

**REPORT FOR: Governance, Audit, Risk
Management and Standards
Committee (GARMS)**

Date of Meeting: 22 July 2014

Subject: **INFORMATION REPORT – Corporate
Anti-Fraud Team Year End Report
2013-14 & Final Service Plan 2014-
15**

Responsible Officer: Simon George – Director of Finance &
Assurance

Exempt: No

Enclosures: CAFT Final Service Plan 2014-15 Appendix
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Section 1 – Summary

This report details the Corporate Anti-Fraud Team performance against the Service Plan for 2013/14. It also details the final Service Plan for 2014-15 which is attached in Appendix 1.

FOR INFORMATION

Section 2 – Report

Of the eleven objectives set in the Fraud Service Plan for 2013-14, three were exceeded, three were achieved, three were partially achieved and two were not achieved, although one of these was not able to be met due to a lack of resources in another area.

2.1 Objective - Achieve 35 Housing/Council Tax Benefit sanctions including 10 successful prosecutions

Outcome – Partially achieved

The team fell short of the 1st part of this objective in achieving a total of 33 sanctions, but exceeded the prosecution objective with a total of 15.

2.2 Objective - Identification of 15 housing tenancies subject to misuse and target for possession action

Outcome – Exceeded

This objective was met despite the fact that the post of Investigation Officer (Housing) was vacant between June – Nov 2013. A total of 12 tenancies were brought back into Council control as a result of fraud investigation work generating a saving/loss avoidance of £760,000*. These tenancies were allocated to individuals/families from the homeless waiting list generating B&B and temporary accommodation cost savings.

1 case of *Right to Buy* fraud was successfully intercepted before completion representing a further saving to the authority of £150,000*. This case also resulted in the authority repossessing the property (included above) as the tenant had been discovered as residing in a property they owned in Hertfordshire, whilst also owning another property in Ealing.

2 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 loss avoidance and a prevention of fraudsters occupying social housing inappropriately. This generated further savings of £36,000* for the authority.

1 final case where a 3 bed discretionary tenancy was about to be awarded to an individual not residing at the tenancy address was intercepted, again representing loss avoidance savings of £108,000*

2.3 Objective - Harrow to join the London Housing Fraud Hub

Outcome – Not achieved

This objective was not achieved due to data security issues being raised by Information Management. It is envisaged that these will be overcome in 2014/15 and the project will proceed.

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 should not ordinarily qualify.

* Based on Audit Commission fraud loss avoidance figures of £18,000 per annum, which equates to the average cost of keeping a family in temporary accommodation for a year multiplied by the waiting list times in Harrow

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.

2.4 Objective - A blue badge proactive fraud drive delivered in each quarter

Outcome – Exceeded

The team delivered a total of 5 operations during the year resulting in 20 badges being confiscated due to misuse in the vast majority of the cases by persons other than the badge holder.

Of the 20 suspects, 10 were offered cautions and accepted paying £200 each towards the cost of the investigation, 1 individual was successfully prosecuted and the remaining cases were still subject to live investigation.

2.5 Objective - Fraud risk audit of Direct Payment cases

Outcome - Achieved

The team successfully concluded four investigations which resulted in fraudulent overpayments of direct payments amounting to £112,000 and individuals being invoiced for these sums. A further 6 live investigations into misappropriation of social care funds were continuing.

In one case the individual had failed to disclose in the financial assessment that they had capital in excess of £60,000 and that they owned three properties, two of which were being rented out. In addition to this, they also failed to declare that their declared 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 contrary to the conditions of the scheme.

The final case involved a father of a client that had simply saved the direct payments over a period of years and transferred them into high rate bond and high rate interest accounts. The suspect claimed to be

saving the money for his daughter (the client) in case anything happened to him or his wife. His daughter was looked after by the grandmother living at the same address and so had they declared this arrangement during the application process, no funds would have been released. In all, this individual was overpaid just under £65,000 over a number of years and when invoiced repaid the entire amount immediately.

A decision on further criminal action will be taken on all of these cases in the coming months.

2.6 Objective - Fraud risk audit of Insurance cases

Outcome – Partially achieved

This objective was not fully explored due to a lack of appropriate cases being referred.

Two cases were complete that realised savings of £2,180 where individuals claimed against the authorities' insurance and the claims were refused or reduced following the investigation. 1 case was still under investigation at the time of writing which had a potential saving of £2700 involving falsified vehicle damage.

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 and claim two was for water damage to personal belongings which was refused generating a saving of £520.

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

Outcome – Partially achieved

Three cases were identified and referred to Brent Trading Standards for financial investigation work. No monies have been recovered as yet.

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 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 was arrested and is currently on police bail pending further investigations. The Council property has been repossessed as she has been discovered as owning three other properties, all of which have equity greater than the losses identified.

In case two, a mother and daughter were successfully prosecuted for benefit fraud after creating a fake tenancy and a confiscation order has been obtained covering the benefit losses. The daughter has 6 months with which to repay the losses or she faces prison.

In the third case, the suspect pleaded guilty to a £36,000 benefit fraud in February 2014 and is now subject to a Proceeds of Crime Act proceeding which should conclude in September 2014.

