



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	17 September 2015
Classification:	For General Release
Title:	Counter Fraud 2015/16 – Progress Report
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
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The Audit and Performance Committee's Terms of Reference require that the Committee receive reports on internal and external fraud investigated by the Council. This report is intended to brief members of the Committee in respect of work undertaken by the fraud service during the period 1 April 2015 to 1 September 2015.

FOR INFORMATION

1. BACKGROUND

- 1.1 This report provides an account of fraud related activity undertaken by the Tri-borough Corporate Anti-Fraud Service (CAFS) from 1 April 2015 to 1 September 2015.
- 1.2 Local authorities have a responsibility to embed effective standards for countering fraud and corruption in their organisation in order to support good governance and demonstrate effective financial stewardship.
- 1.3 CAFS continues to provide Westminster City Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.
- 1.4 In March 2015 the responsibility to investigate welfare benefit transferred to the Department for Work and Pension under a new Single Fraud Investigation Service (SFIS). The implementation of SFIS has had a substantial impact on the manner in which CAFS operates with a re-focussing of fraud work.

- 1.5 In line with the transfer of work, officers investigating benefit fraud also transferred to the DWP, maintaining their current terms and conditions similar to a TUPE transfer. In order to address the reduction in resources CAFS is now part of a shared service across the three partnership Councils.
- 1.6 The shared service aims to deliver efficiencies and improve service delivery by: aligning anti fraud strategies and policies across all three Councils; sharing knowledge, skills and expertise; bringing together three services under one service head and thereby sharing management costs and good practice.
- 1.7 To date, over £350,000 of fraudulent activity has been identified.

Activity	Fraud proven 2015/16	Notional value of fraud identified 2015/16 (£'s)
1. Tenancy Fraud	2	116,000
2. Right to Buy	-	-
3. Housing Fraud (Applications/assignments & successions)	-	-
4. Residents Parking	12	73,760
5. Blue Badge – Disabled Parking	2	6,469
6. Internal Staff and Other Services	3	20,000
7. POCA	1	153,824
Total	20	370,053

- 1.8 Details of sample fraud cases are reported at **Appendix 1**.

NB: fraud in the different service areas has been valued as follows:

- Tenancy Fraud: £54,000 per property based upon the average cost of temporary accommodation (£18,000 p.a.) multiplied by the average length of stay (3 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 (these measures of savings were provided by the Audit Commission prior to their abolition)
- Residents Parking – calculation based upon lost of income as a result of fraudulently obtained or used permits.
- Disabled Parking: Seizures, Cautions and Prosecution are valued as £825, £2,822 and £5,644 respectively as per the notional values of estimated lost parking income in relation to the levels of misuse.

2. WHISTLEBLOWING

- 2.1 The Council's whistleblowing policy continues to be the main support route for staff wishing to report a concern that they believe they cannot discuss with their line manager.
- 2.2 From 1 April 2015 to 1 September 2015 no whistleblowing referrals (as defined in the policy) have been received or referred to CAFS.

3. TENANCY/HOUSING FRAUD

- 3.1 CAFS continues to provide an investigative support across all aspects of housing, from the initial applications for assistance to the investigation of tenancy breaches or unlawful subletting.

Prevention

- 3.2 In June 2015 CAFS provided Housing Options with an on-line tool for the assessment of all new housing applications. The National Fraud Initiative's (NFI) Application Checker allows frontline staff to check and verify the details of all new applications for housing.
- 3.3 The NFI is a sophisticated data matching exercise devised by the Audit Commission and currently overseen by the Cabinet Office, which matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- 3.4 By using the Checker, Housing Options can access the data held by NFI and verify the information provided by the applicant. This reduces the risk of fraudulent applications and streamlines the process of checking them. It is easy and quick to use, instantly providing key information about the applicant.
- 3.5 In addition to the NFI Checker, CAFS are also in the process of rolling out the West London Hub "Track a Fraudster" system which will provide direct access for Housing Options and appropriate officers within City West Homes.
- 3.6 The Hub extracts data from participating Councils. The data includes tenancy data, common housing register information and Council Tax Replacement Scheme (CTRS). It then matches this data between authorities in order to identify anomalies. For example, if a Westminster tenant is receiving CTRS from another Council, it suggests the possibility of tenancy or housing fraud.
- 3.7 Unlike the NFI system, the West London Hub extracts data from Councils each month ensuring the datasets remain up to date.
- 3.8 Although the real time checking is imminent, CAFS have received the cross match data from the hub which included 16 positive matches. Investigations into these referrals are ongoing. The matches included;

