



AUDIT, PENSIONS AND STANDARDS COMMITTEE

28th June 2012

CONTRIBUTORS

Head of Fraud Service
Chief Internal Auditor
Director of Finance

Corporate Anti Fraud Service Annual
Fraud Report 2011/12.

WARDS
All

This is the annual report on the progress made in delivering the 2011/12 year service plans; key results of the work undertaken, and the performance achieved

RECOMMENDATION:

To agree the contents of this report

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Corporate Anti Fraud Service operational investigation files and performance reports	Kirsten Quinn	Corporate Anti Fraud Service, 4th Floor, Town Hall, Hammersmith



Hammersmith & Fulham Council

Corporate Anti Fraud Service

Fraud Report

The Council's Annual Fraud Report to 31st March 2012

Management Summary

- 1 This report details the counter fraud work undertaken during the year to 31st of March 2011 by the Council's Corporate Anti Fraud Service (CAFS) and the plans for the next financial year.
- 2 CAFS was restructured in April 2011 and as a result of reduced budget and withdrawn grant funding the unit has 6 less staff to investigate allegations of fraud.
- 3 CAFS has delivered a very respectable performance this year achieving 24 successful prosecutions, plus a further 185 sanctions (these include administrative penalties, recovered properties, removals from the council's Housing Register, etc). This total of 209 successful outcomes compares to a target of 127. Each officer exceeded their target by over 10% as well as improving their skills to the point where this year they are truly generic investigation resources. The team identified fraud and error to the value of £8,577,442 and were responsible for the recovery by the council of £700k. A further £1 million is recoverable.
- 4 The work undertaken by the team has continued to expand with increased referrals for tenancy fraud and internal fraud, plus joint work undertaken with the police. We have three qualified Financial Investigators and a fully functioning Proactive resource and a new legal officer.
5. In the 2012-13 we will be using our intelligence more effectively working with our Tri Borough Partners. We will be increasing our non benefits investigations and working more closely to quantify our fraud risk. .

1. Introduction

- 1.1 Counter fraud services are provided by Hammersmith and Fulham Council's Corporate Anti Fraud Service (CAFS). The scope of the service's work includes suspected fraudulent Housing Benefit and Council Tax Benefit claims, suspected fraudulent tenancies and circumstances of tenancy related matters, and investigating allegations of fraud or irregularity committed within or against the Council. Further coverage is provided by undertaking pro active projects which are based on the risks identified within the fraud risk register.
- 1.2 The CAFS unit also has responsibility for raising fraud awareness across the Council, managing participation in the Audit Commission's National Fraud Initiative, providing advice and guidance and qualified staff in such areas as Money Laundering and Whistleblowing, and maintaining close working relationships with the police and other partnership organisations in order to facilitate the effective combating of fraud directed against the Council, whilst contributing to the reduction of crime overall.

2. Performance

- 2.1 CAFS performance is measured on outputs which are successful outcomes including the number of sanctions successfully applied and the number of fraudulent issues stopped or prevented. We also keep under review the value of fraud and error identified plus the amount of recovered and recoverable losses identified for the Council and the public purse. The CAFS target for the year was 127 successful outcomes, which has been exceeded significantly with a final outturn of 209. **Figures 2 and 3** in Appendix 1 show the breakdown of sanctions achieved.
- 2.3 The number of successful prosecutions achieved in the year was 24. In order to manage the quality of our court presence and reduce the legal costs which criminal prosecutions attract CAFS have created a new role for a legal officer. This officer will manage all the prosecutions going forward and her input will reduce our legal fees and any delays going

forward CAFS. This new role will be in place from April 2012 and progress will be monitored. Copies of some of the press releases for the prosecution cases are provided at **Appendix 2** for information.

2.4 It is worth mentioning the volume of referrals received which shows that the service continues to receive more volumes than it can investigate. CAFS received 588 referrals comprised of 267 benefit cases, 295 tenancy related cases, 26 internal or corporate cases. We carried forward 802 open cases from the year before. 260 cases were rejected for investigation either because of insufficient quality of information or due to insufficient capacity to proceed. We have carried 560 cases into the New Year. This is summarised in **Figure 1** of Appendix 1.

