

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

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**Date of Meeting:** 1<sup>st</sup> December 2014

**Subject:** **INFORMATION REPORT –  
Corporate Anti-Fraud Team  
(CAFT) Mid Year Report 2014-15**

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

**Exempt:** No

**Enclosures:** Appendix 1 – CAFT structure pre and post consultation  
Appendix 2 – CIPFA Code of Practice on Managing the Risk of Fraud and Corruption  
Appendix 3 – Protecting the Public Purse 2014

## **Section 1 – Summary**

This mid year report details the Corporate Anti-Fraud Team performance against the Service Fraud Plan for 2014/15. It also provides some information about the future work of the CAFT since benefit fraud work has transferred to the Department for Work & Pensions. The Committee is asked to consider from a fraud risk perspective where in their opinion the priorities for team lie in both the short term and medium to longer term.

### **FOR INFORMATION**

## **Section 2 – Report**

Of the thirteen objectives set in the Fraud Service Plan for 2014-15, one has exceeded expectation, one was partially achieved, two have been fully achieved, five are on target to be achieved, two have been discontinued and removed from the plan and two are behind target.

## **2.1 Objective - Achieve 16 Housing/Council Tax Benefit sanctions (work transfers to DWP on 01/10/14)**

### **Progress – Partially achieved**

The team achieved 12 sanctions up to and including the end of the 2<sup>nd</sup> quarter, which fell just short of the target of 16. However, 7 sanctions were administered in the early part of October 2014 as ownership of these cases was retained by the authority as they did not meet the DWP case transfer criteria.

Much of the 2<sup>nd</sup> quarter focus of the team was geared towards preparing to transfer the housing benefit fraud investigation work to the DWP Single Fraud Investigation Service (SFIS) on 1<sup>st</sup> October 2014. All live investigation work that met the transfer criteria transferred to the DWP which amounted to 35 live case files and 76 referrals that had not yet been processed. The main tasks involved were:-

- Identifying those employees deemed to be in scope to transfer to the DWP under a 'TUPE like' arrangement and resolving the associated HR matters.
- Live case file housekeeping and selecting the appropriate cases for transfer with officers.
- Supporting Housing Benefit and the DWP SFIS in establishing a relationship moving forward so that housing benefit fraud investigation work continues in a seamless manner.
- Communications internally and externally to inform that this work was no longer the responsibility of the authority.

The work transfer deadline was achieved and 3 FTE employees also transferred with the work. In conjunction with the SFIS transfer work, a decision was also made to consult on the restructure the team to reflect the loss of the benefit fraud work and to deliver efficiency savings. See Appendix 1 for CAFT structure pre and post consultation which illustrates the post of Investigation Team Leader and Intelligence Officer have been deleted delivering a saving of £80,000. At present there are two vacant Investigation Officer posts that will be recruited to in the coming months.

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

### **Progress – behind target**

To date 3 tenancies have been brought back into Council control which is short of the target at the half way stage. Expected positive outcomes are down against target, but not through any lack of investigation activity.

Recent cases investigated by the team has seen a recent backlog of cases where tenants are resisting the opportunity to terminate their tenancies during the course of an investigation and in some cases have led to the authority pursuing court action to recover the properties. This trend is reflected across the country at recent national

forum covering other fraud types but focusing on tenancy fraud and has the following common characteristics as follows;

- Individuals refuse to reveal any reasonable information concerning their use and occupation activities in the home when a significant amount of effort is made to contact tenants at different times of the day.
- A failure to co-operate with enquiries when tenants have been asked to attend appointments and meetings and supply records concerning links to the property.

Currently, there are 15 live housing investigations, 6 reports recommending possession action have been passed to Housing Management to consider the findings and as a result of these reports, Housing have instructed Legal Services to seek possession on 3 cases for various non occupation/subletting suspicions.

A protocol between the CAFT and Housing Management has also been agreed which will go live on 1<sup>st</sup> December 2014. This will provide a framework for information exchange, expected standards of performance on both services and a common goal, that of protecting the Council's social housing scheme from misuse.

### **2.3 Objective – To undertake a Housing Tenancy Datamatch**

#### **Progress – On target**

The authority provided a snapshot of its live tenancy data to Experian earlier in the year and this data was matched against its credit bureau data in an attempt to identify individuals that could possibly be residing away from the tenancy address.

In total the authority was provided with the following match types and numbers of matches.

<b>Risk profile</b>	<b>Numbers of matches</b>
Very high	14
High	177
Medium	436
Low	302
Total	<b>929</b>

Working in partnership with Housing Management, the team has undertaken a preliminary 1<sup>st</sup> phase sift on all 'Very high' and is on target to complete a sift of the 'High' matches by the end of November 2014. 'Medium' and 'Low' risk matches will be processed and complete by the end of January 2015.

