



AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS

Head of Fraud Service
Chief Internal Auditor
Director of Finance

Corporate Anti Fraud Service Q2 Fraud Report 2010-11

The report updates on progress on delivering Corporate Anti-Fraud Service service plans in quarter 2 of the 2010-11 year, including key results of the work undertaken and the level of performance achieved.

WARDS
All

RECOMMENDATION:

That the Committee agrees the contents of the report.



Hammersmith & Fulham Council

Corporate Anti Fraud Service

Fraud Report

The Council's 2nd Quarter Fraud Report to 30th September 2010

Management Summary

1. This report details the counter fraud work undertaken during the first two quarters of the financial year to 31st March 2011, by the Council's Corporate Anti Fraud Service (CAFS).
2. Performance is measured by output in numbers of sanctions (prosecutions, penalties, formal cautions or other action taken directly against proven fraudsters). CAFS has delivered 156 sanctions (including 13 prosecutions) in the first half year, plus 33 removals from the Housing Register that took place in March 2010 which were too late to be included in the year end outturn report (and hence which have been included in this years report). This total delivery of 189 compares very well to the annual unit target of 180.
3. 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 £9.7 million, against an annual projected operating cost of £1.1million. The unit has also delivered direct cash benefit to the council in the first 6 months of the year totalling £300,000.
4. Targeted project work aimed at reducing tenancy fraud continues as this helps reduce the housing register, reduces fraudulent letting of council properties to free them up for those in real need, and reduces the likelihood of fraudulent sub-letting in the future. It should also help to reduce level of temporary accommodation needed by the council. CAFS employs 2 officers funded in part from central government to achieve this, their work has delivered 73 successful recoveries or removals from the Housing register so far this year.
5. A new Head of Fraud Service has been recruited and will take up post in December 2010.
6. In summary, the successful start to the year demonstrated in Quarter 1 has been built on and improved, and the service continues to apply a sound strategic approach to the issue of fraud affecting the Council, and achieving results commensurate with the aims and goals of the service.

1. Introduction

- 1.1 The Council's counter fraud services are provided by the Corporate Anti Fraud Service (CAFS). CAFS investigates suspected fraudulent Housing Benefit and Council Tax Benefit claims; suspected fraudulent tenancies and the circumstances of tenancy related matters; and investigating allegations of fraud or irregularity committed within or against the Council. CAFS 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 protect the Council from fraud directed at it, whilst contributing to the reduction of crime overall.

2. Performance

- 2.1 CAFS performance is measured on outputs which are 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 CAFS has produced 156 sanctions, including 13 prosecutions, against a mid-year target of 90. Additionally, we are claiming 33 Housing Register removals which were made in the final days of the 2009/10 year which were too late to be recorded last year. **Figures 2** and **3** show the outturn for Quarter 1 and Quarter 2, for each type of fraud, and by sanction delivered. The 189 sanctions achieved to date compares very well to the 180 annual target set for CAFS.

Benefit Fraud

- 2.3 The majority of the 500 or so benefit fraud cases that CAFS deals with on average each year arise from direct referrals. All referrals are risk scored in order to reject those of poor quality. Currently, the equivalent

of 4.5 full time investigators is employed to deliver a targeted 58 “sanctions” this financial year against proven offenders. A sanction could be a case prosecuted in court, a formal caution, a penalty, or a reduction in benefit entitlement. The 43 results to date represent 74.1% of the annual target, or 148% of the mid-year target.

Tenancy Fraud

- 2.4 Tenancy fraud investigation is driven by two primary sources: direct referral of suspected fraudulent tenancies from H&F Homes; and targeted work into specific areas such as Housing Register applicants or areas of concern flagged by central government. CAFS strategy is to seek to recover properties and to prosecute offenders under the Fraud Act 2006 wherever possible to act as a deterrent. The equivalent of 5 full time officers were tasked with achieving 57 recoveries (and/or removals from the Housing Register) in this financial year. To date however, exceptional performance in this area has resulted in 93 recoveries and/or removals in the first half year, representing 163% of the annual target or 326% of the mid-year target.

Internal/Corporate Fraud

- 2.5 All of the investigations in this area arise from direct referral. The majority relate to incidences of staff misconduct, and CAFS policy is to assist HR in the collation of evidence to ensure appropriate disciplinary action is taken, and where the seriousness of the incident warrants it to effect prosecution. The team comprises 2 officers. To date, the team has achieved 20 sanctions (including 1 prosecution) against an annual target of 36 so is also ahead of its mid-year target. The team are also developing guidance for managers on how to investigate simple disciplinary cases so that they can become more advisory on those cases freeing up resource for the more serious cases.

Financial value of counter fraud work

- 2.6 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 Government subsidy; the recovery of property or removals from the Housing Register; the prevention of fraudulent Right to Buy applications; 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** plus **Figure 5** in Appendix 1, and shows a calculated value to the public purse of £9.7million. This is largely made up of properties recovered or prevented from being fraudulently allocated; the value of these have been calculated using the Audit Commission's figures from its most recent National Fraud Initiative 2008/09 report produced in May 2010 which calculated the average cost of a tenancy fraud as £75,000; and the average cost of a Right to Buy fraud as £26,000.

