

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 20 September 2017
AGENDA ITEM:	11
SUBJECT:	Anti-Fraud Update Report April – July 2017
LEAD OFFICER:	Simon Maddocks, Director of Governance
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The work of the Audit & Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law abiding Borough.</p>	
FINANCIAL SUMMARY:	
<p>The budget provision for the Anti-Fraud service for 2017/18 is £423,000 and the service is on target to be delivered within budget.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

For general release

1. RECOMMENDATIONS
1.1 The Committee is asked to note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 – 31 July 2017.

2. EXECUTIVE SUMMARY

- 2.1 This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2017 – 31 July 2017.

3. DETAIL

Performance 1 April 2017 to 31 July 2017

- 3.1 The CAFT comprises 12 staff (11.4 FTEs), including investigators an Intelligence Officer and an Investigation Manager, in addition the team receives support from Mazars PSIA Ltd, the Council's external strategic partner. The CAFT investigates allegations of fraud which affect the Council's business. In addition the team provides a service to the London Borough of Bexley to investigate allegations of fraud against them and support to the fraud team at the London Borough of Lambeth. It also provides Financial Investigation services to the LB Waltham Forest as well as the Merton/Kingston/Sutton Trading Standards partnership. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 It has been reported previously to this committee that the team was selected as a pilot to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden, Islington and Hackney councils. The ambition of the project is to see all of London matching datasets to identify discrepancy. Examples of these could be people registering housing need in more than one borough, claiming small business rate relief on more than one business or registering to vote in more than one borough. Data has now been submitted to the project and we will feedback again once the pilot phase draws to a close in autumn 2017
- 3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below reflect the focus of the team. Table 2 shows a breakdown of these figures.

Table 1 – Key performance indicators

	ANNUAL TARGET 16/17	ANNUAL TARGET 17/18	17/18 YTD PERFORMANCE
Successful Outcomes	100	120	49
Identified Overpayments & Savings	£1,250,000	£1,250,000	£481,680

Table 2 - Breakdown of Outcomes from 1 April 2017 – 31 July 2017 compared to the same period in 2016

2016		2017	
Area	Value £	Area	Value £
Housing 8 Recovered Properties 1 Right to Buy stopped 1 Removed from Temp Accommodation 1 Removed from Housing list** 1 Succession Stopped 2 Notices/Orders*	£144,000 £95,700 £18,000 £18,000 £18,000	Housing 9 Recovered Properties 1 Right to Buy stopped	£162,000 £103,900
Other 4 Cautions 4 Disciplinary Action 2 Council Tax Discounts 5 Blue Badges Abuse 1 Insurance Claim Stopped 2 Care Package Stopped 3 Safeguarding Referrals 1 Audit recommendations	£32,123	Other 5 Cautions 9 Dismissal/Resignation 3 Council Tax Discounts 10 Blue Badge Abuse 1 Insurance Reviewed 3 Care Package Stopped 1 Direct Payment 5 Audit recommendations 1 Landlord licence 1 NRPF deportation	£215,780
Total	£325,823	Total	£481,680

*Includes: Notice Seeking Possession, Notice to Quit and Possession Orders

** Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy.

3.4 Social Housing Case study 1

This investigation resulted from enquiries made with the Corporate Anti-Fraud Team by the Metropolitan Police. They were looking for assistance in locating a wanted offender, who had absconded from a trial before sentence, relating to the supply of drugs in London. The offender had been found guilty in their absence of possession with intent to supply, and was sentenced to 7 years imprisonment.

The offender in this case turned out to be a Council tenant in Davidson Road, who had occupied this one bedroomed flat since 2008. Investigators moved quickly to establish who exactly was living at the flat and established that it was occupied by a male who claimed to be not living there but staying there while he

decorated the property for the tenant. Benefits paid at the address were therefore suspended.

As we were unable to make contact with our tenant and with concerns the flat was sublet in his absence, we moved immediately to serve notices to bring their tenancy to an end.

On the 9th June 2017 we gained a Possession Order in Croydon County Court, for outright possession of the property. At this point it became clear that the male that investigators found 'decorating' the property was in fact living there. Following a wait for court appointed bailiffs the occupant was finally evicted on 31 July 2017 and the property repossessed. At the time of writing this report it is being prepared, including redecoration, for a new tenant providing a fresh start for someone on the council's waiting list.

