



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	Wednesday 2 nd December 2020
Classification:	For General Release
Title:	Counter Fraud 2020/21 – Half Year Progress Report
Wards Affected:	All
Financial Summary:	There are no direct financial implications arising from this report.
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1. Executive Summary

- 1.1 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 2020 to 30 September 2020.

2. Recommendations

- 2.1 The Committee notes the content of the report.
- 2.2 The Committee indicate any areas of the report that require further investigation.

3. Reasons for Decision

- 3.1 To inform Members of how the City Council is delivering its anti-fraud and corruption strategy.

4. Background

- 4.1 This report provides an account of counter-fraud related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2020 to 30 September 2020.
- 4.2 CAFS remains a shared service providing the Westminster City Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the authority.
- 4.3 All CAFS work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFS ensures the Council fulfils its statutory obligation under the Local Government Act 1972 to provide the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.
- 4.4 During the first six months of this financial year, 2020/2021, CAFS investigated 362 cases, including 199 new referrals, and concluded 147 investigations. A conclusion could mean support of a successful prosecution, successful prevention that stops fraud, a detection that identifies fraud and stops it continuing, an action that deters fraud, or no further action where there is no case to answer.
- 4.5 The table below shows this activity and details the fraud types that make up the closed cases, and the active caseload at the start of the current financial year.

Activity	Cases	Fraud types	Closed	Live
Live cases as at 01/04/20	163	Tenancy & Housing cases	64	126
New referrals received	199	Insider fraud	2	1
Closed investigations (Positive outcome 104)	147	Other Corporate	3	10
		Parking and Blue Badges	68	78
Live cases as at 01/10/19	215	POCA	0	0

- 4.6 For the period 1 April 2020 to 30 September 2020, CAFS identified 104 positive outcomes. Fraud identified has a notational value of over £137,168 and is detailed in the following table. The table also compares the achievements against those for the first six months of 2019/20.

Activity	Half-year 2019/20		Half-year 2020/21	
	Fraud proved	Notional Values (£'s)	Fraud proved	Notional Values (£'s)
Housing application fraud	6	7,600	1	2,000
Right to Buy	10	12,300	17	22,700
Advisory Reports (pro-active)	6	15,000	-	-
Prevention subtotal	22	34,900	18	24,700
Tenancy Fraud (Council and Registered Providers)	22	223,900	1	17,500
Insider fraud	1	2,000	-	-
High/Medium risk fraud (e.g. NNDR, Procurement)	3	45,000	1	3,500
Low-risk fraud (e.g. Freedom passes, Council Tax SPD)	4	5,299	5	4,888
Disabled Parking	33	64,600	20	21,406
Resident's Parking	7	5,300	57	28,912
Detection subtotal	70	346,099	84	76,206
Proceeds of Crime (POCA)	4	93,371 <i>(repaid to date £52,668)</i>	2	36,262 <i>(repaid to date £10,340)</i>
Press releases and publicity	1	2,000	-	-
Deterrence subtotal	5	95,371	2	36,262
Total	97	476,370	104	137,168

5. Anti-Fraud and Corruption Strategy

5.1 The Council's Anti-Fraud & Corruption Strategy covering 2020/23 is based on five key themes:

- i) Govern
- ii) Acknowledge
- iii) Prevent
- iv) Pursue
- v) Protect

5.2 The Strategy is designed to heighten the Council's fraud resilience and demonstrate its protection and stewardship of public funds. It contains an action plan to provide management with a tool to ensure progress and transparency with regards to counter-fraud activities.

i) GOVERN

A robust framework of procedures and policies

- 6.1 Minimising any losses to fraud and corruption is an essential part of ensuring that all of the Council's resources are used for the purposes for which they are intended and ensuring we remain resilient to the threat of fraud.
- 6.2 It is therefore vitally important that anti-fraud policies are kept up to date to support and guide Council staff, ensuring compliance with laws and regulations, giving guidance for decision-making, and streamlining internal processes.
- 6.3 The key anti-fraud policies are regularly reviewed, revised and presented to the Audit and Performance Committee for annual review and approval.

ii) ACKNOWLEDGE

Committing support and resource to tackle fraud

- 7.1 A vital element of a counter-fraud strategy is the ability of an organisation to call upon competent, professionally trained officers to investigate suspected fraud. Through the resourcing and support for CAFS, the Council demonstrates it is committed to tackling fraud.
- 7.2 Since April 2020 officers from CAFS have continued to progress their personal development, and have utilised the Council's Learning Zone to enhance their skills and their competencies.
- 7.3 Officers have covered topics such as equality and diversity in the workplace, communicating effectively, business report writing, unconscious bias and general IT skills. Additionally, officers have also undertaken more specialised counter-fraud courses, including data protection, anti-bribery and whistleblowing.
- 7.4 Collectively, CAFS officers have completed and passed learning assessments in over 72 courses.

iii) PREVENT

- 8.1 In addition to the specialist investigative role, CAFS continue to provide advice and support across the organisation, including the Council's partners and contractors.
- 8.2 This type of advice and support is essential during emergencies such as a pandemic when the fraud threat is higher than at other times for some services.

