

AUDIT PANEL			
Report Title	ANTI FRAUD AND CORRUPTION TEAM UPDATE REPORT		
Key Decision	NO		Item No. 6
Ward	ALL		
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES		
Class	Part 1	Date: 27 May 2009	

1 Purpose of the Report

The purpose of this report is to present the members of the Audit Panel with an update on the work of the Anti-Fraud and Corruption Team (A-FACT).

2 Recommendations

It is recommended that the Audit Panel note the report.

3 Benefit Investigations

3.1 The Benefit Fraud section of A-FACT has been through a period of change in the last year or so, including a small restructure at the end of 2007/08. During 2008/09, the section reviewed the way it operates with a view to improving the efficiency and effectiveness of its fraud investigations, and two members of the team completed the Accredited Financial Investigators training, which equips the team with the skills required to recover assets from convicted fraudsters, under the Proceed of Crime legislation.

3.2 In 2008/09, the section handled some 500 new referrals, from a range of sources, and closed over 750 open cases during the year. Not all cases investigated results in the issue of a sanction. The table below shows a breakdown of the teams' performance for 2008/09 and compares this to the two previous years:-

Year	No. of referrals received	No. of closed cases	Total No. of sanctions	No. of sanctions per officer	Value of fraudulent over payments	Value of admin. penalties issued
2006/07	711	434	149	16	£359,040	£23,302
2007/08	469	483	164	18	£455,773	£29,280
2008/09	509	761	159	23	£450,569	£17,572

As can be seen from the above table, the number of cases closed during 2008/09 is significantly higher than in the two previous years. The number of sanctions issued during the year compares favourably with the two previous years while the number of sanctions issued per officer has shown an improvement.

3.3 The table below shows the spread of referrals received during the year. The low number received in the first quarter of the year is due to the lack of referrals received from the Housing Benefit Matching Service which were halted while they reviewed their security arrangements for the transfer of data. Despite the low referrals for the first quarter, the total for the year is up on the previous year and suggests that the underlying trend is starting to show the

expected increase in the level of benefit fraud that appears where the economy enters recession.

Period	Number of Referrals
Apr – June	52
Jul – Sept	158
Oct – Dec	182
Jan – Mar	169
Total for the Year	509

- 3.4 The table below shows a breakdown of the total amount of benefit sanctions issued during 2008/09.

Period	Admin Penalty	Cautions	Prosecutions	Totals
Apr – June	4	21	2	27
Jul – Sept	1	8	4	13
Oct – Dec	8	30	2	40
Jan – Mar	13	58	8	79
Totals	26	117	16	159

4 Housing Investigations

- 4.1 Following the decision by Lewisham Homes not to renew the service level agreement (SLA) during 2008/09, the investigation of housing tenancy fraud has been undertaken directly by Lewisham Homes from October 2008, when two Housing Investigators were transferred to Lewisham Homes. A-Fact has retained one post to undertake the more complex investigations that are generated from the Housing Options Centre and Homelessness Cases.
- 4.2 The table below shows a break down of the type of housing investigations carried out by the remaining Housing Investigations Officer during 2008/09. The unlawful subletting cases all commenced prior to Lewisham Homes ceasing the SLA and had progressed to a point where it was more efficient for A-FACT to bring them to a conclusion.

Type of Fraud	Cases proven
Unlawful Subletting	16
Fraudulent Homelessness applications	12
Tenancy Abandonment	4
Fraudulent Mutual Exchange	1

- 4.3 Referrals of potential fraud in relation to Homelessness and Housing Applications have shown a slight increase in the year, although it is too soon to comment on whether this will continue to increase in the future. A break down showing the number of referrals received in each quarter for 2008/09 is shown in the table below.

Period	No. of referrals in relation to homelessness and housing applications
Apr – June	7
Jul – Sept	10
Oct – Dec	9
Jan – Mar	12
Total for the Year	38

- 4.4 Due to the changes in the focus of this work and the operational changes that have been made following the transfer of staff to Lewisham Homes, comparison with previous years would not be relevant due to the changes in the focus of this work.
- 4.5 During 2008/09, Lewisham Homes have been undertaking a series of occupancy checks, using their Tenancy Plus Officers and the two Housing Investigators transferred to them, and investigating any irregularities identified during this process. At the time of publishing this report, Lewisham Homes had provided the A-FACT manager with provisional figures relating to the number of properties recovered but not the reasons for the recovery. The provisional figures for 2008/09 indicate that a total of 121 properties were recovered, with a further eight legal actions in progress and 33 other tenancies that are still under investigation. The A-FACT manager is in the process of identifying the reasons for the recoveries and the Audit and Risk Manager will provide the Audit Panel with an update on this at the meeting.

5. Special Investigations

- 5.1 The Special Investigations section has seen a considerable increase in referrals in the last quarter of the year. Whilst some of these are attributable to the output from a national data-matching exercise, the National Fraud Initiative (NFI) 2008, this is not the only source of the referrals. A-FACT will be monitoring the number of referrals received to assess whether this is a trend linked to the continuation of the economic recession.
- 5.2 The table below shows the breakdown of the types of action taken following the conclusion of investigations for 2008/09 and the previous three years. The type of actions that would be included in the 'other action' column changes to procedures or enhancements to systems.