2.5 The measurable financial value of CAFS work involves cash recoveries received from the application of penalties or court awards, Housing Benefit overpayments which become a debt owed to the Council plus a 40% 'bounty' on these overpayments which is paid to the Council from subsidy, the recovery of property or removals from the Housing Register which the Audit Commission have put a value of £75,000 per property, the prevention of fraudulent Right to Buy applications which would attract a discount of £16,000 per property, and other overpaid benefits which are recoverable and while bringing no specific value to the Council do represent a saving made to the public purse. The analysis of the value of fraud identified and recovered is contained in the table at **Figure 4** in Appendix 1.

2.6 The value of the savings to the council (8,577,442) identified by fraud compare well to the cost of the service which was an operational cost of £950k, and a gross cost of £1.1 million.

3. Service Review

3.1 CAFS have removed the reliance on temporary staff and now have a reduced, but permanent structure. The management structure has been flattened and the teams condensed. The new structure has run for a year and has been successful.

- 3.2 The core CAFS work covers housing benefit, fraudulent tenancies, and corporate fraud. Additional activities include investigating applications on the Housing Register, and a significant amount of fraud and error identified through management of the National Fraud Initiative exercise. The deterrence effect of the publicised work of the Service cannot be ignored, which includes the press releases made for every successful prosecution. The unit has appeared on prime time television this year and in most of the leading daily papers. A selection of articles is at Appendix 3 however should you wish more details or to see the full collection of articles please contact the head of Service in CAFS who will arrange for you to have access to the correct folder
- 3.3 The profile of the Service, the Council, and the fight against fraud in Hammersmith and Fulham has been raised as a result of joint working with the police. The close relationship has been maintained even though the office is no longer permanently seconded to the police
- 3.4 In order to maximise the realisable benefits from work of this nature, three CAFS officers have trained as accredited Financial Investigation Officers. Two senior officers have trained as senior authorising officers. We now apply to the courts to make restraints ourselves, rather than being dependant on the police. The advantage is that previously we divided any assets seized and confiscated and allocated by the court between the Council and the police. As we apply the restraints and bring proceedings ourselves, we have the opportunity to maximise income to the Council.
- 3.5 Following a small trial CAFS now offer the Financial Investigation service out to other units and organisations. With the help of the legal unit we have developed a contract to be used for this purpose and we will be paid for our services. We will report on the progress of this project throughout the year
- 3.6 Tenancy fraud is being widely recognised as a growing area of concern and the NFA, national government and the Audit Commission make strong recommendations that Local Authorities do all in their power to crack down on an estimated 50,000 unlawful tenancies or sublets nationwide (although unofficial estimates place the figure at closer to 200,000 properties. *Source: National Fraud Authority Annual Fraud*

Indicator Report, January 2010). In November 2009 the Minister for Housing announced a national crackdown on tenancy fraud with a series of measures including tenancy data matching. We have been actively pursuing Tenancy fraudsters and will continue to do so this coming year. Hammersmith has been involved in a large scale data match project in partnership with Experian and this year will be part of the innovative programme launched by call credit to create a “London Hub”, the first of its kind country wide. Prevention and better use of intelligence are high on all political agendas and we are, and have been prioritising these areas

- 3.7 The unit has developed a pro active plan to focus resources on new areas of concern and to develop

4. Future Plans

Single Fraud Investigation Service (SFIS) – Universal Credit (UC)

Changes in governmental policy around social benefits will have a significant effect on the way welfare benefits are delivered from April 2013. LBHF are involved in the forefront of these changes and CAFS are involved in the shaping of the service that will investigate any payments made under UC. We plan to bid to run a pilot of the scheme and to actively take part in the consultation which is ongoing

Tri Borough Programme

CAFS is currently in scope for active involvement with the tri borough process. We are liaising closely with our counterparts in the other two boroughs and will work to increase joint working, share resources and prioritise shared risks

Fighting Fraud Locally

The recently published Local Government Fraud Strategy supported by James Brokenshire MP, Baroness Hanham CBE and The Rt Hon Francis Maude MP encourages local government to use local knowledge, flair and a determination to tackle fraud. It encourages local authorities to organise its Anti Fraud processes around three themes, Acknowledge, Prevent and Pursue and provides a checklist to use as a standard to measure ourselves against. CAFS will be measuring

ourselves against this checklist. Identifying any weaknesses and working to improve performance in these areas.

