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| Item No: 7. | Classification: Open | Date: 18 July 2018 | Meeting Name: Audit, Governance and Standards Committee |
| Report title: | | Anti-Fraud Services and Special Investigations Team progress report April 2017 to March 2018 | |
| Wards or Groups affected: | | All | |
| From: | | Strategic Director of Finance and Governance | |

RECOMMENDATIONS

1. That the audit, governance and standards committee note the progress on the anti fraud services and special investigations team for the year from 1 April 2017 to 31 March 2018

BACKGROUND INFORMATION

2. The annual report summarises the work of the anti-fraud services (finance and governance) and the special investigations team (housing and modernisation) for the financial year 2017-18.

ANTI FRAUD WORK

3. The anti-fraud work is conducted by two teams:
 - Anti-fraud services within Finance and Governance Department, which investigates cases involving the council's employees, agents, contractors, anyone else conducting business for or with the council, and members of the public. There are multiple types of fraud this could include, including theft, council tax discount/exemption fraud, significant financial fraud, procurement fraud, grant fraud, national non-domestic rates fraud or evasion, false documents, identities and applications, and immigration offences.
 - The Special Investigation Team within Housing and Modernisation Department, which investigates housing tenancy fraud in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, and right to buy.

4. This report is structured:

Reactive Anti-Fraud Work (paragraphs 5 to 7)

Proactive Work:

National Fraud Initiative (paragraphs 10 to 14)

Anti-money laundering and right to buy (paragraphs 15 to 18)

Fraud and verification (paragraphs 19 to 20)

Document scanner (paragraphs 21 to 25)

Transparency (paragraph 26)

Reactive anti-fraud work

5. The number of referrals received through the council's website, email, by letter and fraud hotline for the two anti-fraud teams between 1 April 2017 and 31 March 2018 was 1095
6. The table below shows the number of cases that have resulted in a successful sanction for each of the two anti-fraud teams between 1 April 2017 and 31 March 2018.

| Team | 2017-18 | 2016-17 |
|-----------------------------|---------|---------|
| Anti-fraud services | 14 | 16 |
| Special investigations team | 47 | 61 |
| Total | 61 | 77 |

7. In addition, housing management has recovered an additional 89 properties, and the Special Investigations Team has undertaken an additional 26 preventative actions, which can include a right to buy being stopped or a tenancy succession claim being cancelled.

Proceeds of Crime Act

8. The Proceeds of Crime Act 2002 (POCA) provides for the confiscation or civil recovery of the proceeds from crime and contains the principal money laundering legislation in the UK. This work acts as an important deterrent to show that crime against the council does not pay.
9. Between 1 April 2017 and 31 March 2018, the courts have recognized that those the council has prosecuted have benefited from their criminal conduct to the value of £199,241.75. A total of £119,391.04 has also been received from the proceeds of crime work during this period from available assets.

National Fraud Initiative (NFI)

10. Data for the 2016-17 biennial NFI cycle was released on 26 January 2017. As with NFI 2014-15, housing benefit matches that are identified as potential fraud cases are referred to the DWP.
11. Recommended matches are treated with higher priority as they are considered better quality matches based on matching criteria and risk and have historically yielded positive results.
12. Southwark Council were allocated 41,220 matches to process, an increase of 6,000 (4%) more matches than the previous 2014/15 exercise.
13. Anti-Fraud Services provided help and support to teams processing the matches as well as completing several categories of work where resources were limited in other teams.
14. Southwark teams processed 22,347 matches and identified 2,043 cases of fraud or error in this exercise. The total combined financial outcome (fraud & error) identified up to April 2018 is £1,943,532.86 of which £1,018,142.86 is recoverable.

Anti-money laundering and right to buy

15. When a tenant makes a right to buy application they are sent a pack of information, which from 1 May 2016 includes a form to fulfil the council's responsibilities in respect of money laundering. No right to buy application will be processed without the form being completed.
16. The table below shows the outcomes and where cases are referred to the special investigations team or housing benefit service to review

| Total forms issued | Number |
|---|--------|
| Total RTB Applicants | 642 |
| AML replies that raised concerns | 101 |
| Applications withdrawn by applicant/no response | 25 |
| Withdrawn based on information provided on the form | 2 |
| Referred to SIT | 16 |

17. When the council believes that a right to buy applicant may be using untaxed income and could be involved in money laundering it takes the following steps:
 - a. This would be resolved by direct contact with the applicant to confirm origin of funding. Southwark Council would not accept cash payments. Applicants or third parties need to show through the banking system where this money is being kept. Bank accounts are taxed at source.
 - b. Suspicious activity reports (SARs) are requested for details under Investigation through an Accredited Financial Investigator and are for information only are marked as Official – Sensitive as defined under CPIA 1996 and subject to Public Interest Immunity. These are kept secure and only authorised officers have access to this sensitive data. Referrals can be made directly to the National Crime Agency through the designated money laundering officer.
 - c. Report if appropriate to HM Revenue & Customs.
18. If the council believes that a tenant is vulnerable, and may have been approached by a firm seeking to exploit that vulnerability through a right to buy application, sale and leaseback arrangement then the council takes the following steps:
 - a. Southwark website provides an 'Important Right to Buy Alert' should residents be offered assistance to buy their council home and provides links to alternative websites for advice. In the event this issue is brought to the attention of the Right To Buy Team they consider each case on it's merit and will consider how to proceed, which may include;
 - b. Referral to Special Investigations Team,
 - c. Referral to Service Officers or Social Services.
 - d. Referral to Financial Conduct Authority if needed.

