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Meeting	Audit Committee
Date	7 December 2010
Subject	Interim Report of the Corporate Anti Fraud Team (CAFT) 2010
Report of	Acting Corporate Anti Fraud Team Manager and Director of Corporate Governance
Summary	To note the Interim Report of the Corporate Anti Fraud Team 2010

Officer Contributors	Clair Green, Acting Corporate Anti Fraud Team Manager Jeff Lustig, Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix 1: Summary of the first 6 months performance in relation to CAFT Benefit Compliance Team Appendix 2: Summary of the first 6 months performance in relation to CAFT Benefit Fraud Investigations Appendix 3: Summary of the first 6 months performance in relation to the CAFT Corporate Fraud Investigations
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Corporate Anti Fraud Team's Interim Report for 2010/11.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Delegated Powers Report, ref: BT/2004-05 -2 March 2004) - The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004
- 2.2 Audit Committee 11 March 2010 (Decision item 10) - included in the work programme for 2010/11, that that an interim report on the work of the Corporate Anti- Fraud Team be produced to this meeting.
- 2.3 Audit Committee the 11 March 2010 (Decision item 12) - approved the CAFT Team's Annual Work Plan and the Council's revised Counter Fraud Framework which the team operates within. 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, they are available of the CAFT intranet site.
- 2.4 Audit Committee 21 June 2010 (Decision item 13) - approved the CAFT Annual Report 2009/10 which detailed the work of the team and planned future work.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council's Corporate Plan 2010/13 sets out three new corporate priorities; Better Services with less money, A successful London Suburb and Sharing opportunities and Sharing responsibilities.
- 3.2 The 'Future Shape' programme comprises of three principles; A new relationship with citizens, A one-public sector approach and A relentless drive for efficiency.
- 3.3 The council also has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti Fraud Team supports by continuing to provide an efficient value for money anti fraud activity, that is able to investigate all referrals that are passed to us to an appropriate outcome, whilst continuing to offer support, advice and assistance on all matters of fraud risks including prevention, fraud detection, money laundering and criminal activity, deterrent measures whilst delivering a cohesive approach to the reflect best practice and support all the new corporate priorities and principles.

4. RISK MANAGEMENT ISSUES

- 4.1 I have considered whether the issues involved are likely to raise significant levels of public concern or give rise to policy considerations. The proposals do not give rise to significant levels of public concern or give rise to policy

considerations as they are about improving our current ability to address existing priorities.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Corporate Anti Fraud Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through annual report and our service delivery.
- 5.2 This report will have no adverse impact or diversity issues. CAFT have worked closely with the Benefits Service and Communications Team 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 reduce the likelihood of intentional or other fraud being committed.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The London Borough of Barnet receives subsidy funding from the Department of Work and Pensions (DWP) for the Administration of Housing and Council Tax Benefit. The CAFT receive a percentage of that funding for the prevention, detection and investigation of Housing and Council Tax Benefit Fraud and Error in the benefit System.
- 6.2 In 2010/11 CAFT received £660,140 (representing 21.4% of the overall amount allocated to Barnet). Taking this subsidy amount into consideration the net budgeted costs for CAFT are set at £188,640.

7. LEGAL ISSUES

- 7.1 None identified outside the context of this report.

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.

9 BACKGROUND INFORMATION

- 9.1 This report provides an overview of the performance of the Corporate Anti Fraud Team (CAFT) over the last 6 months.
- 9.2 The aim of the team has always been to assist the Council in protecting the public purse through the facilitation of sound strategies, procedures and controls in the prevention, detection, investigation and deterrence of fraud and corruption, whilst also providing a bespoke comprehensive fraud awareness training and education programme throughout the organisation.
- 9.3 For the first time in 2009/10 CAFT worked with the Risk Management Team to include questions on fraud risks and fraud awareness on the Internal Control Checklist (ICC) The results of the ICC identified a high number of staff that

had not received fraud awareness training within a 2 year period. It also identified service areas that had not considered or identified fraud risks on their risks registers. In response to this CAFT devised an action plan to assist services with the issues and to provide effective fraud awareness training to their staff.

