	Electoral Services				Draft
2122CEX02	Grants				WiP
2122CEX03	Film Office Charges	0	3	Reasonable	Final
2122CEX04	Private Sector Hsg	1	7	Reasonable	Final
Regeneration					
2122CE05	Housing Supply Programme				Deferred at Mgmt Request - due to cyber attack
2122CE06	Area Regeneration				Deferred to 2022/23
Children, Adults & Community Health					
Adult Services/Public Health					
2122AHI01	Mortuary Statutory Review				On hold due to pandemic
2122AHI02	Integrated Learning Disabilities Service				Deferred at Mgmt Request
2122AHI03	Direct Payments				Deferred at Mgmt Request
2122AHI04	Residential Care				Deferred at Mgmt Request
2122AHI05	Adults Homecare Procurement				Deferred at Mgmt Request
2122AHI06	Housing with Care	1	3	Reasonable	Final
Children & Families					
Education					
2122GE01	LAC Incidentals				Deferred at Mgmt Request - due to cyber attack

Appendix 2

2122CE02	Unregistered Settings				Draft
2122CE03	Schools overview report 2021/22				
2122CE04	Early Years Setting -15 hours free for 2 year olds				WiP
Public Health					
2122AH07	Information Governance				Cancelled at Mgmt Request
2122AH08	Financial Controls				Cancelled at Mgmt Request
FINANCE & CORPORATE RESOURCES					
Strategic Property					
2122FCR01	Commercial Property Income				Deferred to 2022/23
Financial Management					
2122FCR02	Pension Fund				Deferred at Mgmt Request
Procurement					
2122FCR03	Matrix ICT Contract				Deferred to 2022/23
Customer Services					
2122FCR04	Council Tax				Deferred at Mgmt Request - due to cyber attack
2122FCR05	NNDR/Business Rates				Deferred at Mgmt Request - due to cyber attack
2122FCR06	Searchlight System Review - Data security				WiP
2122FCR07	Procurement of Homelessness Provision				WiP
ICT					
2122ICT01	Programmes & Projects/Project Benefit Appraisal				Cancelled due to cyber attack
2122ICT02	ICT Risk Management, sources of assurance				Cancelled due to cyber attack
2122ICT03	Freedom of Information				Deferred at Mgmt Request - due to cyber attack
2122ICT04	Main financial system upgrade				Cancelled due to cyber attack

Neighbourhoods & Housing					
Housing					
2122NH01	Clapton Park TMO				ToR
2122NH02	Wyke TMO				WiP
2122NH03	Streetscene				Cancelled due to cyber attack
2122NH04	Implementation of new rent account system	N/A	N/A	N/A	Advisory
2122NH05	Effect of UC on tenant arrears				Cancelled due to cyber attack
Public Realm					
2122NH06	Use of Infrastructure Levy/section 106				ToR
Schools					
Primary Schools					
2122SCH01	Colvestone				WiP
2122SCH02	Grasmere	0	6	Reasonable	Final
2122SCH03	Parkwood	1	4	Reasonable	Final
2122SCH04	Rushmore	0	1	Significant	Final
2122SCH05	St Dominic's				WiP
2122SCH06	St John of Jerusalem				WiP
2122SCH07	St Mary's CoE	0	1	Significant	Final
2122SCH08	The Garden School	0	6	Reasonable	Final
2122SCH09	Thomas Fairchild				Draft
2122SCH10	William Patten	0	2	Significant	Final
Secondary Schools					
2122SCH11	Clapton Girls Academy Scrutiny	0	3	Significant	Final
2122SCH12	New Regent's College				WiP
2122SCH13	Our Lady's	0	5	Reasonable	Final
2122SCH14	Yesodey Hatorah Senior Girls School				ToR

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 2021 to 31 March 2022

1. Investigations Referred

The Anti-Fraud service received 455 referrals during 2021/22, which represents an increase on the 362 cases received in 2020/21, although it is less than the 617 cases received pre-pandemic in 2019/20.

