

AGENDA ITEM: 6

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Meeting	Audit Committee
Date	15 February 2006
Subject	Interim Annual Report of Corporate Anti-Fraud Team 2005-6 (April-September 2005)
Report of	Head of Corporate Anti Fraud Team, Borough Solicitor.
Summary	The Committee is asked to note the Interim Annual Report of the Corporate Anti-Fraud Team 2005-06.

Officer Contributors	Dorne Kanareck, Head of Corporate Anti Fraud Team Jeff Lustig, Borough Solicitor
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Corporate Anti-Fraud Team Interim Annual Report 2005-6
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Dorne Kanareck, 020 8359 7988

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 (delegated powers report, ref: BT/2004-05 -2 March 2004)
- 2.2 On 9 June 2005, the Audit Committee included in the work programme for 2005/6, that an interim 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 greater emphasis within CAFT is towards carrying out re-active work. Whilst a respectable level of proactive work is presently carried out, a degree of this remains undisclosed due to the sensitivity and nature of the work involved. There is more proactive work taking place in CAFT than can actually be disclosed and acknowledged. Increased resources would provide the opportunity for CAFT to develop a more comprehensive work programme. Although the absence of such does not represent a high risk to the authority's overall internal control arrangements, there is a residual level of risk which ought to be noted.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

5.1 In 2004/5 the CAFT budget was increased to £204,000 to include Corporate Fraud, which has remained in the base budget ever since. The successful investigation of Corporate fraud can and does lead to the cessation of resources leaving the organisation illegally and to resources being recovered in some cases.

6. LEGAL ISSUES

6.1 As referred to in the CAFT Interim Annual Report 2005/2006

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 continues to operate within the Counter Fraud Framework. The Framework consists of a set of comprehensive documents which detail the Council’s 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 first six months of this year. The report contains the results of all investigations and a short summary of some of the more interesting cases.

8.6 In the last six months, the CAFT have continued to progress 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 and remain in place with:-

- The Internal Audit Service
- The Resources Directorate
- The Housing & Council Tax Benefit Service
- Unison & GMB
- The Department of Work & Pensions
- The Metropolitan Police

8.6.2 CAFT continues to provide Fraud Awareness Training and document verification training to all staff. CAFT have held another staff open day in June 2005,

attracting 123 members of staff, helping to promote staff awareness of the work of the team.

9 LIST OF BACKGROUND PAPERS

9.1 None

Legal: JEL
CFO: CM

London Borough of Barnet

CAFT

Corporate Anti Fraud Team

Interim Annual Report
April 2005 - September 2005



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

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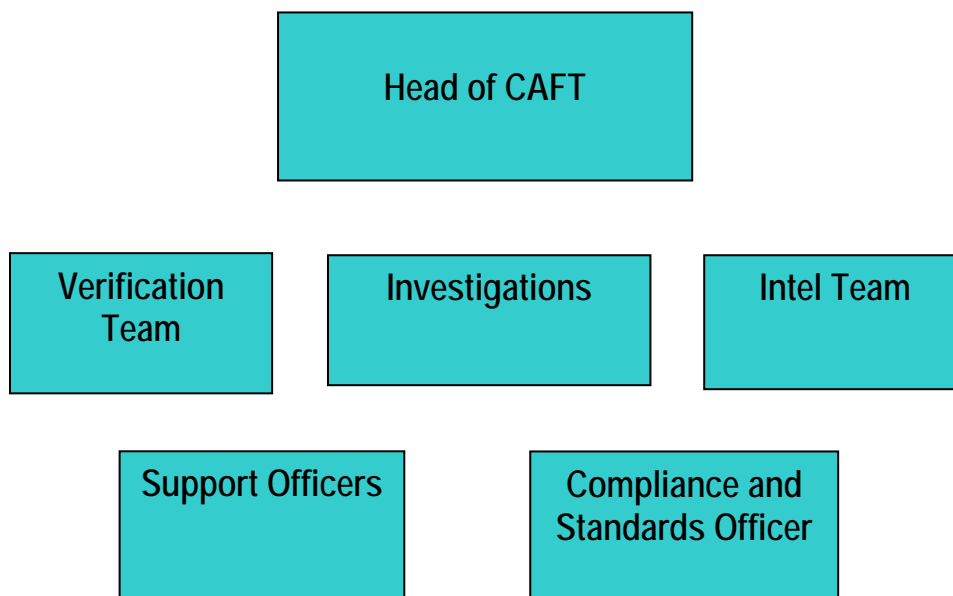
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The CAFT Role

The team has now been operational for 16 months and during this time has provided a specialist investigation service to the council as well as giving advice and assistance. Our remit has expanded to include more corporate pro-active work and joint working with other Service areas within the council as well as government agencies.

