

Corporate Anti-Fraud Team (CAFT) Progress Report: July – September 2014

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Introduction

This report covers the period 1st July 2014 – 30th September 2014 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Finance Officer in fulfilling his 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.

Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other in order to ensure CAFT continue to provide an efficient value for money counter fraud service and that is able to investigate all referrals or data matches to an appropriate outcome. CAFT provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary are taken. It is this element of the work of CAFT that is hard to quantify statistically.

Since the quarter one report CAFT have featured in the BBC One programme 'Saints and Scroungers' as part of our on-going publicity campaign specifically designed to increase awareness and deter fraud. We have also published additional fraud data as required by the Department of Communities and Local Government (DCLG) Local Government Transparency Code 2014 details of which are listed below.

Local Government Transparency Code 2014 - Fraud data sets 2013/2014

Information published	Outcome
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used-	None
Number of counter fraud staff employed by the authority	13.7 full time equivalent staff
Amount spent by the authority on counter fraud work	£631,703.59
Number of fraud cases investigated	1029
Number of occasions on which fraud was identified, and	467
Monetary value of the fraud detected	£11,902,440.00*
Monetary value of the fraud and recovered	£9,632,168.00**

*calculation =

- 63 council properties recovered at a value of £150,000.00 per properties (as per Audit Commission calculation) = £9,450,000.00
- 11 RTB prevented @ value of £100k each = £1,100,000.00
- £1,195.154.00 – benefit fraud overpayments
- £120,286.00 Council Tax Single person discounts removed
- Corporate fraud identified £37,000.00

**calculation=

- Total fraud detected = £11,902,440.00
 - £1,100,000.00 RTB prevented
 - £24,882 benefit fraud overpayments recovered of that identified in year as 31/4/13
- = Total Fraud recovered £9,632,168.00

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1 Joint Internal Audit and CAFT reviews

Table 1 provides an update as at the end of Quarter 1 against joint reviews planned for Quarter 1 as detailed within the joint CAFT/ Internal Audit plan.

Area of review	Risk being addressed	Outcome
<p>Transport contracts <i>(Joint review with Internal Audit)</i></p> <p>CAFT review to analyse a sample of invoices for verification purposes.</p>	<p>If validation of invoices does not take place then there is a risk of duplicate or fraudulent invoicing resulting in loss to the public purse.</p>	<p>As part of the 2014/15 CAFT annual plan agreed by the Audit Committee in April 2014, we have undertaken a joint review with internal audit of Transport Contracts.</p> <p>As part of the CAFT review, we noted that two contractors who were not secured as part of the Street Scene PTS framework contract were used by Children's DU for transporting children. At the date of the report the delivery unit had ceased using these contractors and had alternative arrangements in place.</p> <p>The review identified potential overpayments relating to one invoice totalling £1,400 in 2010 and 2012 the date of the report the delivery unit were in the process of resolving these.</p> <p>Full details and all recommendations relating to this review can be found in the Internal Audit Quarter 2 Progress Report.</p>

Area of review	Risk being addressed	Outcome
<p>Your Choice Barnet – contract review <i>(Joint review with Internal Audit)</i></p> <p>Review to analyse a sample of employees within Care Homes to verify that they have legitimate identity documents and the right to work in the UK</p>	<p>There is a risk that care workers may be working without the appropriate clearances for eligibility or right to work.</p>	<p>As part of the 2014/15 CAFT annual plan agreed by the Audit Committee in April 2014, we have undertaken a joint review with internal audit of the 'Your Choice Barnet' (YCB) contract management arrangements.</p> <p>As part of the exercise CAFT reviewed all employment records of 123 YCB employees. Initially 89 were confirmed as valid and eligible to work in the UK. The remaining 34 were subject to further enquiries. All enquiries have now been completed and we are able to report that 120 have been confirmed valid and eligible to work in the UK – the three remaining members of staff are no longer employed by YCB.</p> <p>Full details and recommendations relating to this review can be found in the Internal Audit Quarter 2 Progress Report.</p>

2 Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2014/15 anti -fraud plan. No targets are set against each of these indicators, as they are the results of CAFT re-active and continuous investigation work.