Corporate investigations

- 8.3 Corporate investigations cover a wide range of different counter-fraud activities including, but not limited to, financial investigations, complex third-party fraud investigations, contractor or employee fraud, or actions and activities that contribute towards an effective assurance framework.
- 8.4 Since 1 April 2020 corporate investigation work has included:
- Contractor (Staff) - CAFS received an anonymous referral via the online fraud reporting webpage suggesting a member of staff had made some very derogatory remarks on a public website.
 - Employee - Referral received from WCC Libraries via Human Resources that suggested an employee had registered businesses at the library address following post being received at the library in the name of the business.
 - Business rates refund - The business rates department received an application for a refund from a retail premises in Nugent Terrace, NW8. The refund was for £3,800 but initial checks showed this refund had been claimed and repaid in April 2019.
 - Employee – CAFS received a referral from Human Resources that an employee had been using his council email address for personal business use, making offers to agree a commercial lease with the Council's property agents.
- 8.5 Case details are reported in Appendix 1.

Housing/Tenancy Fraud

- 8.6 CAFS provides an investigative service to all aspects of housing, including requests for the succession or assignment of tenancies, allegations of subletting or other forms of tenancy breaches as well as right to buys.
- 8.7 Achievements in this service area have been disrupted by the pandemic, where changes to legislation, per the Coronavirus Act 2020, and social distancing restrictions have affected the number of fraud recoveries CAFS have been able to achieve.
- 8.8 For the period 1 April 2020 to 30 September 2020, CAFS had successfully recovered a two-bedroom property, stopped a false housing application and prevented seventeen right to buy applications.
- 8.9 Although the pandemic has disrupted face to face investigations, CAFS have managed to continue operations by focusing resources on desk-based data analytics.

- 8.10 Working with data experts GB Group, over 13,500 tenancy records were processed against multiple sources of data including financial, business and social data as well as personal data to identify discrepancies that might require the cleansing and updating of existing Council data or indicated possible fraud.
- 8.11 The analytics found 11,708 records matched the third-party data which provides assurance that the vast majority of tenancy records are correct and that there is a minimum risk of fraud in these instances.
- 8.12 The remaining 1,960 records are being scrutinised by CAFS and progress to date is reported in the table below.

Data	Anomalies	Under review	Closed no fraud	Data cleansing in progress	Investigations file raised
Deceased indicators	49	-	15	29	5
High risk residency	5	-	5	-	-
New address indicator	817	772	33	3	9
Medium risk residency	526	526	-	-	-
Low risk residency	563	563	-	-	-
Totals	1960	1,861	53	32	14

Parking investigations

- 8.13 CAFS continue to investigate the misuse of disabled parking badges and fraudulently claimed residents parking permits. For the period 1 April, 2020 to 30 September 2020 CAFS successfully prosecuted one offender for misusing disabled parking permits.
- 8.14 The pandemic has significantly disrupted achievements in this area. On-street investigative activities were briefly suspended during lockdown due to temporary changes to traffic management controls and social distancing restrictions.
- 8.15 Investigations have now resumed following a revision of our standard operating procedures and the use of PPE to protect both the public and investigating officers.
- 8.16 Currently, a total of 33 cases are with Legal Services awaiting court appearances but due to backlogs at Magistrate Courts hearings these have been significantly delayed.
- 8.17 During the lockdown period, CAFS has continued to make better use of technology and analytics. It conducted a pro-active exercise to analyse parking

permit data against other datasets to identify anomalies that might indicate fraud.

8.18 NFI data matching facilities were utilised to analyse residents parking permit data between Westminster City Council and the Royal Borough of Kensington and Chelsea (RBKC). The purpose of the exercise was to identify individuals or vehicles which currently have a resident's parking permit in both authorities and hence possibly committing fraud.

8.19 In May 2020, the NFI were supplied with details of 26,410 Westminster permits along with 31,562 records of permits issued by RBKC. This data was compared to each other as well as to third-party datasets including DWP death records.

