

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

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**Date of Meeting:** 19 December 2013

**Subject:** **INFORMATION REPORT –  
Corporate Anti-Fraud Team Mid  
Year Review 2013/14**

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

**Exempt:** No

**Enclosures:** Appendix A – Corporate Anti-Fraud  
Team (CAFT) Mid Year Review 2013-  
14

## **Section 1 – Summary**

This report sets out progress against the 2013-14 Fraud Service Plan and issues arising from work undertaken

**FOR INFORMATION**

## **Section 2 – Report**

The Corporate Anti-Fraud Team mid-year review 2013/14. Appendix A covers progress against the Fraud Service Plan for 2013-14

## **Section 3 – Further Information**

3.1 Of the 11 objectives set in the Fraud Service Plan for the year, 7 are on target to be achieved, 3 are behind target but mainly due to capacity issues and 1 is no longer achievable due to a lack of resources in another area.

## **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: 09/12/13...

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

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

**Background Papers:** None

## Appendix A

### 1.0 A progress update against Fraud Service Plan Objectives for 2013-14

#### 1.1 Objective Achieve 35 Housing/Council Tax Benefit sanctions including 10 successful prosecutions

##### Progress

This objective is on target to be delivered, although slightly behind schedule at the mid year point in terms of total numbers. The team has delivered 15 sanctions to date so there is some ground to make up in the second half of the year. However, 7 successful prosecutions have been achieved which is ahead of target.

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

##### Progress

This objective is behind target mainly due to the fact that the post of Investigation Officer (Housing) was vacant between June – Nov 2013, so this target will be adjusted accordingly. However, an officer had been recruited to commence at the beginning of December 2013. A total of 3 tenancies were brought back into Council control as a result of fraud investigation work generating a saving of £234,000\*.

A further case of *Right to Buy* fraud was successfully intercepted before completion representing a saving to the authority of £150,000\*. This case is still under investigation and the authority is now seeking possession on the basis that the tenant is not occupying as their principal home as they have been discovered as owning 2 other properties.

In addition to the above cases, two investigations had concluded that individuals that had applied for housing were fraudulent and as a result of the evidence that the team had uncovered, both individuals were removed off the waiting list. These results represent huge loss avoidance and a prevention of fraudsters occupying social housing inappropriately. This generated further savings of £36,000\* for the authority.

A further 18 cases were live 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.

\*Notional housing fraud savings quantified by using Audit Commission formula of multiplying the cost of housing a family in temporary accommodation for a year (£18,000) by the local waiting list times in borough. I.e. Recovering a 1 bed property in Harrow = £18,000 x 3 year wait = £54,000 saving.

In terms of *Right to Buy* prevention savings, the Audit Commission estimates that the cost to the authority of rebuilding a social housing unit is £150,000.

### **1.3 Objective**

#### **Harrow to join the London Housing Fraud Hub**

##### **Progress**

This objective is on target to be delivered. The London Housing Fraud Hub is a project involving a number of London Boroughs that input common housing register, housing tenancy and potentially council tax support data on a monthly basis into a shared but secure repository accessible only by members. The main objective of the hub is to identify fraudulent applications for housing and prevent individuals obtaining tenancies which are then costly to investigate and repossess.

To date 13 London Boroughs have become members sharing their data, and another 15 including Harrow are due to join in 2014. The hub is the first of its kind in the country where multiple authorities are sharing data proactively on a regular basis to support service delivery, provide assurance about individuals that apply for services and also for the prevention and detection of crime.

It is envisaged that subject to legal approval of the terms and conditions of the contract and data sharing arrangements, Harrow will become a member by the end of March 2014.

### **1.4 Objective**

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

##### **Progress**

This objective is on target to be delivered. A blue badge operation was delivered in partnership with parking enforcement and the Metropolitan Police in quarter two. There was no operation in quarter one due to difficulties in police resourcing but two operations had been planned for quarter three to make up lost ground.

Operation Napier was implemented on 11 July 2013 in Lowlands and Landsdown Road, Harrow which resulted in just 1 badge being seized, as it was suspected of being misused. The offender admitted guilt and they were issued with a caution and paid £200 towards the costs of the investigation.

### **1.5 Objective**

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

##### **Progress**

This objective is on target to be delivered. The Officer looking after this area of work has concluded one investigation and has another 6 live investigations into misappropriation of social care funds.

In terms of the concluded investigation, the officer established that the individual had failed to disclose in the financial assessment that they had capital in excess of £60,000 and that they owned 3 properties, two of which were being rented out. In addition to this, they also failed to declare that their carer was a family member living at the same address which is not permitted under the conditions of the scheme. In

total they were overpaid in excess of £12,000 and upon being invoiced, it was repaid immediately. The individual was remorseful about their behaviour and they were offered a caution which they accepted in addition to paying £200 towards the costs of the investigation.