- WCC tenancy details to other Councils CTRS (8 positive matches)
- WCC tenancy details to other Councils Tenancy (5 positive matches)
- WCC tenancy details to other Councils Waiting List (3 positive matches)

Re-active

- 3.9 CAFS continue to work closely with City West Homes (CWH) to support the investigation of tenancy fraud.
- 3.10 In August 2015 CAFS were instrumental in a landmark case which involved the successful prosecution of a subtenant for conspiracy to defraud. Westminster has now set a precedence in this field for other Councils to follow.
- 3.11 In many cases of sub-letting there is uncorroborated evidence which suggests that the subtenants are complicit in the fraud. Anecdotally CAFS have received information that the subtenants will conspire with the tenant in order to avoid detection.
- 3.12 Some subtenants will refuse to answer the door to Council officers, others will pretend to being a friend of the tenant simply minding the property whilst the tenant is on holiday. By conspiring with the tenant to conceal the truth, they are able to circumvent the housing process, fraudulently live in a CWH property and allow the tenant to financially profit from the deception.
- 3.13 Until now, a lack of evidence regarding conspiracy has meant that councils remained powerless to act against the subtenant. But in 2014, with the support of the Police, CAFS were able to prove that a CWH tenant had deliberately conspired with his sub-tenant to conceal his criminal activity.
- 3.14 The tenant pretended that the sub-tenant was his partner, who was living alone at the address whilst he was away on business. In truth she was actually paying him rent to live at the Westminster address whilst he was living with a partner in Altringham.
- 3.15 Further details of this case are reported at **Appendix 1**.

4. RESIDENT PARKING INVESTIGATIONS

- 4.1 CAFS continue to investigate the misuse of resident parking permits and to date have successfully apprehended ten offenders. Positive outcomes include fraudulently obtained permits, height restricted vans and permits issued to commercial addresses.

4.2 Details of sample fraud cases are reported at **Appendix 1**.

5. DISABLED PARKING INVESTIGATIONS

Prevention

- 5.1 Accessible Transport officers have also been provided with access to the NFI Application Checker in order to verify the information provided by new applicants.
- 5.2 During the week commencing 21 July 2015 officers of CAFS undertook a proactive exercise to verify the use of Disabled Parking Badges in Westminster. The operation focused upon Church Street, Marylebone, NW8 and adjacent streets, and was in response to residents' complaints in and around this location.
- 5.3 During the exercise officers mainly found badges were being used correctly by the badge-holder and the genuine users showed their appreciation that Westminster City Council were trying to clamp down on the misuse.
- 5.4 During the six hour operation four badges were seized because they were being used to park vehicles without the badge-holder being present. All cases are being dealt with as criminal offences contrary to Section 117 of the Road Traffic Regulation Act.
- 5.5 The exercise also identified eight resident parking permits where concerns were raised over the permit holder's residency in the Borough and where resident only permits may have been obtained for commercial premises. Further investigation are currently on-going.
- 5.6 In addition to the specifically targeted exercise above, with effect from July 2015 CAFS introduced a regular inspection regime to pro-actively check badges throughout the borough.
- 5.7 In July and August officers focused their inspection regime in Oxford Street, Tottenham Court Road, Great Portland Street, Duchess Street, Seymour Place, Crawford Street and Edgware Road.
- 5.8 The new inspection regime has so far resulted in the seizure of five blue badges which are being dealt with as criminal offences contrary to Section 117 of the Road Traffic Regulation Act.
- 5.9 Details of sample fraud cases are reported at **Appendix 1**.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

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BACKGROUND PAPERS:

