

# Appendix 1

## **Corporate Anti-Fraud Team (CAFT) Progress Report: 1 April – 30 June 2018**

## 2. Pro-active fraud plan

### 1. Introduction

### 2. Pro-active Fraud Plan

### 3. Performance Information

#### 1. Introduction

This report covers the period 1 April 2018 – 30 June 2018 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.

Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other, to ensure CAFT continue to provide an efficient value for money counter fraud service and that can investigate all referrals or data matches to an appropriate outcome.

CAFT continue to 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 or civil action are taken. It is this element of the work of CAFT that is hard to quantify statistically.

During the last quarter CAFT have further developed relationships with other local authorities where joint working and assistance has been established to utilise the enhanced investigative powers of the CAFT Financial Investigators in relation to Proceeds of Crime investigations.

The tables below will show that the CAFT investigators have dealt with a total of **501** allegations of fraud in this first quarter of 2018/19 and that it has been a busy time with some excellent outcomes.

Finally, your attention is drawn to the most significant of these matters which CAFT has been investigating since December 2017 to date (refer Section 4, Corporate Fraud, Case 1) this investigation has involved a substantial amount of CAFT specialist resource as well as senior CAFT management. The matter is now subject to legal proceedings and will be reported on further in due course.

## 2. Pro-active fraud plan

**Table 1** provides an update against any CAFT pro-active activity undertaken in this period as set out within the 2018/19 plan

CAFT Pro-active review	Outcome
<p><b>Disabled Blue Badge Street Operation.</b></p> <p>Disabled Blue Badges must only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.</p>	<p>CAFT have conducted two intelligence led pro-active Street Operations' in quarter 1 – during these exercises CAFT officers are accompanied by NSL Parking Enforcement Officers and Barnet Police.</p> <p>The first Operation was carried out on 4<sup>th</sup> April 2018 in the Finchley area. Over <b>100</b> blue badges during the operation were checked and <b>8</b> cases of blue badge misuse / fraud were identified and <b>4</b> blue badges were seized. Of the 8 cases identified subsequent investigation have confirmed <b>7</b> of these were being misused and <b>1</b> was reported stolen.</p> <p>The second Operation was carried out on the 20<sup>th</sup> June 2018 covering the Golders Green and Temple Fortune areas. Over <b>91</b> blue badges were checked during this operation and <b>11</b> cases of misuse / fraud were identified and <b>6</b> blue badges were seized. Subsequent investigations have confirmed that of all the <b>11</b> cases identified on the day were in fact confirmed to be misused.</p>
<p><b>Proactive Tenancy verification exercise with Metropolitan Housing.</b></p>	<p>In April 2018, under joint working arrangements CAFT commenced a pro-active verification exercise on all 890 properties owned by the Registered Social Landlord (RSL) Metropolitan Housing Trust, within the borough. The exercise led to <b>269</b> properties requiring further verification (and visits) by Tenancy Fraud Investigators to establish correct tenant details. Of these, 269, <b>120</b> of these tenants have been now verified as being resident at the address with <b>146</b> properties still going through the verification process.</p> <p>So far <b>3</b> cases have been referred for full investigation due to concerns regarding either residency and/or occupants.</p>

### 3. Performance Indicators

**Table 2** provides an update against all performance indicators as set out within the 2018/19 fraud plan. (No targets are set against each of these indicators, they are the results of CAFT re-active and continuous investigation work – with the exception of 'Properties Recovered' which is agreed with Barnet Homes as an annual figure of 60 properties).

Performance Indicator	Q1 2018-19	Comments
<b>Corporate Fraud Team</b> 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. CAFT work in partnership with partners, other organisations and law enforcement agencies to ensure that the public purse is adequately protected.		
Number of carried forward fraud investigations from 17-18	18	
Number of new fraud investigations	9	
<b>Total number of Cases dealt with in Q1</b>	<b>27</b>	
Total Number of closed fraud investigations	15	2 cases closed 'No Fraud' 2 cases referred to Police 11 cases closed insufficient evidence
Number of staff no longer employed / dismissed as a result of CAFT investigations.	Nil	
<b>Total number of closed cases in Q1</b>	<b>15</b>	
Number of cases awaiting legal action	0	
Total number of on-going fraud investigations	12	1 relates to School Admissions, 1 relates to Assisted Travel, 1 relates to Parking, 1 relates to Environmental Health 1 relates to Green Spaces 1 relates to Family Services 1 relates to Barnet Homes 1 relates to Estates 2 relate to Customer Financial Affairs 2 relate to Procurement
<b>Total number ongoing investigations carried into Q2</b>	<b>12</b>	
<b>Disabled Blue Badge Misuse and Fraud</b> this details the investigation of Blue Badge Misuse as well as Blue Badge fraud. Blue badges can only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.		
Number of carried forward Investigations from 17-18	117	
Number of new referrals received	73	As a result of these referrals <b>16</b> badges have been seized.
<b>Total number of BB investigations dealt</b>	<b>190</b>	

