



London Borough of Hammersmith & Fulham

Audit Standards and Pensions committee

December 2014

**TITLE OF REPORT**

Corporate Anti Fraud Service Report 1 April 2014 to 30 September 2014

**Open Report.**

**For Information**

**Wards Affected:** None

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**1. EXECUTIVE SUMMARY**

- 1.1 This report provides an account of anti-fraud related activity undertaken from 1 April 2014 to 30 September 2014.
- 1.2 Performance for the Corporate Anti Fraud Service (CAFS) is measured in numbers of sanctions and positive outcomes delivered (i.e. prosecutions, penalties, formal cautions or other action taken directly).
- 1.3 Since April 2014 CAFS have identified 65 positive outcomes including seven prosecutions and Proceeds of Crime (POCA) recoveries totalling £150,605.
- 1.4 Of the 168 cases referred to CAFS for potential investigation 72 were accepted although 96 were rejected due to lack of information or lower risk scoring.
- 1.5 The total value of fraud identified is £2.8 million. Full details are reported at Appendix A, for information

**2. RECOMMENDATIONS**

- 2.1 Note the fraud work undertaken during the year 1 April 2013 to 30 September 2014.
- 2.2 Note the latest information about the Single Fraud Investigation Service.

### **3. REASONS FOR DECISIONS**

- 3.1 To inform the committee of the actions of the Council's counter fraud response.

### **4. INTRODUCTION AND BACKGROUND**

- 4.1 CAFS continues to provide Hammersmith & Fulham with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.
- 4.2 In March 2015 the responsibility to investigate welfare benefit will transfer to the Department for Work and Pension under a new Single Fraud Investigation Service (SFIS).
- 4.3 In line with the transfer of work, Council staff and contractors will also transfer to DWP, maintaining their current terms and conditions akin to a TUPE transfer.
- 4.4 The implementation of SFIS will have a substantial impact on the manner in which the Fraud Service operates and will result in a reduction in staffing levels, together with a re-focussing of fraud work.
- 4.5 In response to the change CAFS has begun to re-align its service in order to address the new and emerging risks, some of which are mentioned in the Audit Commission's publication, *Protecting the public purse 2014*.

*[<http://www.audit-commission.gov.uk/counter-fraud/protecting-the-public-purse-reports/>]*

### **5 HOUSING AND TENANCY FRAUD**

- 5.1 CAFS continues to improve its links with all partners responsible for Social Housing including the dedicated investigation and intelligence resource employed within H&F Housing and Regeneration Department.
- 5.2 CAFS deal with any reactive allegation received and seek to recover misused tenancies and prosecute where there is believed to be criminal activity. CAFS continue to receive referrals about a variety of housing elements including;
- Housing applications
  - Under and over occupancy
  - Assignment and succession
  - Right to Buy
  - Sub-letting
  - Abandonment
- 5.3 A summary of the Housing/Tenancy Fraud cases identified by CAFS and H&F Housing and Regeneration Department for the period 1 April 2014 to

31 September 2014 are shown in the table below, along with an attributed value to the Council of the identified fraud.

Details	Totals	Attributed value to the Council
Properties recovered unopposed	14	742,000
Properties recovered following court proceedings	19	855,000
Succession refusals	2	98,000
Right to Buy	8	800,000
<b>TOTALS</b>	<b>35</b>	<b>£2,495,000</b>

Figures based upon Audit Commission measurements

On-going cases		
Notice To Quits issued or recommended	12	N/A
On-going investigations (North 16: South 14)	30	N/A

- 5.4 In addition to the financial value placed upon the recovery of fraudulently misused social housing there are also social and non-financial benefits which do not hold an intrinsic value.

## 6 BENEFIT FRAUD

- 6.1 Since April 2013 CAFS have applied sanctions against fraudulent benefit claimants totalling £173,756 including prosecution action and fines of £2,685.
- 6.2 A summary of the Housing Benefit cases investigated by CAFS during the year is shown in the table below.

