

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No. 8
Ward	ALL	
Contributors	Interim Head of Audit & Risk	
Class	Part 1	Date: 20 June 2012

1. Purpose of the Report

- 1.1. The purpose of this report is to provide an update to the Audit Panel on the work of the Anti-Fraud and Corruption Team (A-FACT). This is the annual report for the period April 2011 to March 2012.

2. Recommendations

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

3. Executive summary

- 3.1. The special investigations and housing teams have both faced the continuing pressure of increased referrals during 2011/12. The teams have managed this pressure by closing cases quickly where initial investigations find no evidence or little likelihood of proving fraud. In addition, the teams report and consult regularly with senior management and partners (in the case of housing) on caseload priorities. We have also reallocated resources with a benefit investigator seconded to the special investigation team and engagement of a housing investigator, using additional funding from central government to tackle social housing fraud.
- 3.2. The benefit team, now with three investigators compared to six in 2010/11, has become more selective in picking cases to investigate. Referrals come through a number of channels (the public, national fraud initiative, referrals from the Council's Public Services team, and other investigations). While fewer cases are taken on, the hit rate remains consistent, the number of sanctions per investigator is slightly improved, and the number of more serious and significant cases increased with more prosecutions and higher average overpayments reclaimed.
- 3.3. While the team has not had the time to undertake as much proactive work as it would like it continues to run training for frontline teams to raise the awareness fraud risks and publicise all successful prosecutions. Overall the focus remains on quality before quantity as a means to raising the Council's defences against the risk of fraud.

4. Special Investigations

- 4.1. The Special Investigations team is responsible for investigating all allegations of fraud other than those covered by the Benefit and Housing Investigation teams, whose work is discussed below (sections 5 & 6). This includes internal fraud, pre-employment checks, proactive counter fraud exercises, delivering an investigation capability to support Lewisham Homes under a call off service level agreement, and other varied cases.

- 4.2. The team was stable through the year with a manager and two investigators, supported by the group manager, a seconded benefit investigator and the seconded police officer from the Metropolitan Police Service.
- 4.3. During the year to March 2012 the Special Investigations team closed 115 cases relating to fraud and/or irregularity, excluding pre-employment checks undertaken and work for Lewisham Homes.

LB Lewisham Special Investigations Cases					
Year	Closed Total	Of which Employee	resulting in action	Of which Other	resulting in action
2009/10	133	27	16	105	12
2010/11	137	41	20	96	9
2011/12	115	53	20	62	10

Employee related cases

- 4.4. Of the 115 Council special investigations, a significant number concern employee related fraud. Investigations of 53 employee related cases were undertaken, involving 55 people. This in the context of the Council employing approximately 7,500 staff (3,100 in the Council and a further 4,400 in Schools). Of these investigations 20 concluded in action being taken. An analysis of the outcomes in these cases is presented in the table below.

Year	Dismissal / removed from contract	Dismissal & convicted	Resigned or left during enquiry	Other disc. action	Former agency employee convicted	Job offer with-drawn	Total
2009/10	3	0	4	3	0	6	16
2010/11	5	0	5	9	0	1	20
2011/12	5	1	4	8	1	1	20

- 4.5. In the category "Other disciplinary action" three employees received final written warnings, four were subject to standard setting and one received a verbal warning.

Other

- 4.6. The Special Investigation section also deals with a wide variety of concerns reported across all areas of the Council's activities. Of the 62 investigations undertaken in 2011/12, ten cases resulted in action. These were:

Special Investigations – Other work	11/12
Fraudulent invoice (not paid)	1
Single Person Discount fraud	1
False school admission application	1
Fraud alert issued on change of creditor details	1
Direct Payment Case (recovery only, not prosecution, due to circumstances)	1
Blue badge fraud	5

Lewisham Homes

- 4.7. A-FACT has continued to undertake investigation work on behalf of Lewisham Homes. The outcome of these investigations is reported by Lewisham Homes to their Audit Committee.

