

AGENDA ITEM: 9 Page nos. 30-48

Meeting	Audit Committee
Date	31 August 2005
Subject	Annual Report of Corporate Anti-Fraud Team 2004-5
Report of	Head of Corporate Anti Fraud Team, co authors - Borough Treasurer & Borough Solicitor.
Summary	The Committee is asked to note the Annual Report of the Corporate Anti-Fraud Team.

Officer Contributors	Dorne Kanareck, Head of Corporate Anti Fraud
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Corporate Anti-Fraud Team Annual Report 2004-5
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

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1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the report.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Corporate Anti Fraud Team (CAFT) was launched on 7 May 2004, after official authorisation on 2 March 2004 (delegated powers report, ref: BT/2004-05)
- 2.2 On 9 June 2005, the Audit Committee included in the work programme for 2005/6, that an annual report on the work of the Corporate Anti Fraud Team be produced.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council is committed to demonstrating that services represent value for money and that there is a continuous drive to improve quality, efficiency and effectiveness of services (Corporate plan). The work of the CAFT supports this.

4. RISK MANAGEMENT ISSUES

- 4.1 The CAFT has a duty to the Council in the protection of the public purse through prevention, detection, investigation and deterrence of fraud.
- 4.2 Based on current resources, the majority of CAFT's work is re-active, leaving little opportunity to develop a comprehensive proactive work programme. This represents a risk to the authority's overall internal control arrangements.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 In 2004/5 the CAFT budget was increased by £100,000, which has remained in the base budget ever since.
- 5.2 Detailed within the report is the total funding of the team, including subsidy income and identified potential savings.

6. LEGAL ISSUES

- 6.1 As referred to in the Annual Report

7. CONSTITUTIONAL POWERS

- 7.1 The Constitution, Part 3, Paragraph 2, details the functions of the Audit Committee including "Reviewing the major findings of any relevant internal council investigations by the Corporate Anti Fraud Team into control

weaknesses, fraud, whistle blowing or misconduct and the management's response".

8 BACKGROUND INFORMATION

8.1 The CAFT was officially launched on 7 May 2004.

8.2 The CAFT consists of five distinctive areas;

- Verification Team
- Intelligence Team
- Investigation Team
- Compliance & Standards Officer
- Support Team

8.3 The Team operates within the Counter Fraud Framework . The Framework consists of a set of comprehensive documents which details the Councils Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistle Blowing Policy.

8.4 Both the authority's internal and external auditors have expressed positive feedback, particularly in relation to the introduction of the Counter Fraud Framework.

8.5 As well as prosecutions for benefit fraud, the CAFT have successfully dealt with a number of corporate investigations during the last year. The report contains the results of all investigations and a short brief on some of the more interesting cases.

8.6 In the last year the CAFT have progressed with a number of the key drivers that were identified in the original work plan:-

8.6.1 A number of key partner protocols have been put in place with:-

- The Law & Probity Service
- The Borough Treasurers Service
- The Internal Audit Service
- The Human Resources Service
- The Housing & Council Tax Benefit Service
- Unison & GMB
- The Department of Work & Pensions
- The Metropolitan Police

8.6.2 CAFT has also developed key partner partnerships with Barnet Homes: - Sovereign House Pilot and have signed two Service Level Agreements, with Registered Social Landlords

8.6.3 One of the CAFT managers has joined the board of the Government's Identify Fraud Forum, and another has been invited on to the Executive Committee of the

Local Authorities Investigators group for the UK.

8.6.4 CAFT continues to provide Fraud Awareness Training and document verification training to all staff. Since its launch in May 2004 CAFT have held two staff open days, that have helped promote staff awareness of the work of the CAFT.

8.7 In July 2005 CAFT became part of the Law & Probity Service.

9 LIST OF BACKGROUND PAPERS

9.1 None

BS JEL
BT CM

London Borough of Barnet

CAFT

Corporate Anti Fraud Team

Annual Report

“Where the money goes matters. CAFT making a positive contribution to the economic well being of the Authority”



2004/5

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Background



The Corporate Anti Fraud Team (CAFT) is the first of its kind in the United Kingdom to operate completely independently of Internal Audit. The team was officially launched by the Leader and the Chief Executive on 7th May 2004.

