


<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>AUDIT, PENSIONS AND STANDARDS COMMITTEE</b></p> <p><b>21 June 2017</b></p>		
<b>CORPORATE ANTI-FRAUD SERVICE END OF YEAR REPORT - 1 APRIL 2016 TO 31 MARCH 2017</b>		
<b>Open Report</b>		
<b>For Information</b>		
<b>Wards Affected:</b> None		
<b>Accountable Director:</b> Hitesh Jolpara, Director of Finance		
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## 1. EXECUTIVE SUMMARY

- 1.1 This report provides an account of fraud related activity undertaken by the Corporate Anti-Fraud Service (CAFS) 1 April 2016 to 31 March 2017.
- 1.2 CAFS continues to provide H&F with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.
- 1.3 CAFS follow the Council's Anti-Fraud and Corruption Strategy which is aligned to the national strategy document, Fighting Fraud and Corruption Locally and made up of three key elements.
  - i) **Acknowledge:** recognising and understanding fraud risks and committing support and resource to tackling fraud to maintain a robust anti-fraud response.
  - ii) **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
  - iii) **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.
- 1.4 Since April 2016 CAFS identified 145 positive outcomes against a target of 130, including nine successful prosecutions, 21 recovered tenancies and 14

Proceeds of Crime (POCA) cases with awards to H&F totalling £662,073 of which £310,551 has been repaid to date.

- 1.5 For the financial year ending 31 March 2017, fraud with an estimated value of over £7million has been prevented, detected, stopped and pursued, as detailed in the following table.

Activity	Fraud proved 2015/16	Fraud proved 2016/17	Fraud identified to date (£'s)
Housing Fraud – applications	5	12	180,000
Housing Fraud - assignments & successions	3	5	81,000
Right to Buy	17	42	4,363,800
<b>Prevention</b>	<b>25</b>	<b>59</b>	<b>4,624,800</b>
Tenancy Fraud (Council and Registered Providers)	30	21	990,000
Housing and Council Tax Benefit (legacy cases 15/16)	8	-	-
Internal Staff and Other Services	14	23	429,800
Low-risk fraud – Parking, Accessible Transport and Council Tax SPD	20	18	15,667
<b>Detection</b>	<b>72</b>	<b>62</b>	<b>1,435,467</b>
Proceeds of Crime Act – awarded	5	8	662,073
Proceeds of Crime Act – repaid	7	6	310,551
Press stories	-	10	-
<b>Deterrence</b>	<b>12</b>	<b>24</b>	<b>972,624</b>
<b>TOTAL</b>	<b>109</b>	<b>145</b>	<b>7,032,891</b>

- 1.6 Details of sample fraud cases are reported in Appendix 1.

N.B.: fraud in the different areas has been notionally valued as follows;

- Tenancy Fraud: £45,000 per property based upon the average cost of temporary accommodation (£18,000 p.a.) multiplied by the average length of stay. An additional £8,000 saving is also claimed when keys are returned based upon the average cost of legal action and bailiff intervention to recover property via the court.
- Right to Buys: £103,900, the value of the discount per application.
- Succession: As per Tenancy Fraud because each time a fraudulent assignment or succession is stopped a vacant possession is returned to the Council.
- Housing Fraud: £18,000 based upon the average cost of maintaining a family in temporary accommodation for one year.

## 2. RECOMMENDATIONS

- 2.1 Note the fraud work undertaken during the year 1 April 2016 to 31 March 2017.

### 3. REASONS FOR DECISIONS

- 3.1 To inform the Committee of the actions of the Council's counter fraud response.

### 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. A third edition is due in early July.



#### 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.

### **Housing (Prevention)**

- 4.9 CAFS continue to provide an investigative support resource across all aspects of housing, including the verification of applications for support, as well as vetting requests for the succession or assignment of tenancies.
- 4.10 For the period 1 April 2016 to 31 March 2017, CAFS have successfully prevented 12 false housing applications and five fraudulent successions.

### **Right to Buy (RTBs)**

- 4.11 The levels of RTB applications remain constant with tenants benefiting from the scheme's discounts up to a maximum of £103,900.
- 4.12 CAFS continue to apply enhanced fraud prevention processes to all new RTB applications including anti-money laundering questionnaires as well as financial and residential verification.
- 4.13 In the year to 31 March 2017 CAFS have successfully prevented 42 Right to Buys from completion, where suspicion was raised as to the tenant's eligibility or financial status. In many instances, these have been as a result of the tenant voluntarily withdrawing their application once checking 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 area such as Housing or Tenancy Fraud.
- 5.2 Since 1 April 2016 work in this area has included;
- An individual who falsely claimed personal budget care payments by feigning disability
  - The dismissal of a member of staff who had misused their mother's blue badge.
  - A disciplinary hearing for two members of staff who had sub-let their social housing property.
  - Advisory reports to guide and assist departments about anti-fraud procedures (Including preventative measures).
  - Production of reports to support disciplinary investigations.
- 5.3 Details of sample fraud cases are reported in Appendix 1.

