

AGENDA ITEM:7 Page nos. 32-47

Meeting Audit Committee
 Date 28 June 2007
Subject Annual Report of the Corporate Anti Fraud Team 2007
 Report of Acting Head of Corporate Anti Fraud Team and Deputy Director of Corporate Governance
 Summary The Committee is asked to note the Annual Report of the Corporate Anti Fraud Team 2006-07

Officer Contributors Clair Green, Acting Head of Corporate Anti Fraud Team
 Dorne Kanareck, Deputy Director of Corporate Governance
 Status (public or exempt) Public
 Wards affected All Wards
 Enclosures Corporate Anti Fraud Team Annual Report 2006-07
 For decision by Audit Committee
 Function of Council
 Reason for urgency / exemption from call-in (if appropriate) N/A

Contact for further information: Clair Green 0208 359 7168 Dorne Kanareck 0208 359 7988

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the CAFT Annual report for 2006-07
- 1.2. That the Committee consider whether there are any areas on which they require additional information or action

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 28th February 2007, the Audit Committee included in the work programme for 2007-08, that an annual report on the work of the Corporate Anti-Fraud Team be produced to this meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan sets out our vision and core value as a Council. One of our six Corporate Priorities is priority of 'more choice, better value' we are committed to managing the council efficiently, getting the best value for money and investing in services that matter most to our residents. 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.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The CAFT is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through our the Annual report and our service delivery plan..
- 5.2 We anticipate that our Annual Report will have no adverse impact on Barnet's diverse communities. or The CAFT have worked closely with the Benefits service in ensuring that forms and leaflets have been modified and adapted so that all members of the community, especially vulnerable groups, have an understanding of the services provided and how to access them. We believe this will further reduce the likelihood of intentional or other fraud being committed.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 The CAFT budget is £397,000 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.

In addition to this in 2006/7 CAFT received £603,000 from the Department of Work and Pensions (DWP) for the Investigation and Verification of Housing and Council Tax Benefit claims.

6.2 In 2006-07 as a direct result of Housing and Council Tax Benefit Investigations CAFT identified over £440,425 in recoverable Fraud Overpayments, and the Corporate Fraud Investigations Identified over £280,009 obtained from the Council Fraudulently

7. LEGAL ISSUES

7.1 None.

8. CONSTITUTIONAL POWERS

8.1 The Constitution, Part 3, Paragraph 2, details the functions of the Audit Committee including, "To monitor Council policies on Raising Concerns at Work" and the anti-fraud and anti-corruption strategy and the Council's complaints process".

9 BACKGROUND INFORMATION

9.1 The CAFT consists of ;

- Visiting / HBMS Team
- Intelligence Team
- Investigation Team
- Support Team

9.2 The team continues to operate within the Counter Fraud Framework. The Framework consists of a set of comprehensive documents which details the Council's Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistleblowing Policy.

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

9.4 The CAFT Annual report for 2006-07 provides an insight into the work of the team, including details of investigations undertaken.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal: JL
CFO: CM

LONDON BOROUGH OF BARNET

CAFT

CORPORATE ANTI FRAUD TEAM

ANNUAL REPORT



2006/07

Contents



<u>The CAFT</u>	<u>3</u>
<u>How We Operate</u>	<u>4</u>
<u>Pro-Active-Joint Working</u>	<u>8</u>
<u>Results</u>	<u>10</u>
<u>CAFT Investigations</u>	<u>11</u>



The CAFT



2006/07 has been a year of change for the Corporate Anti Fraud Team (CAFT) The Corporate Governance Directorate was launched on the 1st December 2006 bringing together a number of key teams whose responsibility it is to manage and monitor the legal, constitutional, and ethical frameworks and processes across the Council. The CAFT are now part of this Directorate, as well as safeguarding the Council's finances and interests they will play a major role in assisting with the delivery of the Council's Key Priority, Clean, Green and Safe.

As a result of this change, Dorne Kanareck the former Head of CAFT became the Deputy Director of Corporate Governance and I, Clair Green became the Acting Head of CAFT.

The CAFT have also moved offices and are now located on the ground floor of North London Business Park.

