

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No. 11
Ward	ALL	
Contributors	Interim Head of Audit & Risk A-FACT Group Manager	
Class	Part 1	Date: 22 June 2011

1. Purpose of the Report

- 1.1. 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 financial year 2010/11.

2. Recommendations

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

3. Special Investigations

- 3.1. During the year to March 2011 the Special Investigations section received 250 new allegations or enquiries relating to fraud and/or irregularity.

2010/2011 Special Investigations Cases				
Year	Balance	New	Closed	Balance
2007/08	98	92	89	101
2008/09	101	88	109	80
2009/10	80	187	168	97
2010/11	97	250	213	134

- 3.2. During this period the section completed 213 cases/enquiries. A further 134 cases are still in progress. These figures include Lewisham Homes cases but exclude pre-employment checks undertaken (see 3.8).

Employment related cases

- 3.3. By far the biggest area of work this year has been with employee related fraud. Within the Council 41 employee related cases were investigated involving 44 people. Of these twenty have concluded with action being taken. An analysis of the outcomes in these cases is presented in the table below.

Year	Dismissed /removed from contract	Dismissed & Convicted	Resigned or left contract during enquiry	Other disc. Action	Job offer with-drawn	Total
2007/08	4	1	1	3	0	9
2008/09	4	1	2	1	2	10
2009/10	3	0	4	3	6	16
2010/11	5	0	5	9	1	20

- 3.4 In the category "Other disciplinary action" six employees received final or indefinite written warnings, two received verbal warnings and in one case the person was moved to other duties.

Lewisham Homes

- 3.5 A-FACT has been undertaking a significant amount of work for Lewisham Homes generating £104,810 of income under our SLA in the past year.
- 3.6 To address the risk of money laundering, A-FACT have examined the accounts of tenants in 76 cases where the tenants have either made cash payments of over £1,000 into their rent accounts or have requested the refund of a large rent account credit. In four of these cases it was found that the tenant had either other large debts with Lewisham or that the benefit had been paid in error. This prevented £13,532 being incorrectly repaid.
- 3.7 We have concluded 24 investigations, including probity checks on staff and members of the board. A number of complex investigations are still ongoing and will be reported as they are concluded.

Pre-employment Checks

- 3.8 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 form which focuses on any issues relating to benefits, council tax, rent and personal business interests which may put the individuals integrity in doubt. In the year to March 2011 279 checks on staff were undertaken. This compares to 443 in the previous year.
- 3.9 These checks found one case where the applicant was not eligible to work in the UK and twelve cases where arrangements were made to pay off rent or council tax arrears.

Blue Badge Fraud

- 3.10 Out of the ten Blue Badge investigations completed only two found no fraud or irregularity. We were unable to progress three cases due problems getting witness statements or other vital evidence.
- 3.11 The outcomes of the remaining cases were:
- One Blue Badge application highlighted incorrect Council Tax Single person discount. The discount removed totalled £660.
 - In one instance legal action was taken under s117 (1)(a) Road Traffic Act 1984 for parking in a disabled parking bay and displaying a disabled person's blue badge when not entitled to. The individual was fined £200 and an order for costs of £385 was made, plus a victim surcharge of £15.
 - Another prosecution was bought when a close relative of a Blue Badge holder used the badge to park at Heathrow when the badge holder wasn't present. They were fined £100 and ordered to make a contribution towards costs of £50.
 - In another instance a warning was issued to badge holder regarding the use of their blue badge.
 - A fraudulent badge was seized for being misused.

Cheque and Bank account fraud (not including Housing Benefit cheques)

- 3.12 The section provided advice and information on four separate attempts to defraud school and council bank accounts of money including a fraudulent CHAPS payment.

Other work

- 3.13 The Special Investigation section also deals with a wide variety of concerns reported across all areas of the Council's activities, including.