Using our intelligence more effectively

We will be working in partnership with other West London Authorities and a software company (Call credit) to create the first intelligence hub for Tenancy fraud. We will be exploiting the possibilities presented by the PRISM data base and sharing its usage with other units within LBHF and our Tri Borough Partners. We have worked with the risk manager to create a Fraud Risk register and linked that to our proactive programme which then links with our Internal Audit colleagues creating a seamless approach to identifying weaknesses in our systems, putting in place solutions and making sure those solutions are implemented

5. Conclusion

- 5.1 2011-12 has been a successful year for counter fraud investigation since the formation of CAFS. We have restructured, flattened the management structure, reduced the cost and increased the out put of the unit. The level of referral continues to increase due in part to the work of the CAFS team in raising awareness and improving liaison between the Council and its partners, coupled with a long overdue raise in awareness at a national level on tenancy fraud.
- 5.2 The aim of the Corporate Anti Fraud Service going forward is to continually improve on results to date. With reduced funding in this area, the intention is to focus on achieving better results with the resource to hand, by improving the referral and risk scoring process, making better use of intelligence and increasing our focus on proactive work such as data mining, and by improving the deterrence effect by focussing on delivering sanctions and prosecutions.
- 5.3 CAFS are involved in the more towards Tri Borough. We will be working closely with our colleagues in the other two boroughs and establishing joint projects and shared resource programmes throughout the year
- 5.4 The work of local government fraud units will be substantially altered by the proposed national government changes in 2013. CAFS will work

together this year to redirect their resources into non benefits related investigations which add value at a more local level. We are also closely following the publicised changes and involving ourselves in the consultation. A full pro active programme will be run which will concentrate on areas of risk within the council which are unrelated to the payments of national benefits. The NFA has raised the profile of procurement fraud and the unit will be involving itself in the business re engineering processes which are taking place round the council with a view to designing out as much fraud as possible.

- 5.5 The unit attracted income of over £170k which helped the overall savings required by the council. The financial investigators will be actively pursuing opportunities with other organisations to sell their services and we will be considering the use of more civil court actions to recover losses to the council where possible

Appendix 1

Performance Tables

Fig. 1 Cases Opened, Rejected, and Closed 2011 -12

Fraud Area	B/fwd from 2011//12	Referred	Rejected (no resource)	Closed	C/fwd into 2012/13
Benefit Fraud	364	267	165	176	290
Tenancy Fraud	304	295	95	295	209
Housing Register	42	0	0	20	22
Other Housing Fraud	0	0	0	0	0
Internal or Corporate Project	92	26	0	79	39
Total	802	588	260	570	560

Fig. 2 Performance by Outcome Achieved

	Prosecutions Successfully Undertaken	Caution, Penalty, Recovery or Disciplinary Sanction	Positive Outcome / Action Achieved	Totals
Housing Benefit	23	19	27	69
Tenancy	1	25	77	103
Tenancy projects	0	0	0	0
Corporate	0	19	18	37
Total	24	63	122	209

Fig. 3 Performance Outturn against Target

	Annual Outturn
	Total
Total 2011/12 (Target 127)	209
Total 2010/11	286
Total 2009/10	278
Total 2008/09	186
Total 2007/08	130
Total 2006/07	132
Total 2005/06	96

