

Corporate Anti Fraud Team (CAFT) Annual Report 2013/14

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Clair Green
Assurance Assistant Director



Executive Summary

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.

We continue to offer support and advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures and policies and procedures, whilst delivering a cohesive approach that reflects best practice and supports all the corporate priorities.

All CAFT work is conducted within the appropriate legislation and the powers and responsibilities assigned to it as set out within the financial regulations section of the Council's constitution. CAFT supports the Council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. It supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

The purpose of this annual report is to provide a summary on the outcome of all CAFT work undertaken during 2013-14 including the objectives as set out in our annual strategy and plan.

Contents

- 1. What's new in CAFT4
- 2. Annual Anti-Fraud Strategy5
- 3. Joint pro-active fraud plan with Internal Audit and Risk Management.....7
- 4. Performance Indicators10
- 5. Noteworthy investigations summaries:12

1. What's new in CAFT

Tenancy Fraud

The responsibility for Tenancy Fraud transferred to CAFT in November 2013. This was because the Government passed a new law that made tenancy fraud a criminal offence for the first time. The introduction of the Prevention of Social Housing Fraud Act 2013 means people illegally subletting their property can now face a prison sentence of up to two years, a criminal record, or a fine of up to £5,000.

What is tenancy fraud? Someone commits tenancy fraud if:

- They give false information about themselves or use false documents when applying for housing
- They apply to succeed to a tenancy of someone who has died
- They have a tenancy already but live somewhere else
- They sublet their home to someone else
- They intentionally apply under the 'right to buy scheme' when they are not entitled to do

Immediately prior to the transfer of responsibility for Tenancy Fraud CAFT worked in partnership with Barnet homes to launch a month long '**Key Amnesty**' ahead of the new law coming to force.

What is a Key Amnesty? The key amnesty was an opportunity for tenants illegally subletting their homes to hand back their keys to the council or one of our housing partners. It meant that if someone was committing tenancy fraud and they returned their keys and formally ended their tenancy during the amnesty, no further action would be taken against them.

Why did Barnet have a Key Amnesty? Tenancy fraud is a serious offence and we are committed to ensuring our housing is for people with a genuine housing need. The amnesty was Barnet's response to a change in the law that means tenants who illegally sublet homes could now face a prison sentence, criminal record and/or a fine of up to £5000. The amnesty was a chance for tenants to hand back the keys, avoid these penalties and to give a home to someone who really needs it.

What was the result of the Key Amnesty? The month long tenancy fraud amnesty was a huge success after 14 properties being illegally sublet have been surrendered. Of the 14 sets of keys returned, 12 were Barnet Homes properties. The remaining two were managed by Registered Social Landlords (RSL); Home Group and Tally Ho Co-op.

Further to the Key Amnesty success the Tenancy Fraud Team recovered a further 49 properties throughout the year through investigations, totaling 63 properties recovered of which 3 were RSL's.

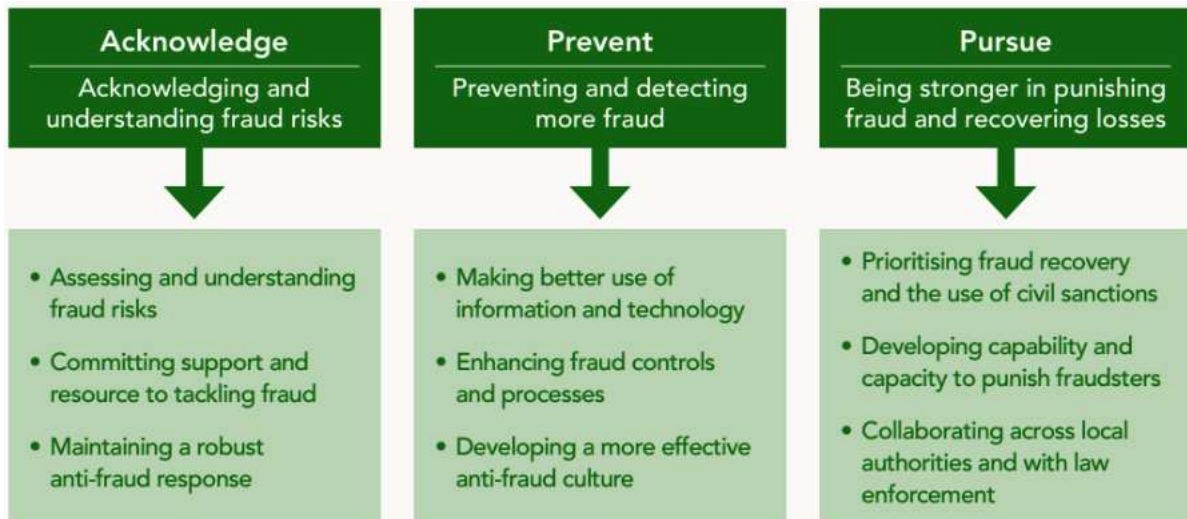
Additional activities of the team to note throughout the year include;

