

**REPORT FOR: GOVERNANCE, AUDIT  
AND RISK  
MANAGEMENT  
COMMITTEE**

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**Date of Meeting:** 22 July 2013

**Subject:** **INFORMATION REPORT –  
Corporate Anti-Fraud Team  
Annual Review 2012/13**

**Responsible Officer:** Simon George – Director of Finance & Assurance

**Exempt:** No

**Enclosures:** Appendix A – Corporate Anti-Fraud Team (CAFT) Annual Review 2012-13

## **Section 1 – Summary**

This report sets out progress against the 2012-13 Fraud Service Plan and issues arising from work undertaken

**FOR INFORMATION**

## **Section 2 – Report**

The Corporate Anti-Fraud Team Annual Review 2012/13 Appendix A covers progress against the Fraud Service Plan for 2012-13

## **Section 3 – Further Information**

- 3.1 Of the 11 main objectives set in the Fraud Service Plan for the year, 1 was exceeded, 6 were fully achieved, 2 were partially achieved and 2 were not achieved.
- 3.2 Of particular note was the financial income target that was exceeded and the re-possession of 12 council properties subject to misuse which helped to relieve housing pressures.

3.3 In terms of the 2 objectives partially achieved, this was brought on by team vacancy pressure and a lack of partner resources on joined up operations.

3.4 The 2 objectives that were not met fell short through a lack of suitable cases for Proceeds of Crime Act 2002 action in year and limitations in external IT software restricting the roll out of a fraud awareness e-learning package council wide

## **Section 4 – Financial Implications**

The financial implications have been shown where relevant, in the report.

## **Section 5 - Equalities implications**

None

## **Section 6 – Corporate Priorities**

The performance and outcomes of the Corporate Anti-Fraud Team contributes to all of the corporate priorities by detecting, investigating and pursuing matters of fraud and losses associated with fraud affecting council business

Name: Simon George.....  Chief Financial Officer

Date: 09/07/13...

## **Section 7 - Contact Details and Background Papers**

**Contact:** Justin Phillips, Corporate Anti-Fraud Service Manager

**Background Papers:** None

## **Appendix A**

### **1.0 A review of Fraud Plan Objectives for 2012-13**

#### **1.1 Achieve 40 Housing/Council Tax Benefit sanctions including 15 successful prosecutions**

This was not achieved. The team fell short on this objective, achieving 32 sanctions including 11 prosecutions. This was mainly due to the fact that an Investigation Officer left the authority in November 2012 and the role remained vacant for the remainder of the year due to budget pressures.

#### **1.2 Identification of 15 housing tenancies subject to misuse and targeted for possession action**

This was achieved. A total of 12 tenancies were brought back into Council control as a result of fraud investigation work generating a saving of £216K in terms of housing costs. A further 18 cases were still under investigation with 4 at advanced stages where evidence had already been passed across to housing management for notices of seeking possession to be served on the tenants.

This work will continue to be delivered during 13/14 in a partnership arrangement with housing management following the successful joint bid for £200K funding from the Department for Communities and Local Government to invest in housing fraud initiatives. The funding will be split equally cross 13/14 and 14/15 and at the time of writing a decision had been made to create an additional Housing fraud post on the CAFT to make best use of this money. Recruitment will commence shortly.

The positive work on housing fraud also received quite a lot of media exposure during the year with Corporate Director, Community Health & Wellbeing - Paul Najsarek being interviewed on BBC London in April 2013 about the success and Justin Phillips – Service Manager for the CAFT and Karen Connell – Senior Professional Housing Management being featured undertaking tenancy audit visits on the Politics Show in May 2013.

#### **1.3 A blue badge proactive fraud drive delivered in each quarter**

This was not achieved. Blue badge operations were delivered in partnership with parking enforcement and the Metropolitan Police in quarters 1, 3 and 4. There was no operation in quarter 2 due to a lack of police resources to support the operation with the London Olympics taking place.

A total of 26 badges over the 3 operations were suspected of being misused and the individuals challenged at the road side and later at interview under caution. Most suspects were issued with a penalty charge notice by parking enforcement. As a result of the operations a total of 18 suspects accepted cautions for the badge misuse and were asked to make a voluntary contributions of £150 towards the costs of the investigation.

The offer to make a financial contribution is voluntary and not a condition of accepting the caution as local authorities do not have any powers to offer conditional cautions.

