

## APPENDIX 9 – Annual Counter Fraud Update for 2018/19

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No.
Ward	ALL	
Contributors	A-FACT Group Manager	
Class		Date: 11 July 2019

### 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 financial year.

### 2. Executive Summary

- 2.1. There are no major changes to report. The detail is provided in the body of the report for which the highlights are:
- The number of employee cases has returned to the levels seen in previous years.
  - The increased work undertaken for Lewisham Homes under the chargeable SLA has impacted on some of the work conducted for Lewisham Council but has increased income.
  - A lack of experienced investigators has resulted in the team carrying vacancies for much of the year. An initial plan to take on an apprentice is not feasible due to the lack of an apprentice route into the profession therefore a proposal for a trainee role is being developed.

### 3. Recommendations

- 3.1. It is recommended that the Audit Panel note this report for information, as part of the July internal audit update.

### 4. Special 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 years full year figures for reference

Summary of Special Investigations work & Requests for assistance	2018/19	2017/18	Change		2016/17	2015/16
	FY	FY	Number	%	FY	FY
b/f	17	24	-7	-29%	8	45
New	118	141	-23	-16%	130	102
Closed	116	148	-32	-22%	114	136
c/f	19	17	2	12%	24	11
Of which						
E'ee & agency cases	14	15	-1	-7%	13	17
- resulting in action	6	10	-4	-40%	6	10
Other cases	102	133	-31	-23%	101	119
- resulting in action	77	96	-19	-20%	53	27

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### Employee Related cases

- 4.2 Of the 116 cases closed this year 14 related to employees and 6 of those resulted in action. These cases are included in the year to date figures shown below.

Analysis of employee fraud	2018/19	2017/18	Change		2016/17	2014/15
	FY	FY	Number	%	FY	FY
Dismissed/resigned & Convicted	0	2	-2	100%	0	0
Resigned/Dismissed incl agency staff	1	2	-1	0%	0	1
Other disciplinary (incl not employed)	2	3	-1	-33%	1	2
Monies repaid or Goods returned	0	2	-2	100%	1	2
Management action incl process review	2	1	1	0%	2	2
Identity or other issue cleared	1	0	1	0%	1	1
<b>Total</b>	<b>6</b>	<b>10</b>	<b>-4</b>	<b>-40%</b>	<b>5</b>	<b>10</b>

- 4.3 The number of staff related cases has fallen back to the level in previous years after last year's increase.

- 4.4 "Other Cases" include applications for support by those who have No Recourse to Public Funds, Blue Badge fraud, Council Tax fraud and reviews of operational processes to prevent or deter fraud. The actions taken are summarised in the table below.

Analysis of Non Employee Cases 2018/19 FY	Total Cases	Fraud Proven/ Process review	Evidence provided to assist assessment	Info verified/ Occ Check	NFA	Req for info
Blue Badge	25	18			7	
Applications for support	7		2	4	1	
Direct Payments for Care	4		1	1	2	
Spec Invest Other cases	45	9	2	3	15	37
<b>Total</b>	<b>102</b>	<b>27</b>	<b>5</b>	<b>8</b>	<b>25</b>	<b>37</b>

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- 4.5 Included in the fraud proven total are four applications for Home Improvement Grants by landlords that were rejected, following investigations by A-FACT, on the basis that a conflict of interest was identified between the applicants, the agent and the companies involved in the applications indicating that the applications were neither transparent nor independent. These application relate to nine properties and had an approximate value of over £55k.
- 4.6 A-FACT are undertaking more checks for other services across the Council to confirm identity, address history and/or circumstances as part of an assessment of a claim for a service or support. As the assessment of these claims can be impacted by a number of factors we are now reporting on all cases where significant evidence is provided to assist with the application.

### Pre-employment Checks

- 4.7 A-FACT support Human Resources by undertaking part of the Council's recruitment checks. Each potential employee of the Council is required to complete a pre-employment check focusing on any issues relating to Council tax, benefits, rent and personal business interests which may cast doubt on the individual's integrity or potential conflicts for their work going forward. This process also applies to agency staff.

Summary of pre-employment checks	2018/19	2017/18	Change		2016/17	2015/16
	FY	FY	Number	%	FY	FY
Checks completed	354	301	53	18%	268	317
Action taken	40	60	-20	-33%	30	35

- 4.8 The majority of cases where action was required relate to business interests. Either the Council was not previously aware of the interest or checks had to be undertaken to ensure no conflict of interest. This accounts for 30 cases. There have also been more cases of potential employers owing significant amounts in Council Tax etc.. to the Council. Generally these are approved for employment providing a reasonable arrangement to pay the debt is made and adhered to.

### Lewisham Homes

- 4.9 During 2018/19 A-FACT continued to undertake investigation work on behalf of Lewisham Homes under a Service Level Agreement. The amount of investigation days was greater than planned which impacted on the work that could be undertaken for Lewisham Council but did generate additional income. The Service Level Agreement has now been extended for 2019/20. The outcome of these investigations is reported by Lewisham Homes to their Audit Committee.
- 4.10 One of the cases successfully undertaken for Lewisham Homes received press coverage recently. The article from [www.legalfutures.co.uk](http://www.legalfutures.co.uk) is shown in Appendix 1 but the story was also carried by the News Shopper in an abbreviated form.