- 11 'Right to Buy' applications stopped as a result of CAFT involvement
- The first successful prosecution relating to a false housing application (details in noteworthy investigations – page 12)
- The first fraudulent tenancy succession prevented

From April 2014 Tenancy Fraud investigation will now form part of CAFT continuous ongoing investigation work and will be reported within the CAFT quarterly performance indicators.

2. Annual Anti-Fraud Strategy

Our annual anti-fraud strategy is centred on the strategic approach as outlined in 'Fighting Fraud Locally' (Local Government Fraud Strategy) and provides a blueprint for a tougher response to tackle fraud. Within CAFT we adopted this approach and our work throughout the year compliments the objectives detailed below.



Acknowledging (and detecting) Fraud

Each year we assess our fraud risks against national fraud risks and local intelligence and develop an annual anti-fraud strategy and annual plan which includes proactive anti-fraud exercises that address those risks.

We continue to work collaboratively with partners ensuring that anti-fraud arrangements are fit for purpose on all aspects of fraud risk. As a result of the change in Council structure over the last year we have developed a working protocol with our CAPITA partners in relation to the contractual arrangements that address anti-fraud responsibilities.

We review and ensure that the team has sufficient resources in order to ensure that we are able to respond to demands and deliver the objectives as set out in the annual plan. We have effective, efficient anti-fraud procedures that ensure that we provide a value for money service. We report our progress against the annual plan as well as any emerging risks throughout the year to senior management and the Audit Committee.

Preventing (and deterring) Fraud

We recognise that employees are often the first line of defence in preventing fraud. The Financial Regulations within the Council's Constitution places the responsibility for fraud prevention on all employees. Staff are aware that they should therefore be alerted to the possibility of fraud and to report any concerns to CAFT. We have a confidential reporting 'Whistle blowing' policy in place to assist employees in reporting concerns about fraud and other issues without fear of harassment or victimisation. CAFT have a dedicated e-learning training programme which informs staff of their responsibilities and fraud risks.

CAFT work closely with management in high fraud risk area's to ensure that working procedures and practices include robust fraud preventative measures. CAFT also conduct targeted proactive anti-fraud

activity throughout the year across the council as well as re-active investigation work. Where appropriate, outcomes from our investigations are reported to Internal Audit, Risk Management and/or management to support their on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

CAFT often use data matching techniques to identify possible fraudulent activity and centrally co-ordinate the Audit Commission National Fraud Initiative (NFI) data matching exercises to ensure that it is given high priority within services.

We have a communications strategy, whereby press releases are issued on all successful prosecutions to act as a deterrent factor to the community. During the last year we have taken part in a television production 'Saints and Scroungers' in which officers from CAFT presented the facts of complex and noteworthy benefit fraud investigations that the Council had successfully prosecuted.

All management and employees must abide by the Council's Employee Code of Conduct, which sets out requirements on personal conduct. Barnet also has in place comprehensive disciplinary procedures for all employees. Those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter must be referred to the CAFT team for investigation and possible prosecution, in accordance with the Counter Fraud Framework. In addition, recompense will be sought from all who are found to have carried out fraudulent acts. A key preventative measure in that fight is the effective recruitment of employees. Employee recruitment is undertaken in accordance with the council's Recruitment and Selection Policy.

Pursuing Fraud (and seeking redress)

Within CAFT we ensure that each investigation is carried out in compliance with our policies and appropriate legislation, consistently a 'Zero Tolerance' approach reinforcing our policy that we take action against anyone who commits fraud whether they are members of staff or members of the public.

To this end we have developed a financial investigation team dedicated to this area of work. They liaise closely with other internal departments and external partner's (including the Police) that prosecute offenders in order to raise awareness around POCA and ensure that where possible financial investigations are undertaken by CAFT so that we can assist in the recovery of losses to the public purse and obtain where possible compensation and/or confiscation under the Proceeds of Crime Act (POCA).

3. Joint pro-active fraud plan with Internal Audit and Risk Management

Table 1 provides an update against all pro-active activity as set out within the 2013/14 joint pro-active fraud plan and annual strategy with Internal Audit and Risk Management.

