

## London Borough of Hammersmith & Fulham

**Report to:** Audit and Pensions Committee

**Date:** 01/12/2020

**Subject:** Corporate Anti-Fraud Service Half-Year Activity Report – 1 April 2020 to 30 September 2020

**Report of:** David Hughes, Shared Services Director for Audit, Fraud, Risk and Insurance

**Responsible Director:** Director for Audit, Fraud, Risk and Insurance

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### Summary

The Council takes its responsibilities to protect the public purse very seriously and is committed to protecting the public funds that it administers. This report provides an account of fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2020 to 30 September 2020.

CAFS provides a complete, professional counter fraud and investigation service for fraud attempted or committed against the Council, and supports the Council's commitment to preventing, detecting and deterring fraud and corruption.

For the period 1 April 2020 to 30 September 2020, CAFS identified 45 positive outcomes, including 18 recovered tenancies. Fraud identified has a notational value of over £400,000.

### Recommendation

For the Committee to note and comment on the report.

**Wards Affected:** None

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### H&F Values

Please state how the subject of the report relates to our values – delete those values which are not appropriate.

Our Values	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	CAFS supports the Council in its statutory obligation under Section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. Where financial loss

has been identified as a result of fraud, we will always seek to recover this loss either through the civil or criminal process.

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**Background Papers Used in Preparing This Report**

None

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**INTRODUCTION**

- 1.1. This report provides an account of fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2020 to 30 September 2020.
- 1.2. CAFS remains a shared service providing the Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the authority.
- 1.3. 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.
- 1.4. During the first six months of this financial year, 2020/2021, CAFS investigated 259 cases, including 95 new referrals, and concluded 76 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.
- 1.5. The table below shows this activity and details the fraud types that make up the closed cases and live cases as at the start of the second half of the financial year.

Activity	Cases	Fraud types	Closed	Live
Live cases as at 01/04/20	164	Tenancy & Housing cases	36	136
New referrals received	95	Internal Staff	1	3
Closed investigations (Positive outcome 45)	76	High/Medium risk fraud	35	15
		Low-risk fraud	4	20
Live cases as at 30/09/20	183	POCA	0	9

- 1.6. For the period 1 April 2020 to 30 September 2020, CAFS identified 45 positive outcomes. The fraud identified has a notational value of over £400,000 and is detailed in the following table.

Activity	Half-year 2019/20		Half-year 2020/21	
	Fraud proved	Notional Values (£'s)	Fraud proved	Notional Values (£'s)
Housing Fraud	2	2,000	-	-
Right to Buy	4	6,000	1	3,500
Advisory Reports (pro-active)	4	15,000	1	5,000
<b>Prevention subtotal</b>	<b>10</b>	<b>23,000</b>	<b>2</b>	<b>8,500</b>
Tenancy Fraud (Council and Registered Providers)	18	259,900	2	32,500
Internal Staff	3	11,500	8	28,000
Discretionary Business Grant (COVID Support)	N/A	N/A	24	240,000
High/Medium risk fraud (e.g. NNDR, Procurement, Blue Badge)	5	5,000	2	63,500
Low-risk fraud (e.g. Freedom passes, Council Tax SPD)	5	3,379	6	4,186
<b>Detection subtotal</b>	<b>31</b>	<b>279,779</b>	<b>42</b>	<b>368,186</b>
Fraud loss recoveries [incl. Proceeds of Crime]	5	198,177	1	25,000
Press releases and publicity	-	-	-	-
<b>Deterrence subtotal</b>	<b>5</b>	<b>198,177</b>	<b>1</b>	<b>25,000</b>
<b>Total</b>	<b>46</b>	<b>500,956</b>	<b>45</b>	<b>401,686</b>

## WHISTLEBLOWING

- 2.1 The Council's whistleblowing policy continues to be the primary support route for staff wishing to report a concern.
- 2.2 Since April 2020 CAFS received just one new referral that is currently at the fact-finding stage, while the one outstanding whistleblowing investigation from 2019/20 reached a conclusion and this has now been closed.

