

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 14/12/2021

**Subject:** Corporate Anti-Fraud Service Half-Year Activity Report – 1 April 2021 to 30 September 2021

**Report of:** David Hughes, 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 accounts for the fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2021 to 30 September 2021.

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 2021 to 30 September 2021, CAFS identified 63 positive outcomes, including eight recovered tenancies. Fraud identified has a notational value of over £330,000.

### Recommendation

1. 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 protect public funds. It contributes to an effective system of fraud prevention and detection. 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 accounts for the fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2021 to 30 September 2021.
- 1.2. CAFS remains a shared service providing the Council with a complete, 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 protect 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, 2021/2022, CAFS investigated 379 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 from 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 and live cases at the start of the second half of the financial year.

Activity	Cases	Fraud types	Closed	Live
Live cases as at 01/04/20	261	Tenancy & Housing cases	59	182
New referrals received	112	Internal Staff	0	2
Closed investigations (Positive outcome 63)	99	High/Medium risk fraud	32	33
		Low-risk fraud	7	37
Live cases as at 30/09/20	274	POCA	1	20

- 1.6. During the first half of the year, activity also included CAFS ongoing support on the distribution of business grants, including the Restart Grants and Discretionary Business Grants. In addition, activity has involved proactive vetting and checking the grant application information that businesses provide and requesting further information and evidence from applicants.
- 1.7. For the period 1 April 2021 to 30 September 2021, CAFS identified 63 positive outcomes. The identified fraud has a notational value of over £330,000 and is

detailed in the following table. The table also compares the achievements against those for the first six months of 2019/20 (pre-pandemic) and 2020/21 (pandemic).

Activity	Half-year 2019/20		Half-year 2020/21		Half-year 2021/22	
	Fraud proved	Notional Values (£'s)	Fraud proved	Notional Values (£'s)	Fraud proved	Notional Values (£'s)
Housing application fraud ( <i>incl. tenancy correction</i> )	2	2,000	-	-	9	18,120
Right to Buy	4	6,000	1	3,500	2	4,700
Advisory Reports (pro-active)	4	15,000	1	5,000	1	3,000
<b>Prevention subtotal</b>	10	23,000	2	8,500	12	25,820
Tenancy Fraud (Council and Registered Providers)	18	259,900	2	32,500	8	103,500
Internal Staff	3	11,500	8	28,000	-	-
Business Grants and Business Interruption Fund (COVID support)	N/A	N/A	24	240,000	32	174,367
High/Medium risk fraud (e.g. NNDR, Blue Badge/Resident Permits)	5	5,000	2	63,500	7	5,936
Low-risk fraud (e.g. Freedom passes, Council Tax, SPD)	5	3,379	6	4,186	4	22,288
<b>Detection subtotal</b>	31	279,779	42	368,186	51	306,091
Proceeds of Crime (POCA)	5	198,177	1	25,000	-	-
Press releases and publicity	-	-	-	-	-	-
<b>Deterrence subtotal</b>	5	198,177	1	25,000	-	-
<b>Total</b>	46	500,956	45	401,686	63	331,911

## 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 2021, CAFS has received no new referrals.

## 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 concerning 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 the Council's resources are used for the purposes they are intended and ensuring we remain resilient to the threat of fraud.
- 4.2 A framework of anti-fraud policies is a critical tool in communicating the Council's stance and processes regarding fraud and activity to minimise its risk. Anti-fraud policies also raise awareness amongst staff that response plans have been devised to deal with and minimise the damage caused by fraud.
- 4.3 Therefore, policies must be kept up to date to support and guide Council staff, ensuring compliance with laws and regulations, guiding decision-making, and streamlining internal processes.
- 4.4 CAFS review the key anti-fraud policies, at least annually or when legislation changes, and these are presented to the Audit and Pension Committee for their review and approval. Such action demonstrates to staff a tone from the top and reinforces that the Council takes the threat of fraud seriously and will take the most vigorous possible action against those who commit fraud against the Council.

### **ii) ACKNOWLEDGE**

#### **Demonstrating that it has a robust anti-fraud response**

- 4.5 Counter-fraud activity is reported to the Audit and Pension Committee twice per year, detailing performance and action in line with the Anti-Fraud and Corruption Strategy. The annual performance report also describes the activity, achievements and outcomes against the strategic objectives.
- 4.6 A well-publicised anti-fraud and corruption strategy and framework of policies help build and develop a robust anti-fraud culture. A culture that encourages staff and service users to participate in fraud prevention and to report any suspicions.
- 4.7 CAFS report on investigation outcomes, including successful prosecutions, prevention activity, actions that deter fraud, or no further action where assurance is obtained that there is no case to answer.