In addition the CAFT has moved from Borough Treasurers to the Law and Probity Service which has given us an added advantage of closer working with our counterparts in the Legal Practice.

The intention of this interim report is to provide an update of the progress which we have made from April 2005 - September 2005. The CAFT is divided into five separate areas, Investigations, Verification, Intelligence, Compliance and Support functions. The following provides an individual update for each of these areas for the last six months.



Verification Team

The Verification Team are responsible for the verification of Housing and Council Tax Benefit claims. This task is accomplished through visits to claimants in their homes to confirm residency, identity, national insurance numbers and the continual entitlement to benefit.

The team works to a target set by the Department of Work & Pensions (DWP) and is an essential tool in safeguarding the public purse and ensuring security against fraud and error.

Key progress in this area during the period under review includes:

- Department of Work & Pension visit target of 2,205 met and exceeded with 2,605 successful visits resulting in:-
- 687 previously undeclared change of circumstances being identified and resolved.

Intelligence Team

The Intelligence Team is now in the second phase of implementation. The team is the single point of contact (SPOC) for the London Borough of Barnet and co-ordinates all information and intelligence flow to and from CAFT. The Intelligence Team continues to work in accordance with guidelines set out in the National Intelligence Model which has ensured that the CAFT is able to communicate effectively with agencies such as the Department of Work and Pensions, Her Majesty's Revenue and Customs, the Immigration Service, other Local Authorities and the Police.

Being the SPOC for the London Borough of Barnet means providing responses to requests for information under relevant legislation. This year has seen the Intelligence Team play an important role in working with the Anti-Terrorist Branch of the Met Police.

One of the major roles of the Intelligence Team is the management of fraud referrals made to the CAFT with all allegations of fraud being risk assessed and intelligence graded. Part of this process involves the Intelligence Team carrying out background checks in order to corroborate or negate an allegation. This allows the CAFT to prioritise files for investigation and to make better use of its Investigation resources. In addition the team act as a point of contact for advice, guidance and assistance to staff making referrals to the CAFT.

The Audit Commission has designated the National Fraud Initiative (NFI) part of the statutory external audit. Authorities are legally obliged to provide the relevant data, which is required under section 6 of the Audit Commission Act 1998 every two years. This work was transferred to the CAFT in 2005 from Internal Audit. The Intelligence Team has co-ordinated this exercise within the CAFT and within 8 different service areas; Housing and Council Tax Benefit, Barnet Homes, Blue Badge, Insurance, Payroll, Pensions, Community Care and Creditors. There have been regular monthly meetings between CAFT and representatives of the various service areas, with each service area providing results to the CAFT. The Intelligence Team collate the results and provide returns to the Audit Commission. Results so far include a council property being recovered where the tenant held a tenancy in another local authority, 1149 blue badges cancelled where the holder was deceased, £15208.12 repaid to the council in pension payments where the person was deceased, £11403.35 in pension abatements identified and confirmed with arrangements to repay these overpaid pensions, £39285.55 in housing and council tax overpayments being identified with a further 484 cases referred by Benefits to the CAFT for investigation.

Developments 2005/06:

- Intelligence Team has developed further in accordance with the National Intelligence Model (NIM) and SPOC (Single Point of Contact) requirements.
- The Co-ordination and implementation of the Audit commission's NFI data matching exercise.
- Continuing research to create a network of contacts within other Intelligence Teams/ Agencies pan-London and within the UK.
- The issue of Intelligence procedures and proformas for Intelligence functions within the CAFT.
- Organisation of the second CAFT Staff Open Day in June 2005.

Investigation Team

Investigators deal with both benefit and general fraud. The investigators are all fully trained to prosecution standards and have all attained the Government recognised qualification Professionalism in Security (PINS).

Key progress in this area includes: -

- Work with Internal Audit on risk based investigation work.
- A number of high profile Corporate Investigations plus 59 Benefit Fraud cases have already been prosecuted or issued with a sanction.
- £236,396 identified in benefit fraud overpayments.