Area of review	Description of Work	Outcome
The London Fraud Hub - Cross Boundary LA - Data Matching collaboration.	London Councils have joined together to share various data sets such as benefit claims, council tax, electoral role and housing data with credit reference agencies in the aim of identifying and tracking existing fraudsters as well as providing authorities with a tool to identify and prevent fraud before it happens.	This partnership and data matching collaboration now forms part of our continuous anti-fraud work.
Audit Commission - NFI data matching co-ordination	On-going NFI co-ordination and support including data uploading, training, assistance and investigation of relevant matches in accordance with Audit Commission timelines.	The NFI for 2012/13 produced a total of 16,528 matches for the London Borough of Barnet. 5,771 of these were identified as high quality matches of which 4,692 have been processed with a further 316 currently under investigation and 763 still being assessed for investigation. These were prioritised and are being dealt with in order of priority. To date £132,365.75 of fraud and or error has been identified through the 2012/13 exercise.
UK Border Agency (UKBA) Partnership	Continuing to work in partnership with UKBA tackling issues regarding Right to Work and recourse to public funds. Combined Partnership working with Barnet Homes in relation to Social Housing Fraud by immigration offenders. Continued work to ensure that anti-fraud measures and controls at the Council's registry office are fit for purpose ensuring that immigration offenders do not illegally utilise services.	Due to change in UKBA policy and priorities' the UKBA embedded officer within LBB/CAFT was withdrawn in summer 2013 as a result of a restructuring within the Home Office. This meant that targeted UKBA pro-active work in this area ceased. However CAFT officers established new links with the Home Office and Local Immigration Teams who are currently working with council services to ensure that re-active requests continue to be dealt with appropriate.

Area of review	Description of Work	Outcome
Social Housing Fraud Partnership	Continuing to work in partnership with Barnet Homes and Registered Social Landlords (RSLs) in relation to all aspects of Housing Tenancy Fraud – creating a new strategy for dealing with the Prevention of Social Housing Fraud Act 2013 whilst ensuring maximum recovery of properties where appropriate.	<p>The Tenancy Fraud Team recovered 14 properties through the key amnesty project and a further 49 properties throughout the year through investigations, totaling 63 properties recovered of which 3 were RSL's.</p> <p>Additional activities of the team to note throughout the year include;</p> <ul style="list-style-type: none"> • 11 'Right to Buy' applications stopped as a result of CAFT involvement • The first successful prosecution relating to a false housing application (details in noteworthy investigations – page 12) • The first fraudulent tenancy succession prevented
Commissioning – Procurement Fraud and Purchase (P) Cards	Proactive work in this area ensuring that anti-fraud measures and controls are in place, effective and adhere to relevant good practice standards.	This review consisted of working jointly with the Procurement Service in order to enhance anti -fraud controls within the new P Card Policy. Recommendations for further anti-fraud enhancements were made by CAFT and will have been implemented within the new Policy
Street Scene – Anti-Fraud Controls and Measures and Conflicts of Interest	Proactive exercise working with the Delivery Unit to ensure effective anti-fraud measures and controls are in place and that they manage conflicts of interest effectively during the letting process.	This review has identified that there were sufficient anti-fraud measures and controls in place to manage conflicts of interest. However, our sample identified that there were some issues around the payment of duplicate invoices that will require management to enhance controls to prevent fraud and error occurring.

Area of review	Description of Work	Outcome
Council Tax and National Non Domestic Rates (NNDR)	Continuous proactive targeted anti-fraud work in this area to ensure that the exemptions and discounts given are valid and appropriate maximising income to the Council.	<p>Continuous anti-fraud work in relation to Council Tax Single Person Discount fraud has identified <u>£120,286.55</u> of discounts that residents were not entitled to. This is an increase on the previous year's figure of £96,323.</p> <p>The National Non Domestic Rates review has been completed. Recommendations were made in respect of cases where rates were being paid with fraudulent credit cards and where premises were being used for activities other than those stated by the landlords but no criminal action has been taken at this time.</p> <p>These findings and recommendations will be passed to management for action.</p>
Adults – Personal Budgets / Direct Payments	To follow up on previous proactive work with dedicated training and directed analysis of high risk cases.	<p>This follow up was completed in June 2013 and reported in the CAFT Annual Report 2012-13.</p> <p>Throughout 2013/14 CAFT worked closely with the service in relation to direct payment fraud and suspected cases of financial abuse. CAFT was also involved in 'Safeguarding' month in November 2013 and presentations were delivered to social workers to raise awareness of the potential for fraud and financial abuse in this area.</p>
Children's – Single Customer View	Proactive exercise around the around funding for high needs children's and the anti-fraud measures and controls in this new process.	A new procedure manual is being drawn up by children's services with regards to the new guidelines set out by Central government. This manual will be completed in 2014-15 when CAFT will assist with the assessment and installation of robust anti-fraud measures within this process

Area of review	Description of Work	Outcome
Employee remuneration	Proactive targeted exercise in order to identify any fraudulent / non valid employee expenses claims.	The review identified a number of issues in relation to the guidance and controls in place to prevent and detect fraud during the claiming of expenses and mileage. Management are required to implement a number of recommendations to improve the overall control environment and enhance controls in place to detect and prevent fraud in this area.

4. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2013/14 Joint proactive fraud plan and annual strategy with Internal Audit and Risk Management.

No targets are set against each of these indicators, as they are the result of CAFT re-active and continuous investigation work. Therefore the indicators, outcomes and direction of travel is reported for comparative statistical information only and not for benchmarking purposes.

Performance Indicator	Outcome 2013/14	Outcome 2012/13	Direction of Travel	Narrative
Benefits Compliance Team				
Total amount of Fraud overpayments identified in Benefits system	£1,195,154	£744,619	↑	There has been a 67% increase in combined fraud and error identified within the benefits system in the last year. This is predominately due to having more investigations with high overpayments combined with higher quality data matches from the DWP.
Total amount of Error overpayments identified in Benefits system	£790,085	£444,453	↑	
Combined amount Fraud and Error identified within the Benefits System	£1,985,239	£1,189,072	↑	

Performance Indicator	Outcome 2013/14	Outcome 2012/13	Direction of Travel	Narrative
Benefits Investigations Team				
Number of completed investigations	201	255	↓	There has been an overall reduction in number of completed investigations in 2013/14 due to rise in more complex lengthy cases. However at the beginning of 2014/15 we have 360 on-going investigations.
Number of cautions issued	14	16	↑	There has been a slight increase in the amount of cautions issued compared to the previous year despite a lower amount of investigations.
Number of administration penalties issued	56	56	↔	The quality of referrals received and investigations has allowed the number of successful sanctions to remain at a steady level.
Performance Indicator	Outcome 2013/14	Outcome 2012/13	Direction of Travel	Narrative
Number of Guilty Verdicts	29	21	↑	There has been an increase in the amount cases prosecuted and guilty verdicts compared to the previous year despite a lower amount of investigations.
Total number of Sanctions	99	93	↑	Overall there has been an increase in the total amount of sanctions despite an overall lower amount of investigations.
Number of sanctions per investigations officer	31	31	↔	Benchmarking results against London Benefit Investigations (2011/12) shows Barnet continue to be placed within the top three performances within London for the number of sanctions per Investigator. This demonstrates that our investigation procedures continue to be efficient, effective and demonstrate value for money.

Performance Indicator	Outcome 2013/14	Outcome 2012/13	Direction of Travel	Narrative
Corporate Team				
Number of completed Fraud investigations	70	98	↓	There has been a 24 % reduction in referrals to CAFT. However of those referrals received we have noted higher quality referral that has resulted in an increased number of cases that were deemed to be suitable for investigation and /or to be pursued as Financial Investigations. At the beginning of 2014/15 we have 25 on-going investigations.
Number of completed Financial investigations	8	4	↑	
Number of prosecutions	5	4	↑	The quality of referrals received has allowed the number of successful prosecution to remain at a steady level.
Number of dismissals as a result of CAFT investigations	5	11	↓	Due to the changes in the make-up and of the LBB workforce the number of dismissals has reduced in line with the staffing levels.
Number of Requests for surveillance	0	2		This is reported for information purposes in accordance with our statistical return to the Office of Surveillance Commissioners.

5. Noteworthy investigations summaries:

Operation Premier

This case relates to an investigation into a Nursery owner who fraudulently falsified children's details on paperwork so she could claim more than £37,000 in Council funding. Investigation into the claims established that children's dates of birth were amended to make them eligible for the Early Years Provision funded by the council. The owner was prosecuted and ordered to repay £37,191.00 in funding back to the council as well as costs – all of which have now been repaid.

Operation Viper

This case relates to an investigation into an employee within the Benefits Service who manipulated the Housing Benefit computer system in order to fraudulently obtain payments of Housing Benefit. The investigation established that he had in fact manipulated the system to directly pay Benefit amounting to £26,965.37 into his own personal bank accounts as well as accounts belonging family members. The employee was dismissed and prosecuted, he pleaded guilty to all charges. .