### **iii) PREVENT**

- 4.8 In addition to the specialist investigative role, CAFS continue to provide advice and support across the organisation, including the Council's partners and contractors.
- 4.9 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. For example, the Business Rates Team and the Business and Enterprise Team processing Discretionary Business Grants.

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

- 4.10 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.
- 4.11 CAFS has provided investigative support throughout the pandemic to check the eligibility of applications for the Local Authority Discretionary Grants Fund, and more recently, Restart Grants. The discretionary fund aimed to support small and micro businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.
- 4.12 Investigators worked closely with the Business and Enterprise Team to conduct preliminary checks. When the team raised concerns regarding applications, CAFS would verify the details of the businesses applying.
- 4.13 Following investigations, 32 were refused as ineligible, and noteworthy cases are reported in Appendix 1.

## **Corporate Investigations**

- 4.14 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.
- 4.15 Since 1 April 2021, corporate investigation work has included:
- Parking fraud - CAFS received a concern regarding a "parking free" housing development where it appeared residents had falsely obtained permits. The investigation revealed that the Planning Inspectorate for England and Wales had overturned the parking clause in the planning permission, and residents' permits were now allowed at the address.
  - Planning - An allegation of bribery was received regarding a planning application. A review of the application confirmed that the Council had followed due process, and CAFS found no evidence of wrongdoing.
  - Housing allocations - An allegation was received that claimed insider fraud and the unlawful allocation of council properties. CAFS undertook an extensive review, including data analytics of all housing allocations, but found no anomalies or issues concerning property offers.

## **Housing/Tenancy Fraud**

- 4.16 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 the right to buy verification. The objective is to effectively prevent and detect housing tenancy fraud and assure stakeholders that applicants' eligibility for housing services are appropriately verified before being offered a tenancy.

- 4.17 Last year the pandemic disrupted achievements in this service area. In addition, changes to legislation, social distancing restrictions and limited access to courts all affected the number of fraud recoveries. However, as restrictions began to lift and investigators returned to standard operating procedures, there has been an upshift in achievements.
- 4.18 From 1 April 2021 to 30 September 2021, CAFS had successfully recovered eight properties, including a false succession. CAFS also stopped six fraudulent applications for housing and removed three individuals from tenancy agreements for non-residency.
- 4.19 Additionally, in all property recoveries, with just two exceptions, the action culminated in the return of keys and vacant possession without the need for lengthy and costly legal action. This ensured properties could be promptly reallocated to families in genuine need of support.
- 4.20 Full details of all successful recoveries regarding social housing fraud are detailed in the table below, and noteworthy cases are reported in Appendix 1.

Landlord	Location	Postcode	Size bedrooms	Reason for recovery	Outcome
Council	Bathurst House	W12	Studio	Subletting	Surrendered keys
Council	Browning Court	W14	1	Non-residency	Surrendered keys
Council	Swan Court	SW6	2	Non-residency	Surrendered keys
Council	Browning Court	W14	1	Non-residency	Surrendered keys
Council	Phipps House	W12	2	False statement	Surrendered keys
Council	Star Road	W14	1	Non-residency	Surrendered keys
Council	Lillie Road	SW6	2	Subletting	Possession hearing
Peabody	Beatrice House	W6	3	Subletting	Possession hearing

### National Fraud Initiative (NFI)

- 4.21 A vital component of the anti-fraud and corruption Strategy is making better use of information and technology. To this effect, the Council participates in the biennial National Fraud Initiative (NFI), an electronic data matching exercise coordinated by the Cabinet Office.
- 4.22 Over 1,200 public and private sector organisations participate in the NFI, including councils, the Police, hospitals, and nearly 100 private companies, all helping to identify potentially fraudulent claims and errors. The outcomes to date for the 2020/2021 NFI matching exercise are detailed below.

Matches	Fraud/Error	Amounts
Housing Benefits – overpayments recorded by DWP	14	£78,475
Blue Badge Parking Permits – cancelled by Parking	269	£13,450
Resident Parking Permit – cancelled following investigation	6	£936

Common Housing Register – removed following investigation	4	£12,960
	<b>293</b>	<b>£105,821</b>

#### **iv) PURSUE**

- 4.23 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.
- 4.24 Since April 2021, CAFS has been involved in two business grant recoveries where there was clawback of wrongfully claimed small business grants of £25,000 and £10,000. The business had received the payment, but following the post-checking process, it transpired, they were not eligible for the payment. CAFS intervened, and CAFS recovered the amount in full.