## 5 Housing Application Investigations

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

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Summary of Housing App Investigations	2018/19	2017/18	Change		2016/17	2015/16
	FY	FY	Number	%	FY	FY
b/f	12	22	-10	-45%	2	19
New	25	50	-25	-50%	125	28
Closed	32	60	-28	-47%	105	45
C/fwd	5	12	-7	-58%	22	2
Resulting in action	10	29	-19	-66%	33	25
Proactive Exercise-Deceased applicants	38	155	-117	-75%		

- 5.2 The 10 successful cases resulted from eight cancelled applications for housing and two cases where the tenant tried to inflate the size of the property required. Based on current Cabinet Office figures each represents an indicative savings of £18k. In total a value of £180,000.
- 5.3 In addition to the reactive case load figures there were 38 applications for housing removed from the register following data matching undertaken as part of the National Fraud Initiative found that the applicant was deceased but not classed as fraudulent. Based on the indicative savings figure these have a value of £684K. The reduction in the number of cases from this work is due to the large scale cleansing of the data in the previous exercise.
- 5.4 We have also undertaken a joint exercise with Lewisham Homes to verify the occupants of one of Lewisham's larger hostels. This resulted in the successful visits to 29 of the 47 units, this is not included in the figures above. The remaining cases will be followed up shortly although two cases have been identified for detailed investigation.
- 5.5 This area of the team also deals with a significant Lewisham Homes caseload (including the case mentioned in paragraph 4.10) but not included in these figures.

### 6 RSL Partnership Cases

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

Summary of RSL Housing Investigations Work	2018/9	2017/18	Change		2016/17	2015/16
	FY	FY	Number	%	FY	FY
b/f	25	19	6	32%	5	176
New	38	65	-27	-42%	87	76
Closed	33	40	-7	-18%	63	246
c/f	30	44	-14	-32%	29	6
Resulting in action	19	16	3	19%	19	16

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- 6.2 There were 18 tenancies successfully recovered during the year. The Cabinet Office have stated that the notional value of a social tenancy is now £75k on that basis this equates to a total saving to the Council of £1.35 million. The remaining case relates to a prosecution against a tenant who had sublet their two bedroom property for six years. The former tenant received a suspended sentence of 18 months and an award of just under £30k under the Proceeds of Crime Act.
- 6.4 One of the more interesting cases involved a tenant who had purchased and lived in a property in Chatham since 2017. They had retained the social tenancy for convenience as their partner occasionally stayed in London to be near their work. When confronted with the fact that they no longer occupied the property as their home the tenant completed a vacation notice the same day. The property is now in the process of being re-let to a family with a genuine housing need.

### 7 Local Government Transparency Code 2014

- 7.1 The Local Government Transparency Code requires all local authorities to publish data on their anti-fraud arrangements on at least an annual basis.
- 7.2 The data for 2018/19 is shown along with the two previous years for comparison.

Data required	2018/19	2017/18	2016/17
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to require information) (England) Regulations 2014 or similar powers.	32	145	68
Total number of employees undertaking investigations and prosecutions of fraud	6	6	7
Total number of professionally accredited counter fraud specialists	6	6	6
Total amount spent by the authority on the investigation and prosecution of fraud	£248,437	£313,559	£355,734
Total number of cases investigated	219	424	282

### 8 Any other business

- 8.1 The Councils Anti-Fraud & Fraud Policy has been reviewed and updated. The revised version is attached as Appendix 2
- 8.2 During the year we have delivered training to 85 mainly front line officers from Lewisham Council and our partner organisations.
- 8.3 The contractual negotiations, along with all London Boroughs, continue in respect of joining the CIPFA Counter Fraud Hub. A revised contract has been put forward which will need to be evaluated.

**Appendix 1**

Article from [LegalFutures.co.uk](http://LegalFutures.co.uk)

# Solicitor convicted of subletting council home

12 April 2019

Posted by [Neil Rose](#)



*Rawlinson House: People seen moving out of property*

A solicitor's conviction for illegally subletting his council flat has been upheld after he lost his appeal against a suspended jail sentence.

Rahand Raza, 39, was living and working as a solicitor in Birmingham while he illegally sublet his council home in Lewisham, south London for over three years.

Lewisham Homes' tenancy audit team was first alerted that the property at Rawlinson House, Lewisham might be sublet after people were seen moving out of the property.

Detailed enquiries by the council's anti-fraud and corruption team established that the property was being illegally sublet.

Following a joint prosecution by the pair in May 2018, Mr Raza was convicted under the Prevention of Social Housing Fraud Act 2013.

Bexley Magistrates' Court handed the solicitor a custodial sentence of 12 weeks, suspended for two years. He was also ordered to pay costs of £5,000 and to pay back the unlawful profit of £3,496.

The judge said illegal subletting was a serious problem that impacted on Lewisham council and its residents.

Upholding the decision on appeal, a judge at Croydon Crown Court said the offence was not trivial in light of the profit Mr Raza made on a monthly basis. Mr Raza had also applied for the 'right to buy' on the tenancy.

Lewisham council said the details of the conviction have been passed to the Solicitors Regulation Authority (SRA) for possible disciplinary action.



# Anti-Fraud and Corruption Policy

Date last Reviewed April 2019

Approved by: Submitted for approval Audit Panel April 2019

Version No 2

Next Review date April 2020

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;



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- ✚ 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

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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

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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.

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### **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 it's 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

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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](http://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.

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

