



## AUDIT PANEL

### **Report title: Anti-Fraud and Corruption Team – Annual Report**

**Date:** 8th September 2022

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Head of Assurance and Anti-Fraud and Corruption Team Manager

### **Outline and recommendations**

The purpose of this report is to present the Audit Panel with a review of the work of the Anti-Fraud and Corruption Team (A-FACT) in the last financial year.

It is recommended that the Audit Panel note this report for information.

## **1. Summary**

- 1.1. A-FACT's work continued to be impacted by the COVID-19 pandemic with the anti-fraud response redirected to various COVID-19 support schemes. Other investigation work has been hindered by the inability to conduct interviews and visits, restrictions on evictions and court system delays.
- 1.2. We provide activity detail in the body of the report. Highlights include:
  - We supported the pre and post-payment verification relating to the COVID-19 relief schemes. This task included working with the Insight and Delivery Lead to automate checking grant applications against bank accounts and email addresses with known links to organised fraud.
  - We used our access to the CIFAS Fraud Database to provide additional assurance post payment. The batch processing facility has been particularly useful to deal with case volume.

## **2. Recommendations**

- 2.1. It is recommended that the Audit Panel note this report for information.

### 3. Policy Context

- 3.1. The overriding policy context for the Audit Panel is to ensure adequate and effective governance and internal control to fulfill Members' and Officers' public stewardship obligations.
- 3.2. This impacts all the Council's strategic priorities, as part of the Corporate Strategy 2019. The seven corporate priorities as stated below:
  - **Open Lewisham** - Lewisham will be a place where diversity and cultural heritage is recognised as a strength and is celebrated.
  - **Tackling the housing crisis** - Everyone has a decent home that is secure and affordable.
  - **Giving children and young people the best start in life** - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.
  - **Building and inclusive local economy** - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
  - **Delivering and defending health, social care and support** - Ensuring everyone receives the health, mental health, social care and support services they need.
  - **Making Lewisham greener** - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
  - **Building safer communities** - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

### 4. Background

- 4.1. The A-FACT comprises five officers. The work is focused on special Investigations, housing, pre-employment checks for employees, and service level agreement with Lewisham Homes.
- 4.2. The special investigation work covers allegations involving employees, contractors, business rates, grants, blue badges and financial irregularities within or against Lewisham Council.
- 4.3. The housing investigation work covers fraudulent applications relating to Homelessness, Housing register, Right to Buy and Cash Incentive schemes. Investigations into subletting are conducted on behalf of our partners Lewisham Homes and several Registered Social Landlord (RSLs)
- 4.4. The referencing work covers pre-employment checks focusing on potential conflicts of interest and monies owed to the council for council tax etc, as well as investigating any anomalies with employment history etc.
- 4.5. We also support Lewisham Homes with more serious allegations of fraud within or against Lewisham Homes and pre-employment checks.

### 5. Investigation work

#### Special Investigations

- 5.1. "Special Investigations" is the term used for our non-housing investigative work.
- 5.2. Details of work and comparative figures for the same period in the prior year are shown below, along with the previous two years full year figures for reference.

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Summary of Special Investigations work	2021/22	2020/21	2019/20
<b>Bought forward from prior years</b>	<b>47</b>	<b>37</b>	<b>19</b>
New Cases	67	76	121
Closed Cases	70	66	103
- Employee & Agency Closed with action	6	10	2
- Employee & Agency Closed no action	4	0	4
- Other Closed with action	41	43	65
- Other Closed no action	19	13	32
<b>Cases Carried Forward to Next Year</b>	<b>44</b>	<b>47</b>	<b>37</b>

5.3. There were 6 staff cases concluded in the year to 31 March 2022 resulting in action.

- 1 x resigned whilst under investigation
- 4 x not employed following issues arising from the pre-employment vetting
- 1 x no fraud identified but procedural weaknesses identified and improved

5.4. The tables below show further analysis of employee and non-employee fraud.

Emp & Agency Case Analysis	2021/22	2020/21	2019/20
Dismissed/resigned & Convicted	0	1	0
Resigned/Dismissed incl agency	1	4	1
Other disciplinary or monies repaid	4	4	2
Prosecuted for false application	0	0	1
Management action incl process review	1	0	0
Identity or other issue cleared	0	1	0
Closed with no action	4	0	4
<b>Total Employee &amp; Agency Cases</b>	<b>10</b>	<b>10</b>	<b>6</b>