#### **v) PROTECT**

- 4.25 This aspect of the Strategy covers counter-fraud activity to protect public funds, saving the Council from fraud and protecting itself from future scams.
- 4.26 CAFS remains an active member of the National Anti-Fraud Network (NAFN), disseminating national fraud alerts that CAFS circulates to the appropriate departments. CAFS also offers support and advice to ensure proper action is taken in response to the warnings and protect the Council and the community from fraud.
- 4.27 CAFS also works with various social landlords and statutory agencies to help detect fraud and ensure that those living in affordable housing across the borough are correctly entitled.

#### **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

	Case Description
1.	<p><b>TENANCY FRAUD</b> - Housing initially referred this case to CAFS in July 2020 when they became suspicious that a two-bedroom flat in Swan Court, SW6, was being sublet by the tenant.</p> <p>The tenant had contacted housing to inform them that she was currently in Canada for the last few months. She was ill and receiving treatment. She asked if her carer could pay the rent on her behalf.</p> <p>Council records showed that a carer had been declared at the property. But concerned with some of the information provided by the tenant, CAFS undertook several background checks, including records of her travel movement. Data showed that she left the UK in March 2019, not “a few months ago” that she had initially claimed.</p> <p>Investigators managed to trace her Canadian address and obtained a telephone number.</p> <p>Investigators contacted the tenant, and after a lengthy conversation, the tenant confirmed she was not returning to the UK and agreed to terminate her tenancy. She sent her a vacation notice via e-mail a few days later, and the Council obtained vacant possession of a two-bedroom flat.</p>
2.	<p><b>COVID BUSINESS GRANT</b> - The Council received an application for several Covid Business Support Grants from a trader based in Shepherd's Bush Market. The applicant claimed to have two units operating there.</p> <p>Due to several discrepancies, the case was referred to CAFS, who commenced enquiries to verify the grant application details.</p> <p>Initially, investigators reviewed the business's financial status and found that the primary bank account contained no transactions between March 2019 and December 2020. However, the profit and loss did not reflect this and detailed revenue over £75,000. Furthermore, the investigation failed to find any evidence of the business trading in any form. There is no evidence of trading activity in the market and no evidence of any virtual trading (due to lockdown) from any website.</p> <p>CAFS could not verify the information provided on the application; the details provided were false, and Business Rates agreed with the CAFS recommendation to refuse all grants applications made by the business.</p> <p>CAFS action had prevented a potential fraud of over £12,000 – this figure comprises of six stopped grants for this business; Four Local Restrictions Support Grant (£6,193), one Closed Business Payment (£4,000) and one Restart Grant (£2,667).</p>

**3. TENANCY FRAUD** - CAFS commenced an investigation following a referral from a housing officer, who was concerned that they had not been able to contact the tenant of a two-bedroom property in Phipps House, W12. Despite several attempts, the officer was worried that the only person who appeared to be a resident was the tenant's grandson.

Initial enquiries could not link the elderly tenant to the address, so the investigator visited the property. The visit was unsuccessful, but neighbours said they had never seen an elderly lady, just a gentleman who lived alone.

While the case was under investigation, the tenant passed away in Somalia, and her grandson made an application to succeed the tenancy. However, the investigation had also found anomalies. For example, the tenant held a UK passport from May 2010, but the investigators could not find a travel record since the UK Border Agency first collected data back in 2013. Therefore, how did she get to Somalia if the tenant had just died in Somalia, verified by a Somali death certificate? The data suggested that she must have left the UK before 2013.

Investigators interviewed the grandson about his succession application, but he could not provide a plausible explanation. He claimed his grandmother left for Somalia in September 2017, but he could not confirm which UK airport she flew from, which airline she travelled with or who she was staying with when she got there. He confirmed that nothing was left in the flat belonging to her, as she took what she had with her.

He was asked about his grandmother's life in the UK over the last ten years. When asked about her doctor, dentist and optician, he stated that she had not visited any because she always had perfect health. Likewise, she had not met with any hospital, old age organisations or social services professionals.

He said she had a Santander bank account, but again, this would not have been used in at least six years, as he did her shopping for her. He was asked for confirmation for anyone or any organisation that could vouch for her residency in London over the last ten years, but he could not offer any answers.

At the end of the interview, the investigators made further enquiries with the Department for Works and Pensions, who confirmed that the tenant's Pension Credit ended in March 2016.

The Council commenced repossession, which the grandson disputed, culminating in a hearing at Willesden County Court in 2020. The Judge awarded outright possession to the Council and ordered the defendant to pay the Council's costs of £6,633. The Judge did not believe the grandson's defence, including his assertions that his grandmother had withdrawn her benefits to avoid scrutiny. The Judge was satisfied that the tenant had left the UK pre-2013 with no intention of returning, and therefore there was no legal tenancy to be succeeded.

