



AUDIT PANEL

Report title: Anti-Fraud and Corruption Team – Annual Report

Date: 23 June 2021

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Director of Corporate Services and Group Manager Anti-Fraud and Corruption Team

Outline and recommendations

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.

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

1. Summary

- 1.1. This was an exceptional year due to the COVID-19 pandemic which had a significant impact on the work of A-FACT.
- 1.2. Between April – June 2020 A-FACT was seconded to the Covid Action Team providing shielding calls and IT support. Only a skeleton service was left to provide a counter fraud response. In the remainder of the year the team's focus has been on the various COVID-19 support schemes.
- 1.3. The detail is provided in the body of the report for which the highlights are:
 - The number of employee related frauds has more than doubled but it is unclear as to whether this is the start of a trend. It does not appear to have any link to the pandemic.
 - A-FACT have supported the pre- and post- payment verification relating to the COVID-19 relief schemes. Many of the cases identified are yet to be brought to a conclusion and therefore are not reflected in the figures for 2020/21.
 - A-FACT were able to use their access to the CIFAS Fraud Database to provide additional assurance post payment.
 - Much of the work normally provided to Lewisham Homes and our other housing partners has been limited by the pandemic. It has not been possible to conduct visits or face-to-face interviews for much of the year. There are significant delays in the judicial systems and also a stay on any evictions.

2. Recommendations

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

3. Policy Context

- 3.1. The overriding policy context for the Audit Panel in respect of the Council's fraud prevention and detection work is to ensure adequate and effective governance and internal control to fulfill Members and Officers public stewardship obligations.
- 3.2. This impacts work in respect of all the Council's strategic priorities, as part of the Corporate Strategy 2019. The seven corporate priorities as stated below:
 - **Open Lewisham** - Lewisham will be a place where diversity and cultural heritage is recognised as a strength and is celebrated.
 - **Tackling the housing crisis** - Everyone has a decent home that is secure and affordable.
 - **Giving children and young people the best start in life** - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.
 - **Building and inclusive local economy** - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
 - **Delivering and defending health, social care and support** - Ensuring everyone receives the health, mental health, social care and support services they need.
 - **Making Lewisham greener** - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
 - **Building safer communities** - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

4. Background

- 4.1. The A-FACT comprises five officers. The work is focused on special Investigations, housing, pre-employment checks for employees, and service level agreement with Lewisham Homes.
- 4.2. The special investigation work covers allegations involving employees, contractors, business rates, grants, blue badges and financial irregularities within or against Lewisham Council.
- 4.3. The housing investigation work covers fraudulent applications relating to Homelessness, Housing register, Right to Buy and Cash Incentive schemes. Investigations into subletting are conducted on behalf of our partners Lewisham Homes and several Registered Social Landlord (RSLs)
- 4.4. The referencing work covers pre-employment checks focusing on potential conflicts of interest and monies owed to the council for council tax etc, as well as investigating any anomalies with employment history etc.
- 4.5. The Lewisham Home support covers the more serious allegations of fraud within or against Lewisham Homes and pre-employment checks.

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5. Investigation work

Special Investigations

- 5.1. 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	2020/21	2019/20	Change		2018/19
	FY	FY	Number	%	FY
b/f	37	19	18	95%	17
New	76	121	-45	-37%	118
Closed	66	103	-37	-36%	116
c/f	47	37	10	27%	19
Of which					
E'ee & agency cases	10	6	4	67%	14
- resulting in action	10	4	6	150%	6
Other cases	56	97	-41	-42%	102
- resulting in action	43	65	-22	-34%	77

- 5.2 There were ten staff cases concluded this year:

- One case where a successful prosecution had occurred in the previous year but monies were not recovered until 20/21.
- Three cases where the employee resigned whilst under investigation.
- Two cases where discrepancies were discovered in applications for employment which resulted in offers of employment being withdrawn, and for one of the applicants their agency placement was also terminated.
- Applicant was found to be subletting their social tenancy and living elsewhere. The offer of employment was withdrawn and the social tenancy recovered.
- One agency employee was found not to have declared a significant conflict of interest so their placement was terminated.
- One case of recovery of monies from a former agency employee and another where evidence provided contributed to a successful dismissal.

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- One case where data matching found that an employee was working across two boroughs however both boroughs were satisfied with the hours worked and standard of work.