The remit of the team is to provide a quality specialist investigation service based on high professional standards, integrity and creative strategies which are recognised by the Authority and the community as a valuable overarching tool in combating fraud and corruption in Barnet.

Within this the primary responsibility of the team is to assist the council in protecting the public purse through the facilitation of sound strategies, investigating all forms of suspected Fraud and Corruption, whilst also providing comprehensive and effective prevention, detection, intelligence and deterrent measures. This includes a Fraud Awareness Education program across the Authority.

The team is made up of multi skilled officers with specialist skills in Benefits, Visiting, Interviewing, Criminal Law, Investigations, Evidence and Intelligence gathering.

The investigators are all fully trained to prosecution standards and have all attained the Government recognised qualification Professionalism in Security (PINS). In addition all of the visiting staff have recently attained a BTEC qualification in Benefits Administration.

Both the authority's internal and external auditors (Robson Rhodes) have expressed positive feedback particularly in relation to the introduction of the Counter Fraud Framework

The work of the team is extremely complex which reflects the diversity of the services provided by the Authority. All staff on the team have a clear understanding of the corporate business and how that links into what they do.

The team has been structured, and the staff trained in a way that allows minimal disruption to our core business functions should we need to go off site for an investigation and equally where the services of the whole team are required on a large scale investigation. The team have demonstrated capability of being able to function either as one unit or as part of a smaller group for complex cases.

What we do



Within the umbrella of the Corporate Anti Fraud Team, there are five distinctive areas:

Verification Team

The officers are responsible for the verification of benefit claims. The team works to a target set by the Department of Work & Pensions (DWP). Visits take place in claimant's homes to confirm continued benefit entitlement, identity, national Insurance number and residency.

Key progress in this area includes:

- Department of Work & Pensions visit target of 4505 2004/5 met with 3460 successful visits resulting in:-
- 918 previously undeclared change of circumstances identified of these 73 had their benefit entitlement increased

Intelligence Team

This team is the special point of contact (SPOC) which co-ordinates the flow of all intelligence and data regarding suspected Fraud and Corruption to and from the Authority. The team work in accordance with guidelines set out in the National Intelligence Model ensuring effective data sharing within legal parameters. The team have developed a proven capability in this role on a national scale (see Operation Bangor page 11). In addition for 2005/6 they are also responsible for the co-ordination of the National Fraud Initiative data issued by the Audit Commission.

Key progress in this area includes:

- All referrals are risk assessed within 10 working days
- Membership of the Governments Identity fraud forum, the Government Agency Intelligence Network (GAIN) and the Public Sector Counter Fraud Partnership.

Investigation Team

Investigators deal with both Benefit and general fraud.

Key progress in this area includes:

- Work with Internal Audit on risk based investigation work
- A number of high profile Corporate Investigations plus 85 Benefit fraud cases have been prosecuted or issued with a sanction

Compliance & Standards Officer

This post was created (July 04) and is funded via the Department of Work & Pensions (DWP) Security Against Fraud & Error scheme. Part of the role is to ensure CAFT and Benefits Service are working towards full implementation of the Benefit Fraud Inspectorate's performance standards which feed in to Barnet's overall Corporate Performance Assessment score.

The role also requires promotion of best practice and joint working to reduce the level of benefit fraud and error across the authority and with external partners, as well as monitoring continued performance improvement across both the Benefits Service and CAFT.

Key progress in this area has included:

- Facilitation of rolling program of document verification training to all Benefits staff verifying Identity documents. Training is also provided to staff in HR, payroll, Library and Action points
- Development of a Benefit Fraud & Error Guidance Manual with an aide memoir to assist in fraud/error detection
- Service Level Agreements with Barnet Housing Aid & Stadium Housing on the verification of documents for the purpose of benefit claims, which we hope to extend to other Registered Social Landlords.
- Regular sample testing of assessed benefit claims to ensure compliance.