#### **1.4 Fraud risk audit of Direct Payment cases**

This was achieved. This area of work proved challenging due to a general lack of information in certain instances about how clients and/or nominated budget holders are spending allocated council money. E.g. Neither the application nor budget monitoring forms ask specifically for carer information details which meant the Investigation Officer was unable to verify easily who the carer was and whether they were undertaking the caring work as per the conditions of the care plan. In other cases sampled there was a lack of monitoring information where individuals had not responded to requests to provide evidence of how money was spent and yet the payments continued. These concerns have been raised with the Head of Internal Audit and work has been undertaken to address this in the Internal Audit Plan 12/13.

Nevertheless, at the end of the financial year the Investigation Officer had identified 4 cases where it appeared that there was misappropriation of funds. In 3 of the 4 cases, the losses had been estimated to be in the region of £46K and recommendations had been provided to the personalisation team to invoice the individuals responsible. These losses had not formed part of the outcomes in section 4.12 later in the report as they had not been agreed at the time of writing. Further sampling of these types of cases will continue in 13/14.

In all 3 cases, there is also a consideration for criminal proceedings to be taken against the suspects under Fraud Act 2006. A decision will be made on the evidential merits of the cases in 13/14.

#### **1.5 Fraud risk audit of Disabled Facility Grant cases (DFG)**

This was achieved. Good progress was made in this area of work with changes made to the DFG application process with a more robust and transparent '*fair collection and data processing notice*' being introduced on the application form based on best practice guidelines issued by the Information Commissioners Office.

Of the cases reviewed, DFG applications for £30K and £20K were rejected on the recommendation of the CAFT on grounds of concealed financial information affecting the application. This £50K represented a real saving to the Council allowing these funds to be diverted towards genuine applicants.

#### **1.6 Fraud risk audit of Insurance cases**

This was achieved, although not to the degree that was originally envisaged. Progress was made early in the year on 4 cases that were investigated and concluded with a combined saving to the Council of just under £4.5K. This represented a real saving to the Council. However, the officer leading on this area of work left the authority in

November and the post was not filled so due to capacity issues, no further work was undertaken.

**1.7 Identify and pursue 8 cases suitable for Proceeds of Crime Act 2002 (POCA) action and recover £10K**

This was not achieved due to a combination of the appropriate cases not becoming available and officer capacity to refer. In total 4 cases were referred to 3<sup>rd</sup> party organisations for consideration for POCA enforcement action in 2012/13 as Harrow Council does not possess a financial investigator to undertake this work.

One of the cases was undertaken by the Department for Work & Pensions Financial Investigation Team and the confiscation order obtained was limited to the Housing Benefit overpayment. The outcomes of the other 3 cases will be known in 13/14.

**1.8 NFI data matching exercise preparation work**

This was achieved. The National Fraud Initiative is a 2 yearly nationwide public sector data matching exercise co-ordinated by the Audit Commission in which contributing organisations submit bulk data for services such as housing rents, benefits, blue badge, payroll, creditors and insurance for fraud and error matching.

Prior to the submission of the data in a specified format, preparation work needs to be undertaken to ensure that all data subjects are informed that their data is being used for these purposes. This is so that there is compliance with data matching guidelines issued by the Information Commissioners Office.

The compliance work commenced early in 2012 with CAFT working closely with each of the 11 separate service areas providing data, ensuring that their fair data collection and processing notices met the required standard. The compliance certificate was signed off on time allowing the data to be extracted from key systems and uploaded securely to the Audit Commission through an encrypted process on deadline day.

**1.9 Identification of £10K income through administrative penalties, fines and HB overpayment recovery through fraud work**

This was exceeded. The amount of income generated totalled £42,229.

**1.10 LEAN review of fraud investigation processes**

This was achieved, but has proved to be of limited value. Some changes have been made to help capacity but overall this has not delivered any significant efficiencies

**1.11 Review, shape and implement Corporate fraud e-learning tool**

This was not achieved. Software compatibility problems meant that the e-learning course could not be loaded into the Council's learning pool. An updated release is expected in early 13/14 and progress will be provided in the CAFT 13/14 half yearly review.