Special Investigations – Other work	09/10	10/11
Cash Losses & Corporate credit card fraud	2	4
Publicity of known Scams	4	1
Strengthening of procedures to prevent fraud	4	4
Computer misuse	5	1
Allegations of fraud passed to other agencies or departments	3	3
Cases closed as early enquires established no fraud	9	22
Confirmed details of a Lewisham Pensioners where concerns exist	1	1
Error rather than fraud proved	-	1
Address concerns that employees PayPal accounts could be hacked	-	1

- 3.14 A number of major investigations are likely to come to a conclusion in the next few months but cannot be reported at present for legal reasons. However, in 2011/12 we have started to report quarterly to each Executive Director with a summary of all cases under investigation in their Directorate. This ensures that the risk of fraud is considered in the context of the demands of the service, priorities are agreed and progress on investigations communicated.

- 3.15 Two more detailed case summaries are shown below which demonstrate the variety of work undertaken by the section.

- Investigation following an anonymous allegation found mismanagement of procurement processes, breach in recruitment procedures and failure to comply with the Code of Practice for Gifts and Hospitality . Mitigating circumstances put forward at the disciplinary resulted in a seven month written warning being issued to the officer concerned.*
- Human Resources referred concerns about a teacher. They had been employed for a number of years but issues had arisen about their CV. Our enquiries established that it contained a large number of inaccuracies. When challenged about these they resigned. We also found they had used multiple identities to claim benefits and as a result of our enquiries Bromley Council and the DWP were able to prosecute for fraudulently claiming over £11,300 of Housing Benefit and Income Support.*
- An employee was found to be using the Council's postal system to send items they had sold on eBay. They received a 15 month written warning and were moved from their duties.*

4 Benefit Investigations

- 4.1 During the year to March 2011 the Benefit Investigation Team has secured 181 sanctions against an annual target of 180. The total value of fraudulent benefit overpayments identified was £846,022. On recovery this represents a saving to the public purse.

In the year up to March 2011 the Benefit Investigations Section received 591 referrals of benefit fraud, they completed and closed 626 cases, a further 381 investigations are 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 o/p
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

- 4.2 The sanctions figure is made up of 23 Administrative Penalties, 137 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 2010/11 was £32,923. A-FACT are permitted to keep any Administrative Penalties recovered in the course of the year in recognition of their efforts. The final figure of paid penalties is yet to be agreed
- 4.3 During the year we secured some notable convictions, many of which received local press coverage. Recent successes include:

Benefit cheat to pay back more than £40,000

A lady who defrauded more than £40,000 in benefits because she failed to declare a £100,000 payout was ordered to pay back the money that she stole after a joint prosecution by Lewisham Council and the Department for Works and Pensions.

She tried to say the money in her accounts belonged to other people but was unable to provide any evidence of this. She had received £4,972 in Income Support from the DWP, and £38,000 in housing and council tax benefits from Lewisham Council.

On 15 December she pleaded guilty to three counts of obtaining benefits fraudulently. She was subsequently sentenced to 12 months' imprisonment for each offence, suspended for two years, and ordered to complete 200 hours of unpaid work. In sentencing, the judge took into account that she had children, but warned her that if she breached any of the conditions of her sentence she would go to prison.

Benefit cheat jailed for £55,000 fraud

A benefit cheat who defrauded £55,748 in benefits has been given a two year jail sentence, following a prosecution by the Department for Works and Pensions (DWP), in association with Lewisham Council.

She was originally investigated by the DWP for having a fraudulent "Indefinite Leave to Remain" stamp on her passport. She also had a counterfeit letter from the Home Office that she submitted to the DWP in order to obtain a National Insurance number so that she could claim Income Support.

They contacted Lewisham Council who undertook further investigations that revealed that she had used the counterfeit documents to access Housing Benefit and Council Tax benefits.

She was found guilty at Woolwich Crown Court on 26 January 2011 of falsely claiming Income Support of £3,594 from the DWP and £51,106 in Housing Benefit and £1,048 in Council Tax benefits from Lewisham Council. The judge felt that her claims had been premeditated from the outset and committed over an extended period of time. She was sentenced to two years' imprisonment and the judge recommended that she be deported once her sentence had been served.

