



Audit and Performance Committee Report

Meeting: Audit and Performance Committee

Date: 9 May 2017

Classification: For General Release

Title: Counter Fraud 2016/17 – End of year 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 2016 to 31 March 2017.

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 2016 to 31 March 2017.
- 1.2 Local authorities have a responsibility to embed effective standards for countering fraud and corruption in their organisation 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 Since April 2016 CAFS identified 138 positive outcomes against a target of 125, including 22 prosecutions and 13 recovered tenancies. For the period 1 April 2016 to 31 March 2017, fraud identified by CAFS has a notional value of over £4.5million and is detailed in the following table.

Activity	Fraud	Fraud	Fraud	Fraud
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	proved 2015/16	identified 2015/16 (£'s)	proved 2016/17	identified 2016/17 (£'s)
Housing Fraud (inc. applications, assignments & successions)	-	-	3	54,000
Right to Buy	9	935,100	29	3,013,100
Advisory Report	-	-		-
Prevention subtotal	9	935,100	32	3,067,100
Tenancy Fraud (CWH and Registered Providers)	6	340,000	13	750,000
Equity Loan Fraud	2	706,460	-	-
Internal Staff and Other Services	10	29,510	18	156,827
Disabled Parking	15	51,667	26	122,649
Resident's Parking	49	277,588	43	277,586
Detection subtotal	82	1,405,225	100	1,307,062
Proceeds of Crime (POCA)	1	153,824	5	181,352
Press releases and publicity	-	-	1	-
Deterrence subtotal	1	153,824	6	181,352
Total	92	2,494,149	138	4,555,514

1.5 Details of sample fraud cases are reported in Appendix 2.

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 before 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 about 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 Since April 2016 CAFS received two whistleblowing referrals (as defined in the policy) one remains an on-going investigation, the other was resolved and identified financial mismanagement at a local primary school.

2.3 Details of the resolved case are reported in Appendix 1: Case no.1.

3. ANTI-FRAUD STRATEGY

3.1 The Council's Anti-Fraud and Corruption Strategy 2016-2019 is aligned to the national strategy, ***Fighting Fraud and Corruption Locally.***

3.2 The strategy is broken down into three key themes; Acknowledge, Prevent and Pursue, and places greater emphasis upon;

- Acknowledging fraud risks and having a thoroughly trained and dedicated anti-fraud resources to investigate allegations and detect fraud
- Preventing fraud by developing and improving controls and anti-fraud techniques across the Council
- Pursuing fraud loss, by imposing sanctions and raising awareness, which deters potential fraud from being committed

3.3 The remainder of this report has been divided into three sub-sections;

- i) Fraud Prevention Activities
- ii) Fraud Detection Activities
- iii) Fraud Deterrence

3.4 Each sub-section contains details of counter fraud activities which follow the strategy and thereby demonstrate how it is deployed and the outputs achieved.

4. FRAUD PREVENTION ACTIVITIES

Fraud in Brief

4.1 In November 2016 CAFS launched a newsletter entitled Fraud in Brief, which was circulated to all Council staff via the intranet.

4.2 The quarterly newsletter aims to keep staff up-to-date with counter fraud activities as well as making them aware of the latest threats and emerging risks, as well as informing staff how to identify the warning signs of fraud and what to do if they suspect fraud.

4.3 The first two issues have been well received and



contribute towards enhancing the Council's anti-fraud culture and general fraud awareness.

Cybercrime

- 4.4 In January 2017 CAFS officers all completed a ProQual Level 2 Award in Cyber Security Awareness.
- 4.5 The aim of the training, and subsequent qualification was to provide officers with a greater understanding of best practice in cyber security, while also understanding the different types of cybercrime threats, from remote attacks like malware or hacking to more intrusive threats like social engineering.
- 4.6 CAFS realise that protecting the organisation from cybercrime is everyone's responsibility, not just ICT, and while cybercrime remains an increased risk, CAFS want to support ICT by maintaining awareness and disseminating good practice.
- 4.7 The training provides the Council with the assurance that fraud officers have attained a good level of competency in cyber security and can use this level of knowledge to raise awareness across the Council. Attainment of the qualification also provides officers with additional access to resources which will ensure CAFS are kept up to date with details of new threats, emerging risks and the latest developments.
- 4.8 Since the training, an eLearning course entitled Introduction to Cybercrime has been designed and made available to Council staff along with several articles in the CAFS newsletter, Fraud in Brief.

