

AGENDA ITEM: 7

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Meeting	Audit Committee
Date	8 December 2011
Subject	Interim Report of the Corporate Anti Fraud Team 2011
Report of	Acting Head of the Corporate Anti Fraud Team and Director of Corporate Governance
Summary	The Committee is asked to note the Interim Report of the Corporate Anti Fraud Team 2011

Officer Contributors	Clair Green, Acting Head of the Corporate Anti Fraud Team 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 2011/12.**

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 24 March 2011 (Decision item 10) – the Audit Committee included in the work programme for 2011/12, that an Interim Report on the work of the Corporate Anti- Fraud Team be produced to this meeting.
- 2.3 Audit Committee 24 March 2011 (Decision item 9) – the Audit Committee approved the joint Internal Audit (IA), Risk Management (RM) and CAFT Annual Plan for 2011/12.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council's Corporate Plan 2011/13 sets out three corporate priorities; Better Services with less money, A successful London Suburb and Sharing opportunities and Sharing responsibilities.
- 3.2 The Council 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 this 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, other criminal activity, and deterrent measures whilst delivering a cohesive approach that reflects best practice and supports all the new corporate priorities and principles

4. RISK MANAGEMENT ISSUES

- 4.1 The ongoing work of the CAFT supports the Council risk management strategy and processes. Where appropriate, outcomes from our investigations are reported to both IA and RM to support their ongoing work and to assist in either confirming effective anti fraud risk management or suggested areas for improvement. This joint work with IA and RM feeds into the assurances that are given to Directors, that managers and controls are effective in managing the anti fraud risks within a service.

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 our interim and annual report as well as our service delivery.

- 5.2 CAFT assesses each individual investigation as appropriate with regard to the impact of equalities and differential aspects on different groups of individuals.
- 5.3 This report will have no adverse impact on equalities or diversity issues. CAFT continue to work with both 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 In April 2011, the CAFT underwent a successful process of restructuring the team, this restructure was necessary for the team to continue to meet the changing needs of the service whilst still achieving an excellent service that is robust, professional, value for money and fit for purpose. The restructure saw CAFT staff reduce from 17.69 full time equivalent staff to 15 full time equivalent staff. The introduction of lean working practices meant that the CAFT could confidently reduce administrative roles and create specialist Financial Investigation posts which were required to realign CAFT services so that the team can embrace the corporate priorities and the significant changes promoted under the Council's One Barnet programme in order to fully meet the changing needs and demands of the Council, its clients, stakeholders and partners (DWP, Barnet Homes, Police and UKBA).
- 6.2 This success of this new structure is demonstrated through the work and results the team has achieved in the first 6 months of 2011.
- 6.3 The Council receives subsidy funding from the Department of Work and Pensions (DWP) for the administration of Housing and Council Tax Benefit, a percentage of that funding has previously been received by CAFT for the prevention, detection and investigation of Housing and Council Tax Benefit Fraud and Error in the Benefit System. The subsidy is now held centrally within Barnet and so the CAFT budget was amended to reflect the previous percentage of the overall subsidy funding amount of £620,590, giving CAFT an overall budget of £732,640.
- 6.4 This new budget arrangement provides CAFT with stability around the budget, demonstrating the Council's positive commitment to the work of the team.

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 Appendix 1 is a summary of the first 6 months performance in relation to the Benefit Compliance Team,
- 9.4 Appendix 2 is a summary of the first 6 months performance in relation to Benefit Fraud investigations, along with some interesting case studies.
- 9.5 Appendix 3 is a summary of the first 6 months performance in relation to the Corporate Fraud investigations, along with some interesting cases studies.
- 9.6 The CAFT co-ordinate the Audit Commissions, National Fraud Initiative (NFI) exercise. After submitting Barnet's various data sets, we have so far received back 19,789 matches. The matches relate to discrepancies in data which could be errors or indicators of fraudulent activity. We have detailed progress so far in the attached Appendix 3 and will be reporting fully on the outcomes of this exercise to the Audit Commission in January 2012 and in our Annual Report.
- 9.7 The CAFT's partnership with The United Kingdom Border Agency (UKBA) partnership continues successfully for the third year, Barnet being one of five London Boroughs with an embedded UKBA officer within it, and the only borough where the officer is fully integrated with the anti fraud service. The partnership continues to demonstrate value for money for both the Council and UKBA and some examples of successful joint working are detailed in the attached Appendix 3.
- 9.8 In 2010/11 CAFT initiated a Partnership scheme with Barnet Homes and we now have 1.5 dedicated Tenancy Fraud Officers working to combat social housing fraud in Barnet. To date the partnership has proved to be successful. In the first six months of this year we have recovered 9 properties due to the work of the Officers with many more ongoing investigations and recoveries likely by the end of year. This new partnership arrangement is funded by the Department of Communities and Local Government who distributed funding to Local Authorities to help them tackle tenancy fraud more effectively.