Support Team

The team provides full administrative support on CAFT. Each support officer has a distinct role i.e. Customer liaison, Evidence & Disclosure Officer, Intelligence Officer, Department of Work & Pensions, Benefits Liaison

Key areas of achievement:-

- The team have received and resolved 25,797 telephone calls relating to Benefits information, Investigations and visit enquiries.
- All support staff gained a BTEC in Benefits administration in 2004/5 and can assess benefit claims.

How we operate



The CAFT operates within a Counter Fraud Framework which was approved by Cabinet in 2004. The framework consists of a set of comprehensive documents which detail the authority's Fraud Response Plan, Fraud reporting tool-kit, Prosecution Policy, and Whistle Blowing policy.

The Counter Fraud Framework is available to all staff and is published on the Authority's web site. This also gives visitors to the site the opportunity to refer a case on line.

The framework and associated procedures within CAFT form the basis and the legal framework for all the work of the team.

The CAFT always seek to maximise confiscation, compensation and costs or in money laundering cases, provide evidence to help convict those involved in this crime. These aims are supported by the provisions contained within the Proceeds of Crime Act 2002, the Criminal Justice Act 1988, the Social Security & Administration Act 1992 Fraud Act (2001) and the Theft Act 1968.

In addition to this the CAFT also have key partner protocols in place with core business areas of the authority, as well as a number with external partners such as

- The Law & Probity Service
- The Borough Treasurers Service
- The Internal Audit Service
- The Human Resources Service
- The Housing & Council Tax benefits Service
- Unison & The GMB
- The Department of Work & Pensions
- The Metropolitan Police

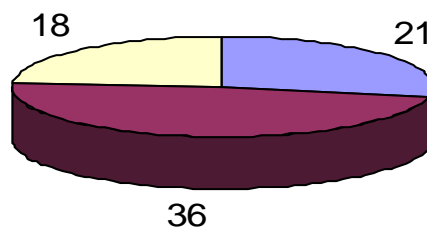
The Counter Fraud Framework and the protocols are designed to minimise bureaucracy and provide pro-active support. By adopting this approach CAFT encourages more individuals to seek the specialist skills developed by the team.

Results



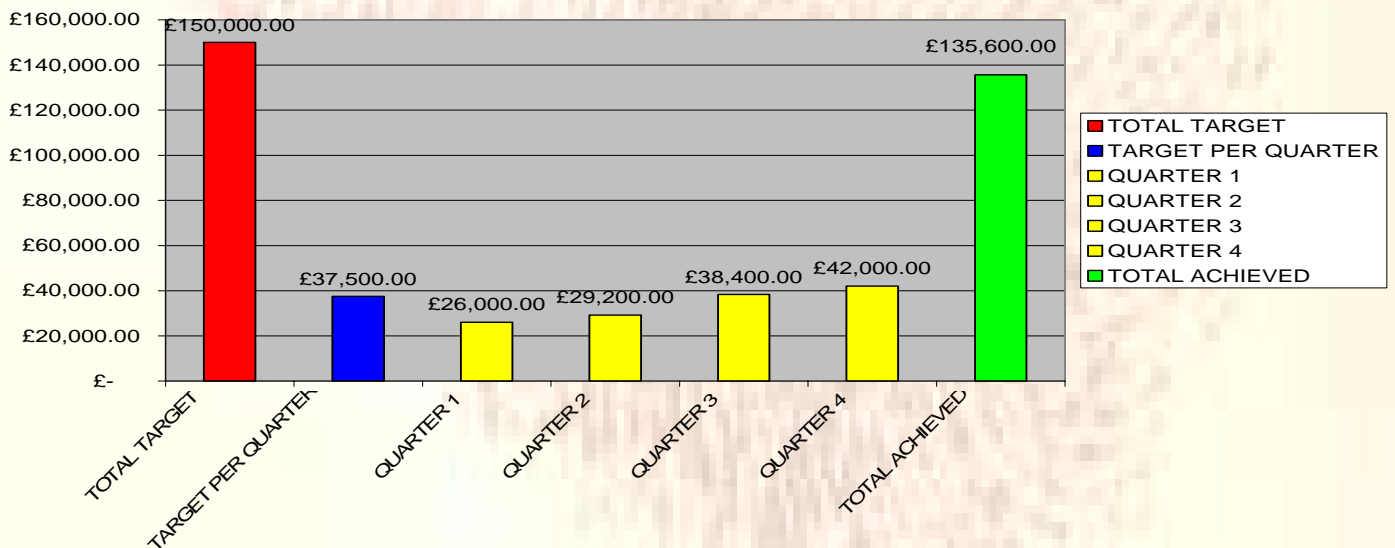
CAFT have a series of performance measures, including significant financial targets. In the case of Housing & Council Tax Benefit Fraud, the Department of Work & Pensions pay Barnet an amount of subsidy for every successful prosecution, Formal Caution and Administrative Penalty issued by the CAFT for Benefit Fraud the tables below show what has been achieved in 2004/5. In addition approximately £347,000 has been identified in Benefit Fraud overpayments by CAFT.