Pre-employment Checks

- 4.8 A-FACT support Human Resources by undertaking a part of the recruitment checks. Each potential employee of the Council is required to complete a pre-employment check form which focuses on any issues relating to benefits, council tax, rent and personal business interests which may cast doubt on an individuals integrity. In the year to March 2012, 334 checks on potential staff (Lewisham Council & Lewisham Homes) were undertaken. This compares to 279 in the previous year.
- 4.9 These checks found one case where the offer of appointment was withdrawn as the applicant failed to declare their Council Tax arrears. There were four cases where arrangements were made to pay off rent or council tax arrears. In 16 cases directorships or other business interests were either found not to have been supplied or reminders needed to be issued of the Councils requirement for full time service. In one case single person discount was removed on a council tax account when an undeclared non-dependant applied for employment

5 Benefit Investigations

- 5.1 The Benefit Investigation team comprised four investigators during 2011/12 (one of whom was seconded to delivering Special Investigation work), supported by the group manager and Audit & Risk business support officer.
- 5.2 During the year to March 2012 the Benefit Investigation Team secured 84 sanctions. The total value of fraudulent benefit overpayments identified was £640,355. On recovery this represents a saving to the wider public purse.
- 5.3 In the year up to March 2012, the Benefit Investigations team accepted 264 referrals of benefit fraud, they completed and closed 296 cases, with a further 349 investigations in progress.

Year	No of referrals received	No. of closed cases	No. of o/s cases at Yr end	No. of Sanctions	No of sanctions per officer	Value of fraudulent overpayment
2006/07	711	(434)	568	149	16	£359,404
2007/08	469	(483)	554	164	18	£455,773
2008/09	561	(761)	354	159	23	£450,569
2009/10	548	(486)	416	143	20	£651,827
2010/11	591	(626)	381	181	25.8	£846,022
2011/12	264	(296)	349	84	28	£640,355

- 5.4 The sanctions figure is made up of 11 Administrative Penalties, 52 Cautions and 21 Prosecutions. In the case of the Administrative Penalties a financial penalty of 30% of the overpaid benefit must be paid by the claimant. The total amount of the Administrative Penalties levied in 2011/12 was £15,060. The Council are permitted to keep Administrative Penalties recovered as a contribution to the cost of investigating benefit fraud.
- 5.5 The higher number of prosecutions and average value of overpayment per sanction reflects the strategic decision to focus the efforts of the smaller team on more significant and serious cases of benefit fraud.
- 5.6 Each year, we report on all frauds with a value of over £10k to the Audit Commission. In respect of the 21 Housing Benefit prosecutions this included eleven cases in 2011/12. A summary of the results of these prosecutions is presented below.

Ref	Reason	Prosecution result
1.	Undeclared partner	Nine month custodial sentence
2.	Undeclared partner	Nine month custodial sentence, suspended for two years, and 200 hours unpaid work on each count to run concurrently
3.	Undeclared partner	180 hours community order
4.	Undeclared work	Six months custodial sentence, suspended, and 100 hours unpaid work
5.	Undeclared partner	Twelve months community order and 160 hours unpaid work
6.	Undeclared partner	36 week custodial sentence, suspended for two years, and 150 hours unpaid work on each count to run concurrently
7.	Undeclared capital	Six months, suspended for twelve months, with 28 day curfew and compensation & costs of £4k
8.	Undeclared work	60 hours unpaid work and £300 costs
9.	Undeclared work	Eight weeks custodial sentence, suspended for two years, and a twelve week curfew
10.	Undeclared capital	Twelve months custodial sentence, suspended for two years, and 250 hours unpaid work
11.	Undeclared capital	Twelve months community order and 200 hours unpaid work

5.7 The Housing Benefit Investigations team is directly impacted by the Government's creation of a Single Fraud Investigation Service (SFIS). Initially local authorities were no longer to be involved in benefit investigations. However, the current proposals for the SFIS state that it will be a partnership between DWP, HMRC and local authorities and that staff will remain in the employ of the local authority. We are still awaiting clarification on the lower level design detail for SFIS.