8.20 CAFS obtained the results at the beginning of August, which were in the form of six reports containing a total of 124 matches. The reports regarding Westminster City Council matches were;

- Name and date of birth. This report identified individuals by name and date of birth who have permits in both boroughs.
- Registration number. This report identified vehicles by registration number which have permits in both boroughs.
- WCC to DWP deceased. This identified holders of WCC permits who are deceased.
- WCC to RBKC permits. This identifies individuals who have two WCC residential permits.

8.21 Each of the matches was examined to determine if they genuinely indicated fraud or error. The results for WCC are given in the table below.

Report type	Number of positive matches	No further action	Resident's parking permits cancelled	On-going investigation
Name & date of birth	7	6	0	1
Registration number	114	-	48	25
RBKC deceased	2	2	0	0
RBKC to RBKC permit	1	1	0	0

8.22 A total of 48 permits, with a notional fraud value of £24,960, have been revoked as a result of this exercise and the permits cancelled.

8.23 Currently, 26 investigations remain ongoing, and findings will be reported to the Audit and Performance Committee later in the financial year.

iv) PURSUE

9.1 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, essential that a robust enforcement response is available to pursue fraudsters and deter others.

- 9.2 Since April 2020, CAFS made successful claims for restitution in respect of falsely obtained resident's parking permits and managed to secure awards of £36,262 in compensation. The awards reflected the years of deception which caused a significant loss of income to the Council, plus the Council's investigation and administration costs.

v) PROTECT

- 10.1 This aspect of the Strategy covers counter-fraud activity to protect public funds, saving the Council from fraud and protecting itself from future scams.
- 10.2 CAFS remains an active member of the National Anti-Fraud Network (NAFN) who disseminate national fraud alerts which are circulated by CAFS to the appropriate departments. CAFS also offer support and advice to ensure proper action is taken in response to the warnings and to protect the Council from fraud.
- 10.3 During the lockdown, there was a significant increase of alerts detailing fraudsters that were targeting NNDR accounts details using COVID as a ruse to harvest data as well as fraudulent claims for business support grants.
- 10.4 One such alert raised concerns regarding two suspicious businesses who have previously been linked to stolen credit cards, but more recently following the pandemic they have been contacting councils to apply for backdated rent liability and, at the same time, are then claiming for the business grant payments.
- 10.5 Alert to the scam, vigilant business rates officers soon identified the two businesses when they tried to request backdated rent liabilities from addresses in Moreton Street, SW1, and to apply for a £25,000 business grant from the two addresses.
- 10.6 No payments were released, the case was referred to CAFS and investigations remain on-going.

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

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PRO-ACTIVE OPERATIONS

Source	Fraud Review	Details	Risk
<p>Pro-active data analytics</p>	<p>Pensioners mortality check</p> <p>The Cabinet Office advised that in emergency situations such as a pandemic it is understandable that family members fail to report the death of a loved one in a timely manner, but there is also the more serious risk that individuals fail to report a death for malicious reasons with the intent to commit fraud.</p> <p>The Cabinet Office's NFI programme therefore offered a national programme of mortality screening which CAFS took part in.</p> <p>Strategic objective: Making better use of technology to tackle fraud</p>	<p>Background</p> <p>The NFI mortality screening service matches against one of the most comprehensive, up-to-date and accurate mortality sources available in the UK that includes national insurance numbers.</p> <p>This data-matching service enables the Council to match records and to detect and recover potentially fraudulent overpayments quickly and efficiently, combating fraud committed by anyone trying to continue to receive payments or services after the recipients' death.</p> <p>Findings</p> <p>CAFS undertook a mortality check of individuals currently in receipt of a pension from Westminster City Council.</p> <p>In June 2020 the Council supplied records of the 6,153 people who are in receipt of a pension. This was screened, and NFI returned a report indicating that there are 90 people in receipt of Westminster pensions who were believed to be deceased.</p> <p>Enquiries in respect of these 90 individuals showed that 88 had been notified or the pensions stopped.</p> <p>There are two pensioners whose deaths occurred in April 2020 and payments continued, unnotified of the deaths, until the NFI screening results were received. These currently remain under investigation.</p>	<p style="text-align: center;">N/A</p>