Those cases where evidence emerges that the match appears to show the tenant is not occupying the address as their principle home or that they are subletting, will become full blown criminal investigations and possession action will be sought.

## **2.4 Objective – Harrow to join the Pan London Housing Fraud Hub in 2014/15**

### **Progress – On target**

The London Housing Fraud Hub is a project involving a number of London Boroughs that input common housing register, housing tenancy and council tax support data on a monthly basis into a shared but secure data repository accessible only by members.

The main objective of the hub is to support front line service delivery and to act as a filter at the gateway to prevent fraud entering the housing system so that individuals can be challenged about anomalies before a housing duty is accepted and costs are incurred.

To date 14 London Boroughs have become members sharing their data, and another 4 including Harrow are due to join before the end of the financial year. The hub is the first of its kind in the country where multiple authorities are sharing data proactively on a monthly basis to verify identity and other individual personal details that apply for housing services.

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

### **Progress – On target**

The team led 'Operation Rio' in June 2014 on Northolt Road, South Harrow in partnership with Parking Enforcement and The Metropolitan Police. This resulted in 6 badges being confiscated and as a result of these incidents 4 individuals accepted cautions for the offence of misusing the badge and paid £200 towards the cost of the investigation and 1 individual is due to attend an appointment in the coming weeks.

As in 2.1 above, given the work priority of preparing for the SFIS transfer of benefit fraud work, no blue badge operation was undertaken in quarter two. There is an Operation planned for quarter three in December 2014 and it is envisaged that two further operations will be delivered in quarter four.

The team will continue to risk assess all fraud referrals alleging blue badge misuse in accordance with its priorities so to ensure that resources are targeted at the right cases.

## **2.6 Objective - Fraud risk audit of Direct Payment cases**

### **Progress – behind target**

This area of work is still deemed to be at risk to fraud given the work undertaken in 2013/14 where four fraud cases were uncovered amounting to misappropriation of £112,000 of council money. However, work stalled on this objective given the SFIS transfer work and the officer with responsibility for this objective transferred to the Department for Work & Pensions.

The project has been transferred to another Investigation Officer on the team and they will continue with reviewing high value live cash personal budget cases to ensure that the basis upon which the budget was agreed has not changed and that the budget is being spent in accordance with the care plan.

## **2.7 Objective - Fraud risk audit of Insurance cases**

### **Progress – discontinued and objective removed from the plan**

This objective has been removed from the CAFT Service Plan due to a lack of capacity on the team. The officer with responsibility for this objective transferred to the Department for Work & Pensions and the post was deleted.

## **2.8 Objective - Identify and pursue four cases suitable for Proceeds of Crime Act 2002 (POCA) action and recover £15,000**

### **Progress – discontinued and objective removed from the plan**

To date in 2014/15 no cases have been identified for POCA action. Given the fact that all other historical cases where POCA action has been undertaken by the team have been housing benefit fraud cases, it is doubtful whether this objective will be met given that this work is no longer undertaken by the team.

Whilst this objective has been removed from the plan as it is unrealistic to recover £15,000 in 2014/15, the potential is always present to consider cases for POCA action if a fraud is uncovered and assets identified.

## **2.9 Objective - National Fraud Initiative 2014/15 data submission**

### **Progress - Achieved**

The National Fraud Initiative(NFI) 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, council tax and support, housing benefits, direct payments, blue badges, payroll, creditors and insurance for fraud and error matching.

All data sets required by the Audit Commission were extracted from legacy systems and uploaded to the secure website by the October 2014 deadline in preparation for the matching exercise to begin. The matched records will be returned to the authority for sifting in January 2015.

The team will continue to support the various services in processing the matches and any cases deemed to be fraud related will be picked up as reactive referrals by the team.

**2.10 Objective - The identification of £20,000 income via administrative penalties, corporate fraud work and Housing Benefit overpayment recovery work.**

**Progress – exceeded**

Income generated to date amounted to just in excess of £36,000 made up of a combination of monies recovered through housing benefit administrative penalties and contributions towards investigation costs paid by individuals cautioned for blue badge misuse.

**2.11 Objective – Deliver Anti-Fraud Week campaign**

**Progress – On target**

Building on the success of the Councils 1<sup>st</sup> anti-fraud week in February 2014, a further campaign is planned to take place in February 2015 which will see a real push to raise awareness of fraud and the impact upon all council services.