9.9 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: PBP

Finance: MC

**Corporate Anti Fraud Team
Performance Summary
2011/12 Q1 & Q2**

Appendix 1

CAFT Benefit Compliance Team deal 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) and the benefit related National Fraud Initiative (NFI) Matches. 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 2011/2012	Q2 2011/2012	Total Q1 & Q2
Number of HBDMS matches received	1443	544	1987
Total Number of combined NFI and HMDMS Compliance Benefits assessments	285	256	541
Number of assessments which resulted in no change or increased benefit	59	33	92
Fraud Overpayments identified			
Number of assessments were o/p under £500	0	0	0
Number of assessments were o/p is £500 - £2000	18	6	24
Number of assessments were o/p is £2001 -£4000	10	4	14
Number of assessments were o/p is £4001 and above	15	9	24
Claimant Error overpayments Identified			
Number of assessments were o/p under £500	84	99	183
Number of assessments were o/p is £500 - £2000	72	67	139
Number of assessments were o/p is £2001 -£4000	21	24	45
Number of assessments were o/p is £4001 and above	6	14	20
Total amount of Fraud and error overpayments identified	£542,800	£476,816	£1,019,616
Total amount recovered by Benefits Service on previous CAFT identified overpayments from this and previous years.			
Recovery period from 1 st April 2011 – 30 th September 2011.	£141,309	£63,287.84	204,596.84

In 2010, the Council's revenue & benefit software provider changed from Pericles to Civica. The previous system Anite had not been in use since December 2010 as there was a period of time required for the benefits data to be transferred between the old and new systems. The new system was available for use from around mid March 2011. During the data transfer period, the Council was unable to run the Single Housing Benefit Extract (SHBE) which are the data returns that are sent monthly to the DWP from which HBDMS matches are derived. Therefore, no matches were received into the team during this period. As a result of this CAFT received a high volume of HBDMS in Q1: 1443 matches alone. In this first six months of the year we have resolved and closed 1238 of these matches that required no re- assessment of benefit and have conducted 541 assessments, the results of these are as detailed above and have 208 matches ongoing with the Compliance Officers as ongoing compliance investigations.

In addition to the DWP HBDMS matches, in Jan 2011 we received an additional 2926 Benefit related data matches from the NFI. An initial sift of these matches identified that 1151 were classed as high priority by the NFI. Of these high priority matches we have to date resolved 889, resulting in 24 re-assessments of benefit included in the table above; 865 were resolved and closed, but required no re-assessment. The remaining 1775 non priority matches have been passed to the Benefit Service who are dealing with them and we will be able to report back on these results in our end of year report.

Corporate Anti Fraud Team
Performance Summary
2011/12 Q1 & Q2

Appendix 1

The combined high volume of HBDMS and NFI matches have resulted in a high increase in the number of assessments that the team has carried out and the overall number of overpayments identified. The table identifies that there have been 24 separate assessments that have resulted in a fraudulent overpayment of benefit higher than £4001. All of these have been investigated by the Benefits Investigations team and, to date, 3 of the cases have been passed to Legal Services for prosecution; 4 passed to the DWP Legal team for joint prosecution; 8 cases have been offered an administrative penalty; there are 8 ongoing investigations and 1 case has been closed with no further prosecution action. This figure is almost as high at Q2 as the overall figure for 2009/10 (26) and will more than likely result in an overall annual higher figure than the overall figure for 2010/11 (39).

The largest of the fraudulent overpayment figures identified above relates to a single overpayment of £41,081.38. This case has been investigated by CAFT and is now with Legal Services for prosecution and is at present progressing through the court processes. Accordingly, details of the investigation cannot be published at this stage.