2004/5 Prosecutions & Sanctions



■ Formal Cautions
 ■ Administrative Penalties
 ■ Guilty Verdicts

2004/5 Financial vs. Target Achieved per Quarter



The Barnet Community Perspective



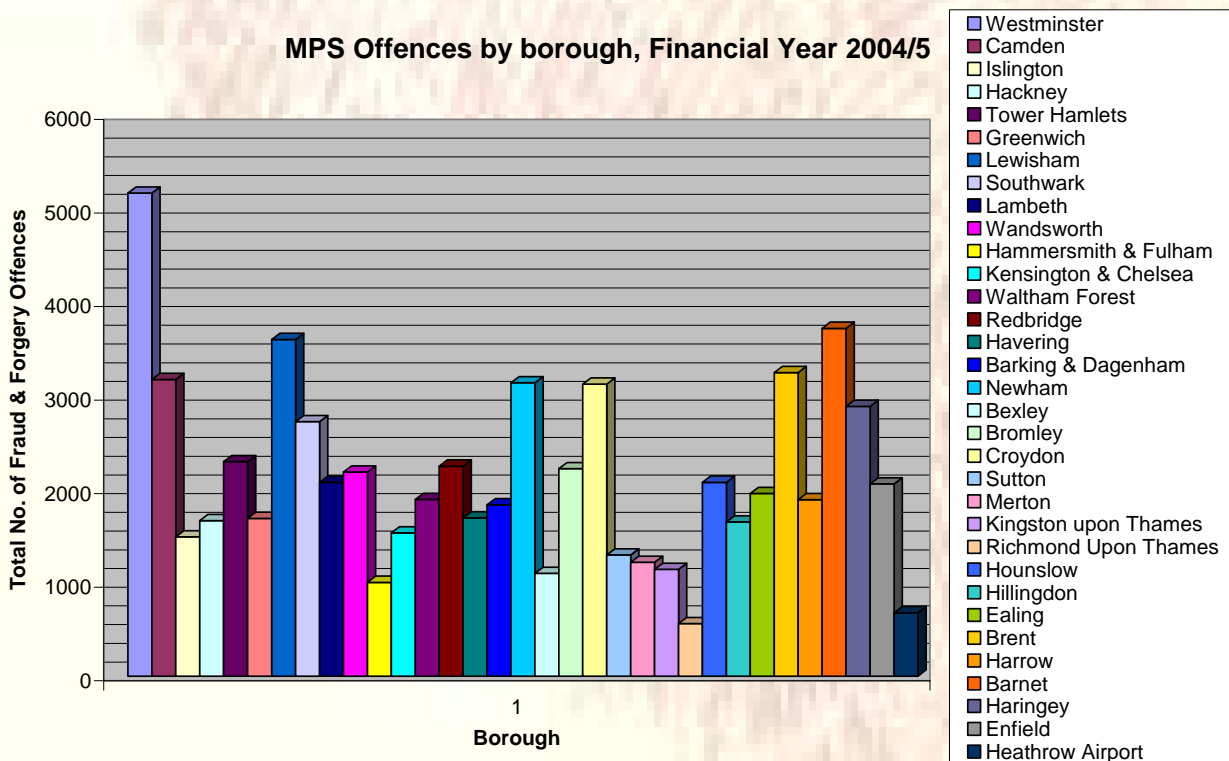
The official launch of the Corporate Anti Fraud Team (CAFT) was the first step in communicating to the community at large that London Borough Barnet has a zero tolerance policy towards fraud and corruption.