## **Housing/Tenancy Fraud**

- 5.4 CAFS continues to provide an investigative support resource across all aspects of housing, from the initial applications for assistance to the investigation of tenancy breaches.
- 5.5 CAFS deal with any reactive allegation received and sought to recover misused tenancies and prosecute where there is believed to be criminal activity. CAFS continue to receive referrals from a variety of housing elements including;
- Housing applications
  - Under and over occupancy
  - Assignment and succession
  - Right to Buy
  - Sub-letting
  - Abandonment
- 5.6 For the financial year to 31 March 2017 CAFS and Housing have successfully recovered 21 social housing properties; stopped 42 Right to Buys, prevented five false succession/assignment applications, and stopped 12 false Housing applications.

## **Registered Social Landlords (RSLs)**

- 5.7 CAFS continue to work in partnership with all RSLs operating across the Borough, sharing a common aim to prevent, detect and deter Tenancy Fraud.
- 5.8 CAFS provide investigative support to recover properties on behalf of the RSLs with the understanding that when CAFS regain a fraudulently sub-let property, the nomination rights to that property (or one of a similar size) is offered to the Council.
- 5.9 Details of significant housing and tenancy fraud investigations are reported in Appendix 1, for information.

## **6. FRAUD DETERRENCE**

- 6.1 Preventing 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 we try to deter potential fraudsters through the publicity of our enforcement action thereby demonstrating that the Council will take all available action to pursue fraudsters and stop others.

## **Publicity**

6.2 Celebrating and publicising effective anti-fraud activity and successes is integral to having an active counter-fraud culture and contributes to the deterrence of fraud.

6.3 CAFS have a clear communication policy and liaise closely with the Media and Communication team to ensure that press releases are produced for all key anti-fraud activities and that social media is also used as an effective deterrent.

6.4 Members regularly provide comments, publically, to enhance press releases on successful anti-fraud activity, and remind the public of the Council's commitment to preventing and detecting fraud.

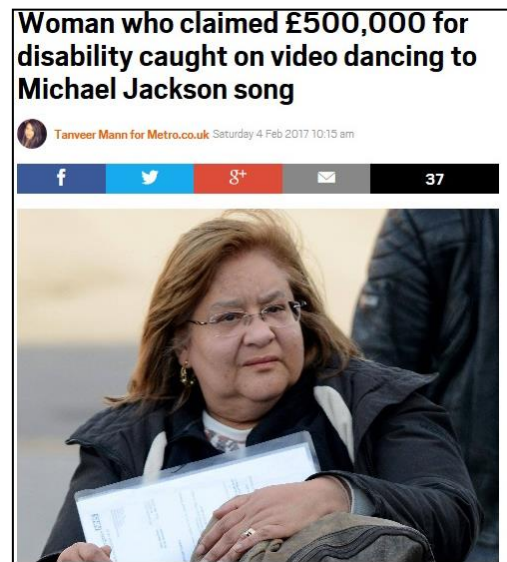


### Prosecution

6.5 For the financial year ending 31 March 2017 CAFS successfully prosecuted eight offenders. These included;

- Unlawfully subletting social housing properties
- Fraudulently claiming disability support including personal budget payments and disability benefit
- Using a counterfeit parking permit
- Using false documents to obtain resident parking permits fraudulently

6.6 Currently, six cases remain in progress via Legal Services, including those with Proceeds of Crime confiscation orders attached.



6.7 Details of significant prosecutions are reported in Appendix 1, for information.

### Proceeds of crime act

6.8 The use of dedicated Financial Investigators continues to provide rewards with £662,073 awarded for the financial year ending 31 March 2017, and £310,551 repaid to date.

6.9 Financial investigators continue to actively pursue opportunities to assist other departments across the Council, working closely with the Legal Services as suitable cases are identified.

