



London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee

13 December 2012

Corporate Anti Fraud Service Report 1 April to 30th of September 20112

Open Report.

Classification: For Information

Wards Affected: None

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1. EXECUTIVE SUMMARY

1.1 This report details the counter fraud work undertaken during the first two quarters of the financial year to 30th of September 2012, by the Council's Corporate Anti Fraud Service (CAFS).

1.2 Performance is measured in numbers of sanctions (prosecutions, penalties, formal cautions or other action taken directly) delivered. CAFS has delivered 72 sanctions (including 7 prosecutions) in the first half of the year including 35 properties recovered or prevented from fraudulently being allocated. Of the 260 cases referred to CAFS for potential investigation 98 were closed due to resource constraints, representing 37% of all referrals. This will mean that higher quality referrals only will have been investigated, part of the reason for this is several investigations requiring significant investigator resource input.

1.3 The service has recovered £165k additional income to the council from its operations with additional recoverable debt of £422k identified. Applying the Audit Commission's recommended values for property recoveries, as well as calculating the value of overpayments generated and penalties applied to offenders, the value of CAFS work to the council for the first half year stands at £3.2 million, (against an annual projected operating cost of £690k.) On top of these figures we also still pay a percentage of funds to the police and to the CDRP (Crime & Disorder Reduction Partnership), which amounted to a further £13.5k in the period.

2 RECOMMENDATIONS

2.1 That the report be noted.

3 REASONS FOR DECISION

3.1 To inform the committee of the actions of the councils counter fraud response.

4 INTRODUCTION AND BACKGROUND

4.1 The service provides a full, professional counter fraud and investigation service for fraud attempted or committed against the council. It is an

intelligence led operation covering 3 areas. Corporate fraud, which also includes our proactive response and our financial investigators, Benefits fraud and a Housing fraud. We work closely with other law enforcement units including the Met Police and UKBA. The unit also successfully manages the National Fraud Initiative programme on behalf of the council and other projects that intelligently use the data held within the council systems all officers within the CAFS unit work on a generic bases. Their cases span all aspects of our work and look at the full criminality rather than restricted areas of work.

4.2 The Housing & Regeneration Department review tenancies and have been working with Experian to cleanse issues within the tenancy stock. CAFS deal with any reactive allegation received and seek to recover tenancies in misuse and prosecute where there is believed to be criminal activity.

4.3 Joint working with the police continues aimed at targeting known criminals, we have approximately 5 joint cases live at this time. Discussions are now starting on expanding coverage of this programme to include problem residents using wider council data

5 PROPOSALS AND ISSUES

5.1 CAFS has delivered 72 sanctions in the first half of this year, including 7 prosecutions, against a mid-year target of 75. The full set of performance figures are provided at Appendix 1, Figures 2 and 3 shows the outturn for Quarter 1 and Quarter 2, for each type of fraud, and by sanction delivered. It should be noted that of the 260 cases referred to CAFS for potential investigation 98 were closed due to resource constraints, representing 37% of all referrals. This will mean that higher quality referrals only will have been investigated, part of the reason for this is several investigations requiring significant investigator resource input.

5.2 The unit has continued its pro-active projects programme resourced by two officers who are also the financial Investigation resource. They split their time between the two functions depending on the priority of the case. The research involved in pro-active projects and their results, along with other intelligence, will help to inform our future business planning. It is hoped it

will also attract new business to the service and create a better informed fraud risk register.

Tenancy Fraud

5.3 The funding to investigate tenancy fraud has remained static this year, with the additional £200k funding from the DCLG being directed to HRD to fund their projects. Tenancy fraud remains high risk and high profile both locally and from central government and will remain a high priority for the CAFS service.

5.4 The Fighting Fraud Locally agenda produced by the National Fraud Authority and supported by Government advises that Prevention Activities should form the bases of any effective fraud response. CAFS are working hard on including better use of intelligence, pro activity and fraud awareness projects to shape our response.

Corporate fraud

5.5 The referrals needing CAFS intervention have remained high and we have one member of staff who works full time in this area of work with additional resource available when required. One particular investigation has resulted in an officer being allocated to it full time with additional support from the Financial Investigators, plus we also have temporary resource from operational unit providing technical support.

5.6 The Proactive Officers have a full timetable of projects and are actively testing areas of concern to better inform the risk register and to more effectively target the valuable resources of the unit. Their work will better inform our work going forward and should provide us with innovative opportunities for new work within the council as well as joint working with other boroughs and law enforcement agencies.