AA65

This case relates to an investigation into a care worker in a Barnet care home who systematically removed cheques from the cheque book of a vulnerable adult who he was caring for. He would then complete the cheques and pay them into his own bank account. This happened on 11 occasions. The

care homes financial officer noticed some anomalies in the clients finances and informed CAFT and the Police. After a joint investigation the care worker was dismissed, arrested and prosecuted and pleaded guilty to all charges.

Operation Mustang

This case was highlighted in last year's annual report and relates to a criminal and financial investigation into various payments frequently obtained through the Rent Deposit Scheme. The scheme allows Housing Supply Team to locate private rented accommodation for those in need of housing and assist them with the initial deposit in order to secure the tenancy. CAFT Investigators identified 41 fraudulent payments totalling £132,629. There were 3 main suspect 2 of which were located and arrested in 2012 and were given prison terms. The third suspect had fled the UK and was believed to be living in Portugal. Information was received by the Corporate Anti-Fraud Team which suggested that the suspect was returning to the UK in the summer of 2013. The investigation was reopened, intelligence was compiled and arrangements were made for the suspect to be arrested and brought before the Crown court. He pleaded guilty to all charges and was sentenced to 21 month imprisonment.

Operation Stealth

This case relates to a referral from adults social care. CAFT were asked to investigate the loss of funds from number vulnerable adults. Financial Investigators within the team were able to utilise enhanced powers under the Proceeds of Crime Act to trace where funds had been transferred to and then further investigate those linked to accounts where money had been received. The evidence obtained pointed to 3 residents of a property in East London. On further scrutiny it was discovered that one of these residents was a care worker who was employed through a temporary contract and had cared for all the victims. CAFT presented this evidence to the police and the suspect was arrested. He is currently being held on remand until his trial at crown court.

Operation Sun

This relates to an on-going CAFT operation into identification of employees who have obtained employment by using false documents. In this instance an employee within Street Scenes service that was found to be using a Counterfeit French passport containing the details of his personal friend who was legally living in the UK. During a systematic checking process carried out by CAFT the False document was identified and arrangements were made to have the employee arrested for offences contravening the Identity Document Act 2010. The employee pleaded guilty at Wood Green Crown court where he was sentenced to 4 month imprisonment and fined £800.

Mr William Tasconi

Relates to a joint prosecution between CAFT and the DWP's Organised Counter Fraud Investigation Service (CFIS) . The allegation was the claimant was using an identity card that was a blank document stolen from Naples in 1997. Mr Tasconi was arrested at his place of work and his home was searched. A Columbian ID card was found in the name of Ibarido Gomez Lopez with Mr Tasconi's image on it from 1993. Mr Tasconi was remanded in custody until he appeared in court and pleaded guilty to 4 counts under the Fraud Act 2006. He was sentenced to 6 months imprisonment on each count, to run concurrently. Gatwick immigration is looking to deport him upon his release from custody. As a result of the investigation, the housing and council tax benefit was cancelled with an overpayment amounting to £16,996.50. In addition there were DWP overpayments of £8767.15.

Miss Shia Khobbakht

Relates to an investigation into the benefit claim of Miss Shida Khobbakht. The allegation was that she had never lived at the property. Investigations established that the tenancy agreement was fake. Miss Khobbakht was interviewed under caution, she stated she had found the property through the internet, she said she paid a man £800 rent per month outside the letting agents shops in cash. The claim was cancelled which created an overpayment of £9,187.33. Miss Khobbakht was arrested and prosecuted; she pleaded guilty and was subsequently sentenced to a community order of 150 hours unpaid work and ordered to pay £1000 costs.

Davina Gopala

This investigation relates to a homeless application that was passed to CAFT following checks made by Barnet Homes. Ms Gopala had made an application on the basis she and her young daughter were in need of a council home as she was living with her mother in an overcrowded property. However investigations established that she was the owner of another property. She had claimed on the application form that she had rented the property in the past, but admitted when interviewed under caution that she did own the property. She was prosecuted and pleaded guilty to making a false homeless application and was sentenced to a 12 month community punishment order and to undertake 50 hours of unpaid work.

Manzoor Qader

Relates to a joint investigation involving CAFT, DWP and Enfield Council into the benefit claim of Mr Manzoor Qader and his partner Miss Hannah Grigson. Investigations established that the owner of the property that he was claiming housing benefit from in Barnet was Miss Grigson, who was actually the Mother of Mr Qader's four children. Further investigations showed that he actually owned another property in Enfield. The benefit claim was cancelled and the housing and council tax benefit overpayment in Barnet amounted to £27,359.06, with a DWP overpayment of £19,506.64. Both parties were prosecuted and pleaded guilty to all charges and were both subsequently given 12 months in prison. POCA proceedings are currently taking place to recover the benefit overpayments.