

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No. 6
Ward	ALL	
Contributors	Head of Corporate Resources A-FACT Group Manager	
Class		Date: 13 September 2016

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 last period.

2. Recommendations

- 2.1. It is recommended that the Audit Panel note this report for information.
- 2.2. The Panel is also asked to agree the proposed approach to KPIs at 6.1 and appended respectively.

3. Special Investigations

- 3.1. Details of work and comparative figures for the same period in the prior year are shown below, along with the previous two full year figures for reference.

Summary of Special Investigations work	2016/17	2015/16	Change		2015/16	2014/15
	P3 YTD	P3 YTD	Number	%	FY	FY
b/f	11	45	-34	-76%	45	30
New	48	24	24	100%	102	97
Closed	-32	-32	0	0%	-136	-82
c/f	27	45	-18	-40%	11	45
Of which						
E'ee cases	3	4	-1	-25%	17	19
- resulting in action	2	2	0	0%	10	10
Other cases	29	28	1	4%	119	63
- resulting in action	15	5	10	200%	27	31

- 3.2 The two employee cases were:

- A-FACT obtained evidence relating to an employee that committed a criminal offence whilst on duty, this resulted in their demotion.
- An incident where an employee had obtained access to data without going through the proper processes. Whilst the employee had not done this with any wrongful intent they were advised of the correct procedure and measures put in place to prevent a reoccurrence.

- 3.3 “Other Cases” include applications for support by those who have No Recourse to Public Funds, Blue Badge fraud, Council Tax fraud, and reviews of financial or service processes to prevent or deter fraud.

Analysis of Non Employee Cases	Total Cases	Fraud Proven	Evidence provided to assist assessment	Action taken	NFA
No Recourse to Public funds	9	1	7	0	1
Blue Badge	1	1	0	0	0
False ID/Doc verification	2	1	0	0	1
Ctax Fraud	2	2	0	0	0
Proactive/Process review	2	0	0	2	0
Enquires for other orgs. etc..	13	0	0	0	13
	29	5	7	2	15

- 3.4 A-FACT are continuing to assist the No Recourse to Public Funds team with their work by undertaking visits and gathering evidence. However there may be considerable delay in a final assessment being made due to legal challenge etc. Therefore rather than keep investigation cases open for extended periods it has been decided to report on all cases where significant evidence is provided to assist an assessment.

Lewisham Homes

- 3.5 A-FACT continues to undertake investigation work on behalf of Lewisham Homes under a Service Level Agreement which has been extended for 2016/17. This equates to just under one full time equivalent member of staff and a proportion of the police officer's time. The outcome of these investigations is reported by Lewisham Homes to their Audit Committee.

4 Housing Application Investigations

- 4.1 Details of work and comparative figures for the same period in the prior year are shown below, along with the previous two full year figures for reference.

Summary of Housing App Investigations	2016/17	2015/16	Change		2015/16	2014/15
	P3 YTD	P3 YTD	Number	%	FY	FY
b/f	1	42	-41	-98%	19	38
New	23	2	21	1050%	28	46
Closed	-11	-11	0	0%	46	-65
c/f	13	33	-20	-61%	1	19
Resulting in action	8	5	3	60%	25	42

- 4.2 The Audit Commission have previously stated that there is a significant value associated with preventing fraudulent applicants from being housed. The Cabinet

Office have now taken over their role in respect of the National Fraud Initiative and have increased the estimated savings figure for the recovery of a social tenancy to £75,000 based on the cost of providing temporary accommodation for a family. The figure for a fraudulent application is yet to be revised, so until clarified the lower figure of £18,000 will be used to calculate savings from this work. The eight successful cases in the most recent period represent a saving of £144,000.

5 DCLG/ RSL Partnership Cases

5.1 Since January 2012 A-FACT have worked with local housing partners to tackle fraud related to social housing.

Summary of Housing App Investigations	2016/17	2015/16	Change		2015/16	2014/15
	P3 YTD	P3 YTD	Number	%	FY	FY
b/f	1	176	-175	-99%	176	33
New	32	18	14	78%	76	269
Closed	-14	-173	159	92%	246	126
c/f	19	21	-2	-10%	6	176
Resulting in action	6	6	0	0%	16	38

5.2 The Cabinet Office, which has now taken over the running of the National Fraud Initiative, has revalued the saving on the recovery of a social tenancy and is now using a higher figure of £75,000. On this basis the recovery of six tenancies equates to £450,000.

5.3 This is a key risk area the Council is focusing on given the level of housing pressure in London and the inequality of tenancies going to those who are not in need while others are on the waiting list. As previously reported, the team is therefore recruiting two investigators for two years to assist with this work.

