

AUDIT AND PENSIONS COMMITTEE

29 June 2010

CONTRIBUTORS
Head of Fraud Service
Chief Internal Auditor
Director of Finance

TITLE
Corporate Anti Fraud Service
Annual Fraud Report 2009-10
This is the annual report on the progress made in delivering the 2009-10 year service plans; key results of the work undertaken; and the performance achieved.

WARDS
All

RECOMMENDATION:

To agree the contents of the 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	Ross Chesterton X1300	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 2010

Management Summary

- 1 This report details the counter fraud work undertaken during the year to 31st March 2010 by the Council's Corporate Anti Fraud Service (CAFS).
- 2 CAFS has delivered an exceptional performance, achieving 17 successful prosecutions, 215 sanctions (these include administrative penalties, recovered properties, removals from the council's Housing Register, etc), and 46 other penalties. This total of 278 successful outcomes compares to a target of 150 and a previous year performance of 186. This equates to a 49% increase over last year and is 300% more than the year before CAFS was established in April 2006. These figures exclude a further 33 Housing Register entries recommended for removal by year end that had not been fully acted on at that time
- 3 The team identified fraud and error to the value of £4.3 million (excluding the 33 Housing Register removals that would equate to an additional value of £2.475 million) plus the team has restraints on assets totalling £2.38 million in relation to ongoing investigations. The council, including CAFS, has recovered £605,334 with a further £1.1 million that is potentially recoverable. This compares to CAFS operational costs of £905k and gross costs of £1.1 million.
- 4 The work undertaken by the team continues to expand with increased referrals for tenancy fraud and internal fraud, plus joint work undertaken with the police, with a CAFS officer now based part time at Hammersmith police station identifying and working on cases in which both the Council have an interest and which serve to reduce crime in the community. Further, following the Minister for Housing's crackdown on tenancy fraud and introduction of a £500 reward for members of the public who provide information leading to the recovery of a property, we are pleased to say that we are reportedly the first authority to make such a reward payment.

1. Introduction

- 1.1 Counter fraud services are provided by Hammersmith and Fulham Council's Corporate Anti Fraud Service (CAFS). The scope 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 special projects, which currently covers tenancy issues.
- 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 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 is 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.
- 2.2 The CAFS target for the year was 150 successful outcomes, which has been exceeded significantly with a final outturn of 278 (of which 96 relate to email cases). This is easily the best performance of the Service since its creation in 2006 representing a 45% increase on last years' outturn. **Figures 2 and 3** in Appendix 1 show the breakdown of sanctions achieved. These figures exclude a further 33 Housing register entries that were investigated and are recommended for removal, as their removal had not been fully completed by year end.
- 2.3 The number of successful prosecutions achieved is slightly disappointing with 17 delivered against an expectation of 23, but this

was largely outside of the Service's control and arises in part from increased lead times in the courts bringing cases to court. The average lead time for a prosecution case is 288 days. In order to manage this going forward CAFS has identified and will monitor progress all potential prosecution cases. Copies of 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 1299 referrals comprised of 506 benefit cases, 367 tenancy related cases, 218 internal or corporate cases, a further 202 PSL/HAL tenancy verification cases, and 6 others. Of these 290 cases were rejected for investigation either because of insufficient quality of information or due to insufficient capacity to proceed. 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 It was the intention to report how much of council debt generated from CAFS work was recovered in the year. Unfortunately system reports only contain details of debts raised and the outstanding amounts at the time the report is produced. A report was run at 31st March 2010 which shows that from April 2006, when CAFS was set up, to date a total of £747.5k has been recovered, averaging £186,880 per annum.
- 2.7 Appendix 1 figure 4 shows that, including the average figure above, the council recovered £605k last year and has a further £1.1million that is recoverable. There is a further value to the council from properties