A launch event received enthusiastic support from all those who attended including members, the Metropolitan Police, community groups, local businesses and the general public. Those attending provided excellent feedback on how they felt CAFT could work jointly in combating fraud.

In the first year the CAFT have encouraged the community to share information and be confident that we are committed to protecting the public purse (see page 13). The community is generally more aware that fraud and corruption is on the increase globally, nationally and on a local level and that any loss to the public purse has a direct impact on service delivery to them.

A key strategy is the use of results achieved in court to generate publicity for CAFT activities. However we still have a long way to go. Figures for 2004/2005 from the Metropolitan Police website show that of all boroughs, Barnet has the second highest rate of fraud and forgery crimes reported.

MPS Offences by borough, Financial Year 2004/5



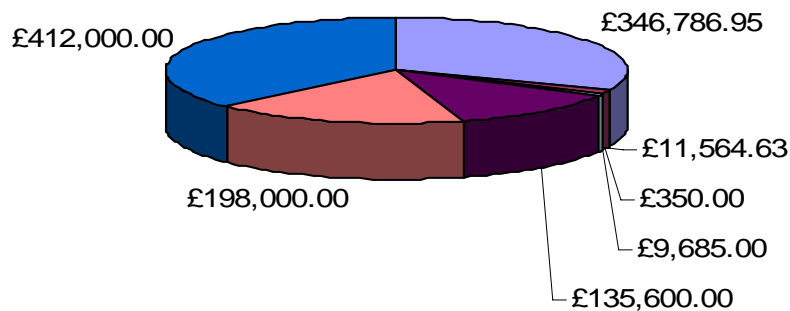
Payback



The work of the team in the last year has done much to improve the overall financial standing of the Authority. We have worked closely with Internal Audit and our External Auditors Robson Rhodes to ensure that the CAFT team continue to make a real contribution to the financial health of the organisation, whilst providing a performance driven value for money service.

Although we can clearly show from the chart table below that the team has been cost effective and made significant in roads into Fraud in Barnet, and we can also demonstrate clear value for money in relation to the losses and savings we have recovered. We will never be able to fully quantify exactly how much having a CAFT team in Barnet, has contributed to individuals being deterred from committing fraud here.