Allegation	Outcome	Case status
<b>2019/20</b>		
i. Codes of conduct	Investigation concluded – breaches of the codes of conduct proven.	Closed
ii. Codes of conduct and conflict of interest	The fact-finding investigation remains ongoing.	Ongoing

## **ANTI-FRAUD AND CORRUPTION STRATEGY**

- 3.1 The Council's Anti-Fraud & Corruption Strategy covering 2020/23 is based on five key themes: GOVERN, ACKNOWLEDGE, PREVENT, PURSUE and PROTECT.
- 3.2 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**

- 4.1 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 ruthlessly financially efficient.
- 4.2 Staff are often the first to spot possible cases of wrongdoing at an early stage and are therefore encouraged and, indeed, expected to raise any concern that they may have, without fear of recrimination. Any concerns raised will be treated in the strictest confidence and will be appropriately investigated.
- 4.3 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.
- 4.4 The key anti-fraud policies are regularly reviewed, revised and presented to the Audit and Pension Committee for annual review and approval.

### **ii) ACKNOWLEDGE**

#### **Committing support and resource to tackle fraud**

- 4.5 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.
- 4.6 Since April 2020 officers from CAFS have embraced personal development utilising the Council's Learning Zone to enhance their skills and their competencies.
- 4.7 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, whistleblowing and employment investigations.

4.8 Collectively, CAFS officers have completed and passed learning assessments in over 100 courses.

### **iii) PREVENT**

4.9 In addition to the specialist investigative role, CAFS continue to provide advice and support across the organisation, including the Council's partners and contractors.

4.10 This type of advice and support is extremely important during emergency situations such as a pandemic, when the fraud threat is higher than at other times for some services. For example, the Business Rates Team and the Business and Enterprise Team processing Discretionary Business Grants.

### **COVID-19 Counter Fraud Work**

4.11 Throughout, CAFS has been available to support services impacted by COVID-19, especially at the design stage of new policy and procedures linked to the distribution of funding, services or supplies.

4.12 During the start of the lockdown, the Council needed to redeploy staff to assist with other areas of work. In some instances, this meant providing redeployed staff with access to confidential systems they would not usually use.

4.13 The DWP Searchlight system was needed for officers redeployed to the Registrars Service, and CAFS advised that those redeployed would need to understand their responsibilities, including the strict rules they must adhere to when using Searchlight.

4.14 To support this, CAFS redesigned a Confidentiality Agreement document to meet the specific legislative user requirements for redeployed officers to use Searchlight, and to provide management with the assurance that they understood their responsibilities.

4.15 CAFS has also provided investigative support throughout the pandemic to check the eligibility of applications for the Local Authority Discretionary Grants Fund. The fund was aimed at supporting small and micro businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.

4.16 Investigators worked closely with the Business and Enterprise Team to conduct preliminary checks where concerns were raised regarding applications, and to verify the details provided by the businesses applying.

4.17 The Business and Enterprise Team referred 35 potentially irregular business grant applications. Following investigations, 24 were refused as ineligible and 11 returned for payment or for re-assessment following the information uncovered by CAFS enquiries.

4.18 Some examples for refusing applications include;

- False application – an application submitted from someone claiming to be the director of a local business. Checks revealed the person named had resigned

from the company in 2016, and now someone had used their name to try to submit a false grant application.

- Business not having a significant drop in income - In one example, the CAFS investigation found the business accounts were not up to date or available to verify financial standings despite the application claiming a significant loss since lockdown.
- Business exceeded the rateable value limit (£61,000 per annum) – one investigation revealed the monthly rent on the business premise was in excess £6,250 per month.

4.19 Grants were capped at £25,000, although depending upon the business smaller grants could be administered. Therefore, for reporting, CAFS has valued a notional saving of £10,000 where their investigation identified the applicant as being ineligible.

### **Corporate Investigations**

4.20 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 a practical assurance framework.

4.21 Since 1 April 2020 corporate investigation work has included:

- DWP security division referred a case to CAFS for investigation when a member of staff made unauthorised access to DWP systems and checked their own records.
- CAFS supported the finance department in securing the recovery of a significant pension overpayment. CAFS provided support, advice and initial engagement with the former employee prompting a repayment agreement.
- A member of staff caught misusing a disabled parking blue badge to park her vehicle free of charge in Hammersmith.
- An investigation into the misuse of a personal care budget, that also identified a significant overpayment.
- An investigation commenced following an attempted Local Support Payment fraud. No loss was identified, but the matter was reported to the police due to possible identity fraud linked to a recent assault.