In two other cases, individuals had been invoiced for a total of £36,000 for misappropriation of social care funds and no repayment had been made at the time of writing. In both of these cases, the direct payment budget holder (father of client and the client themselves) had not used the funds for the sole purpose of personal care. Evidence had emerged through the investigation that funds were spent in High Street stores and withdrawn in cash, both of which are not acceptable use of the funds.

A decision on further criminal action will be taken on both of these cases before year end.

## **1.6 Objective**

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

#### **Progress**

This objective is behind target mainly due to the actual numbers of cases looked and this is due to capacity issues. The numbers will be increased in the second part of the year once vacancies have been filled on the team.

To date two cases have been subject to investigation where individuals have claimed against the authorities' insurance and it is suspected that the claims were not genuine.

Claim one was for £1800 and involved damage to personal property with the Council liable. As a result of the investigation Harrow settled this claim at £140, representing a real cash saving of £1660.

Claim two is still under investigation and is for a sum in the region of £2700, where it is suspected that the claimant has falsified a vehicle damage claim. The outcome of this case and others will be updated in the annual report.

## **1.7 Objective**

### **Identify and pursue six cases suitable for Proceeds of Crime Act 2002 (POCA) action and recover £10,000**

#### **Progress**

This objective is slightly behind target in both aspects. To date three cases have been identified and referred to Brent Trading Standards for financial investigation work. The real challenge facing the authority in terms of this objective is to identify the right types of cases because not only does there need to be evidence of criminal activity for which a dishonest conviction must be achieved at court, but the level of fraud losses identified need to be matched by the defendants' known assets that can cover the losses.

In terms of the recovery aspect of this objective, 1 case has been concluded that was commenced in 2012 and the confiscation order obtained amounting to £30,000 is on the process of being repaid. Of the £30,000 expected from the defendant, approximately £16,000 will be compensation and passed to Housing Benefits to repay the overpayment and the remaining £14,000 will be split between the Treasury (£7,000), the Magistrates Court to enforce the order (£1700) and the CAFT (£5,200) of which Brent Trading Standards then are paid a fee for their financial investigation work (£1000).

In terms of the other cases referred for financial investigation work, it is envisaged that the outcomes will be known in 14/15 and beyond depending upon how long the criminal prosecution takes. In one of these cases, an individual suspected of defrauding the authority out of a 3 bed council tenancy with a loss value estimated to be £108,000 and housing and council tax benefit with a loss value estimated to be £100,000 as she has been discovered as owning three other properties, all of which have equity greater than the losses identified.

## **1.8 Objective**

### **National Fraud Initiative - Phase one recommended matches processed and high risk cases prioritised for investigation**

#### **Progress**

This objective is on target to be delivered. 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, housing benefits, blue badges, payroll, creditors and insurance for fraud and error matching.

In total there were 3,751 housing benefit matches returned to the authority in February 2013 of which 659 were recommended to be prioritised. To date 535 of these priority matches have been processed generating overpayments amounting to in excess of £74,000 and all of these cases now progressed to full blown investigations where suspects will be interviewed and monies recovered.

A further update will be provided in the annual report.

## **1.9 Objective**

### **The identification of £35,000 income via administrative penalties, corporate fraud work and Housing Benefit overpayment recovery work.**

#### **Progress**

This objective is on target to be delivered. To date the income figure stands at approximately £23,600 and is a combination of income recovered through housing benefit administrative penalties, contributions towards investigation costs paid by individuals cautioned for blue badge and direct payment fraud and recovery of fraudulently overpaid direct payment funds.

### **1.10 Objective**

#### **Review, shape and implement corporate fraud e-learning tool**

##### **Progress**

This objective is on target delivered. The fraud e-learning package is now housed within the Harrow *My Learning* Site and can be accessed by employees.

This e-learning package will need to be publicised internally so that employees are encouraged to undertake the training which will provide a useful background to fraud awareness in Local Government and how staff can assist in identifying and raising the alarm when they suspect that fraud is being perpetrated.

### **1.11 Objective**

#### **Corporate fraud risk assessment / avoidable loss identification**

##### **Progress**

This objective is no longer achievable as the Risk Manager leading this piece of work left the authority as the post was included as a budget saving approved at full council. The individual was working closely with the Corporate Anti-Fraud Manager and Head of Internal Audit to undertake a corporate self assessment of fraud risks in an attempt to quantify the authorities' estimated losses to fraud and then draw up and implement an action plan to reduce the fraud risks and associated losses.