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

Outcome - 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, 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. 539 of these priority matches have been processed generating overpayments amounting to in excess of £104,483.46 and all of these cases now progressed to full blown investigations where suspects will be interviewed, sanctioned and monies recovered where possible.

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

Outcome – Exceeded

Income generated amounted to approximately £79,000 made up of a combination of monies recovered through housing benefit administrative penalties, contributions towards investigation costs paid by individuals cautioned and recovery of fraudulently overpaid direct payment funds.

Of particular note were the direct payments recovered through fraud work highlighted in 2.5 above. It is intended that further work will be undertaken in 2014-15 in this area to generate further savings for the authority.

2.10 Objective - Review, shape and implement corporate fraud e-learning tool

Outcome - Achieved

The fraud e-learning package is now housed within the Harrow *My Learning* Site and can be accessed by employees. This e-learning package was publicised internally during anti-fraud week in February 2014 encouraging employees 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. Further awareness of this course will continue in 2014-15

2.11 Objective - Corporate fraud risk assessment / avoidable loss identification

Outcome – Not achieved

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.

Section 3 – Further Information

None

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: 11/07/14...

Section 7 - Contact Details and Background Papers

Contact: Justin Phillips, Corporate Anti-Fraud Manager

Background Papers: None

Appendix 1

CAFT Final Service Plan 2014-15

	Project Number, Name & Description	Expected Outcome	Performance Measures/Milestones	Priority Action?	By Whom (Lead)	By When	Transformation Link	Risk/Dependency	Workforce Implications	Service L&D Implications
1.	Deliver Housing/Council Tax Benefit sanctions	16 sanctions (work and potential resources transfer to DWP on 01/10/14)	Quarterly output of 8 sanctions		Justin Phillips	Sept 2014	No	Suitable cases and subject to SFIS transfer of work		None
2.	Housing Tenancy Fraud	Identification of 15 housing tenancies subject to misuse and targeted for possession action	Tenancies subject to misuse identified and surrendered or possession action sought. Notional costs of freed tenancies (£18,000 x waiting list time in years)		Justin Phillips/K Connell (Housing)	April 2015	No	Subject to suitable cases, timely housing management and Legal Services possession action		None
3.	Housing Tenancy data match	Undertake a housing tenancy data match with Experian to identify instances of housing fraud/misuse.	Data extraction and upload to be complete by April 2014 and work undertaken to target high risk properties throughout 2014		Justin Phillips/Karen Connell (Housing)	April 2015	No	Successful data upload		None

4.	Pan London Housing Fraud Hub	Harrow data (CTRS, Housing & Waiting list) input into pan London fraud hub for initial datamatch and more general interrogation to aid prevention of housing assessment fraud – subject to IT security	Data uploaded in appropriate specification and identification of housing assessment fraud cases		Justin Phillips	April 2015	No	Subject to data security requirements being satisfied		None
5.	Blue badge proactive fraud drives	Identification of blue badge misuse and associated follow up sanctions	Delivery of a fraud drive working with Met Police SNT's in each quarter		Justin Phillips	April 2015	No	Safer Neighbourhood Team resources		Some training required for new powers
6.	Fraud risk review of Direct Payment cases	Identification of direct payment fraud/financial irregularity through a sample review of high risks cases	DP fraud amounting to £50K identified and assistance provided with loss recovery		Justin Phillips	April 2015	No	Co-operation of Personalisation Team in accessing appropriate data		None
7.	Fraud risk review of Insurance cases	Identification of Insurance fraud/financial irregularity through a sample review of high risk cases	Insurance fraud amounting to £10K identified and assistance provided with loss recovery		Justin Phillips	April 2015	No	Appropriate cases being made available		Some development required by staff to understand Insurance business

8.	Proceeds of Crime Act 2002 (POCA)	Identify and pursue 4 suitable cases to recover criminal proceeds	15K recovered		Justin Phillips	April 2015	No	Availability of appropriate cases and Brent Trading Standards Financial Investigation Unit		None
9.	NFI 14/15 exercise data submissions	Data subject privacy notices reviewed, data extracted and uploaded securely to Audit Commission as per specification and to deadline	Data subject privacy notices compliant with Information Commissioner Guidance and data uploaded securely		Justin Phillips	Oct 2014	No	Co-operation of both internal and external organisations complying with data protection amendments to forms		None
10.	Income opportunities/ generation	Identification of income through administrative penalties, caution fines and HB overpayment recovery through fraud work	20K recovered		Justin Phillips	April 2015	No	Availability of appropriate cases and subject to changes in the way this income is reflected for accounting purposes		None
11.	Deliver an anti-fraud week campaign	Deliver an anti-fraud week campaign and co-ordinate communications prior, during and after the week	Raised fraud awareness throughout borough and fraud identified each day through joint operations		Justin Phillips	April 2015	No	Co-operation of both internal and external organisations in planning and implementation		None

12.	Pilot Identity Authentication Solutions software (Trust ID) in Housing Services	Identification of compromised documentation at gateway preventing fraud entering the housing system	Complete trial of 8-12 weeks		Justin Phillips	Sept 2014	No	Resolution of IT issues		None
13.	Fraud risk review of housing assessment process	Identification of fraudulent housing applications / interception of cases before perm allocation of tenancy	Completion of review		Justin Phillips	Dec 2014	No	Co-operation of housing assessment /needs in flagging cases		None