The action plan had two main objectives;

- Devise and deliver a new bespoke fraud awareness training package to all directorates; In order to make best use of available resources this package was aimed at managers and senior staff. The roll out of the training is now almost complete with only 2 directorates still awaiting their training (both scheduled for early December 2010).
- Meet with all Directors to discuss and identify potential 'fraud risks' in their directorates and to encourage them to discuss these issues at their management teams and review their risk register for fraud risks. This was achieved with productive meetings held with all Directors by the end of Q1. *(The ICC is now a half yearly function and CAFT are in discussion with the Assistant Director for Audit and Risk Management in order to set up a mechanism on the best way to approach this issue more effectively in future. We hope achieve a suitable method of ensuring that the risk of fraud is discussed and included within risk registers. We will report back to the Committee on how we aim to achieve this in March 2011 within our Annual Work plan 2011/12.)*

- 9.4 CAFT conducted market research into 'E learning' fraud awareness packages. The preferred package is currently being tested within the CAFT and we aim to implement 'E learning' for Fraud Awareness Council wide in 2011/12. This will be an all staff package that can be accessed via the internet with a small test at the end. The package is split into 2 different levels; (1) all staff and (2) managers. The package will also provided CAFT with a detailed report on who has completed the E learning and the pass/fail rates of the test. This will help us achieve a comprehensive, modern and value for money anti fraud awareness function for the Council.
- 9.5 We have also considered current working arrangements in Barnet against the good practice guidance as set out in the Audit Commission 'Protecting the Public Purse and CIPFA's red book 'Managing the risk of Fraud' publications. Our objective is to develop a proactive fraud plan to include all issues identified in our consideration along with outcomes from the derived from the ICC.
- 9.6 There are also generally known fraud risks to local authorities that can be included within the plan to provide an anti fraud assurance on particular high risk functions. CAFT plans to work jointly with Audit and Risk Management in order to produce a plan that eradicates any duplication of work between the two services. By working together we hope to better identify those services who have high risk of fraud, whilst approaching the matter in a cohesive and best value approach. This will also be reported back to the Committee in March 2011.

- 9.7 Appendix 1 is a summary of the first 6 months performance in relation to Benefit Compliance Team.
- 9.8 Appendix 2 is a summary of the first 6 months performance in relation to Benefit Fraud Investigations.
- 9.9 Appendix 3 is a summary of the first 6 months performance in relation to the Corporate Fraud Investigations.
- 9.10 We continue to focus on the National Fraud Initiative (NFI) referrals from the Audit Commission. All requested Council data has now been provided to them for their data matching exercise. The matches are expected to be released to Barnet in January 2011.
- 9.11 Our partnerships with the UKBA and Police continue to yield results for both the Council and the Home Office and Police. The UKBA embedded immigration officer within the CAFT provides a valuable point of reference and resource to the Council and continues to be a success. There are a number of joint operations with these partners planned for the coming year, which will be reported back to the Committee in our Annual Report.
- 9.12 This year we have upgraded our corporate fraud management database so that we are now able to clearly define and categorise the 'fraud type' and 'outcome' of each investigation for reporting purposes, as previously have only been able to report on referral numbers and source. We will also be able to analyse the cost and time of each completed investigation to ensure that resources within the team have been appropriately deployed.
- 9.13 In addition to this we now hold full comprehensive records of any actual or attempted frauds in order to make best use of our intelligence and information and use this to further develop new working relationships with Audit and Risk Management in order to strengthen the anti fraud / risk assurance we provide to the council.
- 9.14 The scope of our work is wide and varied. The report is aimed to reinforce that not only are we reacting to the referrals made to the team but working proactively with colleagues within the council and partner agencies to uncover areas of risk, assisting services in increasing their preventative fraud measures and achieving a successful and a value for money anti fraud service by providing an effective barrier to fraudsters in Barnet.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM
CFO: MC

Corporate Anti Fraud Team
Performance Summary
2010/11 Q1 & Q2

Appendix 1

CAFT Benefit Compliance Team deals with identifying and correcting error in our benefits system through various methods including dealing with the Department of Work and Pensions (DWP) Housing Benefit Data Matches (HBDMS). The team conduct assessments of benefit which may result in an overpayment which is then passed to our Benefit Investigation team to further investigate and identify fraudulent claims.