6 Other Progress in the period

6.1 A-FACT were audited by the Councils Internal Audit Service and achieved a Satisfactory Assurance. The audit made five Medium recommendations

Recommendations/Finding	Response	Target date
A-FACT does not formally identify fraud risks faced by key areas of the Council	Key fraud risks identified and included in service plan of work	Sep 16 – Done Plan developed for implementation
A-FACT has not developed a proactive plan of work	Service plan developed to include some areas of key fraud risk as above	Sep 16 – Done Plan developed for implementation
A-FACT has not developed KPIs to encourage	A-FACT have reviewed possible KPIs, beyond those reported here already, and this is not considered	Oct 16 – WIP Mid-Year

performance in key areas	helpful. However, the team will endeavour to report on total savings, losses identified, and recoveries in future reports to help monitor fraud risk. Where appropriate notional valuation figures will be based on established opinion such as values used by the National Fraud Initiative.	report
The Anti-Fraud & Corruption Policy requires updating	Anti-Fraud & Corruption Policy now updated see Appendix 1	Sep 16 - Completed
Manager reviews were not evidenced as regularly conducted	New case management system (operational since Apr 16) requires management review of all cases every 28 days. This is now happening.	Implemented and ongoing

- 6.2 The new case management system has been successfully implemented. This will allow for more detailed reporting on the teams work. The case management system also interfaces with an internal matching tool which will be used for planned proactive work.
- 6.3 The DCLG funded London Fraud Hub is moving forward with CIPFA recently winning the contract to supply data analytics. The Hub will match data from across London to prevent fraud and identify losses for investigation and recovery. Lewisham have signed the required Memorandum of Understanding (MOU) to progress this work.
- 6.4 The Cabinet Office are currently drafting standards for investigations and the investigatory profession in central government. The team manager was invited to sit on the Cross Sector Advisory Group which has been developing these standards and has provided input from a local government perspective.



Anti-Fraud and Corruption Policy

Date last Reviewed August 2016

Approved by: Submitted for approval Audit Panel September 2016

Version No 1

Review date August 2017

Document Owner Carol Owen, Anti-Fraud & Corruption Team Manager



Anti-Fraud and Corruption Policy

Introduction:

Fraud within the public sector is estimated to cost the taxpayer billions of pounds each year. Detected cases of fraud and corruption are on the increase and tackling public sector fraud is a major priority of the current government. Local authorities, which bear the brunt of losses through fraud, are now taking active steps to reduce and eliminate fraud at all levels within their organisations.

Lewisham Council has a zero tolerance to fraud and to this end the Council is committed to preventing fraud and corruption within all aspects of the Council's daily life, whether internal or external to its workings.

Lewisham is committed to establishing, and the public has a right to expect, the highest standards of probity and conduct in the administration of the borough. To this end, the Council is determined to eradicate fraud, financial malpractice and any other irregularity, which may call into question the integrity of the Council's operations.

The London Borough of Lewisham will take all appropriate measures to prevent, deter, detect and remedy fraud and this policy document is a statement of the Council's anti-fraud strategy.

The policy will ensure that the Council, its Councillors and its officers conduct themselves so as to be beyond reproach, above suspicion and fully accountable. No financial malpractice will be tolerated. Perpetrators can expect the Council to take a range of actions such as prosecution, disciplinary measures and restitution.

The aim is for Lewisham to be at the forefront of ensuring public probity in local administration and governance.

This policy supplements but does not replace the current Anti-Bribery Policy for the London Borough of Lewisham.

The Council has an Anti-Fraud and Corruption Team (A-FACT) dedicated to the deterrence, prevention, detection and investigation of any fraud or irregularities within Council proceedings. In addition, the Council's Internal Audit Section undertake annual plans based upon risk assessment, aiding management in its responsibility to ensure robust systems and enhancing the effectiveness of internal control.

The Council expects

- Only the highest standards from its members and employees;
 - Nolan principles;
 - Member Code of Conduct;
 - Employee Code of Conduct;
- Managers to be responsible for ensuring that adequate controls, to minimise the risk of fraud, are in place;
- Members and employees to report incidents of irregularity to A-FACT;
- Contractors to act with integrity and adhere to the Council's Anti-Fraud and Corruption Policy and the Code of Practice for Contractors, Suppliers & Service Providers.

Definition of Fraud and Corruption:

Fraud:

Fraud is the illicit gaining of cash or other benefits by deception. The definition is wide-ranging but covers any actions by employees, Councillors, clients, partners, agents, consultants and contractors intended to misappropriate funds or other Council assets for personal gain.

The Fraud Act 2006 has placed the act of fraud into three categories:

- Fraud by misrepresentation;
- Fraud by failing to disclose information; and
- Fraud by abuse of position.

