

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 06 December 2018
SUBJECT:	Anti-Fraud Update Report 1 April 18 – 31 October 2018
LEAD OFFICER:	Lisa Taylor, Director of Finance, Investment & Risk
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
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's 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 2018/19 is £263,000 and the service is on target to be delivered within budget.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

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 2018 – 31 October 2018
 - Review and approve the revised Anti Fraud and Corruption Strategy (appendix 1)

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 2018 – 31 October 2018.

3. DETAIL

Performance 1 April 2018 to 31 October 2018

- 3.1 The CAFT comprises 10 staff (8.9 FTEs), including investigators an Intelligence Officer and an Investigation Manager. The CAFT investigates allegations of fraud which affect the Council's business. In addition the team provides a service to the London Borough of Lambeth, as well as providing Financial Investigation services to 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 CAFT was selected as a pilot to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden and Islington councils. The ambition of the LCFH 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 relating to council tax discounts, housing tenancy and business rates has now been submitted to the LCFH project and the output has been tested for the next stage, which is project evaluation. Feedback will be given once the pilot phase draws to a close.
- 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 17/18	ANNUAL TARGET 18/19	YTD
Successful Outcomes	120	100	94
Identified Overpayments & Savings	£1,250,000	£1,250,000	£880,289

Table 2 - Breakdown of Outcomes from 1 April 2018 – 31 October 2018 compared to the same period in 2017

2017		2018	
Area	Value £	Area	Value £
Housing - 11 13 Recovered Properties 30 Removed from Housing list 2 Possession Orders 6 Legal notice issued* 1 Right to Buy stopped 1 – Other (tenancy warning letter)	234,000 60,000 103,900	Housing - 33 7 Recovered Properties 4 Removed from housing list 2 Right to Buy stopped 2 Removed from TA 3 Possession order 14 Legal notices issued* 1 – Other (tenancy warning letter)	126,000 **8,000 £209,800 £36,000
Other - 38 8 Formal Cautions 11 Dismissal/Resignation & Other Disciplinary Action 10 Council Tax Discounts 17 Blue Badge Abuse 1 Insurance Claim Stopped 1 Care Package Stopped 4 Recommendations for Improvements 5 2 Chargeback Warning letter 3 Other	277,539	Other - 40 6 Formal Cautions 6 Dismissal/Resignation & Other Disciplinary Action 7 Council Tax Discounts 7 Council Tax reduction removed 3 Council tax liability order 10 Blue Badge Abuse 6 Recommendations for Improvements 6 Chargeback warnings 8 Other	£494,489
Total	675,439	Total	£880,289

*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 Proceeds of Crime Case study

On 31st October the council were granted a confiscation order under the Proceeds of Crime Act (POCA) by Croydon Crown court. The value of this order is £166,839 and this brings to a close 5 years of work by the team in prosecuting Angel Jackson, aka Angel Duffy, aka Paris Diva Anderson for a benefit fraud for which she was imprisoned for 7 years in November 2016. During the period

of her fraud Ms Jackson was able to buy a flat in Norbury as well as a house in Merton and throughout the trial the anti-fraud team argued that these properties were the proceeds of her crime and should be confiscated to repay some of the money stolen through the fraud. The team worked with the mortgage lenders to ensure the properties were repossessed and sold on to new owners and have now successfully argued through the court for the balance of any funds to be paid to Croydon council as compensation. In awarding the order, the Crown Court has agreed the amount of £166,839 as an 'available amount'. Of this amount £132,098 will be paid to LB Croydon, £8,235 will be paid to LB Merton and £26,505 will be paid the Dept. for Work and Pensions

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 62 restraint orders in place as follows:

- 49 Bank Accounts
- 13 Properties

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 for the period from April 2018 to 31 August 2018:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	3
Total number of employees undertaking investigations and prosecutions relating to fraud	8
Total number of full time equivalent employees undertaking investigations and prosecutions of fraud	6.9
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	7
Total number of full time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	6.1
Total number of fraud cases investigated*	215

*The number of investigations that have been closed during the period April '18 to 31 October 18.

6. REVISED ANTI-FRAUD AND CORRUPTION STRATEGY

- 6.1 The Anti Fraud and Corruption strategy is the cornerstone in the council's goal to create a hostile environment for fraud. Its purpose is to serve as a statement of intent as well as providing clear guidance to staff, members, contractors and service users on how the council will deal with allegations of fraud, theft or corruption.
- 6.2 Revisions have been limited to updating responsibilities, following service restructures since this strategy was last brought to this committee in March 2016.and can be found at the end of this report as appendix 1.