	Q1 2010/11	Q2 2010/11	Total Q1 & Q2	Total 2009/10
Number of HBDMS matches received	400	795	1195	1841
Total Number of Compliance benefits assessments	169	287	456	
Number of assessments which resulted in no change or increased benefit	23	129	152	
Total Amount of Fraud overpayments identified	£96,013.24	£153,433.58	£249,446.82	
Number of assessments were o/p under £500	0	0	0	
Number of assessments were o/p is £500 - £2000	6	13	19	
Number of assessments were o/p is £2001 -£4000	5	15	20	
Number of assessments were o/p is £4001 and above	5	12	17	
Total amount of Error overpayments Identified	£149,555.07	£246,945.02	£396,500.09	
Number of assessments were o/p under £500	70	38	108	
Number of assessments were o/p is £500 - £2000	39	58	97	
Number of assessments were o/p is £2001 -£4000	15	17	32	
Number of assessments were o/p is £4001 and above	6	5	11	
Total amount of Fraud and error overpayments identified	£245,568.31	£400,378.60	£645,946.91	£1,131,632.35
Total amount recovered by Benefits Service – Overpayment Recovery Team	£72,747.77	£55,550.81	£128,298.58	

The table identifies that there have been 17 separate assessments that have resulted in a fraudulent overpayment of benefit higher than £4001; All of these 17 have been investigated by Benefits Investigations team and to date 8 of the cases have been passed to our legal team for prosecution, 6 cases have been offered an administrative penalty, 1 investigation is still ongoing and 2 have been closed with no further prosecution action.

The largest of the fraudulent overpayment figures identified above relates to a single overpayment of £30,065.71. This case has been investigated by CAFT and is now with our legal department for prosecution and is at present ongoing through the judicial system. Therefore details of the investigation cannot be published - however it should be noted that in this particular case CAFT have for the first time successfully applied in the crown court for a restraint order under the Proceeds of Crime Act, the restraint was granted on the defendants assets in order to secure full compensation of the benefit overpayment for Barnet on conclusion of the ongoing criminal prosecution proceedings.

There have been a further 11 assessments which identified claimant error benefit overpayments of over £4001 of which 7 have been referred for Investigation and 4 have been closed as claimant error and overpayment recovery only.

The table clearly shows that the number of HBDMS has increased significantly in the first 6 months of 2010/11. This has in turn increased the Benefit Compliance Team's number of benefit assessment and subsequent fraud/error overpayments identified. If the current level of HBDMS matches continues in the next 6 months (as anticipated) then the overall CAFT identified benefit fraud and error overpayment figure for 2010/11 may be significantly higher than last year.

During Q1 and Q2 the Benefit Compliance Team has responded to approx 300 requests for information from other Local Authorities, Police and the DWP.

Appendix 2

Corporate Anti Fraud Team
Performance Summary
2010/11 Q1 & Q2

CAFT Benefit Investigation Team deals with the identification, investigation and prosecution of those persons that commit benefit fraud in Barnet in accordance with DWP guidelines and Barnet's Counter Fraud Framework.

		Q1 2010/11	Q2 2010/11	Total Q1 & Q2	CAFT Projection 2010/11	Total 2009/10
Housing and Council Tax Benefit Fraud Sanctions	Successful Prosecutions (Guilty Verdicts)	9	8	17		18
	Administrative Penalties (Offered & Accepted)	12	12	24		109
	Formal Cautions	0	0	0		11
	Total Sanctions Figure	21	20	41	154	138

The sanction projection figure set for 2010/11 is an internal CAFT projection which is based on 2009/10 benchmarking with other London local authority fraud teams and the current investigation staffing numbers in CAFT. In 2009/10 Barnet were placed in the top quartile for overall achievement of sanction numbers and top for achievement of number of sanctions per investigation officer.

It should be noted that in addition to the table above going into Q3 we have 232 ongoing investigation and 61 of these have been agreed for sanction action. Approx 80% of our current sanction figures have been as a result of a HBDMS referral. Taking these figures into account we are likely to achieve our projected sanction figure.

It is clear from the table above that there has been a significant increase in cases where persons have been prosecuted for benefit fraud. This has been as a result of larger fraud overpayments being identified, which has resulted in more prosecution and increased joint working with the DWP. CAFT are continuing successfully in their aim to prosecute even more offenders for benefit fraud than in 2009/10 reinforcing the Councils policy of zero tolerance to those that commit fraud against Barnet.

An example of a successful joint prosecution between CAFT and the DWP's Counter Fraud Investigation Service (CFIS) is the case of Ms SEGAL:

CAFT received an HBDMS match indicating that Ms Segal held a bank account and that she received interest on savings within the in the account and that this had not been declared on her benefit claim forms. CAFT Investigation confirmed that she indeed held an undeclared account and that the balance of this account had above or around £16,000 from 2003. Ms SEGAL had been in receipt of Housing and Council Tax Benefit and Income Support since 2003 and as this money would effect her entitlement to all of those claims the DWP were invited to join our investigation. She was interviewed under caution and admitted to not declaring the bank account or the monies within it when she applied for her benefits. The claim was reassessed taking into account the undeclared money in her account and resulted in a housing and council tax benefit overpayment of £27,300.66. There was also a DWP overpayment of £13,648.80 in respect of her income support benefit.