5.7 Two officers are fully accredited to undertake financial investigations. LBHF has the ability to launch its own financial investigations under the Proceeds Of Crime Act (POCA) legislation and any financial gain will be directly of benefit to LBHF. We have also purchased the software to support this function which cuts the amount of time required to process financial information. We have established a model service level agreement to sell

these services in the future and we are currently investigating two cases on behalf of two other authorities.

Benefits Investigations – Proposed changes

5.8 Universal Credit is scheduled for introduction in April 2013, with Housing Benefit being phased out completely by 2017. Consultation on these changes is still ongoing. The pilot projects begin work at the beginning of November 2012. Hillingdon is the nominated Authority to represent London Boroughs. The projects are due to report back next year. A proposed timetable for the whole process to be concluded is still to be finalise however it is likely the re branding of Benefits investigation work to SFIS will begin in April 2013 and the whole change will be complete in 2015. As more information becomes available it will be reported to future Committee meetings.

5.9 Partially as a consequence of the uncertainty created by SFIS, and partially as a move towards up skilling our investigation resource, the investigation staff are entirely generic and can investigate what ever is required of them. One of our experienced officers has resigned and has not, been replaced. There will be interim coverage for this post from December provided by Agency staff and the complement will be reconsidered as part of the Bi Borough process.

Financial value of counter fraud work

5.10 The financial value of Counter fraud work for the first 6 months of the year is included at figure 4 in Appendix 1. This shows the funds that are recovered by the council totalling £165k, this includes for the first time the recovered Housing Benefits overpayments as identified in the following paragraph which increased the total income form CAFS work for 6 months by a minimum of £20K. There are additional funds that may be recovered of £423k, making a total that is recoverable by the council of £642k. The table also puts a nominal value on properties recovered based on an average calculation produced by the Audit Commission of £75k a property. This increases the value delivered by the service to £3.2 million.

5.11 At the last Committee meeting we were requested to produce figures on the level of Housing Benefit debt raised and the values recovered. We are pleased to be able to report that figures are now available.

Year	Amount raised	Amount recovered
2007-08	460,534.62	303,646.39
2008-09	255,364.57	136,281.14
2009-10	376,159.63	212,765.26
2010-11	432,253.36	232,584.27
2011-12	462,410.81	103,765.71
2012-13 (6 months)	55,277.12	20,335.36
TOTAL	2,042,000.11	1,009,378.13

The table shows the total value of overpaid benefits identified as a result of CAFS investigation and the amount recovered based on the year the debt was raised, which means that recovery this year is a minimum of £20k but may be much higher. As all overpaid benefit is retained by the council these represent additional income to the council. The table at Appendix 1 figure 4 also shows a further £73k relating to Single Person Discount, it is not possible to identify how much of this is recovered as these debts cannot be identified as relating to anti-fraud work.

Nation Fraud Initiative 2012 – 2014

5.12 The next NFI Initiative is due to begin in December 2012. We will send the required data and the results will arrive in the council in March 2013. The data will then be distributed to the relevant parties. The CAFS unit will manage the process and will deal with any fraud matters that arise from the data. Output data and financial savings will be noted in the next report.

Major Service Changes

5.13 CAFS are part of the Internal Audit Bi-Borough project. Substantial management and officer time has gone into producing the data required to complete the Target Operating Model and move towards a shared resource.

Any required changes will be built into the business planning for the next financial year as the changes are due to begin in April 2013.

Future Plans

- 5.14 More resources are being used in the provision of pro-active and prevention projects. This is in line with the advice issued via central government and the National Fraud Authority.
- 5.15 November has been chosen as National Fraud Awareness month. LBHF in partnership with Westminster and RBKC are launching a high profile fraud awareness month. There will be joint projects, national publicity and new posters/advertising supplies. Productivity information will be gathered and shared between the participants. LBHF will use the experience gained to inform the business planning for next year.
- 5.16 We are working with Call Credit (a data company) and other West London Councils to build a Hub. This will provide ability for each of the councils to compare housing tenant's information and submit data on tenants who have been evicted. It will allow the member authorities to check either singular applications to be provided with Housing or larger scale matching exercises. This will be the first hub in the country and consideration will be given to widen the hub to pan London in the future.
- 5.17 We have created a post for a Court officer. This provides a single point of contact for all out dealings with legal, barristers and the court system. It tasks one officer with the responsibility for collating court files and any additional information which is later required by our legal representative and liaises with communications on publicity. We will review the effectiveness of this post at the end of the year.
- 5.18 Filming has taken place for another television series which will be aired later this year and concentrated on the Kellaway case.
- 5.19 Investigators are taking part in a full training programme to enhance their skills. This is part of the programme to make all officers experienced in generic investigation and therefore more flexible and a better value resource to the council.
- 5.20 Discussions are underway to make a more targeted effort to recover debts which have been raised as a consequence of fraud investigation. The