In addition to our internal changes, a number of Central Government changes have also taken place around how Benefit Fraud Investigations are funded by Department of Work and Pensions (DWP) to Local Authorities. Previously Barnet received subsidy payments from the DWP for every successful sanction/prosecution. This was abolished in 2006/07 with a new performance measure being set attracting a fixed annual award.

In 2006/7 CAFT worked closely with Internal Audit in the area of Anti Money Laundering. Money Laundering is the term used for a number of offences involving the integrating of 'dirty money' (i.e. the proceeds of crime) into the mainstream economy. The objective is to legitimise the possession of such monies through circulation and this effectively leads to "clean" funds being received in exchange, through what are termed "relevant businesses" such as ourselves.

Whilst not all of the Council's activities are deemed to be "relevant business" the CAFT objective is to ensure that both the Council Members and staff are alert to the risks involved therefore CAFT are taking forward a specialist training package which will link to an approved Council Policy, protecting the Authority from this type of activity.

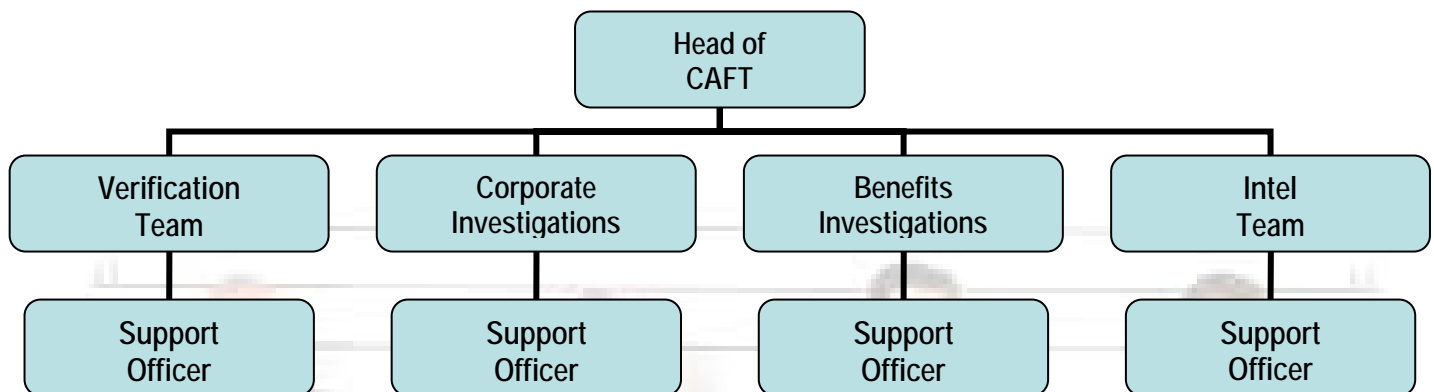
I do hope that you find this report both informative and reassuring. The CAFT continue to be committed to the prevention, detection and deterrence of fraud and will continue to assist in improving Council processes, policies and procedures through partnership and joint investigations along with learning from others, whilst sharing innovative ideas and best practice. 2007/8 should prove to be an exciting period of continuing the development of CAFT in its role in meeting the Crime Agenda.

Clair Green
Acting Head of Corporate Anti Fraud

How we operate



CAFT is divided into five separate areas: Housing & Council Tax Benefit Investigations, Corporate Investigations, Verification, Intelligence and Support functions.



1 Verification Team

The Verification Team is responsible for verifying existing Housing and Council Tax Benefit claims and its existence is seen as an essential tool in safeguarding the public purse whilst also ensuring security against fraud and error within the benefit system.

This is accomplished through visits to existing benefit claimants at their homes enabling residency, identity, national insurance numbers and continual entitlement to benefit being confirmed.

The team is funded on a yearly basis by the Department of Work & Pensions (DWP) and comprises of five visiting officers. The DWP originally set the team an annual target of 5,250 completed visits. This was later reduced to 3,940 visits to accommodate the abolishment of one of the DWP's performance measures and the introduction of a new measure (PM10)

The Verification Team exceeded its target in January 2007 and successfully completed 4,173 visits which resulted in 809 previously undeclared changes of circumstances being identified and resolved.