7. FINANCIAL AND RISK ASSESSMENTS

- 7.1 The budget provision for the Anti-Fraud service for 2018/19 is £263,000 and the service is on target to be delivered within budget.
- 7.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

8. COMMENTS OF THE SOLICITOR TO THE COUNCIL

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

(Approved by Sandra Herbert Head of Litigation and Corporate, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

9. HUMAN RESOURCES IMPACT

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

(Approved by: Gillian Bevan, Head of HR, Resources)

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

- 10.1 There are no further considerations in these areas.

11. EQUALITIES IMPACT ASSESSMENT

- 11.1 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)

Anti-Fraud & Corruption Strategy

1. Introduction

- 1.1 This document sets out the Council's policy and strategy in relation to fraud and corruption. It has the full support of the Council's General Purposes and Audit Committee, Governance Board and Corporate Leadership Team.
- 1.2 We are responsible for the administration of millions of pounds of public money in delivering services, assistance and paying benefits. In addition the Council is responsible for the management of various buildings and other assets. We are committed to ensuring that those funds and assets are legitimately used and only those entitled to services and benefits receive them. However, we recognise that all organisations within the public and private sector are at risk of fraud and in order to fulfil the Council's corporate strategy we will maximise the resources available to us by reducing fraud and misappropriation to a minimum.
- 1.3 The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and prosecution or a combination of these sanctions, we will also seek to recover losses incurred through fraud.
- 1.4 Central to this, we have a dedicated Corporate Anti Fraud Team who will investigate allegations of fraud and corruption across all Council service areas. The Corporate Anti Fraud Team includes a Financial Investigator whose role is to recover losses and make sure any person(s) defrauding the Council does not benefit from their ill-gotten gains. Our strategy is based upon three key themes as identified by the Local Government Association in 'Fighting Fraud Locally' they are:
 - Acknowledge;
 - Prevent;
 - Pursue
- 1.5 These themes exist within the overall context of an Anti-Fraud Culture promoted by the Council through its leaders, governance arrangements and general approach to fraud and corruption.
- 1.6 This Anti-Fraud and Corruption Strategy summarises the Council's position, building on the content of a number of corporate policy statements, including:
 - Members Code of Conduct;
 - Officers Code of Conduct;
 - Whistle-blowing Policy;

- Anti Money Laundering Policy;
- Anti Bribery Policy;
- Financial Regulations;
- Procurement Handbook and Contract Regulations; and
- The Investigation of Financial Irregularities procedure

1.7 Overarching the above policies is the fact that Council Members and Officers are expected to adopt the highest standards of propriety and to follow the 'Nolan' principles of public life which are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

2. Defining Fraud - What is fraud?

2.1 The Fraud Act 2006 details the legal definitions of fraud, and is used for the criminal prosecution of most fraud offences. The Council also deals with fraud in non-criminal matters. For the purposes of this Strategy fraud is defined as: A dishonest action designed to facilitate gain (personally or for another) at the expense of the Council, the residents of the borough or the wider national community.

2.2 The definition covers various offences including: deception, forgery, theft, misappropriation, collusion and misrepresentation. Although use in this context is not intended to limit the full use of the Fraud Act 2006 in the investigation and prosecution, by the Council, of any offences.

What is Corruption?

2.3 Corruption is the offering or acceptance of inducements designed to influence official action or decision-making. These inducements can take many forms including cash, holidays, event tickets, meals, etc.

2.4 The Bribery Act 2010 creates offences relating to Bribery and the Council's stance with regard to bribery is outlined in the Anti-Bribery Policy

What is Theft?

2.5 The Theft Act 1968 details the legal definition of theft. For the purposes of this Strategy theft is defined as the taking without consent and with the intention of not returning any property belonging to the Council or which has been entrusted to it e.g. client funds), including cash, equipment, vehicles, data, etc.

- 2.6 Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or Members whilst on Council property.

What is Financial Malpractice/Irregularity?

- 2.7 This term is used to describe any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council's financial governance arrangements. They do not have to result in personal gain.