Compliance & Standards Officer

Key progress in this area includes: -

- The continual facilitation of a rolling program on document verification to all council staff verifying identity documents. This was rolled out to schools in a pilot on safer recruitment and was very successful receiving coverage in the Barnet Press.
- Continual sample testing of assessed benefit claims to ensure accuracy and compliance.
- The continual promotion of best practice amongst Benefit staff.
- Considering best practice/performance in Barnet against other authorities, implementing change where necessary.

Support Team

The team provides full administrative support to the 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 has received and resolved 23,520 telephone calls relating to Benefits information, Investigations and Verification visit enquiries.
- All support staff gained a BTEC in Housing and Council Tax Benefit administration in 2005/6 and can now assess benefit claims.
- All support staff received full training on customer care.

CAFT Staff Open Day

The CAFT held their second annual staff Open Day in June. In all, 123 staff visited the CAFT office based at North London Business Park to see the work of CAFT and meet officers in the team. There were demonstrations including forged/counterfeit documents, ultra violet lights and a concealed surveillance camera. Boards displayed information on making a referral, publicity, statistics, identity documents and the Verification Framework. These are a selection of comments from staff that attended.

"Excellent to see joined up government in action"

"Very interesting and certainly an eye opener"

"Very well co-ordinated. Staff very informative and actually made fraud interesting!!"

"I think you are doing a superb job and as a Barnet resident I really appreciate this vigilance"

"Other service areas should definitely follow suit"

How we operate

The CAFT operates within a Counter Fraud Framework which was approved by members 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 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.

The CAFT continues to have key partner protocols in place with core business areas of the authority, as well as a number with external partners such as:

- The Internal Audit Service
- The Resources Directorate
- The Housing & Council Tax Benefits Service
- Unison & The GMB
- The Department of Work & Pensions
- The Metropolitan Police

Proactive - Joint Working.

This is just one example that portrays the adaptability of the CAFT and our ability to accommodate, assist and work jointly within the Council and with Independent third parties.

Operation Windmill

The Head of CAFT met personally with all the Heads of Service to promote the need to risk assess their Service and ensure that basic fraud prevention measures were in place. From these interviews the Director of Resources sought assistance from the CAFT in addressing any possible risks within the HR/Payroll service and guarantee assurance.

The Director of Resources and the Head of CAFT developed a program to tackle these issues. It was decided that a new work group would be generated who would coordinate efforts and ensure that resources were targeted to resolve any underlying problems within these areas. The workgroup was designed to specifically cater the needs in the following areas, payroll input/extraction, HR employment, investigations, administration support and project management. The work group being led by the CAFT, based in the CAFT office.

The work group commenced its role on 04.04.05, namely Operation Windmill. The CAFT office was adapted to accommodate this specialist team and our briefing room was effectively transformed into an Operation base.

Background

Officers had become increasingly concerned that there were potential flaws in both recruitment processes and the data held on employees via the HR/Payroll systems. The problems ranged from straightforward security weaknesses (theft by a payroll officer) to manipulation of records (creation of ghost employees). These had been highlighted via various sources, external and internal audit, managers, CAFT and more recently by the MCS project (data cleanse) and the Audit Commissions National Fraud Initiative (NFI) who downloaded our HR/Payroll data and deemed at least 208 cases of suspected fraud.

With the time constraints for the data cleanse for SAP and those for the audit commission it was decided to concentrate efforts on these two areas whilst addressing three basic but key drivers which we refer to as a cleaning house process.

- **Closing the door** – Ensuring that everyone recruited to the authority after a specified date was subject to a consistent and safe recruitment process.
- **Throwing out the rubbish and locking the door** - Cleansing all of our data, such as incorrect national insurance numbers.
- **Keeping it shut** – Spot checking files of newly recruited staff, visiting both private and public sector employers to find out best practice.