Since January 2007 the team has concentrated all efforts on the introduction and implementation of the new PM10. Evidence shows that the number of claimants reporting changes in circumstances has reduced significantly over the past two years and the implementation of this new performance measure will enable this trend to be reversed.

2 Intelligence Team

The intelligence (Intel) Officers based within the Corporate Anti Fraud Team are the single point of contact for the CAFT and are responsible for co-ordinating the flow of intelligence and information to and from the CAFT.

The Intel team works within the guidelines of the National Intelligence Model (NIM) which is used by law enforcement agencies throughout the UK. Using the NIM ensures that the team communicates on the same footing as partner agencies, such as the Police. All referrals are risk based using this system, helping us to prioritise the investigation around the resources in CAFT.

As the single point of contact Intel Officers respond to requests for information from other departments, other local authorities and other agencies such as the Department of Work and Pensions, the Police, customs, etc. Examples of which are requests made in accordance with legislation such as the Data Protection Act 1998 and the Social Security Administration Act Fraud 2001 and Anti Terrorist Legislation.

The team provides advice and guidance to staff making referrals to CAFT, also keeping a comprehensive network of contacts through both the Local Authority, Partner and Business world. With the Intel Officers regularly participating in the Home Office Identity Fraud Forum, the Organised Fraud Investigators Forum, meetings with representatives from the banking and insurance sector and the Government Agencies Intelligence Network.

Intelligence is information that has been assessed, and is the way forward in the world of investigations. Advantages of having a specific Intel Team are:-

- Risk assessing of referrals; enabling better use of resources
- Utilising different ways and means to gather information
- Assisting investigation officers by verifying and obtaining information to progress their investigations
- A single point of contact for the CAFT; allowing organisations access to information via named persons
- Ensuring that all requests for information received into the team are made in accordance with relevant legislation
- Dissemination of information to other organisations is legitimate and appropriate

The Intel team are responsible for coordinating the Audit Commission's National Fraud Initiative (NFI) for 2006/07. This exercise is carried out every 18 months, involves all local authorities and public organisations providing staffing and business data to the Audit Commission. The data is taken from various systems such as Housing and Council Tax, Student Awards, Payroll, Pensions, Creditors, Housing Rents, Blue Badges, Freedom Passes and Resident Parking Permits. This data is then matched against the other organisations with the output passed to each Local Authority to investigate.

The Audit Commission is using a new web based system which holds all the data reports and allows on line access - this is a major change to the way the NFI is handled and has features such as updating the status of a match, recording statistics for the Audit Commission and on line email links to other organisations. All service areas involved in the exercise are given training on looking into the matches, referring cases onto CAFT for further investigation and using the on line system to record and report their findings. Regular meetings are held with representatives from the different service areas so updates on progress can be given and any issues or problems raised discussed.

Developments for the Intel team in 2007/08 include them becoming the central Intelligence and information coordinators for the new Directorate, as well as using our new Crime Intelligence Analyst to carry out analysis on our fraud data by using the new Fraud Management system.

3 Housing and Council Tax Benefit Investigation Team

All allegations of fraud relating to Housing and Council Tax Benefit; are passed to this team, they not only investigate benefit claimants but also landlords and collusive employers.

In the last year they have dealt with an investigation into an organised criminal family fraud ring, which was the largest and most complex benefit investigation that the team had dealt with to date. The investigation is currently ongoing and involves many addresses both within the London Borough of Barnet and across three other London Boroughs. The investigation is codenamed 'Operation Avalanche' and is detailed further in the 'Investigation' section of this report.

All the Investigators are all fully trained to prosecution standard and have all attained the Government recognised qualification in Professionalism in Security (PINS)

During the last year the Housing Benefit Investigation team have:-

- Investigated over 855 referrals
- Issued 8 Formal Cautions
- Issued 84 Administrative Penalties
- Obtained 26 successful prosecutions
- Identified over £440,425 in recoverable Fraud Overpayments

For 2006/07 the DWP set a target of 113 sanctions (combined formal cautions, administrative penalties and successful prosecutions) The CAFT met this target by achieving 118 combined sanctions.