Corruption:

For the purpose of this policy corruption is defined as

'the offering, giving, soliciting or acceptance of an inducement or reward which may influence official action or decision making. These inducements can take many forms including cash, holidays, event tickets, meals etc'.

The public is entitled to expect the highest standards of behaviour from all those employees, Councillors, clients, partners, agents, consultants and contractors who work in local government. Conduct must never be influenced by improper motives. Councillors and employee are expected to maintain the highest standards of integrity and should abide by the Seven Principles of Public Life, as recommended by the Committee on Standards in Public Life (The Nolan Committee).

The Council is seeking to develop and maintain an environment which makes fraud and corruption undesirable to contemplate and difficult to perpetrate. All practicable steps are being taken to minimise the risk and effect of fraud and corruption by its Councillors, employees, customers or clients. The need for appropriate controls is acknowledged and the Council will seek to sustain such controls in the administrative, financial, operational and computer systems employed in the delivery of external and internal services and management.

Councillors: As elected representatives of the public, Councillors have a duty to be fair, honest and open in their roles. They are bound by legislation, the Council's Standing Orders, the Council's Member Code of Conduct and adopted policies and procedures.

In particular, Councillors are required to declare and register any pecuniary interest they may have in companies, charitable organisations, voluntary groups or other relevant organisations. They are required to abstain from any debate or vote which pertains to matters involving any such organisations in which they have an interest, and are required to leave the room during such debates.

All allegations of fraud and corruption involving Councillors will be investigated and treated equally, regardless of the perpetrator. Action will be taken in accordance the Council's procedure for handling complaints of breach of the Member Code of Conduct including referral to the Police if appropriate.

Management: It is the responsibility of all managers to ensure that there are appropriate and adequate controls in place within the systems for which they are responsible to minimise the risk of fraud. The Council expects that current recommended best practice would be followed at all times. Controls will be designed to deter, prevent and detect all forms of fraud and corruption and also identify a clear pathway for investigation.

Employees: All Council employees are bound by the Council's Code of Conduct and Disciplinary Code. Employees are also bound by the Council's Standing Orders, Financial Regulations, Financial Instructions and the Code of Practice for Receipt of Gifts & Hospitality. In addition employees who are members of professional bodies will also be expected to abide by any codes of conduct and/or professional ethics issued by those bodies.

All allegations of fraud and corruption by employees will be thoroughly investigated. Employees found to have improperly benefited from the Council through offences of fraud, theft, serious financial malpractice, or of using their position for personal gain or the gain of others, will be subject to disciplinary action. Where an allegation of gross misconduct is proven, an employee may be summarily dismissed. The Council will also seek to prosecute all offenders and recover lost monies or assets.

Initiatives may be conducted from time to time to ensure the continued integrity of those employed by the Council.

Contractors; Partners and Agents: The Council expects all of its contractors, suppliers, agents, partner organisations and individuals, to act with honesty and integrity. Client officers will be responsible for monitoring their actions and for ensuring that their terms of reference, agreements and/or contracts include a clause to the effect that the contractor must abide by the Council's Fraud Policy and co-operate with fraud investigations by Council officers. The Council will seek to ensure that all its dealings will be conducted on the same basis and expects its Councillors and employees to lead by example.

Agency employees engaged by the Council are bound by the same rules as direct Council employees and are expected to uphold those principles contained in the Code of Conduct. Failure to do so will result in termination of their engagement.

The Public: Members of the public receive financial assistance and support from the council through a variety of sources. These include council housing, temporary accommodation, children's act payment, direct care payments, renovation and other housing related grants, right to buy discounts blue badges, voluntary sector grants and discounts on council tax and business rates.

The Council has a responsibility to protect public funds, assets and services from fraudulent activity. All allegations of fraud or other misuse of public funds by those receiving support from the Council will be thoroughly investigated by the Anti-Fraud & Corruption Team. The Council will seek to prosecute offenders and recover lost monies. Where a claimant is also an employee disciplinary action will be pursued.

Systems: Under the Local Government Act 1972, S151, each Council appoints an officer, at Lewisham the Executive Director for Resources & Regeneration, whose statutory duty is to ensure that proper arrangements are made to administer the Council's finances and financial systems. The Council acknowledges this role, supports the duties of the post and considers the Executive Director's advice on changes to systems of control, financial administration and associated rules and regulations.

The Council operates a system of managerial and financial control whereby the Executive Director for Resources & Regeneration has a formal responsibility for the finances of the Council, but in practice responsibility for financial control and administration is devolved to officers in directorates. Under the system of financial devolution, Heads of Resources represent the Executive Director for Resources & Regeneration in the directorates and also support other Executive Directors and Budget Holders in discharging their financial and budgetary responsibility.