Right to Buy (RTB)

- 4.9 In September 2016 CAFS agreed a revised Service Level Agreement (SLA) with City West Homes' Lessee Services, along with a revised anti-money laundering questionnaire. The SLA declared that all new applications for RTB would be referred to CAFS for vetting.
- 4.10 This has been a crucial area of prevention activity and for the year 1 April 2016 to 31 March 2017 CAFS have successfully prevented 29 Right to Buys from completion, where concerns were raised regarding the tenant's eligibility or their financial status. In many instances, these have been as a result of the tenant voluntarily withdrawing their application once checking and verification by CAFS commenced.

5. FRAUD DETECTION ACTIVITIES

Corporate investigations

5.1 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a particular CAFS service areas such as Housing or Disabled Parking Fraud.

5.2 Since 1 April 2016 work in this area has included;

- The dismissal of a member of staff who had abused their position to influence the procurement of building work at a school, as well as failing to declare a Declaration of Interest.
- The resignation of an employee following an investigation into the mismanagement of a school's financial system.
- The resignation of an employee following an investigation into the misuse of a school's headed stationery for personal gain, namely a false reference.
- A false claim for expenses made to the Post-Adoption Team.
- Business rates misclassification.
- Single Person Discounts removed during investigations into housing and residents parking
- Misuse of concessionary travel including Freedom Passes

5.3 Details of a sample fraud cases are reported in Appendix 1.

Tenancy Fraud

5.4 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.

5.5 As well as working with CityWest Homes CAFS continue to provide investigative support to Private Registered Providers (PRPs) operating within the borough and where CAFS recover properties on behalf of PRPs, following investigations of unlawful subletting; abandonment or false applications for tenancy succession, the nomination rights for these properties are passed to the Council.

5.6 CAFS work across the Housing Department involves prevention as well as detection. The full extent of CAFS activities is described in the table below.

Activity	Fraud proved 2015/16	Fraud proved 2016/17	Notional value 2016/17 (£'s)
CWH Tenancy Fraud	5 (2 keys returned)	8 (4 keys returned)	448,000
PRP Tenancy Fraud	1 (keys returned)	5 (3 keys returned)	302,000
RTB - CWH	9	29	3,013,100
False succession applications	-	3	54,000

Unlawful Profit Order	1	1	131,875
Total	16	46	3,948,975

5.7 Details of sample cases are reported in Appendix 2.

Disabled parking investigations

5.8 Blue badge anti-fraud work continues to be high profile given the levels of National and Pan London misuse, and it is important that the public is assured that the scheme is protected for those in genuine need.

5.9 CAFS continue to investigate the misuse of disabled parking badges and during the year under review have successfully apprehended 26 offenders who have had appropriate sanctions applied, including 21 successful prosecutions.

5.10 From the 21 successful prosecutions, fines totalling £3,275 were imposed, and defendants ordered to pay the Council a total of £7,255 in costs and victim surcharges.

5.11 Details of sample fraud cases are reported in Appendix 2.

Resident parking investigations

5.12 CAFS continue to investigate the misuse of resident parking permits and to date have successfully apprehended 43 offenders including one successful prosecution. Positive outcomes include fraudulently obtained permits; height restricted vans and permits issued to commercial addresses.

5.13 In three instances the Council has also been compensated for the loss in parking charges, as a result of permit misuse or fraudulently obtained permits, and over £27,000 has been repaid.

5.14 Details of sample fraud cases are reported in Appendix 2.

6. FRAUD DETERRENCE

6.1 Stopping fraud and corruption from happening in the first place must be our primary aim. However, those who keep on trying may still succeed. It is, therefore, important that a robust enforcement response is available to pursue fraudsters and deter others.

Sanctions

6.2 For the period 1 April 2016 to 31 March 2016, CAFS have successfully prosecuted 22 offenders, and currently, have seven cases lodged with the Council's solicitor for prosecution activity.

Proceeds of crime act

- 6.3 The use of dedicated powers under the Proceeds of Crime Act (POCA) continues to provide rewards with £96,083 awarded of which £49,477 has already been repaid.