<p>Pro-active data analytics</p>	<p>Disabled Parking mortality check</p> <p>The Cabinet Office advised that in emergency situations such as a pandemic it is understandable that family members fail to report the death of a loved one in a timely manner, but there is also the more serious risk that individuals fail to report a death for malicious reasons with the intent to commit fraud.</p> <p>The Cabinet Office's NFI programme therefore offered a national programme of mortality screening which CAFS took part in.</p> <p>Strategic objective: Making better use of technology to tackle fraud</p>	<p>Background</p> <p>The NFI mortality screening service matches against one of the most comprehensive, up-to-date and accurate mortality sources available in the UK that includes national insurance numbers.</p> <p>This data-matching service enables the Council to match records and to detect and recover potentially fraudulent overpayments quickly and efficiently, combating fraud committed by anyone trying to continue to receive payments or services after the recipients' death.</p> <p>Findings</p> <p>CAFS undertook a mortality check of individuals currently in receipt of a disabled parking permits (Blue Badge and White Resident Badge) from Westminster City Council.</p> <p>In June 2020 the Council supplied records of the 4,223 people who are badge holders. This was screened, and NFI returned a report indicating that there are 136 disabled badges issued to people who have died.</p> <p>Enquiries in respect of these 90 individuals showed that 43 had been notified and the badges cancelled.</p> <p>A total of 18 badges were cancelled where separate enquiries verified the death.</p> <p>Nine matches have indicated possible fraud. In each of these cases there has been a renewal of the badge following the death of the badge holder. These are now all under investigation.</p> <p>The further 66 matches remain under review.</p>	<p>N/A</p>
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NOTEWORTHY INVESTIGATIONS AND ACTIVITY

	Case Description
1.	<p>CASH INCENTIVE SCHEME – A Council tenant living in Tickford House, NW8 notified the housing department with the intention of surrendering their tenancy. In doing so they made an application to the Council's Cash Incentive Scheme.</p> <p>The scheme is open to tenants who wish to move to a smaller home in Westminster, or relinquish their tenancy completely, to make housing stock available to those in need of housing support. The Tickford House tenant was deemed eligible for the payment and was due to receive £3,500.</p> <p>Prior to completing the application and payment, the housing department became suspicious and were concerned the tenant owned property elsewhere. Property ownership would null the application.</p> <p>The matter was referred to the Corporate Anti-Fraud Service who soon revealed the tenant's ownership of two properties in Brent, one from 2011 and one from 2014. However, enquiries found no evidence that either property had been owned at the time the tenant was awarded the Tickford House tenancy.</p> <p>No payments were made, and the one-bedroom property was recovered forthwith.</p>
2.	<p>CONTRACTOR – The Corporate Anti-Fraud Service received an anonymous referral via the online fraud reporting webpage suggesting a member of staff had made some very derogatory remarks on a public website, and was bringing the Council into disrepute.</p> <p>The referral provided screen shots from the Sky News Facebook account, where an individual had made inappropriate remarks in response to a news story. The remarks were made by a person whose Facebook account said they worked at Westminster City Council.</p> <p>The Council's human resources systems were interrogated but there was no link to a direct employee, however, further investigation traced the individual to one of the Council's contractors.</p> <p>Once alerted, the contractors took swift and immediate action to remove the individual from the Westminster contract and to commence their own internal investigations forthwith.</p>

<p>3.</p>	<p>EMPLOYEE - Referral received from WCC Libraries via WCC Human Resources, suggested that a Council employee had used one of the library addresses to register two limited companies. Their suspicions began when post was delivered to the library addressed to the two companies.</p> <p>The Service spoke to the employee and gave clear instructions to remove the link to WCC addresses, which the employee did forthwith. However, the library services referred the matter to the Corporate Anti-Fraud Service to obtain assurance that no other untoward activity was taking place.</p> <p>Companies House checks confirmed that both companies had been re-registered but that WCC address remains on the register as a former address for the company. There is no evidence of trading for either company.</p> <p>A fact-finding investigation report was issued to HR and the service area.</p>
<p>4.</p>	<p>EMPLOYEE – A referral from WCC Human Resources, suggested that two Council employees had used their WCC email address to make offers on commercial leases with the Council’s property agent in relation to proposed outside business activities.</p> <p>The Council’s IT systems were interrogated, but no further information was uncovered suggesting that was an isolated incident.</p> <p>Further investigations, including checks with Companies House and third party data confirmed that the employees were not linked to any limited companies, and there was no evidence of secondary employment taking place. A fact-finding investigation report was issued to HR and the service area.</p>
<p>5.</p>	<p>BUSINESS RATES REFUND - The business rates department received an application for a refund from a retail premises in Nugent Terrace, NW8. The refund was for £3,800 but initial checks showed this refund had been claimed and repaid in April 2019.</p> <p>When officers rejected the refund request, the applicant raised their concerns that the original refund must have been fraudulent because they didn’t receive the money.</p> <p>The matter was referred to the Corporate Anti-Fraud Service who undertook some initial enquiries and traced the original payment made in April 2019. This was found to have been paid to the correct bank account, that of the shop owner.</p> <p>Following a telephone interview, it transpired that the most recent application coincided with change in management/ownership, and while in the process of reconciling accounts they were unaware that it had been claimed the previous year. The matter was closed no fraud.</p>