Case Management Information

	Case Description	Result/Outcome
1.	<p>TENANCY FRAUD – Information was initially received in December 2013 alleging a possible subletting in respect of a tenant at Cuthbert House, W2.</p> <p>Enquiries indicated that, since at least 2010, the tenant had been living with his partner at an address in Altringham, which they jointly owned. Enquiries also indicated that since 2010 he had been subletting the Cuthbert House address to a female and her partner.</p> <p>In order to disguise that the property was being sublet it was also alleged that the tenant and the female subtenant had pretended to be in a relationship.</p> <p>The investigation involved cooperation with the Met Police and Manchester Police. This resulted in joint raids on the tenant’s second home address in Manchester and at the Cuthbert House property. This established that the tenant was living in Manchester and that the female subtenant and her partner were living at Cuthbert House. All three were arrested and interviewed under caution.</p> <p>Hearings were held at Southwark Crown Court in April and June 2015 and resulted in both the tenant and the subtenant pleading guilty to offences. As a result of legal advice the case against the subtenant’s partner was not pursued.</p>	<p>The offences were as follows:</p> <ul style="list-style-type: none"> • Count 1 Both pleaded guilty to a joint charge of conspiracy to defraud. • Count 2 the tenant pleaded guilty to a Section 1 Fraud Act 2006 offence. • Count 3 relates to offence by the subtenant under Fraud Act 2006 concerning her pretending to be the tenant’s girlfriend. She pleaded guilty. • Count 4 the tenant pleaded guilty to a Section 1 Fraud Act 2006 offence in respect of his failure to notify WCC about his purchase of property in Altringham. • Count 5 tenant pleaded guilty to a further offence under the Fraud Act 2013. <p>On 3rd August 2015 they received the following sentences:</p> <ul style="list-style-type: none"> • The tenant was given a 10 month prison sentence which has been suspended for one year and he has also been ordered to do 150 hours unpaid work. • The subtenant was given a 9 month prison sentence which has been suspended for one year and she has also been ordered to do 140 hours unpaid work. <p>During the sentencing the defence accepted that their actions had caused a loss to the Council of £62,000, and confiscation under POCA is ongoing.</p> <p>Notional value £62,000</p>

	Case Description	Result/Outcome
2.	<p>TENANCY FRAUD – Staff at the Little Venice Estate Office requested an investigation be undertaken in respect of a tenant at Polesworth House, W2. Housing officers had received complaints from residents/neighbours that the property was occupied by people other than the tenant.</p> <p>Background enquiries gave a strong indication that the tenant was residing at another address in St John’s Wood, and using powers under the Prevention of Social Housing Fraud Act identified financial record which proved the tenant owned this second address.</p> <p>Although the investigation did not reveal evidence of subletting, the weight of evidence amassed clearly showed the tenant was not using Polesworth House as his main and principle home.</p>	<p>Possession action commenced in September 2014 with the first hearing scheduled for 13TH January 2015. However there were several adjournments and the hearing did not actually take place until 1st May 2015.</p> <p>At the May hearing the tenant agreed to the surrender the property. As a result the Court ordered that the City Council be awarded possession of the two bedroom property on or before 1st July 2015.</p> <p>Notional value £54,000</p> <p><i>[It was estimated that the value of a vacant possession is £54,000 based upon the cost of maintaining a family in temporary accommodation.]</i></p>
3.	<p>RESIDENT PARKING PERMIT – an anonymous call to the Fraud Hotline alleged that two resident parking permits had been used by individuals for business purposes, but that neither lived in Westminster.</p> <p>Whilst both parties had been residents when they applied for and received permits, they had subsequently moved out of the Borough but failed to declare this significant change.</p> <p>The investigation also linked the subjects to a business in Crawford Street, W1 (F Zone).</p>	<p>Although the caller gave a detailed account which was corroborated, when officers from CAFS visited the area they were unable to spot the vehicles fraudulently parked.</p> <p>Without a physical sighting of the subjects misusing the permits there was no case to answer, however both permits were cancelled forthwith and warning letters issued.</p> <p>Notional value £17,424</p> <p><i>[It was estimated that the value of the fraud totalled £17,424 based upon a conservative estimate of misuse and value of lost parking revenue to Westminster City Council.]</i></p>