Officers from this team also deliver specific Benefit Related Fraud Awareness Training, and refresher training on a regular basis to all staff members and partners involved in the administration of benefits.

4 Corporate Investigation Team

The Investigators deal with all allegations of fraud and/or corruption within or against the London Borough of Barnet. They regularly provide advice and assistance to Heads of Service, department managers and staff members on a range of matters including prevention of fraud and the strengthening of procedures. The officers work closely with Internal Audit identifying high risk areas, working together on cases where appropriate. All referrals under the whistle blowing policy are dealt with by and investigated by this team.

Again the investigators are all fully trained to prosecution standard and have all attained the Government recognised qualification in Professionalism in Security (PINS).

During the last year the Corporate Investigation team have:-

- Investigated over 89 referrals of which 2 were whistleblowing referrals
- Investigated 79 Disabled Blue Badge referrals of which 2 were successfully prosecuted and the other case is with our legal department awaiting action
- Made 2 arrests – the trials are scheduled for 2007/08
- First time that we used our own Legal Department to prosecute a corporate fraud case – the trial is scheduled for 2007/08
- As a result of our investigations - 4 staff members were dismissed
- Identified through our investigations over £280,009 obtained from the Council fraudulently

5 Support Team

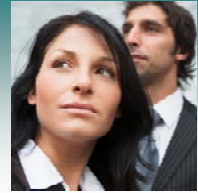
Each of the Support Officers has a distinct role i.e. Customer Liaison, Benefit Liaison, Evidence & Disclosure and Intelligence. They carry out essential roles, providing both administrative and specialist support to all staff members within the team, and also deal with all enquiries received from members of the public, benefit claimants under investigation, staff members, police, solicitors etc . They assist the Investigators in the preparation of prosecution files including jury packs providing the schedules of evidence for court etc and provide support to the Visiting Officers in the preparation of visiting packs, appointments letters and schedules.

During the last year the Support team have:-

- Received and resolved 50,729 phone calls relating to the work of team
- Received 1,582 items of post that required further action



Proactive Joint Working



Operation Avalanche is a good example of a CAFT investigation that was proactive and allowed us to work jointly with our partners, who included three other Local Authorities, Her Majesty's Revenue and Customs (HMRC) and the Metropolitan Police.

Operation Avalanche

Operation Avalanche is the investigation into an organised criminal family fraud ring that between them made false claims for Housing and Council Tax Benefit, DWP Benefits and Tax Awards, it has been established that this activity enabled them to fraudulently purchase and rent various properties within London. Their activity has been wide spread with links to four other London Boroughs, various outer London addresses and links to the European Union.

On the 20th February 2007 CAFT Officers working in partnership with the Metropolitan Police, HMRC and Officers from London Borough of Waltham Forrest, London Borough of Ealing and Royal Borough of Kensington and Chelsea attended six addresses across the four Boroughs. A number of arrests were made on the day, with 94 bags of documentary evidence seized. In addition to this a large quantity of drugs, cash and weapons were found and a Range Rover 4x4 vehicle was also seized.

All of those arrested on the day have since been bailed to return to the police station with a number of warrants being issued for further suspects, we would like to talk to.

This investigation is still ongoing.

National Fraud Initiative (NFI)

The Audit Commission's NFI as described above is a pro active exercise, which involves a large amount of data matching between different computer systems within local authorities and other large public organisations. An example of a successful prosecution as a result of the NFI was the case of 'Miss Alison Davies'

Miss Alison Davis

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Jobseekers Allowance.
- National Fraud Initiative Match stated Miss Davis was employed by Barnet Council and had been with effect from 29th September 2003. Checks were made on the Barnet systems that confirmed this was correct.
- As a result of our Investigation the claim was re-assessed which created a Housing and Council Tax Benefit overpayment of £4,616.75 for the period 6th October 2003 to 22nd January 2006.
- Miss Davis pleaded guilty to failing to notify the Local Authority of a relevant change in her circumstances and was sentenced to a 12 month conditional discharge and £250 costs.