Objectives

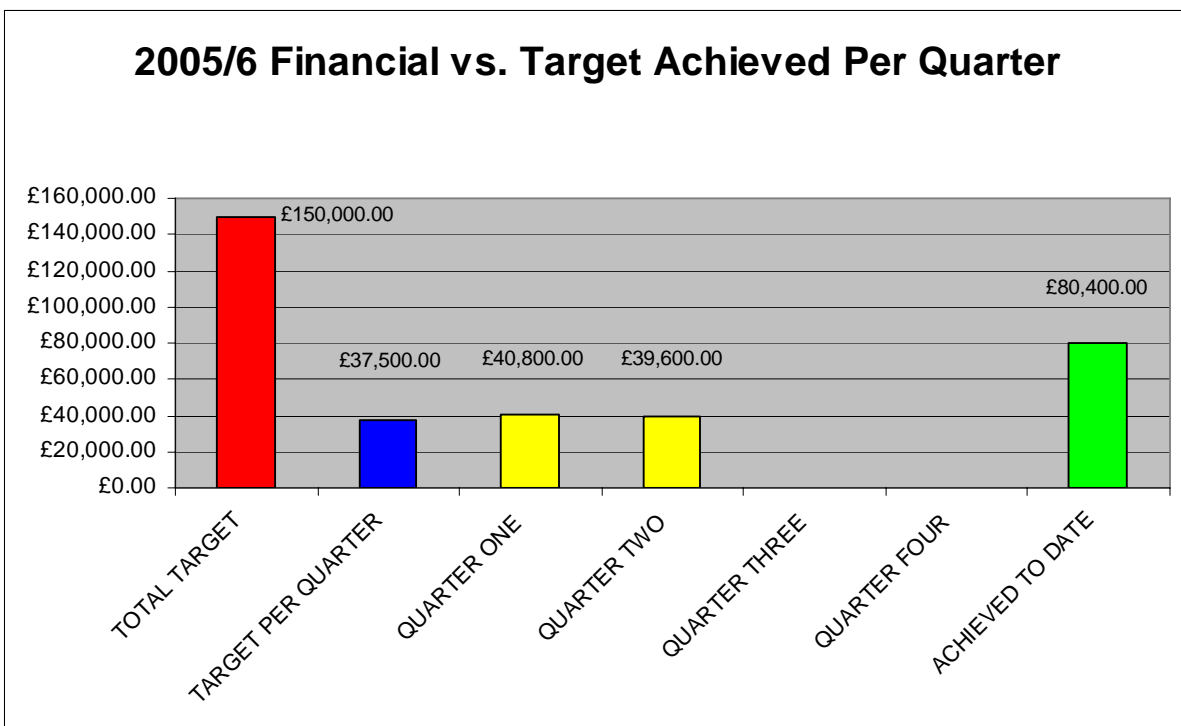
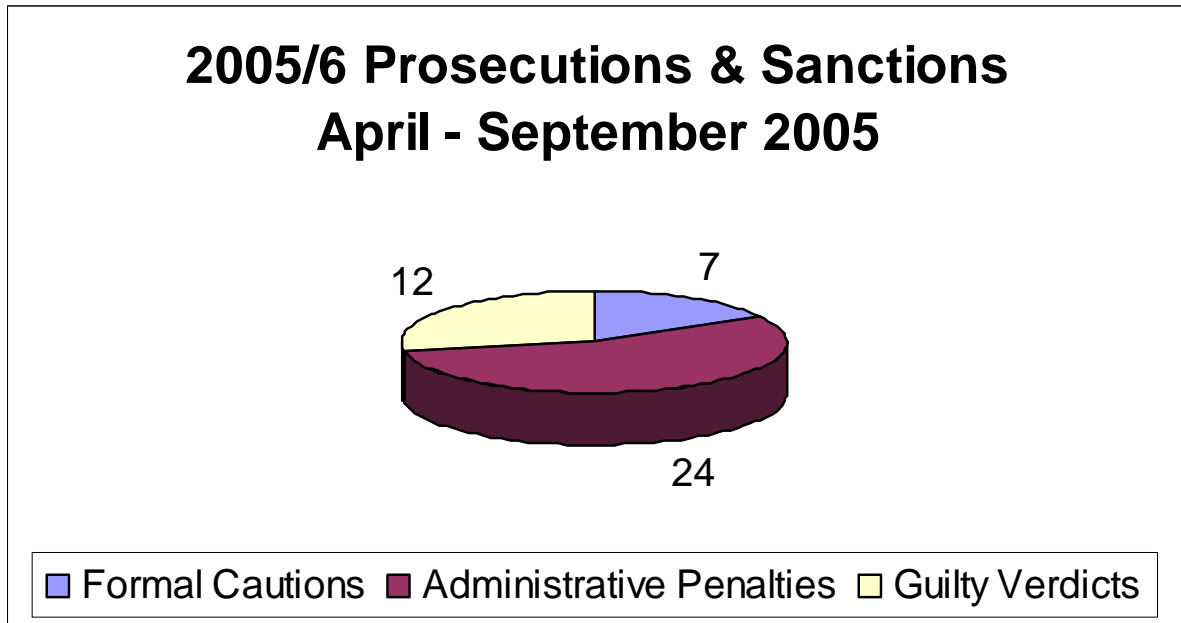
- The decision was made that new starters would be concentrated on first by Operation Windmill as this would enable the Council to close the door. A HR guide with an interim checklist was produced and presented to all HR/Payroll officers on 28th April 2005 to ensure that the process was streamlined and remained consistent across the authority. The interim checklist is mandatory and all HR/Payroll staff were informed at the presentation that random sampling of new starter personal files would take place to ensure their compliance.