	Case Description	Result/Outcome
4.	<p>PROCEEDS OF CRIME ACT (POCA) – An investigation commenced in January 2014 as a result of an anonymous allegation advising that an individual may have obtained a Council property while failing to declare that he owned a property in East Ham.</p> <p>Enquiries established that the City West Homes tenant had applied for housing in Westminster in 2006 and his application resulted in him eventually obtaining permanent accommodation in Stanfield House, Lilestone Estate, NW8.</p> <p>In addition it was established that just prior to his application he had purchased a property in East Ham.</p> <p>Evidence showed that the tenant was living in the Westminster property while making a profit from subletting the property in East Ham.</p> <p>When confronted with the evidence the tenant voluntarily surrendered the keys to the Westminster property in June 2014, although due to the level of criminal intent the matter was passed to Legal Services and a successful prosecution occurred in March 2015.</p> <p>At the hearing the tenant pleaded guilty to three offences (one under the Theft Act 1968 and two under the Fraud Act 2006). He was sentenced to twelve months imprisonment (suspended for 18 months) and 150 hours unpaid community work.</p>	<p>As a result of the successful prosecution the Council moved to implement confiscation under POCA.</p> <p>On 24th August 2015 at Southwark Crown Court the Council laid evidence in order to seek to confiscate the profit which the tenant had made as a result of his criminal behaviour and to seek costs incurred by the Council.</p> <p>The hearing was successful and resulted in the Court making a confiscation order in favour of Westminster City Council.</p> <p>The former Westminster tenant was ordered to pay a total of £141,824 in respect of a social housing fraud he had committed against Westminster City Council plus £12,000 in respect of costs incurred by the Council as a result of its investigation and prosecution.</p> <p>Notional value £153,824</p>

	Case Description	Result/Outcome
5.	<p>ILLEGAL WORKER – The 2014/15 National Fraud Initiative (NFI), which identifies potential discrepancies between data held across the Council’s systems and those of other public sector bodies, suggested that a WCC employee had no right to work in the UK.</p> <p>The specific NFI data match linked Human Resource (HR) records to UK Border Agency (UKBA) data.</p> <p>The named employee was a support worker within Westminster Adult Education Service (WAES) who, at the time of employment, had pending “indefinitive leave to remain” in the UK. However, this was part of a joint application with her spouse and had since been rejected, a change in her circumstance she had not disclosed to her employers Westminster City Council.</p>	<p>The employee was interviewed by HR and CAFS where she said her documentation had been lodged with the UK Border Agency (UKBA) and that she had now been granted right to work in the UK.</p> <p>At the end of the interview investigators contacted UKBA who confirmed the person had no right to work in the UK.</p> <p>On 19th May 2015 the contract of employment was terminated and the person summarily dismissed.</p> <p>Notional value £20,000</p> <p><i>[The notional value is based upon the maximum fine the Home Office could impose upon Westminster City Council for employing an illegal worker.]</i></p>
6.	<p>TENANCY – A referral from Housing Officers based at Lisson Grove suggested that the tenant of a flat in Verney House was no longer resident but subletting it to an unknown third party.</p> <p>Initial enquiries of Council systems and social media suggested that the tenant had moved to Australia where they were working in Sydney. This was further corroborated when a check with UK Border Agency confirmed that he had left the UK in 2012 and that there was no record of him returning since then. A Notice to Quit was served on the property.</p>	<p>The serving of the Notice prompted relatives of the tenant to come forward, and it was soon established that the property was vacant.</p> <p>In the absence of the tenant the relatives agreed to surrender the tenancy forthwith, and in April 2015 the tenant (who had briefly returned to the UK) handed back the keys for this two bedroom property to the Lisson Grove Office.</p> <p>Notional value £62,000</p> <p><i>[In addition to the value of a vacant possession (£54,000) we estimate £8,000 to be the cost of possession and bailiff actions.]</i></p>

	Case Description	Result/Outcome
7.	<p>STAFF MISCONDUCT – A casual employee working in Children’s Services was successfully prosecuted in November 2014 by the host Council for housing benefit fraud.</p> <p>“Fraud against another local authority” is deemed gross misconduct and the outcome of the benefit fraud investigation was referred to CAFS for further examination.</p> <p>In addition to the casual employment, the investigation discovered that the subject had applied for, and had been successful in applying for a substantive post with a Westminster school.</p> <p>In this latest job application investigators discovered that the subject had failed to declare her recent conviction. Furthermore, the individual used a variation of her name in order to conceal the conviction when obtaining a DBS check, which the new post required.</p>	<p>Evidence gathered was presented to Human Resources and following a Disciplinary Hearing the individual received a final written warning against her casual employment which will remain on her file. She was not offered the permanent position with the school.</p> <p>Notional value – n/a</p>
8.	<p>RESIDENT PARKING PERMIT – an anonymous call to the Fraud Hotline alleged that two resident parking permits had been used by individuals for business purposes, but that neither lived in Westminster.</p> <p>Whilst both parties had been residents when they applied for and received permits, they had subsequently moved out of the Borough but failed to declare this significant change.</p> <p>The investigation also linked the subjects to a business in Crawford Street, W1 (F Zone).</p>	<p>Although the caller gave a detailed account which was corroborated, when officers from CAFS visited the area they were unable to spot the vehicles fraudulently parked.</p> <p>In view of the above a decision was taken to cancel both permits forthwith and warning letters issued.</p> <p>Without a physical sighting of the subjects misusing the permits there was no case to answer and no further action taken.</p> <p>Notional value £17,424</p>