<b>with in Q1</b>		
Number of cases that were closed after prosecution in Q1	30	These cases were put before the courts in this first quarter and resulted in guilty verdicts. Please refer to noteworthy investigations sections of the report for further details of some sample cases.
Number of cases closed with Cautions being Administered in Q1	33	Please refer to noteworthy investigations sections of the report for further details on some sample cases.
Number of cases closed with a warning letter sent to badge holder or misuser in Q1	20	Warning letters* are issued where there is a strong suspicion or evidence of offence (with mitigating circumstance) and we have decided to take no further action as not in the public interest. <b>*some letters will relate to Barnet badges seized by other local authorities</b>
Number of cases closed with no further action	23	<b>4</b> cases were closed as No Fraud <b>6</b> cases were closed Fraud Proven but no further action as not in public interest to proceed <b>13</b> cases were closed due to insufficient evidence.
<b>Total number of BB cases closed in Q1</b>	<b>106</b>	
Number of cases with legal awaiting court action	<b>16</b>	All of these cases are with our legal team pending criminal proceedings
Number of On-going BB investigations	<b>84</b>	
<b>Total number of BB investigations carried into Q2</b>	<b>84</b>	
<b>Financial Investigations</b> - a Financial Investigation under the Proceeds of Crime Act 2002 ensures that any person's subject to a criminal investigation by Barnet do not profit from their criminal action.		
Number of carried forward Financial Investigations from 17-18	19	
Number of new Financial investigations received in Q1	3	
<b>Total number of Financial investigation in Q1</b>	<b>22</b>	
Number of closed Financial investigations	2	<b>1</b> was closed no fraud <b>1</b> closed due to insufficient evidence
<b>Total number of closed Financial Investigations in Q1</b>	<b>2</b>	
Total Number of on-going Financial Investigations	21	<b>7</b> relate to planning <b>3</b> relate to Tenancy Fraud <b>2</b> relate to Adults and Communities <b>1</b> relate to Re  There are a further <b>8</b> case which we are investigating as part of an agreement with Haringey Council.  Details of cases are reported on

		closure if fraud is proven or another sanction given.
<b>Total number of Financial Investigations carried into Q2</b>	<b>20</b>	
<p><b>Tenancy Fraud Team</b> 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.</p> <p>CAFT provide a detailed monthly statistical report, along with a more comprehensive half year and year-end report to Barnet Homes outlining how many properties have been recovered, along with a list of all referrals from the neighbourhood officers and the status of the cases referred.</p>		
Number of carried forward Tenancy Fraud Investigations from 17-18	136	
Number of new Tenancy Fraud Investigations	76	
Number of new Right to Buy Applications received for verification	51	Since April 2017 CAFT hold the responsibility for vetting all Right to Buy Applications submitted to Barnet Homes.
<b>Number of matters dealt with in Q1</b>	<b>263</b>	
Number of Tenancy Fraud Investigations closed due to property being recovered	18	<p><b>13 relate to standard tenancies</b> where 4 were recovered via civil action due to subletting and 9 were voluntarily surrendered as a result of the CAFT investigation</p> <p><b>1 relates to succession application</b> where the property was voluntarily surrendered as a result of the CAFT investigation</p> <p><b>4 relate to emergency housing</b> where the property was voluntarily surrendered.</p> <p>A sample of noteworthy cases are referred to in Section 4 of this report</p>
Number of investigations closed relating to Housing Applications that were denied as a result of CAFT intervention	2	CAFT work closely with the Housing Options Team and carry out verification exercises for identifying inaccurate information being submitted on housing application forms. These exercises allow us to reserve the housing wait waiting list for only those who have a legitimate need for social housing
Number of Right to Buy verifications closed due to applications being denied because of CAFT intervention	11	The Right to Buy scheme helps eligible council and housing association tenants in England to buy their home at a discount
Number of Right to Buy verifications closed as eligible to apply	46	All Right to Buy cases are now validated by CAFT. These cases were validated has having no issues and so allowed to progress through the RTB system