### **Housing/Tenancy Fraud**

- 4.22 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.
- 4.23 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.
- 4.24 Between 1 April 2020 to 30 September, 2020 CAFS stopped a fraudulent succession application and recovered a three-bedroom property in Ancill Close, W6. During the same period, one right to buy application was stopped, although applications have significantly reduced since the start of the pandemic.

#### **iv) PURSUE**

- 4.25 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.
- 4.26 Since April 2020, CAFS was involved in two significant recoveries.
- The first involved support for the finance department in securing the recovery of a large pension overpayment. CAFS provided help, advice and initial engagement with the former employee prompting a repayment agreement.
  - The second was the clawback of a wrongfully claimed small business grant of £25,000. The business had received the payment, but following the post-checking process it transpired, they were not eligible to the payment. CAFS intervened, and the amount was recovered in full.

#### **v) PROTECT**

- 4.27 This aspect of the Strategy covers counter-fraud activity to protect public funds, protecting the Council from fraud and protecting itself from future scams.
- 4.28 CAFS remains an active member of the National Anti-Fraud Network (NAFN). NAFN 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.
- 4.29 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 and make a false grant application. The warnings included an ever-increasing list of fake email domains that were being used, and this valuable intelligence enabled IT to block several fraudulent email addresses before they could attempt to scam the Council.

#### **List of Appendices:**

Appendix 1 – Counter-fraud activity including noteworthy cases.

## **CONSULTATION**

- 5.1 The report has been subject to consultation with the Strategic Leadership Team.

## **EQUALITY IMPLICATIONS**

- 6.1 There are no equality implications arising from this report.

## **LEGAL IMPLICATIONS**

- 7.1 The work of CAFS is governed by a range of legislation including: the Police and Criminal Evidence Act, the Criminal Procedures Investigation Act, the Regulation of Investigatory Powers Act, the Fraud Act, the Prevention of Social Housing Fraud Act and the Proceeds of Crime Act.

## **FINANCIAL AND RESOURCES IMPLICATIONS**

- 8.1 Resources required to deliver on the Council's counter fraud strategy come from the budget allocated to the Corporate Anti-fraud Service. There are no additional resource implications arising from this report. Successful investigations and prosecutions can lead to the recovery of Council assets and money which are required to protect front line services.

## **RISK MANAGEMENT**

- 9.1 The delivery of the counter fraud strategy and associated policies contributes to the management of fraud risks faced by the Council, with proactive exercises supporting managers to put effective counter fraud and corruption controls in place in their systems and processes.

APPENDIX 1

Source	Fraud Review	Details	Risk
<p>Fraud Awareness</p>	<p><b>Benefit Service – Fraud Awareness</b></p> <p>As CAFS build fraud resilience, it is essential that we continually refresh and promote the Council's suite of anti-fraud related policies and procedures, using training to enhance understanding and raise awareness.</p> <p><b>Strategic objective:</b> Developing a more effective anti-fraud culture</p>	<p>In response to an audit recommendation regarding fraud awareness, the Benefits Service undertook an online course which concluded with a knowledge assessment to evidence learning. The evaluation aims to measure how well a learner has understood the course content. Additionally, these assessments also help learners gauge their own knowledge and learning progress.</p> <p>The course was bespoke for the Benefits Service, having been designed and written by CAFS.</p> <p>Role based training helps employees better connect the messages of the training to their daily responsibilities. This type of anti-fraud training also helps staff identify suspicious activity and feel empowered to act against potential fraud.</p> <p>The course highlighted general fraud risks experienced by local authorities as well as the consequences of fraud on the Council and the wider community.</p> <p>It then focused on benefit fraud, the risks, the fraud types and fraud indicators so officers can remain vigilant in how to spot fraud and how to prevent fraud. The course also provided clear advice on what officers should do if they suspect fraud and how to refer their concerns.</p> <p>A total of 43 officers completed the course and learning assessment, scoring an average of 87% against a 70% pass mark.</p>	<p>N/A</p>

## Case Description

1.

**EMPLOYEE** – The Department for Works and Pension (DWP) alerted the Council to a possible security incident in respect of unauthorised access to DWP data on the Searchlight system. It identified the user as an officer within the Housing Benefit Department.

The information provided by the DWP included the audit trail and screenshots for the individual's activity in the Searchlight system. This showed that they had accessed records for two different NINO's. One was the officer's personal file and they had viewed the entire record.