**2.12 Objective - Pilot Identity Authentication Solutions software in Housing Services**

**Outcome – Achieved**

The team organised for Housing Services to trial a piece of Identity Documentation Verification software for a 3 month period between June – August 2014 whereby individuals applying to the authority for assistance with housing, had their ID documents scanned using the smart software. The trial was not publicised and it ran discretely alongside normal housing services.

In total, 235 scans were taken of a variety of identity documents and they verified as authentic. No documents were found to be fraudulent or compromised which provides the authority with some level of assurance that it is not being targeted by identity fraudsters.

No decision has been made as to whether the software will be installed on a permanent basis in housing or other front facing services as it would need to be funded.

**2.13 Objective - Fraud risk review of housing waiting list**

**Outcome – On target**

A proactive fraud risk review is currently being undertaken on all individuals/families registered on band A and A\* on the Council's waiting list to verify that the circumstances upon which the banding was set, is still the case. In addition to this piece of proactive work, verification is also being undertaken on all applications that are set to 'live' on the waiting list.

The progress to date is as follows:-

**Proactive referrals from waiting list A & A\***

<b>RAG rating</b>	<b>Numbers</b>
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Green (OK)	47
Amber (further checks required)	7
Red (investigation underway)	7
Recommended removal from register (housekeeping)	7*
Recommended removal from register (fraud)	5**
Sanctions (caution/prosecution)	0

\* Housing Needs agreed with the recommendations and removed 7 applications from the waiting list or reduced banding

\*\* Housing Needs agreed with the recommendations and removed 5 applications from the waiting list or reduced banding and all cases now subject to fraud investigation

### **Reactive referrals from housing needs**

<b>RAG rating</b>	<b>Numbers</b>
Green (OK)	9
Amber (further checks required)	3
Red (investigation underway)	1
To be looked at	2
Recommended removal from register (housekeeping)	0
Recommended removal from register (fraud)	0
Sanctions (caution/prosecution)	0

A progress meeting with Housing Needs is scheduled to take place shortly to measure the effectiveness of this piece of work and whether there is merit in continuing a review on the other bands of B and C

## **2.14 Future work of the Corporate Anti-Fraud Team**

On 1<sup>st</sup> October 2014 all housing benefit fraud work transferred to the Department for Work & Pensions, Single Fraud Investigation Service. As stated in 2.1 above, 3 FTE employees also transferred with the work and the CAFT was restructured to reflect the loss of this work. The current establishment is shown in Appendix 1.

This change has triggered a shift in the type and composition of work the team picks up moving forward. Historically, the team received the vast majority of its work through reactive housing benefit referrals combined with proactive corporate fraud work involving housing, blue badges, social care, insurance, grants and internal matters. Moving forward, the team will now need to be far more proactive in its approach to countering fraud as the reactive referral numbers will not be sufficient.

This changing landscape of counter fraud work is the challenge now facing the authority and the committee is asked for its views on where the team should be focussing its energy and resources both now and in the future.

## **2.15 CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (Appendix 2)**

CIPFA's recently issued code of practice will support organisations seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption. It is a voluntary code that has 5 principles:-

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The code builds on CIPFA's previous guidance the *Red Book* (Managing the Risk of Fraud, Actions to Counter Fraud and Corruption). It is shorter and clearly sets out the importance of top level support from the governing body and leadership team of the organisation wishing to utilise the code as a measurement of its governance arrangements.

It is envisaged that this code will form the framework of both Internal Audit and External Audit assessment of counter fraud arrangements within Local Government. The Committee is therefore asked for its views on the Code and whether it is recommended that the Code is adopted by the authority as a tool by which it can provide assurance on countering fraud and corruption to Senior Management, Elected Members and the Public.

## **2.16 Protecting the Public Purse Report 2014 – Audit Commission (Appendix 3)**

The Committee is asked to note this report for information only.



