

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 9 October 2019
SUBJECT:	Anti-Fraud Update Report 1st April 2019 – 31 August 2019
LEAD OFFICER:	David Hogan, Head of Anti-Fraud
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The work of the 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 2019/20 is £276,000 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 2019 – 31 August 2019

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 2019 – 31 August 2019.

3. DETAIL

Performance 1 April 2019 to 31 August 2019

- 3.1 The CAFT comprises 10 staff (8.7 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 and CIPFA. The LCFH project was designed to enable all of London to share data and match datasets to identify discrepancy. The datasets tested covered people registering housing need in more than one borough, claiming small business rate relief on more than one business or claiming single person discount on their council tax when they are not entitled. Following a two year period of testing and development the project, which did show some promising results, the project has stalled currently while legal work is undertaken to look at procurement and contract issues and we will provide a further update to the committee as soon as the current legal work has concluded. In the meantime it should be noted that Croydon has continued to undertake data matching through its previous methods.
- 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

	YEAR END 18/19	ANNUAL TARGET 19/20	19/20 YTD PERFORMANCE
Successful Outcomes	100	130	77
Identified Overpayments & Savings	£1,250,000	£1,000,000	£471,642

Table 2 - Breakdown of Outcomes from 1 April 2019 – 31 August 2019 compared to the same period in 2018

2018		2019	
Area	Value £	Area	Value £
Housing - 17 3 Recovered Properties 4 Removed from housing list 1 Right to Buy stopped 1 Removed from TA 2 Possession order 5 Legal notices issued* 1 - Other	54,000 **8,000 £104,900 £18,000	Housing - 13 4 Recovered Properties 1 Removed from housing list 2 Right to Buy stopped 2 Possession order 4 Legal notices issued*	128,000 **2,000 £221,000
Other - 40 3 Formal Cautions 4 Dismissal/Resignation & Other Disciplinary Action 4 Council Tax Discounts 6 Council Tax reduction removed 3 Council tax liability order 3 Blue Badge Abuse 5 Recommendations for Improvements 5 Chargeback warnings 7 Other	£482,672	Other - 64 24 Formal Cautions 2 Dismissal/Resignation & other Disciplinary Action 3 Council Tax Discount 1 Council Tax Reduction Removed 1 Council tax liability order 32 Blue Badge abuse 1 Other	£120,642
Total	£667,572	Total	£471,642

*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 Forgeries - case study

We have previously reported to committee that in 2018/19 the team faced a significant challenge in dealing with a number of forged Blue Badge Disabled parking permits. As we reported these were high quality forgeries and we ensured the features were widely publicised to both Met Police and our Parking Enforcement team. The team responded to reports where these permits were found being used and in a large number of cases were able to arrive before the

vehicle left the location so we could use our powers under the Disabled Persons Parking Badges Act 2013 to examine and confiscate the fraudulent badge. The result of this work is that we were able to catch 13 people using these forged permits and in each case we have sought to bring a prosecution against the individual using the vehicle at the time.

To date 5 of these cases have gone before the court with one defendant pleading not guilty, three pleading guilty and the another adjourned to allow them further time to obtain legal advice.

In our last report to the committee in July we reported that this early intervention had brought about a marked reduction in the number of cases reported and since then there have been no further reports of these false permits being used and it is believed we have eliminated this problem for the benefit of those in the borough with a genuine need to access disabled parking concessions.

4. FINANCIAL INVESTIGATIONS

- 4.1 The Council employs two Financial Investigators to undertake work using the Proceeds of Crime Act 2002. This includes investigating and developing cases to obtain confiscation orders plus cash seizure and cash forfeiture cases.

Croydon's Financial Investigators undertake work for other councils, who do not have this capacity, on a fee basis. Last year they undertook work for the Merton/Richmond Regulatory services partnership.

Their investigations relate to various departments within the Councils including:

- Environmental enforcement
- Trading Standards - trademark and rogue trader cases
- Planning – enforcement case;
- Licensing
- Internal cases
- Safeguarding cases
- Business rates evasion by fraud

- 4.2 At the time of writing the Financial Investigators have 15 cases under investigation involving a total of 23 defendants. These investigations relate to Croydon cases, with the exception of one case for Sutton council.

- 4.3 Financial Investigators are empowered to apply for restraint orders which have to be approved by a Crown Court judge. A restraint order freezes property, including money and assets anywhere in the world. The aim of the order is to preserve a defendant's assets and make them available to satisfy a confiscation order. When there is a successful prosecution and if a confiscation order is granted then the restrained assets may be sold in order to pay the confiscation order.

The Council receives a portion of the value of a confiscation order and any forfeited cash.

The Council's Financial Investigators currently have £85,000 of cash detained pending forfeiture, plus the following items are restrained;

33 Bank Accounts

4 Properties

1 plot of land

1 vehicle

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 1 April to 31 August 2019:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	13
Total number of employees undertaking investigations and prosecutions relating to fraud	10
Total number of full-time equivalent employees undertaking investigations and prosecutions of fraud	8.7
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	10
Total number of full-time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	8.9
Total number of fraud cases investigated*	479

*The number of investigations that have been closed during the period April '19 to August '19.

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The budget provision for the audit and anti-fraud service for 2019/20 is £276,000 and the service is on target to be 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 Sean Murphy, Interim Director of Law and Governance and Deputy 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.

11. DATA PROTECTION IMPLICATIONS

11.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

No, this report is for information only.

11.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

No DPIA has been completed as no personal data is used in the report. Any cases studies used do not include personal identifiers such as name and address

(Approved by: Lisa Taylor, Director of Finance, Investment and Risk)

CONTACT OFFICER: David Hogan (Head of Anti-Fraud)