repayment of these debts is part of the deterrent factor and safeguards the council's finances in a time of financial austerity.

5.21 We are working in partnership with RBKC, Westminster and Peabody Housing Association in Q3 on a Fraud Awareness Project which is supported by the NFA. It will receive national press coverage and will raise the profile of Local Government investigation units

6. OPTIONS AND ANALYSIS OF OPTIONS

Not applicable.

7. CONSULTATION

7.1 *Not applicable*

8. EQUALITY IMPLICATIONS

8.1 *Not applicable*

9. LEGAL IMPLICATIONS

9.1 *Not applicable.*

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1 *Not applicable.*

11. RISK MANAGEMENT

11.1 *Not applicable.*

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1 *Not applicable.*

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Operational and performance management papers.	K Quinn	HTH

Appendix 1

CAFS performance tables

Fig. 1 Cases Opened, Rejected, and Closed 2012-13 (to Q2)

	01/04/11 – 30/09/11
Cases referred	260
Cases rejected due to poor quality	36
Cases rejected due to overload of case	98
Cases closed with a successful sanction/outturn	72
Total number of cases closed	396

Fig. 2 Performance by Outcome Achieved to Date (to Q2)

	Prosecutions Successfully Undertaken	Caution, Penalty, Recovery or Disciplinary Sanction	Positive Outcome / Action Achieved	Totals
Housing Benefit	6	1	12	19
Tenancy	1	13	22	36
Corporate	0	7	10	17
Grand Total	7	21	44	72

Fig.3 Performance Outturn against Target (cumulative to Q2)

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Benefits	7	20			
Tenancy	23	36			
Corporate	6	16			
Total All	36	72			
Target 2012/13	38	75			
Previous Years' Comparatives					
Total 2011/12	40	76	114	210	210
Total 2010/11	45	45	99	194	194
Total 2009/2010	55	92	132	278	278
Total 2008/2009	31	54	98	186	186
Total 2007/2008	32	65	97	130	130

Fig.4 Financial Value of Counter Fraud Work Undertaken 2010-11 (to Q2)

		Recovered		Recoverable		Additional value to the Council	Recoverable to public purse	Speculative Income
		Recovered by CAFS	Recovered to LBHF	Recoverable by CAFS	Recoverable by LBHF	Value of properties recovered or lets avoided or salaries ceased	Recoverable	Value of Assets Currently Restrained
Benefits	Penalties							
	Costs, Compensation, POCA	11,271.71		48,889.69				
	HB Overpayments		20,335.36		122,581.73			
	40% Bounty on HB O/Ps		57,166.83					
Tenancy	Tenancies recovered (13)					975,000		
	Housing Register removals (22)					1,650,000		
	Right to Buys prevented (1)					16,000		
Corporate	Corporate cases		5,025.00					
NFI*	HB Overpayments				177,405.31			
	40% Bounty on HB O/Ps		70,962.12					
	CTax: Single Person Discount				73,525.09			
Income support overpayments								
Assets Restrained								270,000
Total		11,271.71	153,489.31	48,889.69	373,512.13	2,641,000		
Total recovered		164,761.02						
Total balance recoverable				422,401.82				
Total overall recoverable value to the council				587,162.84				
Total value to council due to CAFS work				3,228,162.84				
Total value to the public purse						3,228,162.84		

Appendix 2

Prosecutions

Imanwel Smith

Mr Smith has been in receipt of HB/CTB since at least April 2002 on the basis that he was seeking work and claiming Jobseekers Allowance from the DWP.

An investigation carried out by CAFS in relation to his Council tenancy uncovered that Mr Smith had owned a property in Ipswich since 17/05/07.

The mortgage application form was obtained from the bank showing that he borrowed £135,000 and placed a deposit of £15,000 of which was from his own savings. He declared that he was self-employed trading as an electrician and that his pre-tax annual income was £45,000.