Fraud and verification

19. A fraud and verification officer within anti-fraud services checks the veracity of waiting list and homelessness applications which have raised a cause for concern and conduct a review to enable housing management to make an informed decision on the applicant's eligibility to remain on the housing register.
20. Between 1 April 2017 and 31 March 2018, 364 cases were handled by the team.

- a. **239** cases: waiting list applicants were recommended for removal from the housing register
- b. **80** cases: applicants were recommended as being bona fides
- c. **35** cases were rejected, **7** cases were set up in error, **3** cases were referred to other departments
- d. There were **13** homeless cases. **6** were maintained, **5** rejected and **2** cancelled.
- e. There were **15** staff cases, **9** were recommended to be maintained and **6** were removed.

Document scanner

21. The council uses seven scanners to verify identity documents including passports, ID cards and driving licenses. The scanners are located at the Aylesbury sub-office, Bournemouth Road, Tooley Street, Peckham and Walworth MySouthwark customer service points, Homeowner agency at Market Place, and Southwark Registrars Office.
22. If a document does not pass the scan, it is rescanned, therefore the number of scans will always be higher, or the same as, the number of customers.
23. A score of 10 or more generally indicated a quality issue, and the document would be rescanned. A score of 15 or more indicates significant concerns about the veracity of the document. All of these cases have been checked by the anti-fraud team.

| | Scans | Customers | Score of 10+ | Score of 15+ | Confirmed FALSE |
|-----------------------------|-------|-----------|-----------------|-----------------|--------------------|
| Aylesbury Sub-Office/NRPF | 56 | 53 | 12 | 3 | 0 |
| Housing Options | 2029 | 1596 | 405 | 101 | 0 |
| Tooley St/Recruitment | 878 | 607 | 160 | 33 | 0 |
| Peckham Service Point | 129 | 98 | 26 | 12 | 0 |
| Registrars | 1951 | 1398 | 275 | 84 | 0 |
| Specialist Housing Services | 781 | 635 | 155 | 11 | 0 |
| Walworth Service Point | 498 | 384 | 105 | 26 | 0 |

24. Due to issues concerning machine access via online facilities for Feb and March 2018 this data has not been included. However, 2017-18 has seen a 10% increase in scans compared to 2016-17. This also reflects a 10% increase in the number of customers scanned.
25. No false documents have been confirmed by this system in 2017-18, and it is believed that the use of the scanners continues to provide a clear and strong deterrence.

Transparency

26. In February 2015, the Local Government Transparency Code was revised and published. This now includes a requirement to publish the following information about counter fraud work annually. The table below shows the information required.

| | 2017-18 | 2016-17 |
|---|---------|---------|
| Number of occasions used | | |
| Prevention of Social Housing Fraud powers | 25 | 25 |
| Number of FTE investigators/prosecutors | 12 | 12 |
| Number of FTE accredited counter fraud | | |

| | | |
|------------------------------------|----------|----------|
| officers | 11 | 10 |
| Total spend | £541,395 | £570,303 |
| Total number of cases investigated | 1102 | 509 |

Policy implications

27. This report is not considered to have direct policy implications.

Community impact statement

28. This report is not considered to have direct impact on local people and communities.

Resource implications

29. The costs of the anti-fraud service are met from existing budgets.

Consultation

30. Consultation has not been undertaken.

Supplementary advice from other officers

31. None required.

BACKGROUND DOCUMENTS

| Background Papers | Held at | Contact |
|-------------------|---------|---------|
| None | | |

APPENDICES

| No | Title |
|------|-------|
| None | |

AUDIT TRAIL

| | | | |
|--|--|-----------------|-------------------|
| Lead Officer | Duncan Whitfield, Strategic Director of Finance and Governance | | |
| Report Author | Paul Bergin, Senior Investigation Officer | | |
| Version | Final | | |
| Version Date | 10 July 2018 | | |
| Key Decision | No | | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | | |
| Officer Title | | Comments Sought | Comments Included |
| Director of Law and Democracy | | No | No |
| Strategic Director of Finance and Governance | | No | No |
| Cabinet Member | | No | No |
| Final Report Sent to Constitutional Team | | | 10 July 2018 |