Performance Indicator	Quarter 1 April – June	Quarter 2 July - September	Year to date	Comments
Benefit Compliance Team identify and correct fraud and error in our benefits and council tax systems through various methods including dealing with the Department of Work and Pensions (DWP) Housing Benefit Data Matches (HBDMS) and the Audit Commissions (AC) National Fraud Initiative (NFI) Benefit 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.				
Total amount of Fraud overpayments identified in Benefits system	£112,033	£376,560	£488,593	It is important to note that this figure fluctuates throughout the year dependent on the level of work within the team and the number of data matches that are received from the DWP. However the overall combined figure is comparable to the reported figure of £1,046.412 at this point last year.
Total amount of Error overpayments identified in Benefits system	£262,015	£475,967	£737,982	
Combined amount Fraud and Error identified within the Benefits System	£374,048	£852,527	£1,226,575	
Amount of council tax – single person discount fraud identified	£22,383	£36,528.07	£58,911.59	This figure relates to the continuous anti-fraud work in relation to Council Tax Single Person Discounts that CAFT identified through investigations that residents were claiming and not entitled to.
Benefit Fraud Investigation Team prevents, identifies, investigates, deters, sanctions or prosecutes persons that commit benefit fraud in Barnet. They operate in accordance within the DWP’s Fraud and Error Strategy and the Council’s Counter Fraud Framework as well as relevant governing legislation.				
Number of carried forward Benefit Fraud investigations from 13/14	222			At the time of reporting we have a significant amount of on-going benefit fraud investigations within CAFT. So far this quarter there has been a steady level of referrals into CAFT and these predominately originate from the DWP Housing Benefit Data Matching Service
Number of new Benefit Fraud	70	59	129	

investigations				(HBDMS).
Total Number of closed Benefit Fraud investigations	48	79	127	
Total number of on-going Benefit Fraud investigations	244	224		
Number of cautions issued	4	2	6	
Number of administration penalties issued	6	26	32	These figures relate to the differing sanctions that are available under the DWP's Fraud and Error Strategy in relation to benefit fraud investigations where fraud is proven.
Number of prosecutions	5	4	9	
Total number of Sanctions	15	32	47	
Number of sanctions issued per investigations officer	4	9	13.5	
Corporate Fraud Team deal with the investigation of any criminal and fraud matters (except Benefit and Tenancy related fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds. They also conduct Financial Investigation under the Proceeds of Crime Act 2000 to ensure that any persons subject to a criminal investigation by Barnet do not profit from their criminal action. They work in partnership with UKBA, Police and HM Revenue and Customs to ensure that the public purse is adequately protected				
Number of carried forward Fraud investigations from 13/14	10			Of the 13 on-going investigations, 3 relate to Blue Badge Fraud which was identified as part of the pro-active exercise in quarter one and the remaining 10 are from other areas across the council. Details of cases are reported on closure if fraud is proven or another sanction given.
Number of new fraud investigations (excluding financial cases)	33	16	49	
Total Number of closed fraud investigations	10	36	49	
Total number of on-going fraud investigations	33	13		
Number of carried forward Financial investigations	13			A Financial investigation is one of many specialist investigative approaches employed by Local Authorities when tackling criminal activity and it is an

from 13/14				increasingly well-established discipline. Financial investigators typically operate within the legal framework of the Proceeds of Crime Act 2002 (POCA), which introduced a number of asset recovery powers, including the use of restraint orders and post-conviction confiscation orders as well as cash seizure and civil forfeiture/recovery. Related policies include the Asset Recovery Incentivisation Scheme, which allows Local Authorities to keep a proportion of assets recovered.
Number of new Financial investigations	3	4	7	
Number of closed Financial investigations	0	7	8	
Total Number of on-going Financial investigations	16	13		Of these 13 financial investigations, 10 cases relate to Benefit Fraud and the recovery of funds back to the council, 2 relate to planning enforcement cases and 1 relates to a council tax money laundering case.
Number of dismissals as a result of a CAFT investigation.	1	1	2	Please refer to noteworthy investigations (section 3) of the report for further details.
Number of requests authorised for surveillance.	0	0	0	In accordance with our policy on Regulation of Investigatory Powers Act 2000 (RIPA) this is reported for information purposes and to support statistical return to the Office of Surveillance Commissioners
Number of referrals received under the council's whistleblowing policy.	0	0	0	This is reported for information purposes only in accordance with our policy.
Tenancy Fraud Team prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven.				
Number of carried forward Tenancy Fraud investigations from 13/14	79			Of the 94 on-going investigations 10 cases are currently with our legal provider pending civil recovery action, 8 cases have had notice to quits served on them and the remaining 76 are current investigations.
Number of new Tenancy Fraud investigations	47	34	81	
Total Number of closed Tenancy Fraud investigations	35	31	66	