retained for welfare housing of £2¾ million – this figure excludes the 33 Housing register entries recommended for removal that also retains property for valid welfare housing, which would therefore be valued at £2.475 million. These 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 The core CAFS team remains temporarily expanded to undertake specialised projects related to tenancy fraud, plus an increased size of the corporate fraud team reflecting the size of the caseload. At the same time the long term illness of a manager plus a senior investigator has caused pressure on the Service.
- 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.
- 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. One of the CAFS officers is now a dedicated single point of contact between the police and the Council's counter fraud service. The officer spends a proportion of his working time based at Hammersmith police station, working with the police's Payback unit identifying cases that are of joint interest to the police and the Council, and where there are likely to be identifiable assets which can be seized and confiscation applied for under the Proceeds of Crime Act. The peripheral benefits of this working relationship relate to crime in general. In one example, apart from the benefit fraud identified, drugs to the value of £750,000 were seized and 7 persons charged in relation to the offence.
- 3.4 In order to maximise the realisable benefits from work of this nature, two CAFS officers have commenced training to qualify as accredited

Financial Investigation Officers which will give us the future option to apply to the courts to make restraints ourselves, rather than being dependant on the police. The advantage is that currently any assets seized and confiscated and allocated by the court are divided between the Council and the police. If we apply the restraints and bring proceedings ourselves, then we have the opportunity to maximise income to the Council.

- 3.5 Tenancy fraud is being widely recognised as a growing area of concern 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. Also introduced was a £500 reward for providing information leading to the recovery of a property, we are pleased to say that we are reportedly the first authority in the country to do so.

4. Conclusion

- 4.1 2009-10 has seen the most successful year for counter fraud investigation since the formation of CAFS in 2006 (and indeed prior to that). 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.
- 4.2 The aim of the Corporate Anti Fraud Service going forward is to continually improve on results to date. With a limited prospect of increased 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.

Appendix 1

Fig. 1 Cases Opened, Rejected, and Closed 2009-10

Fraud Area	B/fwd from 2008-09	Referred	Rejected	Closed	C/fwd into 2010-11
Benefit Fraud	486	506	266	337	389
Tenancy Fraud	171	166	24	141	172
Housing Register Fraud	25	165	0	29	161
Other Housing Fraud	11	36	0	0	47
PSL/HAL Tenancy Verifications	173	202	0	123	252
Internal or Corporate Fraud	39	214	0	133	120
Other Fraud	4	10	0	7	7
	909	1299	290	770	1148

Fig. 2 Performance by Outcome Achieved

	Prosecutions Successfully Undertaken	Caution, Penalty, Recovery or Disciplinary Sanction	Positive Outcome / Action Achieved	Totals
Housing Benefit	17	70	21	108
Tenancy	0	37	25	62
Corporate	0	108*	0	108*
Total	17	215	46	278

*96 of these relate to email investigation cases

Fig.3 Performance Outturn against Target

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Benefits	32	30	21	25	108
Tenancy	6	15	18	23	62
Corporate	17	47	1	43	108
Total All	55	92	40	91	278
Target 2009/10	38	38	38	36	150
Previous Years' Comparatives					
Total 2008/09	31	54	98	186	186
Total 2007/08	32	65	97	130	130
Total 2006/07	33	66	99	132	132
Total 2005/06	24	48	72	96	96

Fig.4 Financial Value of Counter Fraud Work Undertaken 2009-10

		Recovered		Recoverable*		Additional value to public purse	Recoverable to public purse	Speculative Income
		Recovered by CAFS	Recovered to LBHF via subsidy	Recoverable by CAFS	Recoverable by LBHF	Value of properties recovered or lets avoided	Recoverable	Value of Assets Currently Restrained
Benefits	Penalties (31)	£18,590		£26,865				
	Costs, Compensation, POCA	£57,167						
	HB Overpayments				£279,739			
	40% Bounty on HB O/Ps		£111,896					
	CTB Overpayments				£40,825			
Tenancy	Tenancies recovered (28)					£2,100,000		
	Housing Register removals (9)					£675,000		
Corporate	Corporate cases			£140,823				
NFI	HB Overpayments				£577,003			
	40% Bounty on HB O/Ps		£230,801					
	Pay & pensions				£46,517			
	Creditors				£3,209			
Income Support Overpayments							£23,729	
Assets Restrained: Benefits cases								£2,142,700
Assets Restrained: Corporate cases								£240,000
Total		£75,757	£342,697	£167,688	£947,293	£2,775,000	£23,729	£2,382,700
Total recovered		£418,454						
Total balance recoverable				£1,114,981				
Total overall recoverable value to the council				£1,533,435				
Total value to council due to CAFS work				£4,308,435				
Total value to the public purse						£4,332,164		