- One of the elements of safer recruitment is the verification of a person's identity and the right to work in the UK. This is currently being addressed by Operation Windmill under the new starter checklist and guidance notes. It was identified that schools conduct their own recruitment and as our objective is to ensure that we have the correct systems in place to ascertain that all required checks are made before any staff are employed, then this needed to be addressed. It was decided that as a first step the best approach would be to try to encourage schools to join a Pilot Scheme on Safer Recruitment. This Pilot Scheme has been running since 1st September 2005 and to date has been very successful, the Barnet Press attended our first meeting with Manorside School and published a very positive article on how the council is tackling safer recruitment and safeguarding our children.
- Operation Windmill worked closely with the Performance and Strategy Team and assumed responsibility in chasing all employees who had not returned their HR/Payroll Part 1 Form. Return of this form was mandatory and required for data cleanse. Operation Windmill is committed in attaining 100% returns, as this was required to ensure complete and accurate workforce data. Completion of this exercise is envisaged for 31st March 2006 and enables the council to eradicate any fears of ghost employees, which had been deemed a risk. The return rate has increased by 41.2% as a result of these renewed efforts, standing at a final return rate of 93% for all staff and 98.4% excluding schools staff.
- The Audit Commission designated the National Fraud Initiative (NFI) part of the statutory external audit and authorities are legally obliged to provide the relevant data. All public authorities must provide their payroll data set along with housing benefit claimants, housing rents, students, and pension payroll. This work was transferred to the CAFT in 2005 from Internal Audit. The data matches from NFI were received in February 2005, these reports were risk assessed and several transferred to Operation Windmill as they related to the Council's Payroll system. To date Operation Windmill has investigated 454 cases, 362 have been resolved with our findings recorded to the Audit Commission. The remaining 92 cases are still currently under investigation.
- Operation Windmill Payroll raised concerns with 35 employees in the Delphi system with temporary National Insurance Numbers (NINOs) as it was felt that this had a very strong connection with one of the NFI reports. Our concerns were correct and two of these employees (Mr Tutu and Ms Senyah) have been dismissed from the council as illegal workers providing counterfeit documentation.
- Operation Windmill audited all personal files on new starters who had gained employment with the Council since 1st July 2005. This was a two day operation that involved the entire CAFT; the objective was to assure compliance in safer recruitment. Our findings were reported and are in the process of being analysed by the Interim Head of HR.

Operation Windmill has proved to be a very effective exercise and will disband once we can give assurance of the integrity/accuracy of data in HR/Payroll and our compliance with safer recruitment.

Results

The CAFT team sets itself high standards of performance which can be measured not only in the number of allegations of fraud investigated, but in the case of Housing & Council Tax Benefit Fraud by financial rewards to the Authority. The Department of Work & Pensions pay Barnet an amount of subsidy for every successful prosecution, Formal Caution and Administrative Penalty issued by the CAFT team for Benefit Fraud the tables below show what has been achieved in the first six months of 2005-06. In addition approximately £236,396 has been identified in Benefit Fraud overpayments by CAFT.



CAFT in Action

The results of some of CAFT's Corporate Investigations during the first half of 2005/6

Operation Pension

- This relates to an investigation into a retired London Borough of Barnet (LBB) employee, who began receiving a LBB pension in January 1978. That employee died in May 2001. LBB were not informed of her death and the monthly pension continued to be paid.
- As a result of a National Fraud Initiative (NFI) match, the employee's death was confirmed. An overpayment of £3030.43 was created.
- CAFT Investigations show that the daughter of our employee had authority over her bank account and that the pension was being withdrawn each month.
- She was arrested and interviewed by Police, where she admitted using the money.
- She was charged and convicted on three specimen counts of Retaining a Wrongful Credit. She was ordered to pay the overpayment within seven days and sentenced to a fifty hour Community Punishment Order