2004/5 CAFT Income

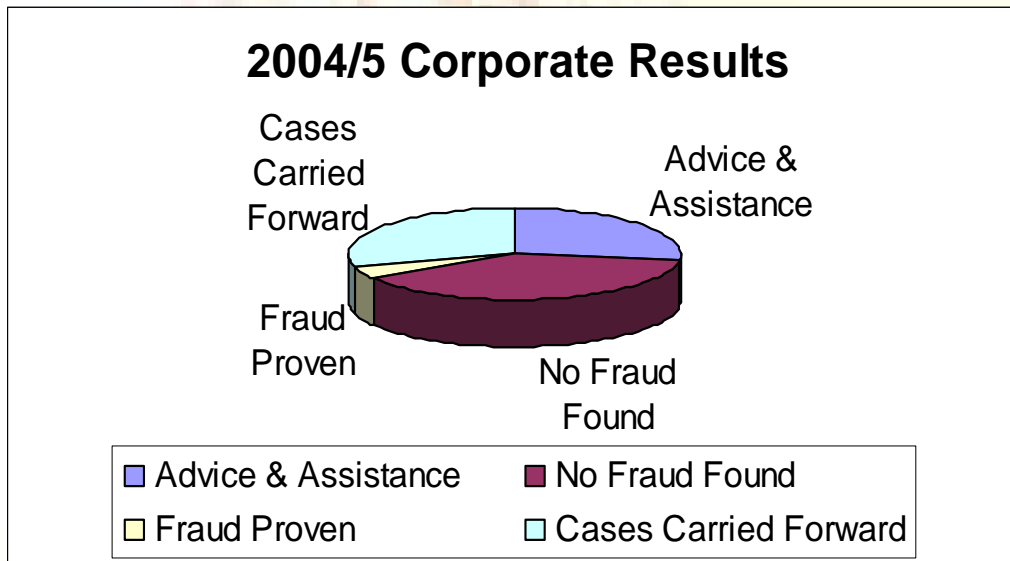


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|---------------------------|------------------|
| HB/CTB Fraud Overpayments | Admin Penalties |
| Fraud Awareness Training | WIB Cases |
| Sanction Subsidies | CAFT Base Budget |
| DWP Funding | |

CAFT in action



As well as Prosecutions for Benefit Fraud, the Corporate Anti Fraud Team have dealt with a number of significant other cases during the 04/05 financial year. The chart below indicates how the Corporate cases were divided up and details of a few of the interesting cases we have dealt with.



Operation Onyx

In June 2004 an investigation was undertaken in cashiers resulting in the arrest and conviction of senior cashier Raymond Beer. Following a surveillance operation by CAFT, the Police were called to Hendon Town Hall where Beer was arrested. A search of his home revealed £29,532.75 in pound coins and approximately £52,625 in notes. Beer was interviewed by CAFT officers and Police where he made a full and frank admission. Beer was charged with two counts of theft and one count of money laundering. He appeared at Harrow District Court on Wednesday the 22/12/2004 and pleaded guilty to all counts. Beer was sentenced to nine months on each count of theft and 12 months for money laundering. He was ordered to pay back £29,532.75 to Barnet and £52,625 to the Crown. The money has been re-paid.



Operation Amethyst

In August 2004 CAFT investigated an allegation of a fraudulent claim for a death in service benefit for an employee. Maria Lule also known as Maria Luie and Rosa Nakiryia who was employed as a support worker for Valley Way House. Maria Lule was reported to have died in a road accident in her native Uganda by her daughter Rachel Mgabi-Nansikombi. Upon notifying Barnet of her mother's death, Mgabi-Nansikombi lodged a claim for the death in service and child pension. The investigation revealed that the death certificate and claim were fraudulent and our employee was in fact alive and well. Although no monetary loss to the council the investigation with Pensions and outside agencies has saved the council £36,000 and the employee has been dismissed in her absence. Her whereabouts is unknown.

Operation Pension

CAFT investigated the case of Mrs Florence Tozer, a retired employee, who began receiving a Barnet pension in January 1978. In May 2001 Mrs Tozer died. Barnet were not informed of her death and her monthly pension continued to be paid. Investigations revealed that Mrs Tozer's daughter, Mrs Jacqueline Gregory, had authority over her mother's bank account and had been withdrawing the pension payments each month. Mrs Gregory was arrested and interviewed by CAFT officers and Essex Police, where she admitted using the money. Mrs Gregory was charged and convicted on three specimen counts of Retaining a Wrongful Credit of £3,030. She was found guilty and sentenced to fifty hours Community Punishment Order and ordered to re-pay the money to Barnet in seven days. The money has been received.

Operation Giro

In Jan 2005 CAFT began an investigation into allegation of person(s), stealing, altering, and cashing Barnet Housing Benefit cheques in the North London area. The fraudulent use of these cheques dated back to 2003. Although "**stops**" were placed on the stolen cheques as soon as they were reported missing, 7 cheques were still cashed. The total loss being £4089.79 to the London Borough of Barnet. The investigation was unable to identify an offender, but some system recommendations have been made and implemented as a result. This case was discussed with the Police and it was revealed that this linked to a significant operation which they were about to mount "Operation Bangor". As a result CAFT investigators joined the police in the arrest of seven individuals from five Barnet addresses, so far one has pleaded guilty, one is with the CPS and three cases are still under investigation. The total loss for "Operation Bangor" UK wide is estimated to be in excess of £3m.