Details	2013/2014 (full year)	Overpaid £'s	2014/2015 (half year)	Overpaid £'s
Referrals	183	-		-
Accepted for investigation	83	-		-
Successful Prosecutions	12	242,944	7	113,700
Unsuccessful prosecutions	0	-	0	-
Formal Cautions	2	3,972	0	-
Administrative Penalties	4	13,363	2	8,494
<b>Total fraud identified</b>		<b>260,281</b>		<b>122,194</b>
40% subsidy		104,112		48,877
Ad pen fines administered		4,009		2,685
<b>Total recoverable</b>		<b>368,403</b>		<b>173,756</b>

- 6.3 Details of significant individual investigations resulting in successful prosecutions are reported at Appendix B, for information.

### Single Fraud Investigation Service

- 6.4 The Fraud & Error Strategy: *Tackling fraud and error in the benefit and tax credits systems* contained a commitment to establish a Single Fraud Investigation Service (SFIS) to investigate Social Security welfare benefit and Tax Credit fraud across local authorities, HM Revenue and Customs, and DWP.
- 6.5 On 1 May 2014 the DWP wrote to the Chief Executive to confirm that the implementation date for the Council is 1 March 2015 when the responsibility for the investigation of Housing Benefit fraud will transfer to the DWP.
- 6.6 The implementation of SFIS in March 2015 will remove this authority's powers to investigate any welfare benefit fraud and will therefore reduce the current levels of fraud work.
- 6.7 In addition, the DWP will also be reducing each Council's Benefit Administration Grant, based upon a caseload formula, for the next two years. The reductions for the three partnership Councils are detailed below.

<b>Council</b>	<b>Year 1 (2015/2016)</b>	<b>Year 2 (2016/2017) *</b>
WCC	£156,608	£195,000
RBKC	£104,231	£129,000
LBHF	£125,553	£153,000

\*Projected amount

- 6.8 Therefore with the reduction in work and a reduction to the Council's grant funding it is clear that the resources to effectively tackle the remaining level of fraud risk will need to change.
- 6.9 Faced with these enormous challenges it is crucial that each Council applies its limited resources in the most effective way possible. This has been the key driver of Bi and Tri-borough as a concept.
- 6.10 To achieve this the fraud service will need to ensure skills and experience are pooled, providing a more balanced, proactive and focused approach to fraud prevention, detection and investigation.
- 6.11 Staffing levels of the new service will be much reduced compared to the existing resources required to investigate fraud, including benefit fraud. However, the DWP will require skilled officers to resource their own newly formed SFIS and therefore all Councils have been advised that staff and contractors can transfer to DWP, and that any officers transferring will maintain their current terms and conditions akin to a TUPE transfer.
- 6.12 In view of the above, there will be a reduction in the number of staff employed by the Councils to undertake fraud work; however no job losses are planned, as officers who do not take up a post within the new fraud service structure will still be able to transfer to the DWP on existing terms and conditions.
- 6.13 Consultation has taken place with staff affected by the change, in conjunction with both Human Resources and the unions, and a selection process is currently on-going.

## **7 PROCEEDS OF CRIME**

7.1 The use of dedicated Financial Investigators continues to provide rewards with almost £150k recovered in the year.

7.2 Financial investigators have been actively pursuing opportunities to assist other departments across the Council and a summary of the work undertaken by the Financial Investigators is detailed in the table below.