3. Statement of Intent and Strategy

- 3.1 We recognise that dealing with fraud is important and that it has a duty to Council Tax payers and Central Government to ensure that all public funds are administered correctly.
- 3.2 Our strategy combating fraud and corruption is made up of the following key elements:

Acknowledge

We acknowledge that as an organisation we are at risk of fraud and will seek to understand our fraud risks, we will:

- Maintain a Corporate Anti Fraud Team whose members are trained and qualified to the level of Accredited Counter Fraud Officers;
- Maintain a Financial Investigation capability qualified in accordance with the Proceeds of Crime Act 2008;

Prevent

- 3.3 Council recognises that fraud and corruption are costly, both in terms of financial losses and reputational risk. The prevention and detection of fraud is therefore a key objective of the authority. The Internal Audit Team and the Corporate Anti Fraud Team work side by side to provide the Council's audit and fraud investigation functions. They employ a multi-disciplinary approach that includes pro-active work determined by a formal risk assessment. In addition the team are free to work with other agencies in pursuance of the Council's anti-fraud aims. In addition the prevention and detection includes a commitment to:
- Seek to promote an anti-fraud culture across the community by publicising the impact of fraud on the community. We will also seek to assist our partners and stakeholders to understand and reduce the threats of fraud. Furthermore we will seek to deter fraudsters through specific publicity and general campaigns.
 - Publicise counter fraud work to the widest possible audience and all successful prosecutions will be reported to the media;
 - Undertake data matching with other Local Authorities and relevant external organisations to pro-actively identify fraudulent activity.

- Continue to subscribe to and work with the National Anti - Fraud Network (NAFN) to ensure it has access to all intelligence sources to combat fraud and corruption.
- Operate a Whistleblowing policy to ensure concerns of internal probity can be raised and this policy is operated in accordance with the Public Disclosure at Work Act to ensure protection for those who come forward.
- Prevent fraud from entering the system in the first place by ensuring that all appropriate staff receive fraud awareness training.

Pursue

The Council will take a strong approach to punishing fraud and recovering fraud losses:

- In cases where fraud is discovered we will take criminal, civil or disciplinary action or a combination of these. Decisions will be based on our HR policies and the Code for Crown Prosecutors which includes the evidential and public interest tests for prosecution;
- In all appropriate cases of fraud or corruption recovery action will be taken to ensure the money is returned to us, this may include civil recovery methods or recovery through criminal proceedings using the Proceeds of Crime Act where appropriate.
- The Corporate Anti - Fraud Team will continue to work in partnership with other organisations such as the Department for Work and Pensions, the Home Office and the Metropolitan Police.

4. Responsibilities

Corporate Responsibilities

- 4.1 The Council is committed to the maintenance of a robust framework of procedures and policies, which if adhered to, will prevent fraud. The whistle blowing process and fraud hotline bolster these processes by being a deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption.
- 4.2 The endorsement of this strategy sends a clear message that fraud against the Council will not be tolerated and where reported it will be investigated and where identified will be dealt with in a professional and timely manner using the strongest punishment available in accordance with available guidance. In addition restitution will always be sought for the loss incurred. Through the creation and enhancement of a strong Anti-Fraud Culture the Council aims to deter potential perpetrators from targeting its finances and services. Within the corporate framework there are a number of facets that exist to protect the Council against fraud. These include:
- The Constitution, Financial Regulations, and the Scheme of Delegation;
 - An established committee fulfilling the role of an Audit Committee;
 - An established Ethics Committee and an adopted code of conduct for Members;
 - Statutory responsibility for the oversight of all financial and legal affairs;

- Declaration of interest and gifts and hospitality procedures for Members and Officers;
- Effective employee vetting procedures - recruitment checks and CRB where appropriate and a detailed staff Code of Conduct;
- Internal controls regularly reviewed and annually certificated by directors;
- Periodic checks by Internal Audit in line with a risk based Audit Plan;
- *A confidential reporting code (Whistle-blowing procedure);*
- A Complaints procedure available to the public;
- An External Audit;
- A Corporate Anti-Fraud Team and Financial Investigator;
- Participation in the National Fraud Initiative, and membership to the National Anti Fraud Network; and
- Webpages on the intranet offering governance and Anti-Fraud advice and training to employees.