* Figures on actual debt recovery for the year are not available as no opening debt figure is available. However £747,521 has been recovered from debt raised over the last 4 years which equates to an average £186,880 recovered per annum.

Fig. 5 Expenditure vs. Budget

	Annual Budget	Expenditure
Cost of Staff	£764,700	£853,065
Additional budget from CSD*	£85,000	Nil
Income (POCA & Adpens)	£75,757	Nil
Operational Expenses	£26,200	£19,642
Legal Expenses	£64,900	£79,377
TOTAL – operational budget/ costs	£1,016,557	£951,584
IT Project Costs	£0	£31,290
Fixed	£165,400	£165,100
TOTAL – operational and overhead costs	£1,181,957	£1,148,474
Net underspend		£33,483

Appendix 2 – Press Releases

01	Two years for fraudster, 9 th April 2010. An approach was made to the Asylum Team by a man claiming to be homeless and without funds due to his immigration status. Detailed investigations by the Asylum team revealed that he had been granted a right to remain in the UK by the Home Office some years ago and it was then withdrawn as he had claimed and been granted US citizenship and then came to the UK claiming Asylum from Iran. He appeared to have a long complex history of moving around the world as well as the UK making fraudulent benefit claims to many authorities based of misinformation and finally the law caught up with him. When he approached the Asylum team claiming homelessness, investigations showed that he had been charged with defrauding the DWP and Housing Benefit and his partner had put up a surety to the court of £100,000 to grant him bail to reside at her address until trial and it was from this address that he was claiming homelessness. He was re-arrested for breach of bail conditions at our offices and taken back to court. His recent criminal court case led to him being sentenced to 2 years imprisonment after which he will be deported."
02	29 th May 2009 at Kingston Crown Court, Mrs Julie Cook pleaded guilty to dishonestly claiming £37,645 in Housing and Council Tax benefit. Over a five year period Mrs Cook failed to declare that she had moved from the Borough and that she had purchased property – She was sentenced to 8 months custody and ordered to repay the defrauded amount.
03	Dunleavy pleaded guilty after a change in his circumstances was not declared for benefit purposes. Mr Dunleavy's JSA had ended and he continued to have HB paid to him, even though he was employed. On 11 th May 2009, subject was sentenced to 80 hours community service and ordered to pay £500 towards costs. A fine collection order to put in place in order to make sure this was paid in 5 x £100 instalments.
04	On the 21 st July 2009, at West London Magistrates Court, single mother, Ms Victoria Moses pleaded guilty to dishonestly failing to declare that she had been in receipt of a student grant since April 2003 and that had also been working. Ms Moses falsely claimed Housing and Council Tax Benefit calculated at £12,387. She was sentenced to 18 month Community supervision order and 20 hours community education training. She is currently making efforts to repay the defrauded money by deductions from her current Income Support and Housing benefit Entitlement.
05	On the 11 th July 2009 at Black friars Crown Court Mr Hugh Scott was sentenced to 18 months imprisonment –suspended for two years after pleading guilty to defrauding £27,000 worth of Housing and Council Tax Benefit, Mr Scott failed to declare that he had £24,000 in hidden funds that were deposited in various bank. The Council is seeking to recover the stolen fund through civil litigation methods.
06	London Lite, Thursday, 23/7/2009. Teacher is caught smuggling drugs. A music teacher who brought opium worth almost £200,000 into Britain has been jailed for seven and a half years. [The] Hammersmith [resident], pleaded guilty to smuggling 19.98kg of the drug. [He] was caught arriving at St Pancras station on the Eurostar from Brussels in March. UK Border Agency officers arrested [the man] after finding the drugs stashed in a computer case and in a bodypack around his midriff. Opium contains morphine and is used to produce heroin. The amount seized had an estimated street value of £199,980. The arrest was the result of a joint Hammersmith council, Hammersmith police and central government operation to crack down on drugs and fraud. [The man] was jailed at Isleworth Crown Court last week. Greg Smith, a Hammersmith councillor, today welcomed the sentence, saying "About 80 per cent of our most prolific criminals are addicted to opiates or crack cocaine. Drugs destroy lives.