## 7. OPTIONS AND ANALYSIS OF OPTIONS

7.1 Not applicable

**8. CONSULTATION**

8.1 Not applicable

**9. EQUALITY IMPLICATIONS**

9.1 Not applicable

**10. LEGAL IMPLICATIONS**

10.1 Not applicable.

**11. FINANCIAL AND RESOURCES IMPLICATIONS**

11.1 Not applicable.

**12. RISK MANAGEMENT**

12.1 Not applicable.

**13. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

13.1 Not applicable.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	Operational and performance management papers.	A Hyatt	HTH

## APPENDIX 1

### Anti-Fraud Activity 1 Apr 2016 - 31 Mar 2017 – Case Examples

	Case Description	Result/Outcome
1.	<p><b>EMPLOYEE and TENANCY FRAUD</b> - CAFS received an allegation of sub-letting at a Shepherds Bush Housing Association (SBHA) property in Cairns House, SW6. The complaint also suggested that the tenant was an employee of the Council.</p> <p>An initial interrogation of Council records verified the key information of the referral including the tenant's details who was employed as a meals supervisor/teaching assistant at a large secondary school.</p> <p>CAFS investigators visited the property, and the intercom was answered by a gentleman called "Luca" who stated that the tenant was not in and would be back later. A letter was posted into the postbox asking for the tenant to make contact.</p> <p>The tenant contacted CAFS within 30 minutes of the note being left, and an interview was arranged where the tenant denied any subletting and said the man, Luca, was just a friend.</p> <p>Unconvinced by the tenant's explanation, investigators continued with their enquiries and revealed a spate of subletting dating back to 2012, including tenant's bank account which had credits from five different individuals between 2012 and 2014, most with a reference of "rent" or "rental".</p> <p>In a final interview under caution, the tenant continued to deny the fact she had been sub-letting. But when specific questions were asked, "Did you part with possession of Cairns House to sublet it" and "Did you reside with your mother in Vereker Road while you sublet", she replied "no comment".</p>	<p>Based upon the evidence gathered SBHA served a Notice to Quit, and the repossession trial took place in December 2015 at Hammersmith County Court.</p> <p>During the hearing, the tenant stood up and told the judge that she no longer wanted to participate and that she would be appealing against his decision. The judge advised her that no decision had been made yet, but the tenant walked out.</p> <p>Judge Ryan awarded SBHA outright possession forthwith, although following an unsuccessful appeal the tenant was not evicted from the property until February 2016.</p> <p>The Council's Legal Service accepted the case for criminal proceedings in accordance with the Prevention of Social Housing Fraud Act.</p> <p>The tenant entered a not guilty plea to all offences and a four-day trial at Isleworth Crown Court began in December 2016 where the tenant was found guilty on all four counts of Social Housing Fraud.</p> <p>On 23<sup>rd</sup> January 2017, the tenant was sentenced to 18months imprisonment, suspended for two years with a requirement that she completes 250 hours of unpaid work.</p>



<p><b>2.</b></p>	<p><b>PERSONAL BUDGET FRAUD</b> - A 53-year-old, formerly of Lindrop Street, SW6, illegally claimed more than £500,000 in benefits after pretending she was profoundly disabled.</p> <p>The case was initially referred to CAFS by Adult Social Care when they became suspicious that she was not residing at the Lindrop Street address.</p> <p>Working in collaboration with the Department for Work and Pension, CAFS investigators traced her to West Cornforth, County Durham where they found she was working as a masseuse after turning the top floor of her home into a massage parlour.</p> <p>The individual had claimed disability benefits from the DWP, and care payments from LBHF due to her disability, including Income Support, Disability Living Allowance, Severe Disablement Allowance and Independent Living Fund. In total she had fraudulently claimed is £535,707</p> <p>Evidence gathered included surveillance footage which showed that she had completely fabricated her disability. She was arrested at the address in Durham in 2013 and interviewed three times following her arrest. She always gave a “no comment” reply to all questions put to her. During her arrest items seized included a video showing her dancing at a wedding in Venezuela to a Michael Jackson song and also a photograph of her giving massages as a qualified masseur.</p> <p>The investigation also showed that the Direct Payments (£2,200 per month) she received from LBHF was paid to a care company, invoices were regularly submitted to LBHF to verify this. However, it transpired that the care company was a fake, set up by for the sole purpose of facilitating her fraud.</p>	<p>In February 2017 a jury found her guilty of seven charges under the Theft Act.</p> <p>She was unable to attend the sentencing claiming that Teeside Crown Court did not have adequate wheelchair access. Instead, she listened via a video link as the judge sentenced her to three years imprisonment.</p> <p>Investigations regarding Proceeds of Crime Act are ongoing with £,000s assets already frozen.</p>
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<p><b>3.</b></p>	<p><b>RIGHT TO BUY</b> – Application received from a couple in Gibbs Green, W14, although initial checks during the CAFS vetting process showed that the male tenant was linked an address in Clacton-on-Sea.</p> <p>Enquiries with the local council, Tendring, revealed that they too had been investigating the same person and that their investigation had found him living at an address in Essex.</p> <p>The investigation by CAFS also uncovered a Court Order forbidding the tenant from living at the Gibbs Green property, where his estranged wife was now living alone.</p> <p>Given the above, the tenant's non-residency at the property meant that he failed to meet the criteria for the Right to Buy and his application was refused. However, this prompted a new Right to Buy application from the estranged wife in her sole name, although following challenges from CAFS regarding how the purchase was to be financed, she failed to reply.</p>	<p>CAFS made a recommendation to Homebuy to issue a 56-day letter giving the wife sufficient time to provide the necessary information requested by CAFS.</p> <p>The wife failed to reply to this request, and in November 2016 a notice was served to withdraw the tenant's Right to Buy.</p>
<p><b>4.</b></p>	<p><b>RESIDENT'S PERMIT FRAUD</b> – A case was referred by Parking to CAFS when vigilant officers spotted a recent application which appeared to be supported by fake documents.</p> <p>The suspect had applied for and received, a resident's parking permit in Munster Road but provided both fake V5 Vehicle Registration Documents and a false tenancy agreement.</p> <p>A summons was issued charging the individual under Section 1 of the Fraud Act, and two charges under the Forgery and Counterfeiting Act.</p>	<p>The defendant initially elected for a Crown Court Trial but pleaded guilty to all charges at the pre-trial hearing at Isleworth Crown Court.</p> <p>On 23 November 2016 he was sentenced to a 12 month Community Order to complete 80 hours unpaid work, ordered to pay compensation of £1,214 (<i>cost of parking in the Munster Road area for the 11 week period he held the permit before being detected</i>) and ordered to pay the Council costs of £2,199.</p>

