

<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> <b>07 December 2017</b>
<b>SUBJECT:</b>	<b>Anti-Fraud Update Report April – 30 September 2017</b>
<b>LEAD OFFICER:</b>	<b>Simon Maddocks, Director of Governance</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>The work of the Audit &amp; 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>	
<b>FINANCIAL SUMMARY:</b>	
<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>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO: N/A</b>	

**For general release**

<p><b>1. RECOMMENDATIONS</b></p> <p>1.1 The Committee is asked to:</p> <ul style="list-style-type: none"> <li>• Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 – 30 September 2017</li> </ul>
--

## 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 – 30 September 2017.

## 3. DETAIL

### Performance 1 April 2017 to 30 September 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 internal audit 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 provides 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 CAFT 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 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 has now been submitted to the LCFH project and we will feedback again 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 16/17	ANNUAL TARGET 17/18	17/18 YTD PERFORMANCE
<b>Successful Outcomes</b>	100	120	98
<b>Identified Overpayments &amp; Savings</b>	£1,250,000	£1,250,000	£627,452

---

**Table 2 - Breakdown of Outcomes from 1 April 2017 – 30 September 2017 compared to the same period in 2016**

2016		2017	
Area	Value £	Area	Value £
<b>Housing</b> 8 Recovered Properties 3 Right to Buy stopped 1 Removed from Temp Accommodation 1 Removed from Housing list 2 Succession Stopped 4 Notices/Orders*	144,000 354,500 18,000 **2,000 36,000	<b>Housing</b> 12 Recovered Properties 1 Right to Buy stopped 22 Removed from housing list 1 Possession order	216,000 103,900 **44,000
<b>Other</b> 5 Formal Cautions 4 Dismissal/Resignation & Other Disciplinary Action 3 Council Tax Discounts 6 Blue Badge Abuse 1 Insurance Claim Stopped 2 Care Package Stopped 4 Safeguarding Referrals 2 Recommendations for Improvements 3 Other	98,173	<b>Other</b> 7 Formal Cautions 11 Dismissal/Resignation & Other Disciplinary Action 8 Council Tax Discounts 16 Blue Badge Abuse 1 Insurance Reviewed 1 Care Package Stopped 4 Direct Payment 5 Recommendations for Improvements 2 Landlord licence 1 NRPf deportation 6 Other	263,552
<b>Total</b>	652,673	<b>Total</b>	627,452

\*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 **Blue Badge Case study**

Concerns were raised with the team in September 2016 by officers in parking enforcement, following sighting of a vehicle using a blue badge belonging to a deceased person. Enquiries identified the badge was issued to an elderly female who has passed away in September 2015. The vehicle seen using the badge was registered to a council tenant, Chris Mason, living in Sunridge Gardens. Investigators visited the address at the end of September 2016 but were two weeks too late as the tenant and his partner had just been evicted due to rent arrears and failure to keep to an animal control order.

Following enquiries with staff in housing services the investigator discovered that Mr Mason had an appointment in BWH to discuss his future housing needs and instinct told the investigator he was likely to try and use the blue badge when attending that appointment. Unfortunately for Mr Mason, he did, so he was confronted during his appointment by the investigator who took him out to his vehicle and confiscated the blue badge. Mr Mason was asked who owned the blue badge and he confirmed it was his mother but when asked where she was, he told the investigator she was at home sitting on the sofa when clearly she had been dead for a year.

In May 2017 Chris Mason was convicted under section 117 of the Road Traffic Act and fined £550 and ordered to pay the council's costs.

## 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

#### **4.4 Financial Investigator Case study**

Philip Kwofie was investigated by the anti-fraud team in 2014 for benefit fraud and convicted in July 2015 and sentenced to 4 months custody, suspended for 12 months and ordered to carry out 12 months community work. As it was clear he had benefitted financially from his crime one of the councils financial investigators began the work of investigating his financial benefit, as he had owned 2 properties he was renting out while claiming housing benefit as a tenant.

This financial investigation determined there was criminal benefit of £54,000 based on the increase in value of the 2 properties over the time he claimed benefit, along with the rental income over the mortgage payments. On 27/04/2016 the court ordered Kwofie to pay £26,000 in a compensation order. On 1<sup>st</sup> of November 2017 Kwofie finally paid this amount to the court and the money will be received by Croydon Council next quarter.

---

## **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 to October 2017:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	49
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*	205

\*The number of investigations that have been closed during the period April '17 to October '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: Ian Geary, Head of Finance, Resources & Accountancy)

## **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 Sandra Herbert, Head of Litigation and Corporate law, 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: Gillian Bevan, Acting Head of HR – Resources and CE Office)

**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)

**APPENDICES:** None

**BACKGROUND DOCUMENTS:** None

---