Non-Employee Cases 2021/22	Total Cases	Fraud Proven or Prevented	Evidence provided	No Fraud / NFA
Blue Badge	3	1	1	1
Direct Care Payments	2	0	1	1
Business Rates	5	3	0	2
Other cases	21	6	0	15
Information requests	29	0	0	0
<b>Total</b>	<b>60</b>	<b>10</b>	<b>2</b>	<b>19</b>

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- 5.5. In the table above “Requests for information” includes requests from other authorities to aid investigations they are undertaking. Our stance is to provide information wherever we are legally free to do so, consistent with a general view in wanting to see fraud investigated wherever it may arise. We are also conscious that our own investigations may sometimes rely on information held by other authorities. Such requests have also, on occasion, led to successful joint investigations.
- 5.6. The table below shows the breakdown of cases received and closed April to June 2022.

Summary of Special Investigations work	Apr - Jun 2022
<b>Bought forward</b>	<b>44</b>
New Cases	19
Closed Cases	13
- Employee & Agency Closed with action	0
- Employee & Agency Closed no action	0
- Other Closed with action	7
- Other Closed no action	6
<b>Carried Forward</b>	<b>50</b>

- 5.7. The 7 cases closed with action relate to
- 2 x Blue badge cases. A prosecution for the misuse of the deceased person’s blue badge which resulted in a £120 fine and £150 costs, and a case where the application was cancelled due to discrepancies with the address.
  - 1 x No recourse to Public funds case where the absent parent was traced to make a financial contribution to the household.
  - 1 x Fraud alert issued concerning Mandate Fraud
  - 2 x Interrogation of emails for specific information required for the Council’s business but not related to fraud.
  - 1 x Investigation into the purchase of IT equipment outside of the usual procurement process during the initial months of the pandemic. The laptops have been recovered and will be repurposed

#### **COVID-19 Business Rates grants**

- 5.8. A-FACT have supported the Business Rates Team, and the Economy, Jobs and Partnership Team in setting up and processing the various grants available during the pandemic. Our aim was to ensure that monies were distributed to businesses as soon as possible within a robust framework of fraud controls. This has included preparing Fraud Risk assessment and Post Event Assurance Plans following Department for Business, Energy and Industrial Startegy (BEIS) guidance and ensuring pre and post-payment checks are completed as required by the scheme.
- 5.9. The Council’s focus was on preventing payment of fraudulent applications and rigorous pre-payment checks tailored to the specific grant schemes. This included using central government tools such as Spotlight and bank checker to detect potentially fraudulent applications as well as checking both in-house and external systems.

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- 5.10. Applicants originally submitted claims by email to ensure a simple and agile process. Later, the Council moved to online applications which sped up claim processing and verifying.
- 5.11. For the most recent Omicron grant scheme we worked with the Council's Insight & Delivery Lead to automate checking new grant applications against details linked to fraudulent applications elsewhere. This check was in addition to normal verification.
- 5.12. We rejected over half of the 6,687 applications received. We could not establish whether these were due to fraud or error, but it is likely a number of those rejected were fraudulent.

Categories of rejection	No.
Business previously notified as closed	104
Business insolvent or application to strike off	13
Grants claimed for empty premises	42
Details not matching information previously supplied	548
Not eligible for grant sought	2,007
Duplicate/Already paid	983
<b>Total rejected</b>	<b>3,697</b>

- 5.13. We have carried out post-payment checks on a sample of applications. We have detected no fraudulent applications in that sample.
- 5.14. We have submitted data from the earlier grant schemes to the National Fraud Initiative, a data matching exercise coordinated by the Cabinet Office. They returned 22 applications for further checking. Detailed checks found that these grants had all been correctly claimed.

#### Pre-employment checks

- 5.15. A-FACT support Human Resources by undertaking part of the Council's recruitment checks. Each candidate who has accepted a verbal offer of employment must complete a pre-employment check focusing on Council tax, benefits, rent and personal business interests which may cast doubt on the individual's integrity or identify potential conflicts. This process also applies to agency staff.

Summary of checks	2021/22	2020/21	2019/20
Checks completed	311	265	292
Action taken	28	32	36
Proportion with action taken	9%	12%	12%

- 5.16. On the 28 cases with action taken:
- 4 x repayment plans agreed to pay outstanding Council Tax or rent totalling £6,575.
  - 1 x case where Council Tax SPD had been fraudulently claimed on a property by someone other than the potential employee to the value of £552
  - 18 x declared Company directorships checked for conflicts of interest.
  - 5 x undeclared Company directorships identified.