Number of Tenancy Fraud Investigations closed as No Further Action.	50	These cases were investigated but no tangible evidence was identified to substantiate the allegations. <i>The cases were closed as Insufficient Evidence or No Fraud Identified</i>
<b>Total number of cases closed in Q1</b>	<b>127</b>	
Total number of on-going Tenancy Fraud Investigations.	96	Of these cases 4 are with legal awaiting Criminal prosecution and 1 is with legal awaiting Civil action.
Total number of on-going Right to Buy Investigations.	40	
<b>Number of Tenancy Fraud investigations carried into Q2</b>	<b>136</b>	
<b>Other information reported as per requirements of policy.</b>		
Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA).	<b>Nil this quarter.</b> This statistic is reported for information purposes in accordance with our policy and statistical return to the Office of Surveillance Commissioners.	
Number of matters received under the council's whistleblowing policy.	<b>1</b> – as this referral relates to ongoing enquires further details cannot be reported now but will be reported as appropriate on conclusion.	

#### 4. Noteworthy investigation summaries: -

##### Corporate Fraud

**Case 1** - Case 1 - relates to Financial Proceeds of Crime Case and a significant fraud by a member of staff working for Re (Regional Enterprise Ltd), who was also previously employed by the council. A referral was received by CAFT in December 2017 alleging that a substantial amount of money had been paid into an account belonging to a member of Re staff. A criminal and financial Investigation was immediately initiated by CAFT which subsequently identified that 62 allegedly fraudulent transactions, between the dates July 2016 to December 2017 and amounting to the total sum of £2,063,972.00 had been paid into various bank accounts controlled by the individual. The individual is no longer working for Re.

The individual was summonsed to appear before Willesden Magistrates court on the 3rd July 2018, on two charges of Fraud by Abuse of Position, contrary to the Section 4 of the Fraud Act 2006. The individual gave no indication of plea and the matter was referred to Harrow Crown Court for a Plea and Trial Preparation Hearing on 31st July 2018. Further details including the outcome of this case will be reported once the criminal proceedings have been concluded.

**Case 2** relates to a Financial Proceeds of Crime Case. The investigation centred around an individual who had failed to comply with a planning enforcement notice ordering them to cease the use of the property as 9 self-contained flats. The individual rented the units to tenants and generated a rental income. He was initially prosecuted for the planning offence and in addition to this a financial investigation commenced under the Proceeds of Crime Act 2002. He was found to have benefitted from his criminal conduct and a confiscation order was given against him for the sum of £65,000, he was also fined £5,000 for the planning offence and ordered to pay costs of £15,000

**Case 3** – relates to a case that was part of our partnership working with the London Borough of Haringey. Their investigation centred around an individual who failed to comply with a planning enforcement notice ordering them to cease the use of the property as 9 self-contained flats. He failed to comply with the notice and continued to rent the units, generating a rental income. CAFT officers commenced a financial investigation on

behalf of LB Haringey. This resulted in a confiscation order being made for the sum of £310,000. The defendant was also fined £5,000 and ordered to pay costs of £4,000.

**Case 4** – relates to the misuse of a deceased persons Blue Badge that was being used by a family member to gain free parking. The offender altered the date on the badge to make it appear valid. The offender pleaded Guilty to wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984 at Willesden Magistrates Court on 17th April 2018 and was sentenced to a fine of £400, ordered to pay costs of £600 and a £40 victim surcharge.

**Case 5** – relates to the misuse of a deceased persons Blue Badge that was being used by a family member to gain free parking. The offender pleaded Guilty at Willesden Magistrates Court on 24<sup>th</sup> April 2018 and was sentenced to a fine of £400, ordered to pay costs of £600 and a £40 victim surcharge.

**Case 6** – Relates to the misuse of a child's blue badge. The offender used a family members badge to park whilst attending University to avoid paying for parking whilst the whilst was at school in another Borough. The offender misused the badge on two occasions and misled the investigation when she was interviewed under caution by telling officers that the child was present with her. Once presented with the evidence she admitted to misusing the blue badge. Records showed that the offender had been interviewed for the same offence the previous year. The case was heard at Willesden Magistrates court on 22nd May 2018 where the offender was found guilty in her absence of two offences of wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984. She was sentenced to a fine of £300 (£150 for each offence), ordered to pay costs of £820.67 and a victim surcharge of £30.

**Case 7** – relates to the misuse of a family members disabled badge. The offender was adamant that the use of the badge was not a criminal offence as he was a lawyer. Further investigation revealed that he had already been given a warning letter by another Borough for the misuse of the same badge. The offender admitted to the misuse at interview. The offender pleaded guilty at Willesden Magistrates Court on 19th June 2018 to wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984 and was sentenced to a fine of £280, ordered to pay costs of £400 and a victim surcharge of £30.