6 Housing Investigations

6.1 The team's Housing Investigation practitioner investigates allegations of Housing and Homelessness Application Fraud and Cash Incentive Scheme payments against the London Borough of Lewisham. The investigation of tenancy fraud has been the responsibility of Lewisham Homes since October 2008.

6.2 During the year to the end of March 2011 60 cases were passed for investigation, a similar amount to last year. The officer dealing with these cases completed 47 cases compared to 35 cases last year. There are currently 72 cases under investigation.

Housing Investigation Cases					
Year	Balance (b/f)	New	Closed	Balance (c/f)	Action taken
2010/11	59	60	(47)	72	16
2011/12	72	66	(90)	48	18

6.3 Of the 90 cases that were completed, 18 resulted in outcomes with action taken:

- three applications for housing due to Homelessness were cancelled as a result of proving that false information had been provided,
- seven tenancies was recovered having proved that subletting had occurred,
- seven applications for decants were found to be fraudulent, and

- one application for the succession of a tenancy was rejected on being found to contain false and misleading information.

7 DCLG Housing Bid funding

- 7.1 The Department for Communities and Local Government (DCLG) has, as part of the Government's commitment to tackling social housing fraud, allocated Lewisham Council £100,000 in both 2011/12 and 2012/13 for tackling social housing fraud. Following discussion between Strategic Housing and A-FACT and in consultation with the South East London Housing Partnership, it was agreed the funding should be put to supporting two housing providers - Pinnacle/Regenta and London & Quadrant (L&Q) - in tackling housing fraud in the region.
- 7.2 The Housing Investigator funded by this scheme was appointed on the 9th January 2011 and in the period to the 31st March has successfully recovered 9 properties (7 for L&Q and 2 for Regenta).
- 7.3 One of the investigations found that the tenant and their family had actually been living in France for the last 5 years. On the basis of this and the rent arrears an outright possession order was granted on this three bedroom property.

8 Publicity

- 8.1 During the year A-FACT published press releases on successful prosecutions. For reference, these are available on the News pages of the Council's website.
- 8.2 Please also see Appendix 1 attached to this report which maps the Council's 2011/12 benefit and housing fraud results. This replaces the 2010/11 map previously shared.

9 Fraud Awareness Training

- 9.1 During the year A-FACT has provided eight days of Fraud Awareness training for frontline staff, including in the area of document verification. Training was delivered to L&Q, Lewisham Homes, Council's Decant team and the Housing Options Centre.
- 9.2 We have also agreed to provide training to Phoenix Community Housing in early 2012/13. This service will be provided on a chargeable basis.

10 Metropolitan Police Seconded

- 10.1 The secondment of a Metropolitan Police Officer to the team continues to effectively contribute and enhance the work of the A-FACT by providing advice, assistance and applying Police powers where appropriate. Their access to Police systems and intelligence enables A-FACT to progress cases more quickly and thoroughly.
- 10.2 The officer is also an Accredited Financial Investigator and has used their powers under the Police and Criminal Evidence Act to obtain Production Orders for information from Financial Investigations for ongoing investigations.
- 10.3 They are currently working on a number of complex cases (which cannot be reported yet) and was key to several of the successful prosecutions undertaken this year.

11 Legal Implications

- 11.1 There are no legal implications arising directly from this report.

12 Financial Implications

12.1 There are no financial implications arising directly from this report.

13 Equalities Implication

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

14 Crime and Disorder Implications

14.1 There are no crime or disorder implications arising directly from this report

15 Environmental Implications

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

16 Background Papers

16.1 There are no background papers reported.

If there are any queries on this report, please contact

David Austin at david.austin@lewisham.gov.uk or on 020 8314 9114

Housing Benefits/Fraud Statistics 2011/12



Legend

- Housing Benefits Stats - Administration Penalties (11) •
- Housing Benefits Stats - Cautions (52) •
- Housing Benefits Stats - Prosecutions (21) •
- Housing Fraud (18) •

Property Systems - Datagraphics x48280