The property in Ipswich was rented out, and Mr Smith also failed to declare two bank accounts showing a number of unexplained deposits, mostly in cash.

He was prosecuted for benefit fraud against LBHF and the DWP, totalling £18,000. Mr Smith was sentenced on 17.4.12 to 16 months imprisonment for each offence, suspended for 12 months, with a requirement of 200 hours of unpaid work. Mr Smith was also ordered to pay the prosecution costs in the sum of £850

Marian Littlejohn

Miss Littlejohn has been in receipt of HB/CTB since at least December 2001 on the basis that she was a single parent receiving Income Support. From 2006 onwards she was awarded Incapacity Benefit as she was not available for work due to ill health.

Her case came to light when the Council tax department confirmed to CAFS that Miss Littlejohn owned a property at Lillie Road, Fulham. The investigation found she jointly owned the property with her brother and that they had a mortgage on it; the application for the mortgage identified a job that Littlejohn had held since 1999 without declaring it to the benefit authorities. Her wages were paid into a bank account hidden from the DWP and the Housing Benefit office.

Littlejohn pleaded guilty to 5 counts of benefit fraud, totalling some £26,000. She was sentenced on 27.4.12 to 24 weeks' imprisonment suspended for 12 months, together with 'structured supervision for women' course, as recommended in Pre Sentence Report. A confiscation process was also commenced under the Proceeds of Crime Act.

Katerina Kouassi

Kouassi claimed HB and CTB since at least 2002, declaring her partner and her children on her claim...

A data match from the NFI scheme indicated her adult daughter Maira had started work for LBHF in 2008, this had not been declared

The investigation found that Maria PAU had been employed by LBHF since March 2008 and an overpayment for the period 07/04/2008 to 07/02/2011 was calculated which totalled £7,000.

Kouassi pleaded guilty to benefit fraud. She was sentenced on 25.4.12. The Judge stated that as Miss Kouassi could not carry out unpaid work, he imposed a curfew against Miss Kouassi for 30 days from 9pm to 6am which involved electronic tagging.

The Defendant was ordered to contribute to the prosecution's costs in the sum of £150.00. The Defendant was ordered to pay £5.00 per week and this amount would be deducted from her income support.

Lamia Alilou

Subject claimed with her partner Mr OULAMARA. Their Income Support claim was in the partner's name; however, due to the tenancy being in Ms ALILOU'S name, she was made the main applicant on the HB claim. They claimed HB and CTB from OCTOBER 2007. The only income that was declared when claiming HB was the claim for Income Support and Child benefit.

Mrs ALILOU was invited to attend an interview. When she attended, she admitted that she had been working for a number of salons and that this had not been declared, she stated that she knew that it would affect her benefit and blamed the troubles that she and her husband were having for not being honest and declaring her true circumstances. In this first interview under Caution, she revealed that she had worked for more establishments that we had initially been aware of. The interview was terminated so that further investigation could be carried out.

Mrs ALILOU attended a further two interviews under Caution, and she was accompanied by a solicitor on these occasions. In these interviews, she changed her story and now stated that she was not aware that she had to declare that she was working.

Alilou pleaded guilty to 7 benefit fraud offences relating to £7,500 of fraudulently obtained benefit.

On 11.9.12 she was sentenced to a 12 month community order, with 120 hours unpaid work for the benefit of the community, and was informed that

she must cooperate with probation, otherwise she could be brought back to the court and punished. Alilou was also ordered to contribute to the prosecution costs in the sum of £200.

Donna McConnell

McConnell claimed Income Support and Housing and Council Tax Benefit on the basis of being a lone parent whom the Council had accepted a housing duty towards and who had been provided with temporary accommodation.

Investigators found that in November 2008 McConnell had moved to Wales (to start living with her partner) and enrolled her child with a school there, She continued to apply for a permanent Council tenancy and made 27 bids after this change in her circumstances and eventually secured a permanent Council tenancy.

Investigators arranged for the recovery of the tenancy, and McConnell faced criminal proceedings for the housing fraud and the £12,000 of benefits she had wrongfully obtained.

McConnell pleaded guilty to four benefit fraud offences, and four offences of fraud regarding her housing application. On 27.4.12 she was sentenced to a 6 month Community Order (with supervision) and had to pay £150 toward costs.