Analysis of employee fraud	2020/21	2019/20	Change		2018/19
	FY	FY	Number	%	FY
Dismissed/resigned & Convicted	1	0	1	100%	0
Resigned/Dismissed incl agency staff	4	1	3	300%	1
Other disciplinary or monies repaid (incl not employed)	4	2	2	100%	2
Prosecuted for false application	0	1	-1	-100%	0
Management action incl process review	0	0	0	0%	2
Identity or other issue cleared	1	0	1	100%	1
Total	10	4	6	150%	6

- 5.3 “Other Cases” include Blue Badge fraud, fraud linked to Direct Payments for Care, 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 Case 2020/21	Total Cases	Fraud Proven/ Process review	Evidence provided to assist assessment	Req for Info	NFA
Blue Badge	4	1	0	0	3
Direct Payments for Care & Care Placements	2	2	0	0	0
Business Rates	5	2	2	0	1
Spec Invest Other cases	45	3	4	29	9
Total	56	8	6	29	13

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- 5.4. One of these case related to a historic Benefit fraud prosecution where the defendant had failed to attend a sentencing hearing in 2013 and a warrant had been issued for their arrest. The outstanding warrant was identified when they tried to return to the UK. They were arrested and remanded to Belmarsh Prison and later sentenced at Woolwich Crown Court to 16 weeks imprisonment for each of the two benefit fraud charges, to be served concurrently as well as an additional four weeks imprisonment for absconding while on bail. The overpayment of £21k is now being recovered from ongoing benefits.

National Fraud Initiative

- 5.5. The Cabinet Office is responsible for the National Fraud Initiative (NFI). This is a biennial process, where data is supplied from a number of Council systems and is matched to data supplied from other Councils and third parties such as Department for Work & Pensions (DWP), Her Majesty's Revenue & Customs (HMRC) and the General Registry Office. Any data matches are then supplied back to the Council to be investigated. The Council last submitted the data to be matched in October 2020
- 5.6. The first data matches were received in February 2021, with additional matches still being received as other organisations submitted their data to the exercise.
- 5.7. The NFI has generated 2,058 high and medium risk matches although many of these are likely to be false matches which do not require detailed investigation. Initial work has found that the matched against deceased records and across Councils is likely to be most fruitful. The results of this work will be published once concluded.

Government Counter Fraud Profession Accreditation

- 5.8. Lewisham became one of the first local authorities to become a full member of the Government's Counter Fraud Profession, bringing together individual and organisational counter-fraud learning from across the public sector. All investigators are now members, with the manager accreditation to follow in 2021/22. The collective membership process included evidencing competencies, suitable processes to review and assess staff training, and a commitment to personal development.

Bank Mandate Fraud

- 5.9. Bank mandate fraud continues to be a significant issue. Although we have robust controls in place to detect and prevent this, the Council is still targeted by organised criminal gangs who undertake phishing exercises. Methods are becoming more sophisticated, but our knowledge of this threat continues to develop. Alerts from neighbouring Local Authorities as well as the National Anti-Fraud Network (NAFN) and the police are regularly circulated to the relevant service areas.

Pre-employment checks

- 5.10. 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.

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Summary of pre-employment checks	2020/21	2019/20	Change		2018/19	2017/18
	FY	FY	Number	%	FY	FY
Checks completed	265	292	-27	-9%	354	301
Action taken	32	36	-4	-11%	40	60

5.11. The 32 cases can be broken down as follows:

- 2 repayment plans agree to pay outstanding Council tax.
- 21 Company directorships declared and checked for conflicts of interest.
- 7 directorships not declared but subsequently agreed.
- 2 discrepancies identified by the pre-employment checks were subsequently accepted by the recruiting manager.

5.12. A further two cases resulted in offers of employment being withdrawn. These are detailed in section 5.2 of this report.

COVID-19 Business Rates grants

5.13. A-FACT have supported the Business Rates Team, and the Economy, Jobs and Partnership Team in setting up and processing the various grants available during the pandemic to ensure that whilst monies were distributed to businesses as soon as possible there was also a robust framework of fraud controls. This has included the preparation of Fraud Risk assessment and Post Event Assurance Plans in accordance with guidance from the Department for business, Energy and Industrial Strategy (BEIS) and ensuring pre and post payment checks are undertaken in accordance with the scheme.

5.14. A-FACT were able to use Spotlight (an online tool provided by the Cabinet Office) to undertake checks that registered companies were still active.

5.15. As members of CIFAS Lewisham had access to their Fraud Database which holds details of the applications for financial products or services which are considered fraudulent, inconsistent or suspicious. This includes data relating to victims of financial fraud as well as perpetrators. Access to this product provided opportunity to check for fraudulent applications although most of this work was retrospective due to time constraints.

5.16. For the initial COVID-19 grants to Small Businesses, and Retail, Hospitality and Leisure some 3,248 applications were reviewed pre-payment. Further assurance work has been undertaken post-payment as required by BEIS which has identified seven cases which are still under investigation.

