

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: 22 September 2009	

1 Purpose of the Report

The purpose of this report is to present 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 Special Investigations

- 3.1 In the last report, the Anti-fraud and Corruption Team (A-FACT) reported that there had been a considerable increase in the number of referrals received by the Special Investigations (SI) section in the last quarter of 2008/09. This trend has continued with the team receiving 47 referrals in the first quarter of 2009/10 (April to June). As can be seen from the table below, this has continued into the second quarter of 2009/10 with 26 new referrals received during the first two months of the second quarter, compared to 28 for the entire second quarter of 2008/09.

	Cases b/fwd	New Cases	Closed Cases	Current Caseload
April	80	12	10	82
May	82	12	8	86
June	86	23	6	103
July	103	16	12	107
August	107	10	11	106

- 3.2 Around 60% of the cases concluded by SI resulted in either no further action needing to be taken or had a positive outcome. The remaining 40% of the cases required more in depth investigation and the following gives an overview of the outcomes that resulted from some of these cases:

3.2.1 Employment related cases

Out of a total of nine employment related cases closed so far this year, one case resulted in an employee being dismissed; one case resulted in disciplinary action and an employee receiving a warning; and three cases resulted in offers of employment with the Council being withdrawn, including one for failing to disclose that they had significant Council Tax arrears with the Council and received two court summonses and a liability order. The remaining cases were deemed to be satisfactory and did not require any further action by the Council.

3.2.2 Concessionary Travel cases

Out of a total of nine cases investigated, two related to blue badges and seven to freedom passes. Of the two blue badge cases, one resulted in a blue badge being withdrawn while the other case resulted in the blue badge having been issued correctly. Of the seven freedom pass cases investigated, two cases resulted in the freedom passes being withdrawn or not issued. The remaining cases were deemed to be satisfactory and did not require any further action by the Council.

3.2.3 Council Tax cases

Four cases were investigated and resulted in the Single Person Discount being withdrawn for three of the cases and action put in place to recover sums owed to the Council. The remaining case was deemed to be satisfactory and did not require any further action by the Council

3.2.4 Assistance to other organisations

A total of five cases involved undertaking enquiries to assist investigations being carried out by enforcement agencies or other local authorities. One of these cases resulted in the Metropolitan Police Service (MPS) bringing a successful prosecution, under the Malicious Communications Act 1988, against an employee of a contractor that supplied goods and services to the Council.

3.2.5 Other cases

The remaining twenty cases relate to a wide range of activities. The majority of the cases were either deemed to be satisfactory and did not require any further action by the Council, or merely required management to issue or reaffirm guidance to their staff. One case did, however, result in the offer of a school place being withdrawn.

4 Benefit Investigations

- 4.1 As can be seen from the table below, the number of potentially fraudulent benefit investigation cases being referred to the A-FACT is also showing signs of increasing during 2009/10, although the drop in referrals in August, compared to the three previous months, is likely to be a seasonal variation.

	Cases b/fwd	New cases	Closed cases	Current Caseload
April	354	23	18	359
May	359	45	19	385
June	385	47	27	405
July	405	50	50	405
August	405	25	18	412

- 4.2 Again it would be prudent to assume that this trend is likely to continue for the foreseeable future, and again is due, at least in part, to the ongoing economic recession.
- 4.3 Between April and the end of August 2009, the Benefits Investigation section have completed a total of 41 sanctions, including the successful prosecution

of a claimant who used bogus documents to claim Housing and Council Tax Benefit. This claimant received a custodial sentence of 38 months, and received positive coverage in the local press.

- 4.4 Once again A-FACT's embedded MPS Detective Constable played an active part in bringing this case to a successful outcome and has been working closely with the section on a number of other cases, some of which are detailed below in the Operation Sterling section of this report.

5 Housing Investigations

- 5.1 Referrals of potential fraud in relation to homelessness and housing applications have continued to increase during the first five months of 2009/10. The table below shows a break down of the number of referrals received to date:-

	Cases b/fwd	New cases	Closed cases	Current Caseload
April	30	4	0	34
May	34	5	1	38
June	38	10	2	46
July	46	4	2	48
August	48	6	15	39

- 5.2 A total of 20 cases have been concluded so far this year and a summary of a sample of these cases is provided for information:-

5.3 Case 1

Applicant applied for housing as part of the decant process. On application, the applicant included an extended family consisting of a daughter, a cousin and a nephew, which effectively meant that the applicant would be allocated a three/four bedroom property. Investigations carried out by the Housing Investigations Section revealed that the applicant's cousin and nephew were not residing with them. The applicant was interviewed, and as a result of this, the applicant signed a statement withdrawing the cousin and nephew from the application and submitted a revised application for the correct number of people. The applicant now only qualifies for a two bedroom property.