## **2.0 A sample of fraud case studies 2012/13**

### **2.1 Case study A**

An individual who claimed £145,000 in benefits over eight years has been jailed for 15 months. Abiodun Jagun used a false identity and a fraudulent national insurance number so she could work undeclared for local housing associations and defraud the benefits system to the tune of £52,786 in housing benefits, £28,928 in income support overpayments and £63,412 in child tax credits.

A joint investigation by the department of work and pensions, HM Revenue and Customs and Harrow Council's fraud team led to her appearance at Harrow Crown Court where she admitted six counts of obtaining housing benefit and income support by deception.

She denied four counts of the same charge, which were left on file by the judge. The 45-year-old had worked for English Churches Housing Association from 2003 to 2007 and Genesis Housing Association from 2007 to 2010 in Wembley.

She failed to declare ownership of a house in Griffin Road, Edgware, where she lived with her husband and children as she fraudulently amassed a total of £145,127 in benefits from March 2003 to March this year. She also used two different national insurance numbers to claim benefits from September 27, 2005 and October 17, 2010 in Harrow.

She was convicted of dishonestly obtaining child tax credits following a one-day trial at Harrow Crown Court on Friday, September 7<sup>th</sup> 2012. She was handed the maximum 15-month sentence for the crime, to run concurrently with a 10-month sentence handed at the same court following her earlier guilty pleas to the charges of housing benefit and income support fraud.

### **2.2 Case study B**

An individual was handed a suspended prison sentence after secretly living with a partner - while claiming benefits as a single mother. For four and a half years Sylvia Akinbola, 49, claimed she resided alone with a child in Brancker Road, Kenton, but in fact the property was called home by David Onabanjo as well.

Investigators discovered Mr Onabanjo worked full time for Transport for London and had bank accounts, utility bills and a car registered to the house and that he was registered as next of kin of her two children. On top of that Akinbola was paying for her second child to attend school in the Republic of Ireland.

Akinbola was found guilty of six counts of fraud at Willesden Magistrates' Court on April 14 and was sentenced on July 3<sup>rd</sup> 2012 to a 26-weeks' jail, suspended for two years, and was ordered to complete 200 hours' unpaid community service, and pay £3,500 court costs.

The court heard her claim was reassessed to retrospectively include Mr Onabanjo's earnings and it was calculated she had been overpaid

£15,680 in housing benefit, £1,969 in council tax benefits and £6,514 in income support.

### **2.3 Case study C**

Two individuals who defrauded taxpayers out of £39,000 have been sentenced at Harrow Crown Court. Vipul Patel and Udita Patel, of Bowen Road, Harrow, amassed a property empire in West Harrow by defrauding taxpayers. Over a four year period the couple claimed £15,936 in housing and council tax benefits. Vipul Patel also claimed £23,068 in Income Support which he was not entitled to.

The fraud was detected after it was discovered the pair failed to notify the council that Udita Patel had purchased properties in Vaughan Road in October 2004 for £190,000, in February 2005 for £178,000 and in August 2006 for £185,000 with deposits totalling £83,000. Further enquiries by Harrow Council showed that all three of these properties had been rented to tenants whilst Vipul and Udita Patel claimed Housing Benefit to help pay their own rent.

The couple pleaded guilty to four counts of dishonestly failing to notify a change in circumstances on September 20<sup>th</sup> 2012, at Harrow Crown Court. At the same court on November 1 Vipul Patel was sentenced to nine months imprisonment suspended for two years. He was ordered to observe a curfew between the hours of 9pm to 6am for two months. Udita Patel was handed six weeks imprisonment, suspended sentence for 12 months, and she was ordered to observe a curfew for two weeks.

Confiscation proceedings are also underway to recover the money overpaid through assets including the three flats owned by Udita Patel. The hearing is due to take place at Harrow Crown Court in April 2013.

### **2.4 Case study D**

Harrow Council's crackdown on housing tenancy fraud has uncovered 12 cases of illegal subletting this year, helping save the borough £216,000, it has emerged. Harrow's anti-fraud team has worked closely with the borough's housing management team to help trace tenancy fraudsters to Luton, Kent, Sunderland and Leeds at home and abroad to New Zealand, Dubai and Tanzania.

In one case a tenant sublet her house while living in Dubai, in another a tenant was found to be living in New Zealand after an internet search uncovered the fact she was working in Auckland at a hair salon.