Ms SEGAL was prosecuted and pleaded guilty to three charges of dishonestly obtaining benefit at Wood Green Crown Court contrary to section 111(1A) of the Social Security Administration Act 1992 and was sentenced to three months for each offence to run concurrently, which was suspended for 3 months. Ms Segal made arrangements with the Benefits Service Overpayment Team to repay this amount and has repaid to date approx over £5,000 of this overpayment.

Corporate Anti Fraud Team
Performance Summary
2010/11 Q1 & Q2

CAFT Corporate Fraud Team deal with the investigation to all fraud matters (except benefit fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds. The team operate in accordance with Barnet's Counter Fraud Framework and relevant investigate legislation. CAFT continue to work in partnership with the UKBA and Police to ensure that all the public purse is adequately protected.

Directorate	Total number of cases referred for investigation in 2009/10	Number of cases carried over from 2009/10	Number of new cases referred for investigation combined Total Q1 & Q2	Number of cases carried forward for investigation into Q3	Total number of cases closed in Q1 & Q2	Insufficient evidence to proceed with Investigation	Closed insufficient Funds for a financial Investigation	Passed to Police / Serious Organised Crime Agency (Money Laundering) to investigate	Closed Advice given to service area	Closed No Fraud	Dismissed as a result of CAFT investigation	Closed Fraud Proven
E & O		5	15	9	10	2	0	1	3	2	3	0
Corporate Services		4	14	9	9	0	1	1	3	3	0	1
Commercial services			2	1	1	0	0		1	0	0	0
Adult Social Services		0	3	0	3	1	0	1	1	0	0	0
Children's Services		1	3	3	1	0	0	0	1	0	0	0
Planning, Housing & Regeneration		4	4	4	4	1	0	0	1	2	0	0
Chief Executive Services			0	0	0	0	0	0	0	0	0	0
Corporate Governance			3	1	2	0	0	0	0	2	0	0
Barnet Homes			2	0	2	0	0	0	0	2	0	0
Total	57	14	46									
Overall Total for Q1 & Q2			60	27	32	4	1	3	10	11	3	1

The table show that 46 new referrals for investigation were made to CAFT from either the directorates themselves or another source than in the first 6 months of the year compared to an overall total of 57 in 2009/10. This is a significant increase and believed to be as a result the successful fraud awareness training and the subsequent increased awareness of CAFT across the council. It should be noted that going into Q3 there are 29 ongoing investigations of which some have already progressed to prosecution. A number of these investigations are also financial investigations and CAFT will be applying for confiscation under Proceeds of Crime Act once the criminal prosecution action is complete.

An example of our successful partnership with UKBA is the 3 cases categorised above as 'dismissed as a result of CAFT investigation'. *CAFT conducted a pro active investigation with UKBA which identified 3 Barnet employees that had submitted false identity documents in order to gain employment with the Council. A joint CAFT / UKBA operation was conducted which resulted in the arrest of 2 of the employees. During interviews the employee's true identities were confirmed along with the 'illegal' status to be in the UK, they were subsequently dismissed and the UKBA have made arrangements to return them to their home countries. The 3rd employee evaded arrest during the operation, has subsequently been dismissed from the Council based on our evidence and their whereabouts is currently unknown to UKBA.* As a result of this operation and our joint working partnership with the UKBA, CAFT were able to save the Council from being issued with fines totalling £30,000 (3 fines of £10,000 for each illegal worker) from the UKBA in accordance immigration and employment legislation.

A further example of CAFT successful joint working with Barnet Homes, UKBA and the Police from the 'fraud proven' column above is the case of SENKORA:

Following the receipt of a National Fraud Initiative data match which indicated that Ms SENKORO was in receipt of housing benefit however her status in the UK indicated that she was not entitled to claim public funds. The CAFT investigation revealed that SENKORO had produced a forged identity document to obtain a council property as well as claiming housing benefit. She was arrested and pleaded guilty to offences contrary to the Identity Card Act and was sentenced to 6 months imprisonment. CAFT in conjunction with Barnet Homes regained possession of the property that was fraudulently obtained. Whilst there is currently no definitive guidance on the cost of Housing Tenancy Fraud, according to the Audit Commission the recovery of such a property should be identified as a saving to the Borough of £150,000