Housing Benefit Data Matching Service (HBMS)

The HBMS is also a pro active exercise, which involves data matching from our Benefits Computer System within local authorities and other government organisations. An example of a successful prosecution as a result of the HBMS was the case of 'Miss Denise Pepper'

Miss Denise Pepper

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Jobseekers Allowance.
- A referral was received from the Housing Benefit Matching Service that stated Miss Pepper's Job Seekers Allowance had ceased with effect due to her starting work. Miss Pepper was interviewed and admitted working as a security guard.
- As a result of our investigations the claim was re-assessed which created a Housing and Council Tax Benefit overpayment of £5,155.15
- Miss Pepper pleaded guilty by post to failing to notify the Local Authority of a relevant change in her circumstances. She was sentenced to a 2 year conditional discharge.

CAFT understand that the key to success is good intelligence and pro-active working and in 2006/7 invested in a new computer system which went live in April 2007. This system will allow us to analyse types of fraud, carry out hotspot mapping and extract information which can be used for future proactive exercises, making better use of our resources and staying ahead of the ever changing criminal world.

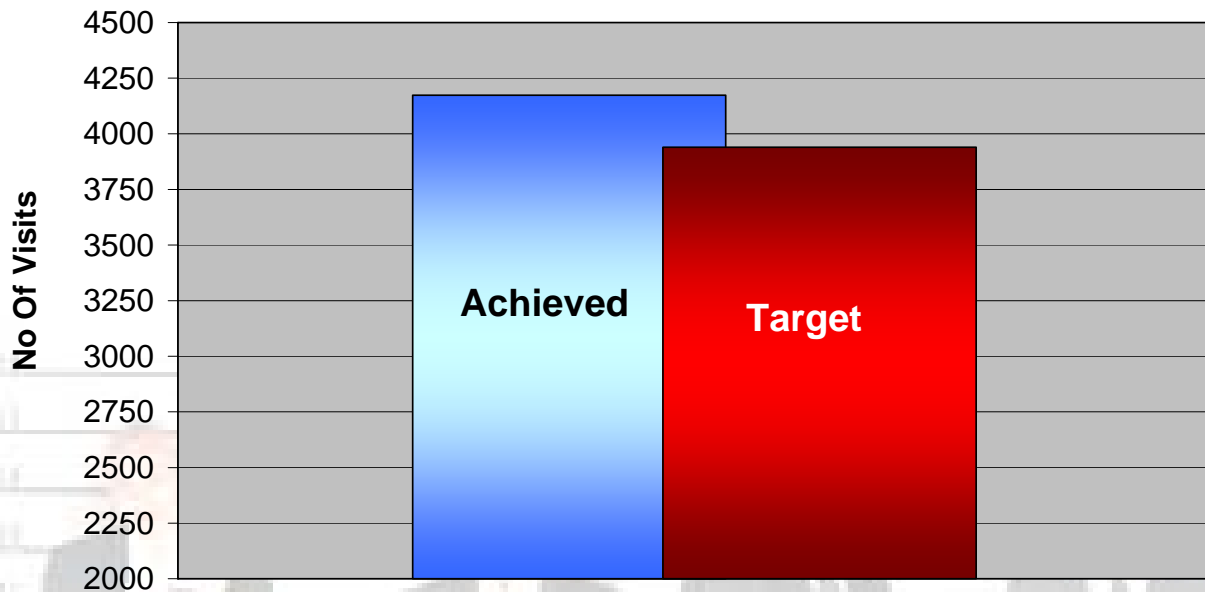


Results



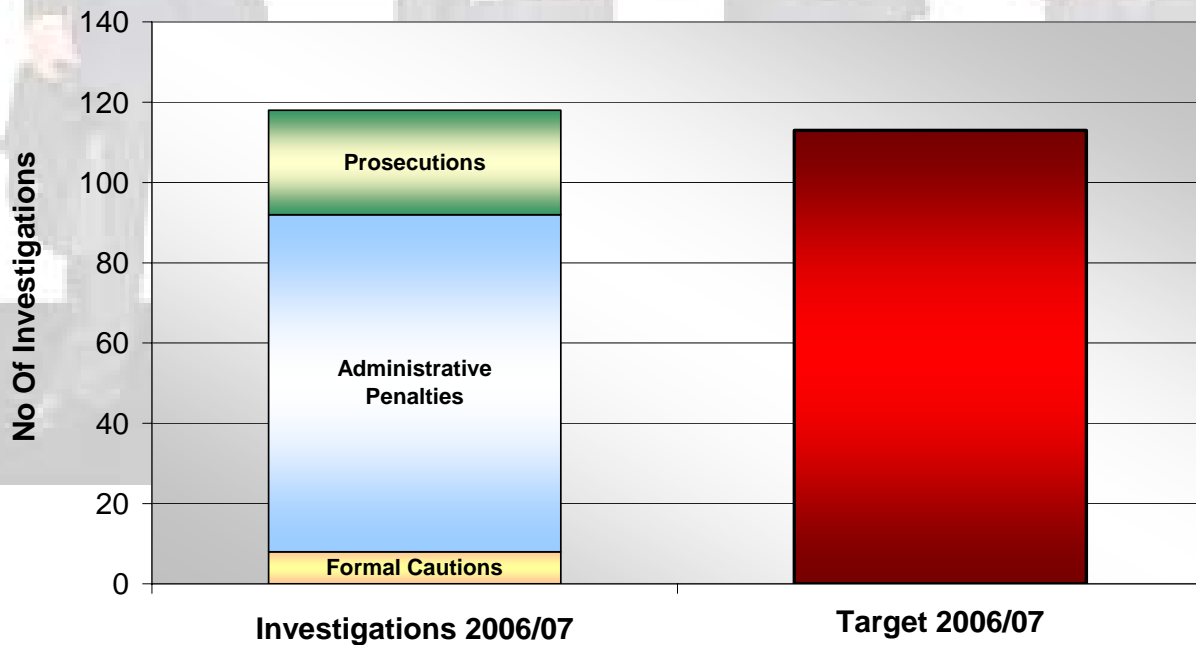
VF Visits against target – chart/graph

Verification Visits 2006/07

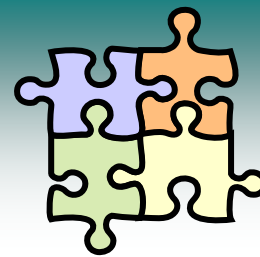


Sanctions against target – chart/graph

Benefit Fraud Investigations 2006/07



CAFT Investigations



Below are a few examples of CAFT investigations:-

Operation Amigo

- This investigation relates to an allegation that a now former Barnet employee conspired to commit fraud by deception, in particular the manipulation, alteration and fabrication of a Barnet computer system to provide and attempt to provide residents with housing that they may not have been entitled to.