<p><b>5.</b></p>	<p><b>RESIDENT'S PERMIT FRAUD</b> - CAFS received a referral regarding the subletting of an Ormiston Grove property. The information suggested that the tenant was working in the United Arab Emirate, and while working overseas had rented the flat to a professional person who was complicit in the deception.</p> <p>The subsequent investigation, which led to the repossession of the property and the conviction of the tenant, confirmed the allegations to be true.</p> <p>During the lengthy investigation into sub-letting, CAFS officers gathered evidence which revealed that the sub-tenant was a willing party to the deception.</p> <p>She was an Associate Director of a large UK pharmaceutical corporation and drove a company car. She held a H&amp;F Resident's Parking Permit for an address in Old Oak Common. However, when the Old Oak permit was renewed, she was no longer living in Old Oak Common but was now sub-letting the Ormiston Grove property.</p> <p>These actions showed that she had tried to conceal the sub-letting. Rather than correctly applying for a permit from Ormiston Grove address, she realised this might have alerted the Council to the unlawful sub-letting. Instead, she knowingly submitted a false parking application, along with fake documents, to wrongfully obtain a permit from her old address.</p>	<p>The subtenant admitted two counts of fraud and two counts of forgery and counterfeiting when she appeared at Isleworth Crown Court in September 2016.</p> <p>The court was told that although the financial loss to H&amp;F Council was small, the culpability regarding the offences was high.</p> <p>On 30 October 2016, she was sentenced at the same court and fined £250 per offence. She was ordered to pay court costs of £7,592.</p>
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<p><b>6.</b></p>	<p><b>EMPLOYEE and BLUE BADGE FRAUD</b> – An employee was discovered misusing her father's Blue Disabled Parking Badge to receive concessionary parking.</p> <p>The employee who was an administrator at a primary school admitted that her father was not present when she used the badge to park.</p> <p>The case was passed to Legal Services to prosecute, and a report submitted to Human Resources, but the employee resigned forthwith ahead of any disciplinary action</p>	<p>In December 2016 at Hammersmith Magistrates Court, she was fined £100 and ordered to pay costs £450 and a £30 victim surcharge.</p>
<p><b>7.</b></p>	<p><b>HOUSING FRAUD</b> – A daughter applied to succeed a tenancy in Mortimer House, W11 when her mother died.</p> <p>Initially, the housing department rejected the application, but the individual appealed the decision and CAFS were asked to review the file.</p> <p>The subsequent investigation linked the applicant to an address in Glasgow, as well as attendance at Glasgow Clyde College where she was studying for a child care qualification.</p>	<p>In March 2017 CAFS asked the applicant to attend an interview where she admitted that her succession application was false and that her main and principal address was in Scotland.</p>