Total number of on-going Tenancy Fraud Investigations.	91	94		
Number of properties recovered	17	6	23	We have agreed an annual figure relating to recovering 70 properties over the year with Barnet Homes. At mid-year this is below expected levels due to significant amount of on-going recovery action detailed above.
Number of 'Right to Buy' applications denied as a result of CAFT intervention	5	1	6	This is the first year that we have proactively worked with the 'Right to Buy' service in relation to RTB fraud. Intervention in this area prevents the loss of valuable council assets.
Number of Applications denied as a result of CAFT intervention	0	1	1	Fraud awareness training has now been given to all relevant staff in housing options and across Barnet Homes.

3 Noteworthy investigations summaries:-

Benefit Fraud Investigations

Mr Riley – relates to a joint investigation with DWP into a benefit claimant that had failed to declare an occupational pension. Mr Riley admitted in an interview under caution that he had made a mistake but could not explain why he had failed to notify the pension. The claim was reassessed and resulted in an overpayment of £25,328.57 for the period 2005 to 2013. There was also a DWP overpayment of £33,427.91. The matter was passed for prosecution. Mr Riley has pleaded guilty to the offences and is currently awaiting sentencing for the matter.

Mr Scarola – relates to a joint investigation with DWP into a benefit claimant that had failed to declare savings and part-time employment. Mr Scarola admitted under caution that he had deliberately failed to inform the departments of these details. The claim was reassessed and resulted in an overpayment of £12,534.54 for the period 2008 to 2010. There was also a DWP overpayment of £32,508.28. The matter was passed for prosecution. Mr Scarola pleaded guilty to 4 offences and was sentenced to 20 weeks imprisonment, suspended for two years, on each count,

Tenancy Fraud cases

Mrs A had a two bedroom flat in the NW9 area. There were suspicions that Mrs A was not actually resident and the matter was passed to CAFT. Investigations began into the residency of the property and appeared to show Mrs A was actually living elsewhere. When she became aware that she was being investigated, Mrs A returned the keys to the property and surrendered the tenancy. Mrs A was interviewed under caution regarding a criminal offence and the matter is now with our legal department regarding a criminal prosecution.

Mr B was assigned a one bedroom flat in the NW4 area in April 2014. Investigations revealed that he was advertising the property online and was actually living elsewhere. Mr B was interviewed under caution about the matter and fully admitted that he was sub-letting the property. He has now returned the keys and surrendered his tenancy. The matter is now with our legal department regarding a criminal prosecution

Miss C made an application to succeed her mother to a 3 bedroom house in N10. There were concerns that she was living elsewhere and the matter was passed to CAFT. Investigations showed that Miss C already held a tenancy with another registered social landlord. When confronted with this information, Miss C handed the keys back and withdrew her application to succeed the tenancy. No further action is being taken at this time.

Corporate Fraud

Case 1:- An internal investigation commenced in to a number of calls that had been made from a temporary employee's phone to a phone located in Kazakhstan. The employee was identified, and questioned which led to his dismissal.

Case 2:- Information was received by the fraud team advising that false information had been submitted in order to gain a place for a pupil at one of the boroughs most sought after schools. The application was investigated where it was found that the information submitted was in fact false. This resulted in the place being withdrawn

Case 3:-Relates to assistance that CAFT gave to a safeguarding investigation into the theft of jewellery from the homes of elderly residents recovering from illness or surgery. Five vulnerable adults reported the loss of jewellery after home visits had been conducted by carers who had been employed via an external provider to administer support. Whilst the evidence obtained by CAFT officers was insufficient to mount a full criminal prosecution, it was however, sufficient enough to identify possible suspects. As such an employee was suspended from duty and is currently awaiting disciplinary action.