<b>Total loss identified</b>	<b>Confiscation awarded by Court (including costs &amp; profit)</b>	<b>Recovered to date</b>	<b>Recovery on-going 14/15</b>
<b>£137,733</b>	<b>£12,872</b>	<b>£150,605</b>	<b>Nil</b>

## **8. OPTIONS AND ANALYSIS OF OPTIONS**

8.1 Not applicable

## **9. CONSULTATION**

9.1 Not applicable

## **10. EQUALITY IMPLICATIONS**

10.1 Not applicable

## **11. LEGAL IMPLICATIONS**

11.1 Not applicable.

## **12. FINANCIAL AND RESOURCES IMPLICATIONS**

12.1 Not applicable.

## **13. RISK MANAGEMENT**

13.1 Not applicable.

## **14. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

14.1 Not applicable.

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

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	Operational and performance management papers.	A Hyatt	HTH

## APPENDIX A

Financial Value of Counter Fraud Work for the period 1 April 14 to 30 September 14

<b><u>RECOVERABLE LOSSES (£)</u></b>	
HB overpayments (sanctioned)	122,194
HB overpayments (non-sanctioned)	23,375
Direct Payments	-
Internal (claims)	-
	<b>£145,569</b>
<b><u>SAVINGS (£)</u></b>	
<b>Cash savings</b>	
HB reduced/prevent/stopped	35,293
Local Taxation - NNDR, CT	19,081
Accessible Transport	2,475
Parking - business/residential	400
	<b>£57,249</b>
<b>Notional savings</b>	
Housing	898,000
Tenancy	1,597,000
Internal (staff/contractor)	110,226
	<b>£2,605,226</b>
<b>Preventative</b>	
Attributed savings	-

<b><u>POCA (£)</u></b>	
POCA recovered	137,733
Confiscation	-
Compensation loss+	8,451
POCA costs awarded	4,421
POCA orders outstanding	-
	<b>£150,605</b>
<b><u>MISC. INCOME (£)</u></b>	
Court Costs	1,400
Administrative Penalty	2,685
40% HB subsidy	48,877
Fraud recovery	31,865
	<b>£84,827</b>

**Fraud identified**

**£2,808,044**

**Income generated**

**£235,432**

### **Tenancy and Housing fraud notional values**

Tenancy and Housing fraud has been valued using notional values quoted by the Audit Commission.

- **Tenancy fraud:** £45,000 per property based upon the average cost of temporary accommodation (£18,000 p.a.) multiplied by the average length of re-housing an average sized family (2.5 years). An additional £8,000 saving is also claimed when keys are returned based upon average cost of legal action and bailiff intervention to recover property via the court.
- **Succession or assignment fraud:** each time a fraudulent assignment or succession is stopped it frees up an additional unit and therefore this is valued at £45,000 for the reasons above.
- **Housing fraud (false applications):** £18,000 based upon the annual cost of housing a family in temporary accommodation.

## **Benefits cheat must repay £91k**

Friday April 4, 2014

A fraudster has been ordered to repay more than £91,000 that he pocketed through illegal benefit claims.

, of Willow Vale, Shepherds Bush, was taken to court following a joint investigation by Hammersmith & Fulham (H&F) Council and the Department for Work and Pensions (DWP), which discovered that he had been claiming benefits for years despite having assets and savings totaling more than £150,000.

began claiming housing benefit and council tax benefit in 2004, as well as income support following an injury at work. However, he failed to declare savings in excess of the allowed £16,000.

The 59-year-old was found to have sold a property before he began claiming benefits – putting the money he made in various savings and investment accounts.

Over the years he claimed £45,859 in housing benefit, pocketed 7,629 in council tax benefit and cheated the DWP out of 37,993.

However, he has now been ordered to repay all of the money after pleading guilty to three charges of false representation under Social Security Administration Act at Isleworth Crown Court on April 2.

was sentenced to 18 months custody suspended for two years and handed a six month supervision order.

In addition to the £91,481 repayment, he must also pay a further £11,868 – relating to the change in value of the money he received – along with £2,500 in costs.

His savings were traced during the investigation and frozen using powers under the Proceeds of Crime Act.



## **Fraudster claimed benefits despite six figure inheritance**

Monday May 12, 2014

A benefits cheat who failed to declare a £100,000-plus inheritance has been sentenced to a 12 month community order.

, of Roseford Court, Shepherds Bush Green, dishonestly received £9,931.42 in benefit claims over an 18 month period – and at one point used undeclared savings to pay for an £11,000 BMW whilst on benefits.