	We will continue to hound into submission those who peddle them”.
07	A joint CAFS and police investigation found that Mr Hadj BAAMARA AKA: John Paul HAYES is an illegal immigrant using the assumed identity of John Paul HAYES. During the investigation, CAFS officers identified that he had a false application for Housing benefit and had also been employed by the Council as an agency worker. On the 30 th September 09, Mr Baamara pleaded guilty to three offences under the Identify Card act and was sentenced to 20 months custodial. A financial investigation undertaken by CAFS officers identified £7,695.30 in an undeclared bank. These funds have been restrained. The Benefit Fraud Investigation is continuing. Delays are due to information being forthcoming from the Home Office and Department of Works and Pensions.
08	Anne Mitchell pleaded guilty to offences of failing to declare changes in her circumstances. She has inherited a large sum of money from her late father and although had complete control of his accounts, failed to promptly declare her inheritance that was in the sum of £74K. In sentencing the Defendant, the Lay Bench took into account the Defendant's early guilty plea and her financial position. The Defendant was fined £265.00, costs in the sum of £85.00 awarded, with victim's surcharge of £15.00 imposed.
09	Azeem, formerly of Westway, Hammersmith, but now living in Greenford claimed over £1,100 in housing benefit, without declaring to the council that he was a student, in receipt of student benefits. Mr Azeem pleaded guilty to benefit fraud offences and was fined £1,000 by magistrates on September 29. He was also told to pay back the illegally-claimed money and pay of £250. Commenting on both cases, Cllr Greg Smith, cabinet member for crime and street scene, said: “Benefit fraud will simply not be tolerated in Hammersmith & Fulham. 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 you will pay the penalty.”
10	On the 19 th December 2009, at Kingston Crown Court, Mrs Nelli Kellaway pleaded guilty to three counts of fraud and two counts of money laundering for dishonestly claiming housing £57,000 in Housing and Council tax benefit with her partner Steven Kellaway – who remains at large for the offence. Mr and Mrs Kellaway failed to declare ownership of five properties and the rental income from each property as well the fact that Mrs Kellaway had in excess of £118,000 in savings. She was sentenced to 24 weeks custody which was suspended for 24 months and 40 hours un-paid community work. The council is seeking to recover their losses through the proceeds of crime act.
11	Miss Farah Damji clla 43 year old notorious socialite was sentenced to 15 months custody at Blackfriars Crown Court on the 29 th January 2010 for falsely claiming £17,500 in Housing and Council Tax benefit. Miss Damji had falsified documents in support of her claim for housing benefit – in passing sentence Judge Marron stated “This was a scheme which was dripping with dishonesty from every conceivable corner”
12	Marcia Higgins pleaded guilty to 3 counts of fraud at Kingston Crown Court on the 2 nd February 2010 defrauding the Council out of more than £13,000. Miss Higgins claimed housing benefit and council tax benefit but failed to tell the council that she was working for an airport parking company. Huggins tried to hide her fraud by having her wages paid into bank accounts that were concealed from the council. She was sentenced to one year in prison, suspended for two years. She was also ordered to do 240 hours of unpaid work and was issued with a six month curfew, between the hours of 10pm and 6am.
13	A Shepherds Bush pensioner narrowly avoided a custodial sentence after being found guilty of committing benefit fraud to the tune of almost £30,000. Ibrahim Kamara, 75, of Willow Vale was sentenced to nine months in prison, suspended for two years after pleading guilty to swindling the taxpayer out of £22,635 of housing benefit and £6,819 of council tax benefit. The investigation was opened