Initiatives



From its inception CAFT set about making sure that working in partnerships was one of the key drivers to the work of the team. Set out in the table below are some of the initiatives carried out and the results so far.

For 2006/7 a further set of key drivers will be developed.

<u>KEY DRIVER</u>	<u>RESULT</u>
Discuss a possible partnership with the Borough Commander the secondment of a Police Officer to CAFT	Agreed – Key partner protocol drawn up and a detective sergeant seconded to CAFT at no cost to Barnet
Discuss a possible partnership with the Department of Work & Pensions (DWP) secondment of a DWP Investigator to CAFT to work on National Fraud Initiative	Agreed – Key partner protocol drawn up. DWP Investigator seconded to CAFT for one year at no cost to Barnet
Provide Fraud Awareness Training to business partners	Community Care agency partners sent a number of staff. CAFT recharged £50.00 per person
Membership of Government recognised organisations dealing with fraud	CAFT Intelligence Manager now member of the board on the Gov. Identity fraud Forum. CAFT manager invited on to the Executive committee of Local Authority Investigators Group for UK
Partnership with Registered Social Landlords for the verification of Benefit Claims	Service level agreement signed with Stadium Housing and a further one with Barnet Housing Aid Centre
Partnership with Barnet Homes	Pilot working with Sovereign House on possible sub-letting cases which have previously been visited by the Verification Team

Publicity



The Corporate Anti Fraud Team has undertaken a program of Marketing & Publicity to promote the work of the team, in doing so this has increased both staff and public confidence and seen the number of referrals to the team increase.

Publication of a CAFT brochure and leaflets encouraging staff and members of the public to report fraud.

Posters identifying benefit claimants need to report a change in their circumstances to the authority. Placed in all Barnet buildings where the public have access and Department of Work & Pensions offices.

Two open days for staff & members encouraging them to come and see how CAFT operate.

Publication of a Whistle Blowing brochure & secure reporting telephone line

Rolling programme of Fraud Awareness Training across the authority

Regular press releases issued in appropriate cases to local papers and in Barnet internal publications

Regular advertising of the Fraud Hotline number on Barnet electronic bulletin boards



Working together for a safer London

DWP Department for Work and Pensions



The year ahead



Government reported figures show that reported fraud across the UK has increased from £331m in 2003/4 to £756m in 2004/5.

There is clear evidence nationally that this type of so called “White Collar Crime” does fund drugs, guns and terrorism. In addition there are proven links to other types of crime such as anti-social behaviour, theft, robbery and immigration offences can also be linked to benefit fraud.

Our biggest tool in the fight against fraud is knowledge. This in the fraud world is translated into intelligence, or in lay person terms knowing your business and its weakness, knowing the latest trends in the world of fraud, knowing your customers, employee’s partners and associates and the community.

Learning from experiences of past frauds is a key element in future prevention. On a quarterly basis CAFT provide the management board and members of the authority with information on cases dealt with. This assists Heads of Service and their staff to consider risks, introduce recommendations and inform staff in general of further preventative measures.

Although this report demonstrates that we can effectively deal with allegations of fraud which are brought to us, it does not demonstrate that we are pro-active enough in going out and uncovering fraud. Nor do we feel that we have yet sufficiently embedded a fraud awareness culture across the Authority.

This is largely due to the fact that CAFT have been very successful in raising the profile and getting individuals to refer cases to us and thus we have a good record of prosecuting offenders. However limited resources mean that almost all our work is re-active, which is a risk to the Authority of other frauds going undetected.

In the coming year the work of the team will attempt to concentrate on building intelligence and identifying fraud trends and working towards a more pro-active approach to fraud within Barnet.

Members will be asked to consider a request for additional funding for the remaining part of 2005/6 to maximise the potential for subsidy payments.

The CAFT became part of the Law & Probity Service in July 2005. This move will assist the work of CAFT.

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