Group	Department	Number of Cases Referred in Period	Number of Cases Closed in Period	Cases Currently Under Investigation	Referrals 2021/22	Referrals 2020/21
Neighbourhoods & Housing (N&H)	Neighbourhoods & Housing	6	0	9	12	11
	Hackney Homes	0	1	3	0	0
	Tenancy Fraud	81	103	309	232	120
	Parking	53	37	62	157	119
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	0	6	2	3	1
	No Recourse to Public Funds (NRPF)	12	0	67	44	66
	Hackney Education	0	9	0	0	3
Finance & Corporate Resources (F&CR)	Finance & Resources	4	9	2	6	1
	Covid19 Business Grants	0	9	8	0	40
Chief Executive Directorate	Chief Executive Directorate	0	1	0	1	1
Total		156	175	462	455	362

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	2021/22	2020/21
Internal	33	32	1	92	83
Other Local Authorities	64	64	0	95	22
HMRC	1	1	0	3	5
Police	7	8	0	17	35
Immigration	0	0	0	1	1
DWP	117	117	0	230	203
Other	16	15	1	54	16
Total	279	278	2	492	365

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 2021. Matches are investigated by various LBH teams over the 2 year cycle, AAF investigates some matches and coordinates 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 NFI2020/21	Number Matches Cleared NFI2018/19
Payroll	69	2	20	82
Housing Benefit	1303	17	14	128
Housing Tenants	831	15	47	73
Right to Buy	28	0	0	10
Housing Waiting List	n/a	n/a	n/a	120
Concessionary travel / parking	987	278	132	187
Creditors	7098	0	0	sample
Pensions	220	124	1	208
Council Tax	n/a	n/a	n/a	9,628
Council Tax Reduction Scheme	n/a	n/a	n/a	185
Covid19 business grants	126	79	26	714
Other	n/a	n/a	n/a	15
Total	10662	515	240	11,350

Table 3

Hackney participation in the 2020/21 NFI was limited because of the timing of the cyber attack. Information that was in the process of being collated in October 2020 was not available for matching, hence the absence of some match categories from the table above. Match outcomes are being reviewed although alternative methodologies are being followed in some cases.

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 Covid-19. 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.

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	2021/22	2020/21
Disciplinary action	0	2	2
Resigned as a result of the investigation	1	2	2
Referred to Police or other external body	0	7	3
Prosecution	0	0	6
Referred to Legal Services	0	0	0
Investigation Report/ Management Letter issued	8	9	5
Council service or discount cancelled	18	37	71
Covid business grants cancelled	1	4	26
Blue Badges recovered	34	97	47
Other fraudulent parking permit recovered	3	4	7
Parking misuse warnings issued	1	23	20
Penalty Charge Notice (PCN) issued	35	108	46
Vehicle removed for parking fraud	30	82	31
Recovery of tenancy	11	34	11
Housing application cancelled or downgraded	2	5	94
Right to Buy application withdrawn or cancelled	2	3	n/a

Table 4

Prosecutions and dismissals

As a result of the investigations conducted by the Audit Investigation Team (AIT), one employee went absent without leave and did not attend a disciplinary process following an investigation which identified concerns about their immigration status.

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 external benchmarking data to provide a realistic estimation of the cost of the irregularity:

5.1 Tenancy Fraud Team (TFT)

During the period January to March 2021 a total of 11 tenancies have been recovered by the TFT. Using the Audit Commission figure for the estimated cost of temporary accommodation of 42,000 pa, this equates to a saving of £462,000.

In the same period 2 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 £8,000 and £36,000.

During this period two Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of £112,800 on the sale of a Council asset, so the value of this work is a saving of £225,600 to the public purse.

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 2022, 18 support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £6,966 per week, if these had been paid for the full financial year it would have cost Hackney approximately £363,227.

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 37 Blue Badges or other parking permits, which equates to £3,700, and enforcement charges of £8,275 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 has worked closely with the grant administration teams since March 2020 to assist with the grant verification process. This has identified multiple grant applications which were inaccurate, resulting in payment being withheld, and further cases where action is underway to recover payments that have already been made. One grant overpayment of £10,000 was resolved during this reporting period. 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	Authorised in period	2021/22	2020/21
Production	2	4	0
Restraint	0	0	0
Compensation	0	0	0
Confiscation	0	0	0
Total	2	4	0

Table 5

During this reporting period the Council received £1,023.75 from payments made in respect of POCA orders. The POCA incentivisation scheme splits the proceeds from orders between investigation, prosecution and judicial authorities, and the HM Treasury - so the amount reported here represents a part of the total benefit to the public purse arising from this work. It should be noted that funds awarded from successful POCA investigations can often be received some time after the investigation is reported.