Due to the pandemic, the Government suspended all evictions; eventually, the Council recovered the property in September 2021.

4.	<p><b>HOUSING ALLOCATIONS</b> - An allegation was received in January 2021, which suggested insider fraud and the unlawful allocation of council properties.</p> <p>CAFS undertook data analytics of all allocations covering the period February 2020 to February 2021. The analysis found that no anomalies or issues were arising concerning property offers for Council stock.</p> <p>Further analytics involved cross-referencing all nominations against the priority banding data sets to ensure details were correct. The review assured that no one had fraudulently inflated applicants' details during processing to fraudulently fast-track them ahead of higher priority nominations. All nominations matched their priority banding.</p> <p>The enquiries carried out as part of this investigation have been unable to find evidence to support or corroborate the allegations.</p>
5.	<p><b>RIGHT TO BUY (RTB)</b> – A RTB application was referred to CAFS following a joint application for a property in W14. The application was from the tenant and her daughter, both claiming they were residents.</p> <p>To support the Council's Home Buy team, CAFS provide due diligence checking and review RTB applications. In this instance, finance checks linked the daughter to an address in Maidstone where she owned property and was liable for council tax.</p> <p>The daughter was asked to provide further information to confirm her LBHF residency, but the tenant contacted Home Buy to withdraw the application ahead of any reply. CAFS took no further action.</p>
6.	<p><b>COVID BUSINESS GRANT</b> – The Additional Restrictions Grant (ARG) provides local authorities with grant funding to support businesses severely impacted by restrictions. The Council can determine which companies to help and provide funding from the ARG scheme.</p> <p>An application for a business located in Sullivan Road was referred to CAFS to verify as part of the due diligence process. The application stated that trading had been severely affected by Covid restrictions resulting in a loss of income.</p> <p>A review found that the business had several bank accounts with different financial institutions that were not declared on the grant application. A study of all accounts showed that between the financial years 2019/20 and 2020/21, the business's revenue had increased and that there was no evidence to support the application.</p> <p>Based upon CAFS findings, the application was deemed ineligible.</p>

7.	<p><b>COVID BUSINESS GRANT</b> - Local Authorities were responsible for administering the business grant schemes announced in the Government Covid support strategy. Under the Small Business Grant Fund (SBGF), businesses are eligible for a payment of £10,000.</p> <p>During the review and reconciliation of payments, it transpired that a business located in Wood Lane, W12, had received two payments under the SBGF. Initial request to return one of the payments was unsuccessful, and the matter was referred to CAFS to assist.</p> <p>After reviewing the payment and confirmation from the relevant banks that the amount had been credited to the business account, CAFS tried unsuccessfully to engage with the business.</p> <p>CAFS then approached the business owner direct and reminded them that the Council had made the payment in error and that Business Rates had informed them of this. Furthermore, if the business continued to keep the funds, they would be committing a criminal offence under the Theft Act 1968 (retaining a wrongful credit).</p> <p>On 10 April 2021, the Council received the repayment of £10,000 in total, and the case was closed.</p>
8.	<p><b>COVID BUSINESS GRANT</b> - A case was referred by the Business Rates team, who had received information that an antique shop in Wandsworth Bridge Road had been opening regularly during the lockdown. However, they had applied for and received a grant allocated to businesses closed by the Government restrictions.</p> <p>A subsequent investigation by CAFS revealed the business had been operating during the lockdown restrictions and found evidence of financial transactions for furniture sales.</p> <p>When challenged, the business stated they do not keep records of their customers or what they buy, which seems implausible for such a business. They explained that they were only open for collection during the lockdown, as they had taken the opportunity to carry out painting and repairs to the stock.</p> <p>CAFS investigators visited the premises and confirmed that the shop was open for business and trading. These findings were presented to the Business Rates team, who decided that the business had breached the conditions and failed the Local Restrictions Support Grant criteria. CAFS sent a letter detailing the investigation, findings, and a request to repay the grant fully. Shortly afterwards, the business repaid the funding in full.</p>

**9. TENANCY FRAUD** - CAFS received an allegation that the tenant of a one-bedroom property in Star Road, W14, was living overseas and subletting the tenancy.

Initial checks of the tenant's finances failed to find evidence suggesting rental payments linking it to a sublet. However, it showed all the transactions had taken place in Indonesia.

Further enquiries revealed the tenant left the UK in 2018, and there was no evidence he had returned. However, financial transactions linked him to a payment to an airline who confirmed that the subject had boarded a one-way flight to Indonesia on 30 May 2018.

CAFS presented evidence to the Council's legal services, who began recovery action and obtained an uncontested possession order from the courts in August 2021.