**Case 8** – relates to the misuse of a deceased family members blue badge. The offender admitted to the offence on the day and the badge was seized. The offender pleaded guilty at Willesden Magistrates Court on 15<sup>th</sup> May 2018 to wrongful use of a disabled badge contrary to section 117 of the Road Traffic Regulation Act 1984 and was sentenced to a fine of £150, ordered to pay costs of £500 and a victim surcharge of £30.

### **Simple Cautions (formally known as Formal or Police Cautions)**

The aims of the simple caution scheme are:

- *To offer a proportionate response to low-level offending where the offender has admitted the offence;*
- *To deliver swift, simple and effective justice that carries a deterrent effect;*
- *To record an individual's criminal conduct for possible reference in future criminal proceedings or in criminal record or other similar checks;*
- *To reduce the likelihood of re-offending;*
- *To increase the amount of time police/investigation officers spend dealing with more serious crime and reduce the amount of time officers spend completing paperwork and attending court, whilst simultaneously reducing the burden on the courts.*

**33 Simple Cautions** were administered by CAFT in Q1 where disabled blue badges were found being misused. Following investigative interviews under caution, the circumstances of these cases allowed CAFT to consider them to be dealt with by way of the administration of a Simple Caution.

These cases related to instances of straight forward misuse that took place. These include situations where errands were being run by family members on behalf of the badge holder such as the collection of medication or food. The offenders stated that they had the badge holder's permission and believed that the badge could be used for such action. However, when the Blue Badge scheme was explained to them they realised that their actions fell outside of what was permitted. In such cases Barnet can consider and if appropriate issue a simple caution rather than pursue the matter through the courts.



## **Tenancy Fraud Investigations**

**Miss A** had a two-bedroom flat in Barnet. She had previously been found guilty of sub-letting the property in December 2007. Prior to sentencing, CAFT requested that the court consider financial action under the Proceeds of Crime Act 2002 and Prevention of Social Housing Fraud Act 2013. In June 2018, the court authorised a confiscation order of £40,004 to be paid within three months. An unlawful profit order of £2,711 was also made, along with an order for the defendant to pay costs of £6,883.

**Ms B** had a one-bedroom flat in Barnet. A referral was received from the neighbourhood team who had concerns the tenant was not occupying the property. Numerous visits were made to the property without any response and neighbours stated Ms B was not resident. A Notice To Quit (NTQ) was issued but the tenant returned from abroad prior to the court hearing resulting in her being allowed to remain in the property. However, CAFT officers suspected that the tenant would not remain in the UK and obtained information which confirmed that the tenant had gone abroad again. An outright possession order was granted and bailiffs subsequently recovered the property.

**Mrs C** had a two-bedroom house in Barnet. A referral was received from the gas safety team who had been unsuccessful in making contact with the tenant giving rise to concerns that the tenant may not be residing in the property. The resulting CAFT investigation revealed that the tenant actually owned three other properties elsewhere in the country prior to applying for and commencing her tenancy in Barnet. Notices to quit were issued. The matter was passed to our legal team resulting in an outright possession order being granted by the civil courts and the keys to the property being recovered. The case is currently with our legal team with a view to commencing criminal proceedings.

**Mr D** had a two-bedroom flat with Metropolitan Housing Trust in Barnet. A referral was received from the housing officer who had concerns that the tenant was not occupying the property. The resulting CAFT investigation revealed that Mr D had links to another property and travelled abroad on a regular basis. NTQ's were issued. The tenant voluntarily handed the keys back to the property following the interview under caution. The case is currently with our legal team for consideration of criminal proceedings.

**Mr E** had a one-bedroom flat in Barnet. A referral was received stating that the tenant was not occupying the property and had recently sub-let it. A CAFT officer conducted an unannounced visit to another property where the tenant was suspected of living and he was found to be there. Mr E then accompanied the CAFT officer to the tenancy address suspected of being sublet. The officer found two other persons residing there. Notices to quit were issued and the tenant voluntarily surrendered the property. Mr E is being asked to attend an interview under caution regarding possible criminal action.

**Mrs F** had a two-bedroom flat in Barnet. As part of a pro-active exercise with Notting Hill Housing Trust, Tenancy Fraud officers obtained evidence showing that Mrs F had been abroad since 2015 and her non-dependant son was occupying the property. Notices to quit were issued and bailiffs subsequently recovered the property.

**Mr G** was looking to succeed his late grandmothers two-bedroom flat in Barnet. To be able to succeed a tenancy, the applicant must have been resident for 12 months prior to the tenant passing away. System data showed that Mr G had not been resident for the required length of time and following discussions with Mr G, he agreed to withdraw his application and voluntarily surrender the keys,

In addition to the above cases a further 12 properties were recovered by consent as the tenants were not residing at that property.