

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

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**Date of Meeting:** 8<sup>th</sup> April 2010

**Subject:** Information Report - Corporate Anti-Fraud Team Activity

**Responsible Officer:** Myfanwy Barrett  
Corporate Director of Finance

**Exempt:** No

**Enclosures:** Appendix – Audit Commission Report  
Protecting the Public Purse

**Section 1 – Summary**

This report is intended to brief members of the Committee in respect of the work that the Corporate Anti-Fraud Team (CAFT) undertake generally in relation to fraud and the proposed fraud related activity for 2010/11.

**FOR INFORMATION**

## **Section 2 – Report**

### **Background**

- 2.1 This report provides an understanding and background of the work of the Corporate Anti-Fraud Team (CAFT). It will cover resourcing, main elements of work, counter fraud activity for 2009/10 and draft planned counter fraud activity for 2010/11.
- 2.2 The team has 7 full time officers led by a Corporate Anti-Fraud Service Manager. Supporting the Service Manager is an Investigation Team Leader, 4 x Investigation Officers and 1x Intelligence Officer. In 2009/10 a temporary agency officer was employed to assist in processing the National Fraud Initiative (NFI) matches.
- 2.3 The team has undergone a drawn out restructuring process which has only recently been complete. For all of 2009/10 and previous years, 2 vacant Investigation Officer posts were filled on a temporary basis by a number of agency staff for periods of time. The team was 1 Investigation Officer down for a period of around 5 months and the Intelligence Officer post is currently being filled on a 12 month internal secondment opportunity.
- 2.4 The team is therefore now fully staffed and the planned workstreams will recover and a full programme of activity is planned for 2010/11.
- 2.5 The team has two main work streams, benefit fraud and other corporate fraud work. The main drivers for the service in terms of performance in relation to prevention, detection and investigation derive from the Council's Use of Resources (UoR) assessment. Within the UoR assessment there are a number of key lines of enquiry that deal with fraud and corruption.
- 2.6 Around 85% of its work is made up of benefit fraud work and the remaining 15% corporate work which is typical of other London Boroughs. The team receives in the region of 650-700 benefit fraud referrals and 100-150 corporate fraud referrals annually from various sources.
- 2.7 Referrals can involve allegations made against employees, customers, contractors and suppliers or members.
- 2.8 All referrals received by the team are logged and recorded on a fraud case management system and the information is risk assessed, allocated a score and a decision made as to whether a full investigation is launched. The system is then used to track the lifecycle of the investigation with management checks undertaken periodically to satisfy operational and legislative standards.
- 2.9 Cases that proceed to full investigation are undertaken mainly by the 4 Investigation Officers and Investigation Team Leader with a view to establishing the facts of the case. If fraud is established then there are a

number of case disposal options available to the team. In all cases investigated, recovery of any overpayment/loss is always sought after under civil action.

- 2.10 For benefit fraud investigations where evidence indicates an offence has been committed, the offender can be offered a formal caution (a warning, but offence must be admitted). The caution is a non statutory disposal instrument for adult offenders, covered under Home Office circular 50/2005 produced by the Office for Criminal Justice Reform. An administrative penalty (30% fine on top of any overpayment generated) can be offered which is covered under Section 115 of the Social Security Administration Act 1992, or in the more serious cases a prosecution will be taken. These are generally referred to as sanctions.
- 2.11 For corporate fraud investigations where evidence indicates an offence has been committed, the offender can be offered a formal caution as above, a recommendation that services are refused or withdrawn, employees, contractors or members recommended for misconduct action or dismissal or in the more serious cases a prosecution will be taken.
- 2.12 The team undertakes all their own prosecution cases using Legal Services in the main, with the lead officer collating all witness statements and supporting evidence in assembling the prosecution bundle for serving on the defendant and the court. In more serious cases, an investigation may require the services of the Metropolitan Police to facilitate an arrest, search and seize but the prosecution will be taken by the team.
- 2.13 Where possible the team seek to maximise use of both local and national publicity on prosecution cases to inform the community of the work being done to counter fraud and to serve as a deterrent.
- 2.14 The team has no statutory Performance Indicators but sets internal targets with the intention of achieving the highest assessment of the UoR's in relation to fraud and corruption.
- 2.15 In 2009/10 the team was challenged with achieving 64 benefit fraud sanctions and delivering 4 corporate proactive exercises involving service areas at deemed risk to fraud within the authority. The areas chosen based on perceived risk and some evidence were disabled blue parking badges, housing assessment, employment with the council and social care direct payments.
- 2.16 Due to resource disruption on the team referred to in paragraph 2.3, the target of 64 sanctions will most probably fall short and proactive exercises were only delivered in respect of blue badges and employment areas. However, this will continue to recover now that the team is fully staffed.
- 2.17 Some highlights for 2009/10 include a number of benefit fraud prosecution cases featuring in the national media, one of which involved the conviction of a Department for Work and Pensions (DWP) Investigation Officer and his wife for committing benefit fraud against the authority. The officer received a 27 month prison sentence and his wife 6 months prison sentence suspended for 2 years.