His actions were uncovered during a joint investigation by Hammersmith & Fulham (H&F) Council and the Department for Work and Pensions (DWP), which led to Lewis pleading guilty to two benefits offences.

The 49-year-old, who had been claiming housing and council tax benefits since April, 2001, was found to have had access to a number of joint accounts and sole named accounts that had not been declared to the council. He also failed to declare them to the DWP for periods in which he claimed Job Seekers Allowance.

Investigating officers discovered that, in November 2009, inheritance from his late mother's estate totaling £103,682.64 was credited to one of the undeclared accounts.

After pleading guilty in March to two charges of failure to declare a change in circumstances that would affect benefits, Lewis was sentenced at Hammersmith Magistrates' Court on April 22 to a 12 month community order with 150 hours of unpaid work. He was ordered to pay £400 costs and a victim surcharge of £60.

## **Benefit cheats sentenced**

Monday May 19, 2014

Two benefit cheats, who illegally claimed £28,346 between them, have been sentenced.

Rather than face the music at court of St Albans Terrace, Hammersmith, flew off to the Caribbean paid out of the £12,712 she stole off the taxpayer, while -, who now lives in Ludlow Drive in Thame, forged a letter from his employer to illegally claim more than £15,000 in benefits.

Having both pleaded guilty to all offences on March 25, they were sentenced at Hammersmith Magistrates Court on April 22.

, 32, was sentenced to a 12-month community order, a 12-month supervision order and told to attend 16 sessions of structured supervision for women. She was also ordered to pay costs of £1,000 to H&F Council and a victim surcharge of £60.

falsely received £1,562 in council tax benefit and £6,857 in housing benefit from Hammersmith & Fulham Council (H&F Council), along with £4,291 in income support from the Department for Work and Pensions (DWP). She had been receiving benefits since October 2004 on the basis that she was a single parent on Income Support.

However, joint working between DWP and H&F Council found that had continued to claim for benefits for two years despite working for three different companies – Millenium Personnel Ltd (correct spelling), Liberty PLC and Estee Lauder – since March 2010.

She repeatedly refused to attend interviews with investigators and when the case was brought before court, initially attended the hearings. However at her hearing in February this year, she failed to turn up as she had gone on holiday to Barbados, and warrant for her arrest was issued.

On her return to London, she gave herself up and pleaded guilty to all six offences of failing to declare changes in circumstances under the Social Security Administration Act.

was sentenced on the same day as to a three-month long curfew order, between 7pm and 7am, and ordered to wear an electronic tag. He was also ordered to pay costs of £1,405 to Hammersmith & Fulham Council and a £60 victim surcharge.

received £15,634 in overpaid council tax and housing benefits after failing to declare to Hammersmith & Fulham Council the full truth about his income.

In February 2009 the 64-year-old, who was living in Lily Close, West Kensington, claimed to have begun working part-time at a Barnes furniture company called Karavan at a rate of £6.50 an hour. He said that he remained in that job until December of the same year.

In fact, following a tip-off that was carrying out benefit fraud, investigators from Hammersmith & Fulham Council found he had been working as a self-employed interior design consultant for three years, earning £250 more a month than he had stated.

When the council's fraud team spoke to the owner of Karavan, they discovered he had not sent a hand-delivered letter to the council to confirm 's employment and nor had

anyone from his team. Instead the owner said that the signature on the letter, claiming to have been sent on his behalf under 'pp', looked like that of one of Karavan's employees.

initially denied sending the letter, saying he could not type, but in court pleaded guilty to two counts of false accounting to conceal his true income.

He also pleaded guilty to three offences. They were making a false representation in his benefit form by not stating the correct date that his employment ended; dishonestly failing to give prompt notification of a change in circumstance, in that he was employed as a freelancer with Karavan; and that he had a letter from Karavan in his possession for use in the course of a fraud.