4.4 The Benefit Investigation Section also investigate allegations of non-receipt of Housing Benefit cheques. When a Benefit claimant reports the non-receipt of a cheque which has been cashed the team investigates the circumstances of the encashment prior to reissuing payment. In the last year the team has taken action in the following cases:-

- five cases investigated and replacement cheques issued having recovered the fraudulently encashed monies.
- one case where the claimant fraudulently attempted to obtain payment again, having already received the cheque.
- one case where enquiries are still ongoing.

4.5 The team working on Housing Benefit Investigations is directly impacted by the Government's announcement about the creation of a single national investigation force to be led by the Department for Work and Pensions (DWP). From April 2013 the Council will no longer be providing this investigation service. We are still awaiting confirmation on whether and how staff will be transferred to the DWP.

5 Housing Investigations

5.1 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.

5.2 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.

2010/11 Housing Investigations	B/fwd	New	Closed	Balance
April	59	5	0	64
May	64	2	0	66
June	66	6	6	66
July	66	7	2	71
August	71	8	4	75
September	75	5	2	78
October	78	2	4	76
November	76	5	9	72
December	72	3	9	66
January	66	5	4	67
February	67	7	4	70
March	70	5	3	72

- 5.3 Of the 47 cases that were completed 16 resulted in successful outcomes.
- eleven Applications for housing due to Homelessness were cancelled as a result of proving that false information had been provided
 - one tenancy was recovered having proved to have subletting.
 - three Housing Register application were withdrawn due to false information
 - one Cash Incentive Scheme payment of £16k was withheld when it was proven the tenancy was not the tenants sole and principal home. The tenancy was also recovered.
- 5.4 A lady who's application for Homelessness was withdrawn last year was successfully prosecuted. She was prosecuted under section 214 (1) of the Housing Act 1996 and fined £2,000.
- 5.5 In March action by the team resulted in the successful repossession of a temporary stay property. Information was received that the lady was not resident at the address. Our enquiries linked her to an address in Southwark. She was challenged with this information following which she decided to hand back her keys and her application for housing was withdrawn.

6 Requests for information under the Data Protection Act (Section 29.3)

- 6.1 The A-FACT responded to 34 requests for information from other agencies to assist with fraud enquiries.
- 6.2 In addition the team's Intelligence Officer responded to 1,287 requests for information. These requests were primarily from the Police, Department for Work and Pension, other local authorities and Central Government departs such as UK Borders Agency and HM Revenue & Customs. This is up slightly in the number of requests conducted last year.

7 Publicity

- 7.1 A-FACT has continued to publicise successful cases in the local press and has also received national television coverage on two episodes of the BBC programme Saints and Scroungers. Feedback from all coverage has been positive.
- 7.2 The team has continued to advertise the "Report Fraud Hotline 08000 850 119 on the electronic messaging board outside the Town Hall.

8 Fraud Awareness Training

- 8.1 During the year A-FACT provided a programme of training focussing on frontline staff, especially in the area of document verification. This has been aimed at Human Resources, Housing Options Centre and Lewisham Homes staff.
- 8.2 General fraud awareness training has also been provided to the Lewisham Homes Board of Directors.

9. Metropolitan Police Seconded

- 9.1. Detective Constable Norris who is on secondment from the Metropolitan Police continues to effectively contribute and enhance the work of the A-FACT by providing advice, assistance and applying Police powers where appropriate. His access to Police systems and intelligence has proved invaluable.

- 9.2. DC Norris is an Accredited Financial Investigator and has used his powers under the Police and Criminal Evidence Act to obtain Production Orders for information from Financial Investigations for ongoing investigations.
- 9.3. He is currently working on a number of complex cases (which cannot be reported yet) and was key to four of the prosecutions undertaken this year.

10. Financial Investigations under the Proceeds of Crime Act

- 10.1. A number of financial investigations are being undertaken by the team. As well as DC Norris, the team has one fully qualified and one part qualified Financial Investigator accredited by the National Policing Improvement Agency.
- 10.2. We have successfully undertaken work to support the London Borough of Havering and are looking to extend this arrangement and will be keeping a proportion of the monies recovered. We are also undertaking work with Trading Standards in connection with counterfeiting offences.

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

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