Unlawful Profit Orders (UPO)

- 6.4 When individuals are found to have been unlawfully subletting social housing property, we can make an UPO. This is an order which requires the defendant to pay their landlord any profit they have made from the subletting.
- 6.5 An unlawful profit order does not require a criminal conviction, and it can be served as part of civil court proceedings.
- 6.6 Working in partnership with A2 Dominion officers investigated a subletting allegation. Evidence was obtained, including signed statements from subtenants, which proved the case, and following a possession hearing the two-bedroom flat in Wentworth Court, SW1W was repossessed.
- 6.7 Evidence gathered during the investigation, including financial records, also showed a long history of subletting, and an UPO was served, and the court ordered the defendant to pay a total of £131,875.

Press releases

- 6.8 To deter fraud attempts it is important that the Council publicise its successes in tackling it. Positive publicity about the successful detection, prosecution or prevention of a fraud may help to deter others.
- 6.9 CAFS continue to record details of press releases as a positive outcome each time a story is published in a national or local media, news websites or trade magazines.

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Local Government Access to Information Act – background papers used:
Case Management Information

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Anti-fraud Activity 2016/2017 (cases identified between 1 October 2016 – 31 March 2017)

APPENDIX 1

	Case Description	Result/Outcome
1.	<p>EMPLOYEE FRAUD – In May 2016 CAFS were informed of concerns regarding the processing of income received by a local Primary School. It was suspected that money collected was not being paid into the school’s bank account causing a discrepancy between the amount received and the amount banked.</p> <p>As a result of an investigation it was established that an employee of the school, the Finance Officer, had deliberately failed to bank approximately £5,000 of the school's income and had failed to keep records of when and how much money she had received from payments such as school meals, school trips, and other cash receipts. This lack of control exposed the school's income to a very high risk of loss and/or theft.</p>	<p>As a result of the investigation disciplinary action was initiated in respect of the Finance Officer. However, before the final hearing, the officer resigned. Their resignation was accepted by the School Governors, and the matter was closed forthwith.</p>
2.	<p>SCHOOL PLACEMENT (Prevention) - An application for a school place, from an address on Peabody Estate, Old Pye Street, was verified using the AppChecker tool.</p> <p>The AppChecker showed that the parents did not appear to live at the address where the application was made.</p> <p>Further enquiries established that the property received a single person discount for Council Tax which also suggested this was not a family residency.</p>	<p>Schools challenged the parents over the application, and they received a reply from the child’s grandmother and tenant at the Peabody Estate property.</p> <p>She admitted the child does not live at the address but that her daughter stays several days a week, and while she is currently living in Stratford, is applying to live in Westminster.</p> <p>The application was rejected until the child, and her parents are residents of Westminster City Council.</p>

<p>3.</p>	<p>FALSE EXPENSES - Allegation received from the Post-Adoption Team within Family and Children's Services suggested that a family had made a false claim.</p> <p>The team were concerned that a family had provided a counterfeit invoice in support of a post-adoption care package which they were receiving for support of two young people in their care.</p> <p>The family had returned to the UK for an assessment and review meeting, and claimed that they had incurred rental expenses while in the UK.</p> <p>However, enquiries established that they owned the property they claimed to have rented. Enquiries also uncovered several other properties which they were renting, and it transpired that this income had not been declared during the financial assessment for adoption support.</p>	<p>A family's financial circumstances were reassessed and their adoption support reduced by £152 per week, and private school fees were withdrawn.</p> <p>In total, a financial saving of £11,368 was identified.</p>
<p>4.</p>	<p>RESIDENT PARKING PERMIT FRAUD - An allegation was received claiming that a dentist working in Westminster, had illegally obtained a resident parking permit for a property in Maida Avenue and was using it to enable her to park her car during business hours even though she lived in Hendon.</p> <p>Enquiries established that the allegations were proven and as a result, it was calculated that the dentist had evaded parking costs in the region of £14,122 between 08 November 2011 and 06 January 2016 when parking in connection with her business.</p>	<p>The defendant was summonsed to court on 14 December 2016. However, she requested an adjournment to obtain legal advice and subsequently approached the council seeking an out of court settlement as an alternative to criminal prosecution. They offered to pay compensation to the Council for the full value of the parking liability she was alleged to have evaded as well as reimbursing the costs of the investigation.</p> <p>In January 2017 a payment of £16,622 was made which represented the loss to the Council in parking fees, £14,122 and £2,500 the cost of investigation and initial legal fees.</p>