Operation Giro II

- This relates to Met Police Operation Bangor, and in particular relates to an allegation of person(s) stealing, altering, and subsequently presenting and cashing in particular London Borough Barnet (LBB) Housing Benefit cheques, between October and December 2004.
- Although one cheque had been attempted to be cashed, and eight cheques were actually cashed, there was no loss of money to the LBB, as "**stops**" had been placed on the cheques concerned, as soon as it was established that they were stolen.
- The total loss of money to the cashing outlets was £4476.28.
- The investigation identified 43 year old man as the main offender, he was arrested and interview by Met Police and CAFT Officers.
- He was charged and pleaded guilty to 11 charges of Conversion Property, 7 charges of Handling Stolen Goods, 2 charges of False Instruments, and 11 charges were taken into consideration. He had already been remanded in custody since the end of April 2005, at sentencing he was ordered by the Judge to serve a further 18 months imprisonment and it was recommended that he be deported to his home country of Congo, once his term of imprisonment was completed.

Operation Amethyst

- This relates to an investigation into the potential fraudulent claim of a death in service benefit from the London Borough of Barnet (LBB) valued at approximately £36,000.
- A LBB employee was reported to have died in a road accident in a native Uganda by her daughter. Upon notifying LBB of her Mothers death, the daughter lodged a claim for the death in service and child pension.

- During the investigation correspondence with other agencies established that enquiries were being completed in our employee's native Uganda. It was established that the death certificate and claim were fraudulent.
- The location of LBB employee is not known but it is believed that she is still in the United Kingdom.
- Subsequent to enquiries conducted by the CAFT and the Pensions Department the claim was denied.

Operation Caretaker/Jack

- This relates to an investigation into an illegal LBB employee who worked as a caretaker at Primary school within the LBB.
- The case was referred to CAFT as part of a payroll data cleansing exercise. An inquiry was made with the Her Majesty's Revenues and Customs, regarding this particular employee's National Insurance number. They subsequently confirmed that there was no trace of the national insurance number for further investigation.
- CAFT liaised with The Immigration and Nationality Directorate (IND) and they confirmed that the employee's details related to an individual from Nigeria who had landed at Gatwick Airport on 09 October 1991 in transit to another country. He was given temporary admittance to the UK for 1 day. He did not regulate his stay nor is there any trace of applications or appeals from him. They also confirmed that he had been subsequently traced and removed from the UK on 13th March 1993 and there was no record of any subsequent landing in the UK.
- A CAFT officer and 2 police officers from Met Police attended the primary school, and the Caretaker was arrested, taken from the school and transported to Colindale police station where he was detained pending an interview by IND officers.
- After IND officer's had interviewed the caretaker we were advised that he had confirmed to them his details, and arrangements were made for him to attend IND office's at a later date for travel back to his home country.
- The caretaker did attend IND offices and has now left the UK; his employment with the school has been terminated.

The results of some of CAFT's Benefit Investigations during the first half of 2005/6

Ms Deborah HART

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax benefit on declared low income.
- Investigations established that the National Insurance Number that she used had never been issued to her, and that her Immigration status within the UK was such that she did not have the right to Public Funds.
- It was established that her benefit claim's had been fraudulent from the outset and her claim was cancelled amounting to an overpayment of £54, 121.69
- She was arrested and subsequently charged with 3 Counts of False accounting, with 6 further charges taken into consideration (Tics) to which she pleaded Guilty and was sentenced to a 15 month Custodial Sentence.

Ms Anastasia SALNIKOVA

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax benefit on a declared income of Income Support.
- Investigations established that the claimant also owned a property, which she had not declared, and in fact had sublet the property of which she claimed benefit and lived in her own property, using the housing benefit to pay her mortgage.
- As a result her claim for benefit was cancelled amounting to an overpayment of £11,182.36.
- The claimant was interviewed by CAFT officers and she admitted making false claims, she was subsequently charged with Making False statements and pleaded guilty and sentenced to 1 years community rehabilitation order with a compensation order for the overpayment.

Mr Vahid BANAFSH

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax benefit on a declared income of Income Support.
- A Housing Benefit Data Match confirmed that the claimants Income Support had in fact ceased some months earlier.
- His claim for benefit was cancelled amounting to an overpayment of £1,441.75.
- The claimant failed to attend any appointments for interview by CAFT so was summonsed to appear in court were he was charged with failing to declare a change of circumstances.
- He failed to attend court and was found guilty in his absence – a warrant has been issued for his arrest.