Under the Memorandum of Understanding between the Council and DWP, where a person deliberately accesses, attempts to access or browses DWP data without a legitimate business reason or appropriate authorisation the breach of security is considered extremely serious. Their access to Searchlight was removed, and they were suspended forthwith.

The subsequent investigation found no evidence of any other wrongdoing, and following an investigative interview in June 2020, the findings were present to People and Talent to progress the matter in accordance with the Council's Disciplinary Procedure.

At the Disciplinary Hearing the officer admitted the allegations to the Chair of the Hearing and detailed her personal circumstances as mitigating factors. A Final Written Warning was issued on the grounds of misconduct, and the warning would remain on the personnel file for 36 months, and any further incidents of misconduct could lead to termination of employment. However, following receipt of the Final Written Warning, the employee tendered their resignation which the Council duly accepted.

2.

**EMPLOYEE** - Officers observed a vehicle parked displaying a blue badge issued by the London Borough of Harrow. They also observed the car's window was open and contacted the badge holder to come and secure the vehicle and to avoid the badge from being stolen.

The badge holder stated that he was not present when the vehicle was parked and was in fact in Charing Cross Hospital. He stated it was his wife who had parked the vehicle.

The wife attended the scene shortly after the call and admitted to parking the vehicle and displaying the badge to avoid parking charges. The badge holder was not present when the vehicle was parked. She confirmed that she was a Council employee working in The Clockwork building, which was very close to the location of the parked vehicle.

A disciplinary hearing took place in June 2020 where the case against the employee was proven and she was dismissed. A criminal

	case remains outstanding due to COVID impacts upon court processing of case listings and schedules.
3.	<p><b>SUCCESSION</b> – The tenant of a three-bedroom property in Ancill Close died in 2019, and the Council received an application for succession from a family member. A previous succession occurred in 2003; therefore, the applicant was being considered for a discretionary award of a tenancy.</p> <p>Council records suggested that the tenant was recorded as living alone and there was no reference to anyone else living at the address. The matter was duly referred to CAFS.</p> <p>Notes on the housing file suggested the tenant had tried to apply for a mutual exchange with another family member, and this gave investigators a possible lead to identify where family members were living before the tenant’s death.</p> <p>The investigation found the applicant linked to addresses in Glenthorne Road and one in Willesden Junction.</p> <p>In January 2020 the applicant was interviewed under caution but denied the fact that they had never lived at the Ancill Close address. They said that they registered their financial details at the Glenthorne Road address because it was closer to the bank. However, from Ancill Road to Glenthorne Road, the applicant would pass the bank on the route.</p> <p>Shortly after the interview, the family of the deceased contacted the housing officer and agreed to return the keys to Ancill Close and vacate the property. However, the family delayed in returning the keys, submitting complaints to the local MP, which were unfound.</p> <p>In June 2020 they eventually returned the keys to the property, and the tenancy was ended.</p>
4.	<p><b>RIGHT TO BUY (RTB)</b> – A RTB application for a property in Vereker Road, W14 was made referred to CAFS. The application was joint, in the names of a mother and daughter. However, Housing were concerned the daughter was not resident.</p> <p>CAFS checks linked to daughter to an address in Kent, and following contact with Maidstone Borough Council, they confirmed the daughter was liable for Council Tax at a property in their borough where she received a single person discount.</p> <p>In view of the above information the application was withdrawn.</p>

<b>5.</b>	<p><b>PERSONAL BUDGETS</b> – CAFS received a referral via fraud hotline alleging that a resident in Aintree Estate was exaggerating their disability and misusing their direct payments.</p> <p>The initial enquiries by CAFS revealed many bank accounts held by the subject and also alternative names used by the subject.</p> <p>Following an initial visit to the client where a consensual agreement was signed, bank statements for the client's accounts were obtained. These showed a pattern of personal expenditure and confirmed that not all of the client's care budget was being used appropriately.</p> <p>The accounts showed cash withdrawals and regular payments made to many food outlets and food delivery companies.</p> <p>Over six years, it was clear that not all the care package had been spent on support. Following account analysis by the adult social care finance team, a significant overpayment was created that the client is now repaying in full.</p> <p>Criminal charges were considered, but the case failed the public interest test due to the client's age and vulnerabilities, in accordance with the Code for Crown Prosecutors.</p>