- The former employee is also alleged to have fraudulently received Housing Benefit from another London Borough Council amounting to tens of thousands of pounds.
- The investigation led to the subsequent arrest of the individual and his wife. Fingertip searches were conducted by CAFT Investigators and the Police at their home address and also the main suspect's work station within Barnet Council offices.
- Evidence of the offences were collated by Investigators and presented to the Crown Prosecution Service.
- This case is currently awaiting trial at Crown Court later this year.

Operation Axiom

- This case relates to the fraudulent claims for Nursery Education Funding submitted by the owner of a nursery within the London Borough of Barnet. This funding is available for 3 and 4 year olds who attend nursery and is primarily to pay for the first 2 ½ hours of nursery time attended per day.
- Evidence obtained from the investigation showed that this individual had attempted to fraudulently obtain more than £10,000 worth of funding and as a result of evidence collated was arrested by police.
- Fingertip searches of the suspect's home address and nursery office were conducted by CAFT Investigators and Police with further evidence of offences being seized.
- This investigation is currently on going.

Advice & Assistance 46

- This investigation relates to pension payments of a deceased member of staff who died in December 2006.
- In February 2007 a lady alleging to be the wife of the deceased submitted an application for 'Spouses and Dependants Pension Benefits'. This lady stated that she was married to the deceased and was currently living in the Bahamas.
- On examining the pension file of the deceased it was found that in 2002 he had completed a Nomination Form for Pension Lump Sum Death Benefit. The nominee on this form was different to the lady who had made the application.