5.17. In addition to the standard NFI, the Cabinet Office mandated the submission of Covid grant data, which A-FACT supplied in December 2020. The matches were due to be released in March but due to delays encountered the NFI team did not release the matches until mid-May. A total of 22 matches were received from the 3,248 grants being issued these will be investigated to establish whether fraud has occurred.

5.18. Further post-payment work will be undertaken on the more recent grant schemes and investigations taken forward if appropriate.

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Test and Trace Support Payments

- 5.19. A-FACT worked with the Housing Benefit Team to ensure that adequate fraud controls were in place as required by the Department of Health & Social Care. This included ensuring that relevant declarations and fair processing notices were included in the application.
- 5.20. A fraud risk assessment was completed which demonstrated compliance with the scheme guidance. Also a sample of 58 cases were investigated for inconsistencies and matched against CIFAS records of known fraudsters and compromised identities which resulted in no concerns being identified. These checks will be run on a further sample in due course.

Lewisham Homes

- 5.21. A-FACT continues to undertake investigation work on behalf of Lewisham Homes under a Service Level Agreement.
- 5.22. The investigation work for Lewisham Homes has been severely hampered by the pandemic. Interviews, visits and court cases have stalled. On this basis it has not been possible to successfully conclude any internal or tenancy fraud cases. There are a number of tenancy investigations ongoing.
- 5.23. 103 pre-employment checks have been undertaken for Lewisham Homes, the results of which can be broken down as follows:
- Repayment plans agreed to repay outstanding Council tax totalling nearly £5k.
 - 7 Company directorships declared and checked for conflicts of interest.
 - 5 Company directorships not declared but subsequently agreed.

RSL and Housing Investigations

- 5.24. Due to overlaps in the work for our RSL partners and applications for housing and homelessness we have amalgamated the figures for both areas of work. The historical figures have also been amalgamated so that the comparison with previous years can be shown.

Summary of RSL cases & Housing App Investigations 2020/21	20/21	2019/20	Change		2018/19
	FY	FY	Number	%	FY
b/f	29	66	-37	-56%	37
New	29	53	-24	-45%	63
Closed	32	90	-58	-64%	65
C/fwd	26	29	-3	-10%	35
Resulting in action	4	20	-16	-80%	29

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- 5.25. Housing Investigations have been significantly impacted by the COVID-19 pandemic. Referrals have dropped by nearly half as housing officers did not have the same level of contact with tenants. The need to balance the work of the team with the need to keep both officers and residents safe has impacted on the ability to undertake visits and conduct interviews. Cases awaiting court action have been delayed and there has been a stay on evictions even where court orders were previously obtained.
- 5.26. We have been able to cancel one Right to Buy, two Applications for housing and recovered one tenancy. The tenancy recovered is a large four bedroom house which can now be used to house a family in genuine need.

Local Government Transparency Code 2014

- 5.27. The Local Government Transparency Code requires all local authorities to publish data on their anti-fraud arrangements on at least an annual basis.
- 5.28. The data for 2020/21 is shown along with the two previous years for comparison. It should be noted that in the case of investigations into Business Rate grants only closed successful cases have been included due to the volume of checks conducted.

Data required	2020/21	2019/20	2018/19
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to require information) (England) Regulations 2014 or similar powers.	19	32	32
Total number of employees undertaking investigations and prosecutions of fraud	5	6	6*
Total number of professionally accredited counter fraud specialists	5	6	6
Total amount spent by the authority on the investigation and prosecution of fraud	£315,367	£352,929	£248,437*
Total number of cases investigated (including Test & Trace)	156	272	219

*For 2018/19 it should be noted that whilst there were 6 FTE at the end of the year the team actually held a vacancy for a significant period. Also there was an item of income in the form of a Proceeds of Crime recovery that reduced the authority's expenditure

6. Financial implications

- 6.1. There are no financial implications arising from this report.

7. Legal implications

- 7.1. There are no legal implications arising from this report.

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8. Equalities implications

8.1. There are no equalities implications arising from this report.

9. Climate change and environmental implications

9.1. There are no climate change and environmental implications arising from this report.

10. Crime and disorder implications

10.1. There are no crime and disorder implications arising from this report.

11. Health and wellbeing implications

11.1. There are no health and wellbeing implications arising from this report

12. Background papers

12.1. There are no background papers.

13. Report author(s) and contact

13.1. If there are any queries on this report, please contact Carol Owen, Anti-Fraud & Corruption team Manager 020 8314 7909 or David Austin, Director of Corporate Resources 020 8314 9114 or email them at: carol.owen@lewisham.gov.uk or david.austin@lewisham.gov.uk

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