3.5 Social Housing Case study 2

Katrin Butu, a Turkish national, entered the UK in 2001 seeking asylum. This was refused and in 2002 she claimed support from the council's No Recourse to Public Funds team pending her departure from the UK. In 2003 she claimed social housing using the name Katherine Butun but this was denied as it was clear she had no recourse to public funds. Undeterred she set about the creation of an identity that would get her access to public funds and in 2004 she hijacked the identity of a person born in Helensborough in Scotland. In June 2004 she successfully changed her name by deed poll to her new identity and in August 2004 she managed to obtain a UK passport. The next natural move was to apply again for social housing and she wasted no time, applying again in September 2004. She received an offer for a property in Bramley Hill in May 2005. She perpetuated her fraud by explaining that the reason she didn't speak any English and needed all transactions with council services dealt with through a translator was due to the fact that her mother had taken her to Turkey as a child and she never really learned to speak English

Following a tip off the council investigated with the Department for Work and Pensions as by now she had for over ten years been defrauding the DWP out of state benefits as well as occupying a badly needed council home. Croydon Tenancy Investigators found a history of complaints, Anti-Social Behaviour, noise and rubbish nuisance all of which had to be dealt with with the assistance of interpreters, incurring additional expense for the council.

On the first day of her five day trial for fraud in August 2016 she had an alleged fit in court and was removed by ambulance for hospital treatment only to be discharged with nothing wrong with her. There followed many delays in getting her into court but eventually, on 31st January this year she was sentenced to 2 and half years in prison. The Tenancy Investigator recovered the house on 20/11/16 which, following a quick turnaround, was offered to a deserving family from the waiting list on 23/11/16.

4. FINANCIAL INVESTIGATIONS

- 4.1 The Council employs two Financial Investigators to undertake cash seizures and other financial investigations, in addition to the work undertaken for

Croydon, the Council's Financial Investigators are also undertaking work for Waltham Forest and have recently been commissioned by Merton Trading Standards to provide additional support. Their investigations relate to various departments within the Councils including:

- Housing Benefit – legacy cases;
- Trading Standards - trademark and rogue trader cases;
- Planning – enforcement case;
- Licensing; and
- Internal cases

4.2 At the time of writing the Financial Investigators have 10 cases under investigation involving a total of 19 defendants. These investigations relate not only to Croydon cases, but also to a case for another council.

4.3 Financial Investigators are empowered to apply for restraint orders, which is a type of court order agreed by a judge. The order has the effect of freezing property, including money and assets anywhere in the world that may be liable to confiscation following the trial. The aim of the order is to strike a balance between keeping the defendant's assets available to satisfy any confiscation order which may be made in the event of conviction and meeting the defendant's reasonable requirements in the meantime. In these cases if there is a successful prosecution then a portion of these restrained assets will be returned to the Council. The Council's Financial Investigators currently have £110,000 of cash detained as well as 64 restraint orders in place as follows:

- 49 Bank Accounts
- 13 Properties
- 2 Cars

5. LOCAL GOVERNMENT TRANSPARENCY CODE

5.1 Members will be aware of the Local Government Transparency Code which requires Councils to publish data about various areas of their activities. Included in the 2014 code is detail on Counter Fraud work, most of this information has always been reported to committee; however there are some new areas which now need to be made public. These are detailed below:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	42
Total number of employees undertaking investigations and prosecutions relating to fraud	12.0
Total number of full time equivalent employees undertaking investigations and prosecutions of fraud	11.4
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	11.0

Total number of full time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	10.6
Total number of fraud cases investigated*	93

*The number of investigations that have been closed during the period April '17 to July '17.

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The budget provision for the audit and anti-fraud service for 2017/18 is £423,000 and the service has been delivered within budget.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Luke Chiverton, Head of Finance)

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 7.1 The Solicitor to the Council advises that there are no additional legal implications arising from this report

(Approved by Jessica Stockton, Interim Manager Corporate Legal team, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

8. HUMAN RESOURCES IMPACT

- 8.1 There are no immediate human resource considerations arising from this report for LBC staff or workers.

(Approved by: Sue Moorman, Director of Human Resources)

9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS

- 9.1 There are no further considerations in these areas.

10. EQUALITIES IMPACT ASSESSMENT

- 10.1 An initial screening equalities impact assessment has been completed for the Anti-fraud and Corruption Policy. No further action was found to be necessary.

CONTACT OFFICER:

David Hogan (Head of Anti-Fraud)