Councillor Responsibilities

- 4.3 The Council's Members lead by example at all times, maintaining the highest standards of probity, honesty, integrity and accountability in their dealings. This expectation is detailed in the Council's Constitution under the Members Code of Conduct, available on the Council's internet and intranet sites.
- 4.4 Councillors are required to declare any potential conflicts of interest that could be deemed to impact on the way they perform their roles. Councillors are also required to register any gifts or hospitality offered or received over a given value.

Manager Responsibilities

- 4.5 Managers are responsible for ensuring that adequate systems of internal control exist within their areas of responsibility and that these controls, checks and supervision operate in such a way as to prevent or detect fraudulent activity. The primary responsibility for the prevention and detection of fraud, therefore, rests with managers who are required to assess the types of risks and scope for potential internal and external frauds associated with the operations in their area. Internal Audit undertake independent assessments of the key risks and associated controls within systems across the Council.
- 4.6 Managers will ensure that staff receive training in 'Fraud Awareness'. The level and extent of this will depend on the work that individual employees carry out. When employees are an integral part of the control framework, it is crucial they are regularly reminded of fraud and risk issues.
- 4.7 Managers are required to report all instances of suspected, reported or detected fraud to the Head of Anti Fraud or the Head of Internal Audit, who will offer advice on the best approach to each incident. This ensures that there is a consistent and co-ordinated professional approach to all investigations and that the associated procedures are fully compliant with legislation.

Employee Responsibilities

- 4.8 Members of staff are a very important element in the Council's efforts to combat fraud and corruption. The Officers' Code of Conduct explains the requirement for all staff to be vigilant and describes how they should raise any concerns they may have.
- 4.9 The Code requires that employees report their suspicions or knowledge of any possible fraud or corruption to their Line Manager. Where an employee feels unable to use this route they are expected to report to their Head of Service or independently to the Head of Anti Fraud.
- 4.10 Through its Whistle-blowing Policy the Council provides employees with the means to report instances of suspected fraud, corruption or breaches of the Council's policies. The policy offers employees protection from recrimination and allows them anonymity if they so choose.

Contractor Responsibilities

- 4.11 The Council expects all contractors it has dealings with to act with complete honesty and integrity in all dealings with the Council, its service users and residents. The Council requires the employees of contractors to report any suspicions or knowledge they may have in relation to fraud and/or corruption against the Council. Contractors or their employees may report all concerns to the Council's client-side staff who will in turn report the matter to the appropriate line manager or they may make a report using the Council's whistle blowing policy.

Internal Audit and Corporate Anti Fraud Team Responsibilities

- 4.12 As part of the Council's system of internal control the Internal Audit team are required to undertake a risk-based assessment of all major systems operating across the Council and undertake an agreed plan of audits to test the controls in place.
- 4.13 The Council provides an Anti-Fraud function to facilitate the identification and subsequent investigation of alleged acts of fraud or corruption. Where such an investigation identifies a weakness in internal controls, the anti fraud team will advise the internal audit team so that this risk can be considered within the audit plan
- 4.14 The Head of Anti Fraud is responsible for making appropriate arrangements to co-ordinate the Council's work on the Audit Commission's National Fraud Initiatives, ensuring the council meets this statutory obligation and to undertake internal data matching across council systems.
- 4.15 The Head of Anti Fraud will advise Directors of all instances of reported or detected fraud or corruption in their service area and where appropriate undertake any subsequent investigation.

4.16 The Head of Anti Fraud is responsible for reporting to and liaising with the local police on individual cases and for issuing guidance to members and management in relation to fraud and corruption related legislation and procedures.

General Public – Responsibilities

4.17 The Council's expectation is that residents, service users and other members of the public will not tolerate abuse of the Council's assets or services. They are therefore encouraged to report any suspicions or knowledge they may have regarding any acts of fraud and corruption being perpetrated against the Council.

4.18 The public are made aware of the Corporate Anti Fraud Team's hotline, which is supported by an on-line report form, an investigation mailbox and appropriate media campaigns including handouts and posters. The contact numbers/addresses are secure and all referrals are treated professionally and in confidence.

5. Reporting a Fraud

5.1 The telephone numbers/email addresses to report of concerns relating to fraud corruption or other financial irregularities to are:

- The Corporate Anti Fraud Team on 020 8760 5645
- Internal Audit on 020 8760 5771
- Protect (formerly Public Concern at Work) Tel: 0207 404 6609 (whistleblowing, employees only)