There have been a further 20 assessments which identified claimant error benefit overpayments of over £4001. Of these assessments, 9 have been referred for Investigation and 11 have been closed as claimant error and overpayment recovery only. These cases have been closed as it is not in the public interest to pursue the matter further due to a variety of mitigating circumstances, such as mental health issues and age. This figure is higher at Q2 than the overall figure for 2010/11 (17) and 2009/10 (19).

**Corporate Anti Fraud Team
Performance Summary
2011/12 Q1 & Q2**

Appendix 2

CAFT Benefit Investigation Team deal 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	Overall Total 2010/11
Housing and Council Tax Benefit Fraud Sanctions	Successful Prosecutions (Guilty Verdicts)	2	8	10	
	Administrative Penalties (Offered & Accepted)	14	9	23	
	Formal Cautions	0	6	6	
	Total Sanctions Figure	16	23	39	116

In 2010/11, Barnet was once again placed top in the London Boroughs Fraud Investigators Group (LBFIG) benchmarking exercise for achievement of number of sanctions per investigation officer, and placed within the top quartile for overall achievement of sanction numbers, which demonstrates that our working practices can be considered as efficient and providing value for money.

It should be noted that, in addition to the figures in the table above, going into Q3 we have 181 ongoing investigations and 42 of these have already been agreed for sanction action (*16 with the DWP legal team, 14 with our Legal Services and 12 cases where administrative penalties have been agreed by the claimants, but are awaiting the 28 day cooling off period*). Taking these figures into account, we are once again likely to have a high overall sanction figure as well as high number of sanctions per investigator figure. Whilst the majority of our current sanction figures have been as a result of a HBDMS referral from our Benefit Compliance Team, we have seen this year an increase in referrals from the DWP, Police and NFI progressing to sanction. This is reflective of our aim of increased successful partnership working and the effectiveness of data matching in the fight against fraud.

Over the past few years, there has been a significant increase in cases where individuals have been prosecuted for benefit fraud, which is reflective of the priorities within the new DWP fraud and error strategy. We are increasingly investigating more complex and organised frauds which are resulting in larger fraud overpayments being identified, more prosecutions and increased joint prosecutions with the DWP. CAFT are continuing successfully in their aim to prosecute even more offenders for benefit fraud than in 2010/11, reinforcing the Council's policy of zero tolerance to those that commit fraud in and against Barnet.

An example of a successful joint prosecution between CAFT and the DWP's Counter Fraud Investigation Service (CFIS) is the case of **Mrs Cardy**: *CAFT received a referral from DWP stating that Mrs Cardy had been working undeclared since April 2006 and requesting that we conduct a joint investigation with them. Mrs Cardy had been in receipt of housing and council tax benefit from the Council and Income Support from the DWP since 2004. She was interviewed under caution and admitted that she had started working for an airline in January 2006 on a three month contract and then started employment with another company in April 2006. She admitted that she was aware of the need to inform both the benefits section and the DWP of the fact she was working, but had not done so. The claim was reassessed taking into account her earnings and resulted in a housing and council tax benefit overpayment of £36,338.49. There was also a DWP overpayment of £8,864.39 in respect of her income support benefit which the DWP recover themselves.*

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Performance Summary
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Appendix 2

Mrs Cardy was prosecuted and pleaded guilty to two counts of dishonestly obtaining benefit contrary to section 111(1A) of the Social Security Administration Act 1992 and was sentenced to 18 weeks imprisonment for each offence to run concurrently, which was suspended for 12 months. She also received a community punishment order of 180 hours to be completed within 12 months. To date she has repaid £4,529.34 back to the Council and has made arrangements to pay the remaining balance.

*An example of a prosecution resulting from an NFI data match is the case of **Ms West**. CAFT received a referral from National Fraud Initiative stating that Ms West had been working for a Primary Care Trust from June 2008. Checks with the PCT gave an alternative address for her. A Land Registry check of this property showed that Ms West was a joint owner of the property since May 2003. She had been in receipt of housing and council tax benefit since June 2002.*

Ms West was interviewed under caution and admitted to being a joint owner of the alternative property and that she had been working from June 2008. The claim was reassessed taking into account her earnings and the property she owned resulting in a housing and council tax benefit overpayment of £21,541.96. A restraint order was obtained from Wood Green Crown Court in July 2011 by CAFT Financial Investigators against the property Ms West jointly owned. She pleaded guilty to three counts of dishonestly obtaining benefit contrary to section 111(1A) of the Social Security Administration Act 1992 and was sentenced to 6 months imprisonment, suspended for 2 years. She was also given a supervision order for 100 hours unpaid work. As a result of the restraint order being sought by CAFT Financial Investigators and placed upon her by the Court, Ms West repaid the overpayment of £21,541.96 in full. .