	<p>following a national datamatch that indicated that Kamara's wife had savings in a bank account that was not declared to the council. During the investigation it was also discovered that Mrs Kamara was in full time employment working as a care assistant. Between November 2002 to September 2005 Mr and Mrs Kamara completed five benefit application forms, claiming as a couple, both supplying personal information and both signing the claim forms. Additionally, Mr Kamara claimed incorrectly on the forms that he was living with his wife. He failed to state that she was in fact living at a separate address and had separate lives until this investigation came to their attention. After Mr Kamara realised that the Council had become aware of his wife's undeclared wages and bank account he submitted a benefit application form claiming as a single person. Mr Kamara also failed to declare that he held two building society accounts with relevant savings. Cllr Greg Smith, cabinet member for crime and street scene, said; "This case goes to show that it doesn't matter how old you are, in you are willing to commit benefit fraud then be prepared to pay the price. Benefit fraud will simply not be tolerated in Hammersmith & Fulham. It doesn't matter what a cheat's age is – fraud is fraud and it is not acceptable." Kamara was found guilty at Kingston Crown Court on March 5, of five counts of failing to declare his wife was in full employment and failing to declare bank accounts.</p>
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Man abandons appeal against cash forfeiture by police

Man abandons appeal against cash forfeiture by police

A 51 year old man has finally abandoned his appeal against the forfeiture by police of £3,500 cash.

Hugh Scott, 51, of Friary Way, Acton, W3, abandoned his appeal which was due to be heard on Friday 3 July at Blackfriars Crown Court, against the forfeiture by police of £3,500 cash at West London Magistrates' Court on the 28 January this year.

The case dates back to 11 April 2007, when Scott was convicted at West London Magistrates' Court of a £27,000 benefit fraud, following a successful investigation by Hammersmith & Fulham Council's Corporate Anti-Fraud Service (CAFS).

Scott was sentenced to 18 months imprisonment suspended for two years, but attempts by the Local Authority to recover the £27,000 back into the public purse were thwarted when his legal representative advised the court that he had almost no personal assets of value.

Further enquiries by CAFS identified that despite the incorrect information given to the court, Scott was still in possession of almost £24,000 in various bank accounts.

Hammersmith and Fulham's Payback Unit then began investigating and Scott was arrested on suspicion of perverting the course of justice in June 2007.

Although the CPS was ultimately unable to proceed with the perverting the course of justice case, as it had not been Scott himself, but his representative, who had given the misleading information to the court, the payback unit was able to commence cash forfeiture proceedings in relation to £3,500 cash that had been seized in the raid on his home address.

Scott contested but lost this case at West London Magistrates' court on the 28 January 2009, and subsequently appealed to Blackfriars Crown Court.

Detective Inspector Tony Murphy, Hammersmith and Fulham Payback Unit said "This has proved a long and tortuous investigation as a result of Scott's actions. I am very pleased with the diligence shown by both the Council's Corporate Anti-Fraud Service (CAFS) and the police payback unit in pursuing this convicted fraudster, using every possible means available to them in the criminal courts.

This sends out the strongest message to all fraudsters, and to anyone who thinks they can profit from crime on this borough, that we will do our utmost to ensure their crimes will not pay.

As a result of losing both the original cash forfeiture case and then abandoning his subsequent appeal, Scott will now have to pay a further £1,300 in court costs in addition to losing the original £3,500 cash. The public can also rest assured that they will not have to pick up the tab for his legal action. Although the powers available to the criminal courts have been exhausted, it is understood that the local authority are now actively exploring the possibility of using civil legislation to try to recover the £27,000 in the County Court."

Reporting crime
Non-emergency



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