### **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: 17/11/14

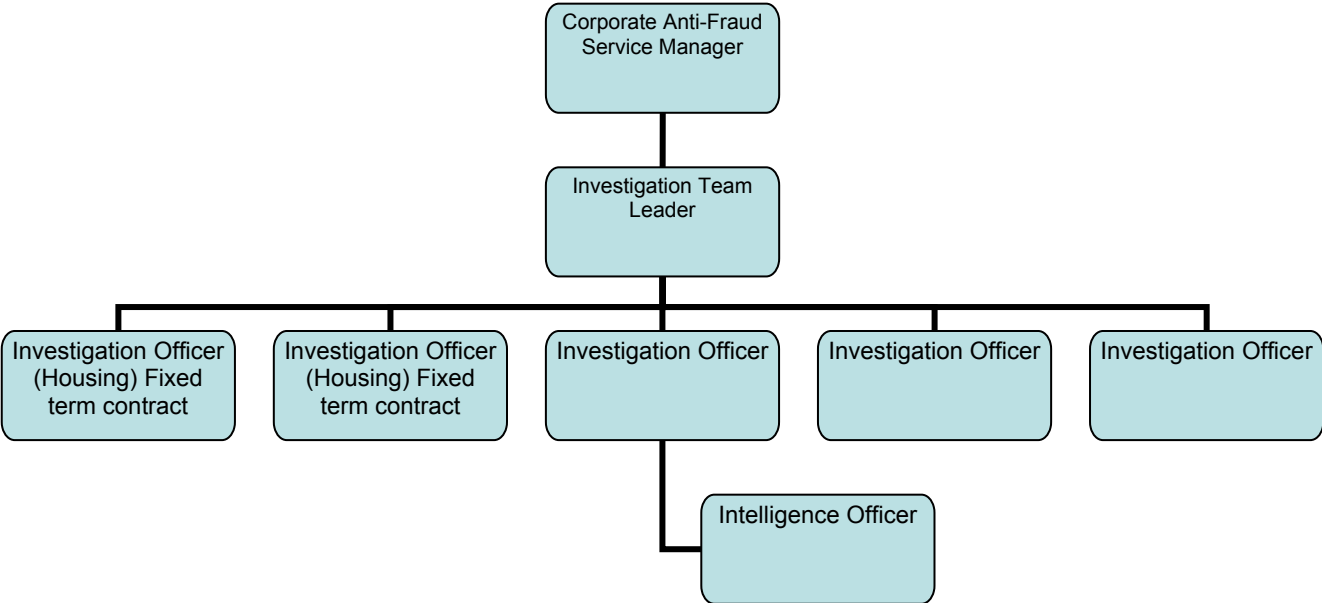
### **Section 7 - Contact Details and Background Papers**

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

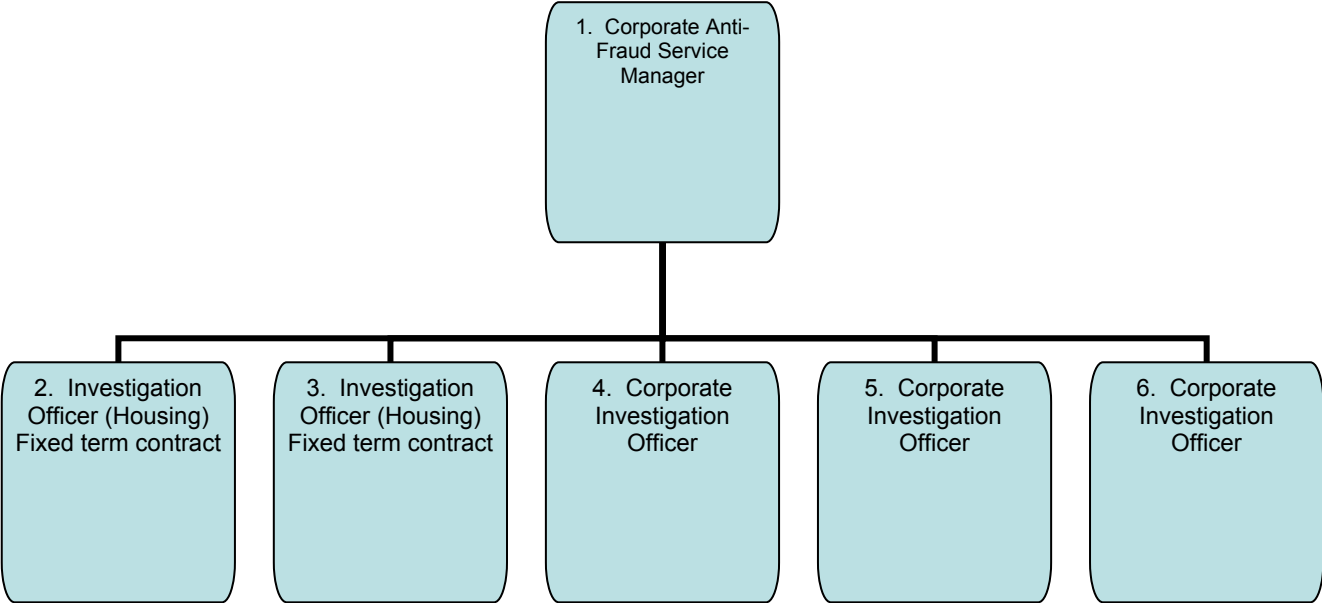
**Background Papers:** None

# Appendix 1

## CAFT Structure Pre SFIS Consultation



## CAFT Structure Post SFIS Consultation



Posts 2 & 3 are subject to continued non general funding via the Housing Revenue Account and may reduce to 1 FTE for 15/16.