5.4 Case 2 and 3

Both of these cases relate to the same address

An application for housing was submitted by an applicant from their parents address, which was subject to the decant process. The applicant stated that they did not own any property and the parents address was their principle home. An investigation conducted by the Housing Investigations Section revealed that the applicant was not residing at the parents address but was in fact the owner/occupier of an address within the borough where they lived and operated a business from. On the 19th August 2009, the applicant was successfully prosecuted under S171 of the Housing Act 1996, and received a fine of £1000 and ordered to pay costs of £385.

Following on from the case detailed above, the previous applicant's parent also completed an application for housing. The information that they provided would have entitled the parent to a three bedroom property as they claimed that a son and a niece resided with them. An occupancy check was carried out in May 2009 which confirmed the son was not resident at the address, and although the niece was present, she did not have leave to remain in the UK. As a consequence, the application was withdrawn and a new application for a one bedroom property was submitted and accepted. No further action was taken against this application on medical grounds.

6 Operation Sterling

- 6.1 The MPS Detective Constable seconded to A-FACT has continued to work on a number of major cases, several of which have now been passed to the Council's Legal Services for prosecution.
- 6.2 Following on from the successful prosecution, in April 2009, of a couple that committed benefit fraud (reported to the Audit Panel in May 2009), the Detective Constable and the Council's Legal Services have undertaken a successful financial investigation against the two defendants, which has recently resulted in the award of a Confiscation Order by the Courts for the sum of £150k. Unusually the Court ring fenced most of this award in favour of the Council, who will receive £143k to cover the illegally claimed benefit, some £99k, with the remainder being a contribution to the Council's costs, £24k, and compensation of £20k.
- 6.3 Two recent cases of interest which are currently in the process of being investigated by being investigated by the Detective Constable are detailed below:-
- 6.4 **Case 1**

Housing Benefit, Council Tax and Income Support Fraud – estimated value to be up to £20K

Suspect had been claiming income support, housing benefit and council tax benefit for the past two years from the Council whilst being in full time employment, for the past six years, by using a false name and false identity documents.

During the investigation it became apparent that the subject may well be a person who was convicted 1983 for the importation of 5 kilo's of cannabis to the UK, but under a different name. This person had been deported from the UK.

A search warrant was obtained to search the subject's home address, where evidence of both false identities and the undeclared employment was found and seized. The subject was arrested for Fraud by False Representation and Deception, and later interviewed at Lewisham Police Station, whereby they made a full admissions to the offences they had been arrested for. Fingerprints taken during this process proved that the subject was indeed the person previously deported, although the Immigration Service are not planning to take any further action.

The case is currently with the Council's Legal Services who are preparing the case papers and charges for the trial.

6.5 Case 2

Housing Benefit and Income Support - cross borough fraud - estimated value to be in excess of £100k

This fraud enquiry involved the MPS Fraud Squad regarding a very large and complicated banking fraud. As a result of their enquires and address searches, they uncovered this housing benefit fraud which covers several boroughs.

When interviewed by the MPS Fraud Squad, the suspect gave their details as Ms X. The same suspect was interviewed by A-FACT as part of the investigation into the benefit fraud and gave their details in the name of Ms Y, and denied being the same person being investigated by the MPS Fraud Squad.

After seeking legal advice it was agreed that our suspect could be asked to voluntarily provide fingerprints that could be checked against the police records, thus confirming whether or not they were the same person as the police suspect. Our suspect agreed to this request, the finger prints were taken and compared with the arrest set taken by the MPS Fraud Squad, and found to match, thus proving they were the same person.

Charges are currently being prepared by the Council's Legal Services Division.

7 National Fraud Initiative

- 7.1 The National Fraud Initiative in 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 Council's Use of Resources assessment.
- 7.2 The work to examine all the matches is progressing well and has already identified over £150k of overpayments. A more detailed report on this area of work will be brought to the Audit Panel later in 2009/10.

8 Publicity

A-FACT have been successful in gaining publicity for its recent successful prosecutions in both the Newshopper and South London Press, including the award of the confiscation order. In addition, an anti fraud message together with the 'report Fraud Hotline 0800 0850119' has been displayed on the electronic messaging board outside the Town Hall, and there has also been a short article about the work of the section published in the September issue of Lewisham Life magazine.

9 Legal Implications

There are no specific 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.

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