Financial Benefits of CAFS Work		Recovered		Recoverable	Additional value to public purse	Speculative Income
		Recovered by CAFS	Recovered to LBHF	Recoverable by LBHF	Value of properties recovered or lets avoided	Value of Assets Currently Restrained
Benefits	Penalties	18,350				
	Costs, Compensation, POCA	259,608****				
	HB Overpayments			650,898		
	40% Bounty on HB O/Ps		260,359			
Tenancy	Tenancies recovered (25)				1,875,000*	
	Housing Register removals (66)				4,950,000**	
	Right to buys (2)		32,000***			
	Housing other					
Corporate	Corporate cases			£27,932		
NFI	HB Overpayments			£358,610		
	40% Bounty on HB O/Ps		£143,444			
	Pay & pensions			£1,241		
	Creditors			£0.00		
Assets Restrained: Benefits cases						102,450
Assets Restrained: Corporate cases		0	0	0		
Total		277,958	435,803	1,038,681	6,825,000	102,450
Total recovered		713,761				
Total balance recoverable		0		1,038,681		
Total overall recoverable value to the council		1,752,442				
Total value to council due to CAFS work		8,577,442				

- * Valued at £75k/property as per the Audit commission guidance
- **Valued at £75k/removal as per the Audit commission guidance
- ***Valued at £16k/application
- **** Within this total £149,880 was from POCA payments. The MOU in place to cover this with police and CDRP meant that £49960 was forwarded to the police and £49960 to CDRP

APPENDIX TWO

Press Coverage

There has been substantial press interest in public sector fraud this year and LBHF has benefited from the renewed interest I have included two examples of the written coverage we received this year are included below however we do have a DVD of our appearance on 'Saints and scroungers' and numerous other examples of positive press. (If you wish to see additional coverage please contact the head of Service who will facilitate your access

We have agreed to work with the BBC on a new programme for the autumn which will be focused on Tenancy fraud and its associated problems



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Landlord who lived as subsidised council tenant facing jail



Learn how to make the system work for you

Tuesday 22nd November 2011

A man who conned more than £10,000 of housing and council tax benefit out of one council had enough money to buy a house – which he let out to another council.

He claimed on his mortgage application to have a business making a profit of more than £80,000 a year.

Ganiyu Anifowose, of Fulham, London, is now facing a prison sentence. In total Anifowose defrauded Hammersmith and Fulham Council out of £8,151 of housing benefit and £1,925 of council tax benefit.

He was in receipt of benefit from the council since at least April 2002 on the basis of a low income and that he lived with his wife and children at a council property.

However, the council's anti-fraud service uncovered that Anifowose, 42, held four bank accounts into which regular deposits were made, showing that he was too wealthy to be entitled to benefit. The property he bought with a mortgage was rented out to Havering Council.

At Kingston Crown Court, Anifowose said he had no knowledge of the information on the mortgage application form and that a man called 'Sanny' just asked him to sign.

He also stated that he was told that the property was for free and he did not have to pay anything. Anifowose was convicted of four counts of benefit fraud and is due to be sentenced on Friday.

The judge warned him: "Anyone who has the mind to obtain benefits fraudulently from a local authority steals from every right-minded member of society. It is very likely these convictions will result in immediate imprisonment."

Cllr Greg Smith, cabinet member for residents' services, said: "This fraudster thought that he was untouchable and assumed that he could do what he wanted without repercussions.

"Our corporate anti-fraud service work round the clock to catch benefit cheats and the message to anyone who is considering acting in such an unscrupulous fashion is that you will be caught and brought to justice just like Anifowose."

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Breast implant conman jailed

Mark Glendon

08 March 2012

A psychologist who faked his own death after swindling £43,000 in benefits while paying for his wife's breast enlargement was jailed for 32 months today.

Stephen Kollaray, 54, claimed housing benefit despite having property worth £1 million and a £100,000 salary. His wife Nail claimed he had died on a trip to her native Russia where she had enlargement surgery.

She returned to Britain with a fake death certificate and an urn supposedly containing his ashes. After faking his death in 2008, Kollaray was caught sleeping rough at an airport in Bangkok with a fake Irish passport.

Prosecutor Mark Himsworth told Croydon crown court: "When she was arrested she said: 'I'll tell you everything.' Found on her person were three life insurance documents valid at the time of his purported death which would have paid out £1.7 million."

Kollaray, a father of two, admitted three charges of benefit fraud and one of identity fraud. He and his 43-year-old wife, his third, owned five properties in Richmond and Hammersmith and Fulham. She was given a 24-week suspended sentence after she said her "abusive" husband had coerced her.

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