- The investigation revealed that the deceased originally married the applicant in 1965 but they were officially divorced in February 2002. It was also found that in April 2002 the deceased married the lady who he had nominated to receive his Pension Benefit.
- Throughout the investigation the original applicant claimed that she was unaware that she had been divorced and believed her claim to be valid.

Advice & Assistance 08

- This investigation relates to a former Barnet Council employee who is alleged to have fraudulently obtained petrol for personal use by using a London Borough of Barnet petrol card which was designated for refuelling authorised Council vehicles only.
- The offences are alleged to have been committed over a 5 month period with costs amounting to over £700.
- The investigation has revealed strong evidence to link the offences to the former employee, however the allegations have been denied and as a result, Barnet Council have initiated prosecution proceedings.
- This case is currently awaiting trial at Crown Court later this year.

Blue Badge Investigations

The London Borough of Barnet has identified Blue Badge abuse as a major problem within the Borough, London and across the United Kingdom.

The Blue Badge Scheme allows genuine disabled persons to park, in most places, free from normal parking restrictions and in many cases free of charge and without limit of time. The scheme is administered by Local Authorities on behalf of the Department for Transport and operates throughout the European Union.

Badges are issued for the sole use of a named individual who qualifies on grounds of a physical disability that makes walking difficult. The Blue Badge is only valid when it is being used by or for the disabled person, with that person being present. It is clearly stated on the badge that misuse may constitute a criminal offence.

The Corporate Anti Fraud Team (CAFT) began working closely with the Assisted Travel Section in 2006 in an attempt to control the risk of fraud in this area. Internal and external referrals of Blue Badge misuse are risk assessed and CAFT take appropriate action. On some occasions surveillance is required to capture the offending enabling prosecution, enquiries with badge holders and witnesses, warnings issued where appropriate and advice and assistance provided for correct use of Blue Badge scheme.

Recently CAFT have worked with the Parking Department to introduce new controls on how applications are made to the London Borough of Barnet and the criteria an applicant must meet to obtain a Blue Badge. These new controls are still in the early stages but are working well, further reporting in this area will be made in the Interim report.

Mrs Francoise Ramezan-Zadeh

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Jobseekers Allowance.
- Referral stated that Mrs Ramezan-Zadeh owned another property. Investigations confirmed that this was correct.
- The claim was re-assessed which created a Housing and Council Tax Benefit overpayment of £40,301.04 for the period 8th July 2002 to 13th February 2005.

- Mrs Ramezan-Zadeh pleaded guilty to making a false statement and was sentenced to 150 hours Community Punishment Order.

Mr Khaled Rabah

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Income Support.
- A referral was received from the Housing Benefit Matching Service that stated that Mr Rabah's Income Support had ceased. Checks were made that confirmed this.
- This resulted in an overpayment of Housing and Council Tax Benefit totalling £12,280.75.
- Mr Rabah was found guilty following a trial of failing to notify the Local Authority of a relevant change in his circumstances. He was sentenced to 100 hours Community Punishment Order on 24 May 2006.

Mr Lewis Powell

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Income Support.
- A referral was received via a National Fraud Initiative match that suggested that Mr Powell had a non-dependant resident in the property.
- Checks were made that confirmed that Mr Powell's son was resident in the property.
- Housing and Council Tax Benefit was reassessed resulting in an overpayment of £19,296.26.
- Mr Powell elected to go to trial, but then changed his plea to guilty to 3 charges of dishonestly making false representations on benefit claim forms. He was given a conditional discharge for two years.

Ms Sohina Faqirzad

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing Benefit on the basis of receiving Income Support.
- A referral was received from DWP that suggested that Ms Faqirzad's landlord was the father of her children.
- Checks were made that confirmed that this was the case.
- Housing Benefit was reassessed resulting in an overpayment of £19,898.11.
- Ms Faqirzad pleaded guilty to dishonestly making false representations on benefit claim forms. She was sentenced to 9 months imprisonment suspended for 12 months. Also given a total of 160 hours unpaid work to do at the rate of one day per week.