The authority recognises that prevention is better than cure and all managers must ensure that as far as possible their systems are protected by sound internal controls. It is the responsibility of all managers to establish and maintain systems of internal control and to ensure that the Council's resources are properly applied to the activities intended. This includes the responsibility for the prevention and detection of fraud, corruption and financial malpractice.

The Strategy:

Prevention:

Lewisham Council is committed to the aim of removing all forms of fraud and corruption from the Public Sector and in particular the activities, operations and services where the Council is a stakeholder, this is achieved by maintaining and promoting:

- An anti-fraud culture – A-FACT Service Plan;
- Internal Audit's continued role in assessing systems and controls – Internal Audit Plan;
- An awareness of fraud and corruption through a programme of employee and member training;
- The Council may publicise fraud issues and successful prosecutions;

- Council Policies which emphasise the role and responsibilities of the Employee, Manager and Member:
 - Constitution;
 - Financial Regulations;
 - Financial Procedures;
 - [Member Code of Conduct](#);
 - [Employee Code of Conduct](#);
 - [ICT Acceptable Use Policy](#);

- [Whistleblowing](#);
 - [Gifts and Hospitality](#);
 - A-FACT Prosecutions & Sanctions Policy
 - Contract of employment;
 - Relevant departmental manuals.
- Pre-employment vetting of all new employees, agency workers and consultants;
 - Joint working with other Public Sector organisations and enforcement agencies
 - An Anti-Money Laundering Policy;
 - The Code of Practice for Contractors, Supplier & Service Providers.

Deterrence:

Prosecution:

The Council has the right to refer attempted or actual cases of theft, fraud or corruption, by members of the public, clients, elected members, employees, agency workers, partners, consultants and contractors for criminal prosecution. The decision to consider Prosecution and/or other sanction will be made with reference to the Anti-Fraud & Corruption Teams Prosecutions and Sanctions Policy.

In all cases where fraud and corruption are found recovery action will be taken to ensure monies are recovered wherever possible.

The Council will seek to optimise the publicity opportunities associated with its anti-fraud and corruption activity.

The Council will seek to make use of the asset recovery provisions of the Proceeds of Crime Act 2002.

Disciplinary Action:

Employees found to be involved in theft, fraud or corruption will face disciplinary action, but may also be prosecuted, depending upon the circumstances of the case.

Elected members will face appropriate action if found to be involved in theft, fraud or corruption against the authority. All cases will be referred to the Council's Monitoring Officer for referral to the Standards Committee. Prosecution may be considered depending upon the circumstances of the case.

Detection and Investigation:

Data Matching & Data Sharing:

The Council pro-actively uses data matches from such sources as the National Fraud Initiative (NFI). The Council will also share information using legislation or legal gateways available to us and our partners.

Referrals:

Referrals are received from many sources, some of these are listed:

- Internal Audit;
- Managers;

- Officers;
- A-FACT hotline;
- Anonymous letters;
- Whistleblowing Policy.

Investigation of Fraud and Irregularity:

The Anti-Fraud and Corruption Team investigates all fraud and irregularity reported to the Council. All members of A-FACT are accredited counter fraud officers. The Team encompasses Special Investigations and Housing Tenancy Investigations. The team will utilise all methods available to detect and investigate fraud. This includes data matching, open source research, surveillance and intelligence lead investigation

The Team undertakes all investigations in accordance with the requirements of the following legislation:

- Human Rights Act 1998,
- Data Protection Act 1998,
- Criminal Procedures and Investigation Act 1996,
- Regulation of Investigatory Powers Act 2000,
- Police and Criminal Evidence Act 1984,
- Internal Procedures as appropriate.

The Team liaises with external bodies such as:

- Police,
- Cabinet Office <https://www.gov.uk/government/organisations/cabinet-office>
- Department for Works and Pensions www.dwp.gov.uk
- Home Office
- HM Revenues and Customs
- Other local authorities and Public Bodies

The Team will also liaise with other enforcement teams within the Council as appropriate.

Report a fraud or irregularity:

Internal referrals:

Please raise your concerns with your line manager or their line manager. If you are unable to do this please contact the A-FACT Manager directly on **0208 314 7909** or **carol.owen@lewisham.gov.uk**. All referrals will be treated confidentially.

External Referrals:

If you wish to report a fraud please contact us

Fraud Hotline no: 0800 0850119

Or

Email A-FACT on ‘reportfraud@lewisham.gov.uk’.

Or

**Write to the
A-Fact Manager
Room 204, Town Hall Chambers,
Catford SE6 4RY**

All referrals are treated confidentially,

Conclusion:

Lewisham Council is committed to an anti-fraud culture, it expects the highest standards from all Members, Officers, Agency Workers, Consultants and Contractors.

However, the prevention and detection of fraud and corruption is everyone's responsibility, therefore we must ALL