*An example of a prosecution resulting from joint working with the Metropolitan Police is the case of **Mr Bytiqi**. CAFT received a referral from the Metropolitan Police stating that Mr Bytiqi had £47,700 in a cash safety deposit box in Edgware that had been raided as part of the Met Police Operation Rize. Checks showed the box had been rented by Mr Bajram Bytiqi since 25 May 2006. Mr Bytiqi had been claiming housing and council tax benefit since November 2005. Mr Bytiqi was interviewed under caution and stated that some of the money belonged to his brother from the proceeds of a land sale in Kosovo and the rest belonged to another brother who lived in Germany. However, the claim was reassessed treating the money as his capital resulting in an housing and council tax benefit overpayment of £30,065.71.*

A restraint order was obtained from Wood Green Crown Court in June 2011 by CAFT Financial Investigators against the money that was being held by the Metropolitan Police in order to repay the benefit overpayment. Mr Bytiqi pleaded guilty to two counts of dishonestly obtaining benefit contrary to section 111(1A) of the Social Security Administration Act 1992 and was sentenced to 4 months imprisonment on each count to be served concurrently, suspended for 18 months. As a result of the restraint order being granted, the Judge ordered that the Council receive the remaining balance of £27,482.84 within 28 days of the hearing.

An update on the CAFT led partnership investigation - **Operation Avalanche**: Further to the previous update in the CAFT Annual report, the Judge delivered verdicts on the four defendants on 14 July 2011. Riccardo Guthrie was found guilty on 4 counts of conspiracy contrary to common law and was sentenced to three years imprisonment concurrent on all counts. Bianca Guthrie was found guilty on 4 counts of conspiracy contrary to common law and was sentenced to two years imprisonment. Cosima Guthrie was found guilty of 1 count of conspiracy contrary to common law and was sentenced to eighteen months imprisonment. Courtney Campbell was found guilty of one count of conspiracy contrary to common law and was sentenced to twelve months imprisonment, suspended for eighteen months. The Judge also stated that Campbell had to undertake 160 hours of unpaid work (community punishment order). In addition, under the Proceeds of Crime Act 2002, confiscation proceedings have commenced in respect of Riccardo Guthrie, Bianca Guthrie and Cosima Guthrie. These proceedings are currently ongoing.

**Corporate Anti Fraud Team
Performance Summary
2011/12 Q1 & Q2**

Appendix 3

CAFT Corporate Fraud Team deal with the investigation of 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 investigative legislation. CAFT continue to work in partnership with the UKBA, Police and Barnet Homes to ensure that the public purse is adequately protected.

Directorate	Total number of cases referred for investigation in 2010/11	Number of cases carried over from 2010/11	Number of new cases referred for investigation Q1 & Q2	Total number of cases closed in Q1 & Q2	Ongoing investigations carried over to Q3	Insufficient evidence to proceed with investigation	Passed to Police / Serious Organised Crime Agency (Money Laundering) to investigate	Closed Advice given to service area passed to other Dept	Closed No Fraud	Dismissed as a result of CAFT investigation	Closed Fraud Proven
Planning, Housing & Environment		5	9	12	4	2		7	2		1
Deputy chief exec Service		9	17	15	9	5		3	5		2
Commercial services		2	3	6		1	1	3			1
Adult Social Services			1	1		1					
Children's Services		1	4	4	1	1		2	1		
Chief Executive Services		1	4	4		2		2			
Corporate Governance		1	3	3	1	2				1	
Total	90	19	41	45	15	14	1	17	8	1	4

The table shows that 41 new referrals for investigation were made to CAFT from either internal Directorates or another source in the first 6 months of the year. This figure indicates comparable levels of referrals at this point to the overall total number of referrals received in the previous year which was 90.