- 2.7 The tables at **figure 4** and **figure 5** in Appendix 1 show that £183k cash benefit was recovered either directly by CAFS or by the council through subsidy. A further £120,000 was recovered against identified benefit fraud which the council also retains, giving a total of £300,000 direct cash benefit achieved by the council in the first 6 months of this year. These figures and the £9.7 million quoted above compare well to the operating costs of CAFS which stand at approximately £1.1million per annum.

3. Service Review

- 3.1 A new Head of Fraud Service, Kirsten Quinn, has been appointed and is expected to take up post at the beginning of December.
- 3.2 The Corporate fraud team was reduced in size during September from 4 to 2 officers. As reported previously, this was done due to clearance of the backlog of cases that arose from when the team only had one investigator. The new strategy to refer straightforward disciplinary cases for line management to manage with support from HR and CAFS should help to keep future case numbers to a manageable level.

- 3.3 In 2009/10 CAFS pioneered the secondment of a Council fraud officer to the local police. For 2010/11 the objective is to target prolific criminals identified by the police from their intelligence where there is also suspected benefit fraud and identified significant hidden assets, freeze the assets of the offenders, prosecute in court and make use of the Proceeds of Crime Act to ensure restitution plus generate windfall income where possible for the Council and the police to put back into the fight against crime. Long months of hard work by the police and CAFS jointly have begun to deliver results and a number of high profile cases have made the headlines only recently. This should be the start of the delivery of similar successful cases.
- 3.4 In order to maximise the potential benefit of the joint working arrangement with the police, a Memorandum of Understanding has been put in place between LBHF and the Metropolitan Police to formalise the arrangement and the split of any proceeds. A first significant case has just realised the confiscation of £123k of funds to be split between the police, CAFS, and CDRP. We have managed to contribute over £40k to the Council's CDRP (Crime and Disorder Reduction Partnership) this year already. Two CAFS officers are undergoing 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.
- 3.5 We have already reported that £120k of outstanding overpayment debt has been recovered this year to date. A comparison of the outstanding debt levels show that older debt has fallen most which supports our previous statements that while overpayment debt does take a while to be recovered, it does get recovered.

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	Head of Fraud Service X1300	Corporate Anti Fraud Service, 4th Floor, Town Hall, Hammersmith

Appendix 1

Fig. 1 Cases Opened, Rejected, and Closed 2010-11 (to Q2)

	1 st Half Year
Cases referred	709
Cases rejected due to poor quality	67
Cases rejected due to overload of case	36
Cases closed with a successful sanction/outurn	156
Total number of cases closed	682

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	11	22	10	43
Tenancy	1	19		20
Housing Projects		73		73
Corporate	1	18	1	20
Total	13	132	11	156
Housing Proj 09/10**		33		33
Grand Total	13	165	11	189

**33 Housing Register removals effected in March 2010 but not counted or reported in 2009/10 outturns, hence included here

Fig.3 Performance Outturn against Target (to Q2)

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Benefits	19	24			43
Tenancy	11	9			20
Housing Projects	7	66			73
Corporate	0	20			20
Total All	37	119			156
Housing Proj 09/10**	33				33
Grand Total	70	119			189
Target 2010/11	45	45	45	45	180
<i>Previous Years' Comparatives</i>					
Total 2009/10	55	92	40	91	278
Total 2008/09	31	54	98	186	186
Total 2007/08	32	65	97	130	130
Total 2006/07	33	66	99	132	132

**33 Housing Register removals effected in March 2010 but not counted or reported in 2009/10 outturns, hence included here

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	Recoverable	Value of Assets Currently Restrained
Benefits	Penalties	18,060						
	Costs, Compensation, POCA	4,815						
	HB Overpayments				193,102			
	40% Bounty on HB O/Ps		77,241					
Tenancy	Tenancies recovered					2,025,000 ¹		
	Housing Register removals					4,650,000 ¹		
	HR removals 2009/10**					2,475,000 ¹		
	Right to Buys prevented					52,000 ²		
	Other					75,000		
Corporate	Corporate cases	41,275	41,275 ³					
NFI*	HB Overpayments							
	40% Bounty on HB O/Ps							
	Pay & pensions							
	Creditors							
Income Support Overpayments								
Assets Restrained								2.4million
Total		64,150	118,516	0	193,102	9,277,000	0	2.4million
Total recovered		182,666						
Total balance recoverable				193,102				
Total overall recoverable value to the council				375,768				
Total value to council due to CAFS work				9,652,768				
Total value to the public purse						9,652,768		

*NFI is a bi-annual exercise. Results for the last exercise were published as part of the 2009-10 Annual Fraud Report. No results expected in this area until Q4 at the earliest.

**33 Housing Register removals effected in March 2010 but not counted or reported in 2009/10 outturns, hence included here

¹. Valued by the Audit Commission at £75k per council property recovered

². Valued by the Audit Commission at £26k per RTB stopped

³. Income to CDRP

Fig. 5 Value of Recovered Debt – Fraudulent HB Overpayments

Period ending	Total debt raised since April 2004*	Outstanding at period end	Recovered by period end	Recovered in Quarter
<i>As at 31/3/2010</i>	£3,034,762	£1,457,135	£1,577,627	-
As at 30/6/2010	£3,093,178	£1,447,150	£1,646,028	£68,401
As at 30/9/2010	£3,237,449	£1,539,290	£1,698,159	£52,131
This year to date				£120,532

* This start date has been used as it is when the Corporate Anti-Fraud Service was set up