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- 5.17. A further three cases resulted in offers of employment being withdrawn. These are detailed in section 5.2 of this report.
- 5.18. A table below shows the breakdown of cases received and closed April to June 2022.

Summary of checks	April - June 2022
Checks completed	80
Action taken	8
Proportion with action taken	10%

- 5.19. Cases resulting in action can be broken down as follows.
- 2 x repayment plans agree to pay outstanding Council Tax totaling nearly £8k
  - 5 x declared Company directorships checked for conflicts of interest
  - 1 x undeclared Company directorships identified.

#### **Test and Trace Support payments**

- 5.20. A-FACT continued to support the Housing Benefit Team by undertaking post-payment sample checks on support payments. 45 cases were checked but no irregularities were uncovered.

#### **Council Tax Energy Rebate Scheme**

- 5.21. A-FACT worked with Council Tax to ensure that the Energy Rebate Scheme was subject to proportionate fraud checks to limit any opportunity for fraud whilst ensuring that residents can access the support in a timely and convenient method.

#### **Anti-Fraud and Corruption Policy**

- 5.22. The Council's Anti-Fraud & Fraud Policy has been reviewed and updated. The revised version is attached as appendix 1. This is a housekeeping update, correcting some references and updating job titles. We hope to undertake a more comprehensive review of the policy in 2023/24.

#### **Lewisham Homes**

- 5.23. A-FACT continues to undertake investigation work for Lewisham Homes under a Service Level Agreement. The investigation work has been severely hampered by the pandemic. Interviews, visits and court cases have stalled. Although this has reduced the volume of work possible, we have worked with Lewisham Homes to recover five tenancies and, in one case, reduce the size of tenancy offered.
- 5.24. We undertook 92 pre-employment checks for Lewisham Homes, with 8 resulting in further action including repayment plans to recover over £7k of outstanding Council Tax and rent

#### **RSL and Housing Investigations**

- 5.25. Due to overlaps in the work for our RSL partners and applications for housing and homelessness we have combined the figures below for both areas of work. As with special investigations, cases are linked to the year closed.

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Summary of RSL & Housing Cases	2021/22	2020/21	2019/20
<b>Brought forward from prior years</b>	<b>26</b>	<b>29</b>	<b>66</b>
New cases	54	29	53
Closed Cases – No action	29	28	70
Closed Cases - Resulting in action	11	4	20
<b>Carried forward to future years</b>	<b>40</b>	<b>26</b>	<b>29</b>

5.26. Cases resulting in action:

- 3 x tenancies recovered
- 4 x Applications for housing cancelled
- 2 x Number of bedrooms reduced
- 2 x Court undertakings signed regarding future use of tenancy

5.27. The pandemic has had a significant impact on housing investigations over the last couple of years. For a period evictions were unlawful, and we continue to see significant delays in the court system. However in the period April to June the team has already had 5 successful cases:

- 4 x tenancies recovered.
- 1 x application for housing cancelled

#### **Local Government Transparency Code 2014**

5.28. The Local Government Transparency Code requires all local authorities to publish data on their anti-fraud arrangements at least annually.

5.29. The data for 2021/22 is below along with the two previous years for comparison. Note that in investigations into Business Rate grants, only closed successful cases have been included due to the volume of checks conducted

Data required	21/22	20/21	19/20
Number of uses of powers under the Prevention of Social Housing Fraud (Power to require information) Regulations 2014 or similar.	5	19	32
Total number of employees undertaking investigations and prosecutions of fraud	5	5	6
Total number of professionally accredited counter fraud specialists	5	5	6
Total amount spent by the authority on the investigation and prosecution of fraud	£283,844	£315,367	£352,929
Total number of cases investigated (Not including covid grants)	154	156	272

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## **6. Financial implications**

6.1. There are no financial implications arising from this report.

## **7. Legal implications**

7.1. There are no legal implications arising from this report.

## **8. Equalities implications**

8.1. There are no equalities implications arising from this report.

## **9. Climate change and environmental implications**

9.1. There are no climate change and environmental implications arising from this report.

## **10. Crime and disorder implications**

10.1. There are no crime and disorder implications arising from this report.

## **11. Health and wellbeing implications**

11.1. There are no health and wellbeing implications arising from this report

## **12. Background papers**

12.1. There are no background papers.

## **13. Report author(s) and contact**

13.1. If there are any queries on this report, please contact Rich Clarke, Head of Assurance  
Rich.clarke@lewisham.gov.uk or Carol Owen, Anti-Fraud & Corruption Team Manager  
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