<p>5.</p>	<p>TENANCY FRAUD – Octavia housing referred a case when they had concerns that the tenant of a Belgrave Gardens address was not resident and possibly subletting. Their suspicions were further aroused by the fact the tenant had made rent payments in advance for one year.</p> <p>Initial enquiries failed to provide any other addresses for the tenant so an interview was arranged at Octavia’s offices, in response to an E-Mail which was sent by their system the tenant contacted the office and advised that he was in Cyprus and would return soon for the interview.</p> <p>A check with the Home Office showed that the tenant had in fact only been in the UK for 14 days in 3 years. Additional enquiries then identified a business which he owned in Cyprus.</p>	<p>The tenant attended an interview with investigation officers but decided part way through that he wanted to terminate the tenancy rather than continue, eight weeks was agreed by Octavia and the keys have now been returned.</p> <p>The nomination rights for this two-bedroom property have been passed to Westminster City Council.</p>
<p>6.</p>	<p>BUSINESS RATES and RESIDENTS PARKING – During the investigation of a potential residents parking fraud in Elgin Avenue, officers visited a premises which was trading as a supermarket.</p> <p>The officers discovered that the permit holder was not resident and therefore had fraudulently obtained the badge. However, they also discovered that the property where the permit was registered, was not a residential property but storage for the supermarket.</p>	<p>The permit was immediately cancelled, and working in partnership with the Council’s business rate contractors, the premises was re-evaluated as a commercial building and, a new bill for approximately £14,000 was raised. This has since been collected in full.</p> <p>The permit holder was also prosecuted and pleaded guilty to three offences under the Fraud Act 2006 and as a result ordered to pay a total fine of £1,250 and order to pay costs of £2,320.</p>

<p>7.</p>	<p>BLUE BADGE FRAUD – During an inspection regime checking on disabled bays, officers saw the driver of a Mercedes S-Class place a Blue Badge on the dashboard, exit the vehicle and then wait.</p> <p>As the officer approached the driver to inspect the badge, the driver realised he was about to be questioned, jumped into the vehicle and waved his hand saying, "no, no, no" as he reversed. The officer called to see the badge, but as he did, the driver removed the badge from the dashboard.</p> <p>He stopped and exited the vehicle but failed to co-operate with the officer, but maintained he had no intention to park in a disabled bay, using his wife's badge. His wife was not present.</p>	<p>The case was heard at Hammersmith Magistrates Court in March 2017. The driver entered a not guilty plea and footage of the incident, obtained on the officer's body camera, was played to the court.</p> <p>The defendant was sworn in, and he initially stated that he did not have a Blue Badge on display. However, when told he had written a statement to the Court explaining that he placed the Badge on display "accidentally without thinking", he retracted his comments saying he meant he did not "usually" display the badge.</p> <p>He then claimed there was no where else to stop the vehicle, but the video evidence disproved this.</p> <p>The Lay Justices took ten minutes to deliberate the case, and came to the conclusion that the defendant was attempting to use the Badge and found him guilty.</p> <p>In sentencing, he was ordered to pay a fine of £450, ordered to pay costs £650 and a victim surcharge of £45.</p>
<p>8.</p>	<p>RESIDENT PARKING PERMIT FRAUD - An application for a resident's parking permit was made on the basis that the applicant is resident in Westminster at an address in Brompton Rd, SW3.</p> <p>A full permit was not issued as he had failed to provide sufficient proof of residency. As a result, a temporary permit was issued pending the outcome of an investigation by the Corporate Anti-Fraud Service.</p>	<p>A visit to the Brompton Rd address which revealed that it was a business, Café Concerto. Enquiries were made with Cafe Concerto staff who advised that the applicant was not an employee and that there was no residential element to the property. As a result, the permit application was cancelled.</p> <p>The temporary permit was cancelled forthwith, the application rejected and no refund issued.</p>