	Case Description	Result/Outcome
9.	<p>RESIDENT PARKING PERMIT – An anonymous caller, to the Fraud Hotline alleged that the driver of Volkswagon Golf Hatchback had a resident parking permit despite not living in the borough.</p> <p>An examination of records showed that a permit had been issued to the vehicle for a Berkeley Square address. However, open source intelligence searches suggested the address was not residential, but in fact a private members club for senior executives. Furthermore, the named keeper of the vehicle appeared to live in Elvaston Mews SW7.</p> <p>A visit to the premises confirmed it contains no residential accommodation.</p> <p>The permit holder was interviewed and confirmed that the permit application and subsequent renewal had been made on his behalf by his personal assistant for a vehicle he stated she owned but that he said was leased to him.</p>	<p>The permit was cancelled forthwith and consideration was given to determining whether or not a criminal offence had been committed. However, it was decided not to investigate further due to lack of evidence proving whether the permit holder or the vehicle keeper was responsible for the application or for parking the vehicle.</p> <p>Notional value £6,776</p> <p><i>[It was estimated that the value of the fraud totalled £6,776 based upon a conservative estimate of misuse and value of lost parking revenue to Westminster City Council.]</i></p>
10.	<p>RESIDENT PARKING PERMIT – A Fraud Hotline call was received in May 2015 raising concerns that a van, parked directly outside their premises, was done so with a fraudulently obtained resident parking permit.</p> <p>Parking records confirmed that the holder of the resident's permit was living in Westminster in Hallam Street W1 along with two other persons, both of which held permits. However, enquiries showed that these individuals were not resident in Westminster.</p>	<p>As a result all three resident's permits were cancelled, and a further matter is currently with the Police and they have been provided with a witness statement regarding the fraudulently obtained permits in this instance.</p> <p>Notional value £33,000</p> <p><i>[It was estimated that the value of the three frauds totalled £33,000 based upon an estimate of misuse and value of lost parking revenue in a C Zone area.]</i></p>

	Case Description	Result/Outcome
11.	<p>RESIDENT PARKING PERMIT – an anonymous call to the Fraud Hotline alleged that a vehicle had been parking in Eccleston Square whilst displaying permits issued by both Westminster City Council and the Royal Borough of Kensington and Chelsea.</p> <p>An interrogation of the Council's parking system showed that no permits had been issued to the vehicle. However, the vehicle was registered to a White WCC Disabled Badge, but records showed the badge holder had died in 2013.</p> <p>Between May 2014 and August 2014 the vehicle was sighted and photographed using the badge(s) in Eccleston Square. The driver was apprehended, the badges were seized and the driver invited to attend an interview under caution where a full and frank admission was obtained.</p>	<p>On 13th May 2015 at Westminster Magistrates Court the driver pleaded guilty to four offences under section 115 of the Road traffic Regulations Act. The driver was sentenced to a three months conditional discharge and ordered to pay costs of £1,730.</p> <p>Notional value £4,585</p> <p><i>[It was estimated that the value of the fraud totalled £4,585 based upon a conservative estimate of misuse and value of lost parking revenue to Westminster City Council.]</i></p>
12.	<p>RESIDENT PARKING PERMIT – A referral suggested that the proprietors of a shop in Bell Street, NW1, had received parking permits fraudulently.</p> <p>The pair, brothers, both held F Zone resident permits based on them living in Portsea Hall, however checks identified a different party liable on Council Tax records, and notes to say one of the brothers was the landlord not a resident.</p> <p>Further enquiries linked the pair to at separate addresses in Brent.</p>	<p>Visits to the area failed to find either brother parking their vehicles with the permits. Therefore the matter was concluded with a warning letter being sent to their Brent addresses, and both F Zone permits cancelled forthwith.</p> <p>There is no evidence to support daily use of the permits in F Zone where parking is £4.40 per hour, but saving calculated at £1,500 per permit which would equate to the car being parked in F Zone for approximately 40 days in the year.</p> <p>Notional value £3,000</p>