According to the Audit Commission's ['Protecting the public purse'](#) report this year, council tenancy fraud costs £900m annually – three times as much as housing benefit fraud. Outside of London, more than half of councils failed to recover a single property from unlawful tenants, the Commission reported. Auditors concluded too many councils and housing associations are 'doing little or nothing' to detect tenancy fraud.

## **2.5 Case study E**

A bank manager who displayed a stolen disabled badge to park outside her Stanmore workplace has been fined. Kulvinder Dhindsa, who lives in Beaconsfield, bought the badge from a friend's acquaintance and used it to park her BMW directly outside Lloyds TSB, in The Broadway. She pleaded guilty to one count of fraud, was fined £1,000 and ordered to pay £1,499 costs at Willesden Magistrates Court on Tuesday.

The 41-year-old initially insisted the badge belonged to her, before admitting she had met someone called Jay at a garage in Slough and paid £150 for it. She used it for six weeks, before an anonymous tip off lead Harrow Council's anti-fraud team to start an investigation. The badge had been reported as stolen in 2006 and had originally been issued by Waltham Forest Council.

The case also featured in the latest series of BBC1s *Saints and Scroungers*.

## **2.6 Case study F**

A father-of-three who spent £290,000 on a house after claiming he was earning benefits has been sentenced. Nadeem Shabbir Qureshi, of Chasewood Park in Sudbury Hill, will now face a 12 month community order as well as 160 hours of unpaid work after the sentencing at Harrow Crown Court on June 1.

The 31-year-old told Harrow Council he was earning minimum wage, and after purchasing the Harrow-on-the-Hill property in February 2008 he let it out for £1,200 a month. Harrow Council began the investigation in January 2009 after a tip off, which uncovered bank accounts that Qureshi had failed to declare. His bank statements showed income well in excess of what Qureshi had declared, showing he had been overpaid by £20,250.72.

Confiscation proceedings are now underway to recover the money overpaid



### 3.0 Benefit fraud activity summary outcomes

No.	Criteria	Outcome
3.1	No. of FTE benefit investigation officers (average throughout 12-13)	2
3.2	No. of referrals received	626
3.3	No. of closed investigations (closed after full investigation)	97
3.4	No of cautions issued	3
3.5	No. of administrative penalties issued (30% fines on top of any overpayment)	18
3.6	Value of administrative penalties generated	£44,693.92
3.7	Value of administrative penalties collected in year	£40,029.20
3.8	No. of court summons issued	9
3.9	No. of successful prosecutions	11
3.10	Value of fraud overpayments (in relation to cautions, administrative penalties & prosecution cases)	£355,226.47
3.11	DWP and HMRC overpayments related to joint cases	£204,520.7
3.12	No. of other cases with a monetary saving/positive outcome (non fraud)	21 (inc in 1.3 above)
3.13	Value of monetary saving/positive outcome cases in 3.12 above (non fraud cases)	£81,216.51
3.14	Combined value of benefit fraud and error overpayments / income / savings (affecting the authority 3.6 + 3.10 + 3.13)	<b>£481,136.9</b>
3.15	Combined value of benefit fraud and error overpayments / income / savings (inc DWP and HMRC fraud 3.6 + 3.10 + 3.11 + 3.13)	<b>£685,657.6</b>

#### 4.0 Corporate fraud activity (non benefit) summary outcomes

No.	Criteria	Outcome
4.1	No. of FTE corporate investigation officers (average throughout 12-13)	1.6
4.2	No. of referrals received	122
4.3	No. of closed investigations (closed after full investigation)	86
4.4	No. of cautions issued	18
4.5	Value of contributions towards costs linked to cautions	£2,700
4.6	Value of contributions towards costs linked to cautions collected in year	£2,200
4.7	No. of court summons issued	1
4.8	No. of successful prosecutions	1
4.9	No. of cases where positive fraud outcome achieved*	19
4.10	No. of cases where employee dismissed/disciplined linked to fraud investigation	6
4.11	Total no. of cases where fraud established (4.4 + 4.8 + 4.9 + 4.10)	44
4.12	Value of cases in 4.11	£336,168
4.13	Combined value of corporate fraud and error overpayments / income / savings	<b>£338,718</b>

\* Positive fraud outcome defined as council services rejected / reduced or withdrawn

The total amount of fraud and error overpayments / income / savings identified by the CAFT affecting the authority in 2012/13 was **£819,854.9**. This represents a return on investment for the authority of in excess of 2½: 1.