- 2.18 In terms of corporate fraud outputs, many of the successes came from work undertaken on the NFI where 5 employees were identified as having no right to work in the UK and summarily dismissed and a further 4 employees identified through other proactive work dismissed for various fraud related issues.
- 2.19 Disabled blue badge success cases featured heavily again in the year with 19 badges being seized over 2 joint operations with the Metropolitan Police and Parking Enforcement and another reactive work. Of the badges seized, 7 offenders received formal cautions, 5 were successfully prosecuted and a number of investigations are still ongoing.
- 2.20 Possibly the most interesting case the team was involved in was the school admission fraud case that attracted much national media attention. Unfortunately, the prosecution had to be withdrawn on the advice of Counsel but it prompted an official enquiry by the government into the extent of the problem affecting all school admission services across the UK. The Chief Adjudicator, Dr Ian Craig, published his findings recently where he acknowledged the extent of the problem and made a number of recommendations to the government. These will be discussed in conjunction with school admissions shortly.
- 2.21 Detailed information on all 2009/10 service outputs will be included in the June GARMC report so that this is aligned with Internal Audit year end reporting.

### **CAFT Plan for 2010/11**

- 2.22 In terms of the draft fraud plan for 2010/11, it will be very similar to that of 2009/10 in that it will focus on the two main work streams and within the work streams there will be both team and individual objectives for the year. The intention is to deliver a target of 68 benefit fraud sanctions and corporately deliver 4 proactive exercises involving services areas deemed at risk to fraud. The proposed areas are disabled blue parking badges, housing management, employment with the council and social care direct payments.
- 2.23 The justification for targeting the above service areas is based on evidence and levels of fraud uncovered in previous years, advice and recommendations from both internal and external audit and through reports such as that published by the independent watchdog, the Audit Commission into the types and extent of fraud affecting local authorities.
- 2.24 The CAFT continues to uncover fraud and misuse of the disabled blue badge scheme and this forms an integral part of the National Fraud Initiative (NFI) exercise so this will continue to be the subject of attention.
- 2.25 A number of employees, both permanent and temporary through agencies were disciplined and/or dismissed for their part in committing fraud against the authority in 2009/10. This includes theft generally, benefit fraud and through not having the entitlement to work in the UK.

This area also forms an integral part of the NFI exercise. This work will also align with an area featuring on Internal Audit's draft audit plan for 2010/11 demonstrating a joined up approach between the services.

- 2.26 Housing management and tenancy fraud (subletting) has become a real focus for the government in 2009 as the estimated cost of abuse runs into millions of pounds each year. In August 2009 the Housing Minister, Rt. Hon John Healy wrote to all local authorities inviting them to join a national crackdown on sub-letting in social housing. As an incentive, authorities were offered funding in return for signing up to the scheme.
- 2.27 Harrow committed itself to joining the scheme and was awarded £30,000 to assist in implementing a range of measures such as a best practice guide to tackling sub-letting, increasing the use of enhanced tenancy audits, encouraging partnership working with Registered Social Landlords (RSL's), setting up of a tenant hotline and the use of specialist investigators.
- 2.28 The CAFT will be working in partnership with Housing management to plan and implement the above recommendations in 2010/11. It is intended that a 12 month fixed term contract for an Investigation Officer will be jointly funded by both services so that greater focus can be directed to the problem of subletting. The recruitment process of this post has already commenced. It is envisaged that publicity surrounding the scheme will be launched in April 2010 with the CAFT fraud hotline advertised for the public to report subletting in social housing.
- 2.29 The area of social care direct payments is relatively new one and authorities now have a duty to offer direct payments to most individuals eligible for directly provided community care services. This allows the individual greater independence and choice in meeting their needs more effectively. This area was subject to an internal audit in 2009/10 with recommendations for making the scheme more robust, but there remain concerns that the risk of fraud is still sufficiently high enough for a greater focus. It is also an area that the Audit Commission have highlighted as a fraud risk to local authorities.
- 2.30 In September 2009 the Audit Commission published a report (attached at the appendix) entitled 'Protecting the public purse'. The report detailed some of the fraud issues affecting the UK economy as a whole and those affecting local government. It championed some of the good work already being carried out by authorities and highlighted some areas that needed further attention.
- 2.31 The significant areas that in its opinion had not been adequately addressed at a local level included tenancy fraud, false claims for single person discounts on Council tax and recruitment fraud. Other areas that need attention include housing and council tax benefit fraud, procurement frauds and social care direct payments.
- 2.32 Harrow Council fully supports the Audit Commission's findings and have taken this into consideration when drafting its own fraud plans historically and moving forward. This report also provides assurance that Harrow is

directing its counter fraud resources into the right areas with 4 of the 6 areas identified by the Audit Commission already being focused on by the CAFT. Council Tax single person discount fraud is already proactively dealt with by the service area resulting in Harrow having the 3<sup>rd</sup> lowest SPD rate in the UK and procurement fraud is something that the NFI identifies as part of its national data matching exercise which Harrow is committed to.

- 2.33 CAFT activity will continue to be reported to the GARMC as part of the regular activity update reports for monitoring by members

### **Financial Implications**

- 2.34 The work of the CAFT is delivered within the budget available

### **Risk Management Implications**

- 2.35 The work of CAFT contributes directly to the reduction of fraud risks

### **Corporate Priorities**

- 2.36 The Council's resources and the work of the Risk, Audit and Fraud Division support all of the council's corporate priorities.

## **Section 3 - Statutory Officer Clearance**

Name: Myfanwy Barrett	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 22 <sup>nd</sup> March 2010		
Name: George Curran	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 23 <sup>rd</sup> March 2010		



## **Section 4 - Contact Details and Background Papers**

### **Contact:**

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