Year	Dismissed / removed from contract	Dismissed & Convicted	Resigned during enquiry	Other disc. Action	Job offer with - drawn	Blue badge action taken	Other action
2005/06	5	0	3	6	1	5	5
2006/07	6	1	4	18	2	2	5
2007/08	4	1	1	3	0	1	2
2008/09	4	1	2	1	2	3	7

- 5.3 Despite an increase in the number of referrals, the section has managed to control the additional caseload and reduce the overall level of cases at the end of the year compared to the start, as can be seen from the table below.

Period	Caseload b/fwd	New Cases	Closed cases	Caseload C/fwd
Apr – Jun	101	11	33	79
Jul - Sept	79	28	12	95
Oct – Dec	95	13	25	83
Jan - Mar	83	36	39	80

6 Operation Sterling

6.1 A Detective Constable (DC), seconded to A-FACT from the Metropolitan Police Service, continues to work on a number of major fraud cases, several of which have now been passed to Legal Services pending prosecution. The benefits of having a dedicated in-house prosecution team cannot be underestimated. The Legal Services' Prosecution Team work closely with the A-FACT to ensure that robust prosecution cases are prepared and presented to the courts. The assistance of the team contributed to the success of the recent cases outlined in section 8 of this report.

6.2 There are two new major cases that are currently being investigated by the DC, and the next two paragraphs provide brief summaries of these:-

6.3 Case 1

Multi strand case covering: - Housing, Housing Benefit, Other Benefits, Mortgage, and HMRC fraud – total value in excess of £100k

The DC has been instrumental in providing background information from sources not normally readily available to the A-FACT and other relevant details to assist in the arrest of the subject. As the subject had previously been aggressive towards the investigators, advice was obtained from Legal Services on the safest way to proceed with the case. The DC was able to arrange for further interviews, and the subsequent arrest of the subject, to be carried out in a controlled environment at a local police station. Enquires are continuing to locate, and arrest, the subject's partner, while the DC and other officers from A-FACT are working closely with Legal Services to prepare the charges and prosecution case.

6.4 Case 2

Housing benefit fraud £30k

Again, the DC has been instrumental in gathering background information and other relevant details from police resources. During this process, the DC identified that the subject had already served a custodial sentence for a similar fraud carried out in another part of the UK. Following detailed enquiries by the DC and other officers from the A-FACT, the subject voluntarily attended an interview under caution at Lewisham Town Hall, where they admitted the offences. Charges are currently being prepared for this case.

7 National Fraud Initiative

- 7.1 The National Fraud Initiative is a national data-matching exercise co-ordinated by the Audit Commission. The effective processing of the data output from this exercise is an important element of the Councils Use of Resources scoring.
- 7.2 All the required datasets were successfully submitted to the Audit commission and A-FACT is now working on the resulting matches. A more detailed report outlining the progress made on the investigation of the potential matches from the NFI exercise will be reported to the Audit Panel during the year.

8 Publicity

- 8.1 In March 2009 the A-FACT were successful in securing convictions for two separate housing benefit fraud cases that were publicised in the local press.
- 8.2 In the first case, the Council investigated, jointly with the Department for Work and Pension (DWP), into benefits being claimed by the subject. The subject falsely claimed to be a single parent with no income, but at an interview under caution later admitted that they had a partner who was in full time employment. The subject had defrauded the Council out of some £26k housing benefit and the DWP out of nearly £17k Income Support. The subject pleaded guilty in court to false accounting and obtaining money transfers by deception, and was given a 30 month supervision order and instructed to attend a Probation Service scheme for offenders. The subject must also repay all of the monies to the Council and the DWP.
- 8.3 The second case related to a couple who fraudulently claimed approximately £100k in benefits from the Council over a number of years. This case involved a contrived tenancy where subject no.1 purported to be the landlord of a property whilst subject no.2 claimed to be the tenant, in order to claim benefits. However, the investigation identified that subjects 1 and 2 jointly owned the property. Both subjects pleaded guilty in court to two separate counts of obtaining money by deception. The courts have recognised the seriousness of this case. Subject no.1 was given a 21 month custodial sentence on each count while subject no.2 was given a 15 month custodial sentence on each count. For both subjects the sentences will run concurrently. The subjects have also been ordered to repay all of the monies back to the Council. In addition, the courts have given permission to the Council to seek an order, under the Proceed of Crime Act, to confiscate the subjects' assets reflecting the seriousness of the case.
- 8.4 These two cases have been reported in the local press, including the News Shopper and the South London Press, and also on some of the local internet based media sites.

9 Legal Implications

There are no legal implications arising directly from this report.

10 Financial Implications

There are no financial implications arising directly from this report.

11 Equalities Implication

There are no specific equalities implications arising directly from this report.

12 Crime and Disorder Implications

There are no specific Crime and Disorder implications arising directly from this report.

13 Environmental Implications

There are no specific environmental implications arising directly from this report.

14 Background Papers

There are no background papers reported.

If there are any queries on this report, please contact the Audit and Risk Manager on 020 8314 9114