There are currently 15 ongoing investigations at the beginning of Q3. Whilst we are unable to report on these investigations until such time they are released into the public domain, it can be confirmed that 3 of these investigations are financial investigations and CAFT have restraint orders in place so will be able to apply for confiscation under Proceeds of Crime Act should the criminal prosecution actions result in convictions.

A summary of the 4 cases indicated as Fraud Proven in the table;

***Operation Javelin** – relates to a CAFT Financial investigation into an 'Abuse of Position' case where a staff member, a temporary council tax collection officer falsified computer records relating to a number of Barnet residents who had accrued large arrears in their council tax contributions. The officer contacted these residents and coerced them into paying him a percentage of the outstanding balance either by a cash sum directly to him or by supplying the victims with a bank sort code and account number for amounts to be deposited, which was his own account. CAFT conducted a full investigation and the staff member's contract was ended and he was prosecuted. The defendant pleaded Guilty to all charges and was sentenced to 12 weeks imprisonment, suspended for 12 months. A work condition to complete 200 hours unpaid work was also imposed together with an order to pay £500 costs. During the investigation weaknesses were identified on both the recruitment of temporary staff and internal controls CAFT have provided recommendations on internal control to the service area in both these areas.*

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Appendix 3

Operation Mirage – relates to a CAFT investigation into a security breach of the DWP's CIS system by a member of Barnet's Benefits team. The investigation revealed that a long standing member of Barnet had accessed restricted personal data. An evidence package was passed to the service area by CAFT and the staff member was subsequently dismissed. CAFT reported the action back to the DWP who were satisfied with the action taken, and also advised the service area on more stringent internal controls which have now been implemented.

Operation Montana - relates to an investigation in conjunction with the UK Border Agency, in respect of illegal workers gaining employment as cleaners via a Council cleaning contractor who service various Council buildings. A number of arrests were made and the individuals concerned were given reporting requirements by the UKBA whilst they fully investigated their status in the UK. The individuals were dismissed from the cleaning company. The UKBA then contacted the company and all remaining cleaning staff attending Council buildings were confirmed as having the right to work in the UK.

Operation Gremlin – relates to a previously reported partnership project with the UKBA. This was a proactive operation relating to the verification of identity documents supplied by employees in the Street Scenes Team, Environment and Operations Directorate. This project has now been completed and all staff in that team have now either been dismissed or have had their identity confirmed as being eligible to work in the UK.

The CAFT's partnership with UKBA partnership continues successfully for the third year, still being one of only five London Boroughs with an embedded UKBA officer within it, and the only borough where the officer is fully integrated with the anti fraud service. The partnership continues to demonstrate value for money for both the Council and UKBA and some examples of successful joint working are detailed above.

In 2010/11 CAFT initiated a Partnership scheme with Barnet Homes and we now have 1.5 dedicated Tenancy Fraud Officers working to combat social housing fraud in Barnet. To date, the partnership has proved to be successful as in the first six months of this year we have recovered 9 properties due to the work of the Officers with many more ongoing investigations and recoveries likely by the end of year. This new partnership arrangement is funded by the Department of Communities and Local Government who distributed funding to Local Authorities to help them tackle tenancy fraud more effectively.

The CAFT co-ordinate the Audit Commission's National Fraud Initiative (NFI) exercise. After submitting Barnet's various data sets, we have so far received back 19,789 matches. The matches relate to discrepancies in data which could be errors or indicators of fraudulent activity. The matches are prioritised by the NFI, based on the accuracy of the match against the various data set's. Due to the volume of matches involved we have concentrated on the high priority matches which amount to 11,436 matches, substantial amount of these matches relate to Housing Benefit Matches (3041) and Blue Badge / Concessionary Travel Matches (1,791). The CAFT circulate the matches to each individual service area for them to begin checking the data and where appropriate correct the data, they then upload the results of this part of the exercise directly to the NFI website. This is monitored by CAFT, who liaise with the service area frequently over the discrepancies to see if there is any suspected fraudulent activity which we will then fully investigate. To date, the exercise has identified over £120,000 of overpayments relating to various council payments such as housing benefit payments, pension payments and care homes payments. There is ongoing work in this area by all service areas and the CAFT, and there are currently 308 open investigations in CAFT relating to NFI matches. We will be reporting fully on the outcomes of this exercise to the Audit Commission in January 2012 and in our Annual report.