



Housing Fraud 2018/19

City of York Council

Internal Audit Report

Business Unit: Health, Housing and Adult Social Care
Responsible Officer: Assistant Director – Housing and Community Safety
Service Manager: Head of Housing
Date Issued: 13th November 2019
Status: Final
Reference: 11720/001

	P1	P2	P3
Actions	0	3	2
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

Housing tenancy fraud undermines the council's duty as a social landlord because it costs the council money and denies potential tenants the opportunity to rent a property from the council. The main forms of tenancy fraud are false declarations on the application form, sub letting the property, right to buy fraud, abandoning the tenancy or not using the address as the sole or main property. Frauds can be reported to the council by members of the public or can be identified by staff in Housing Services during their management of tenancies. Suspected fraud cases should be reported to Veritau to investigate.

During 2018/19 39 cases were investigated which has resulted in five applications being stopped, one banding being demoted and one caution.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- Housing applications were verified to ensure that properties are only let to appropriate tenants.
- Housing Services were proactively trying to identify housing tenancy fraud.
- Suspected fraud cases were promptly referred to Veritau.

Key Findings

The process for identifying housing fraud was found to be working reasonably well at the outset of tenancies in that the procedure for applying for properties is being followed with the necessary documents being obtained to support the housing application. Applications for housing are input manually onto the housing system by Housing Registrations Officers based on a phone conversation or meeting with the applicant with no signature obtained to confirm the information on the application is correct. Pictures were not routinely taken of tenants when they start their tenancy nor is there an agreed process or timescale to take pictures of existing tenants. This means that an important way to confirm that the person living at the property is as expected is being missed.

The Housing Management Service could be more pro-active in identifying housing fraud as no data matching exercises are currently being undertaken with other records such as the electoral roll or benefits system to confirm tenants are living at the correct address as per the tenancy agreement. The process for undertaking Right to Buy applications was reasonable in order to identify fraudulent applications, however, all the necessary documents to support the application are not being viewed or retained.

The arrangements between Veritau and Housing Services are governed by a Service Level Agreement (SLA) although the SLA was not always being followed in detail. A discussion will be held with the Counter Fraud Manager and the service over the elements of the SLA that were not being followed exactly as was intended.

Overall Conclusions

The arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1. Application forms are not being signed

Issue/Control Weakness

The applications for housing are not being signed by the applicant to confirm the information in them is correct.

Risk

The applicant for housing can state that incorrect information on the housing application is down to an inputting error rather than a fraudulent attempt to obtain a property.

Findings

Application forms are no longer completed manually by applicants who wish to rent a property from the council. Instead information is input by the Housing Registrations Advisor directly onto the housing system based on a phone conversation or meeting with the applicant. Although this saves time for the applicant it means that there is no confirmatory signature from the applicant to confirm that the information in the application form is correct.

Agreed Action 1.1

1. The service will revert back to applicants applying on line, so that the information is confirmed as correct by the applicant when confirming at the end by ticking the declaration.
2. Copies will be taken of photographic identification such as driving licence, passport and identification cards. If an applicant has none of these a picture can be taken at West Offices and attached to their file. Once an offer of a property is made a copy of the photo identification will be obtained by the Housing Management Officer, so they know that the correct applicant is signing the tenancy. GDPR procedures have been checked and there would be no breach. Applicants who are already on the housing benefits system will also be asked for photographic identification.

Priority

2

Responsible Officer

Resettlements
Services Manager

Timescale

Action completed

2. Supporting documentation for housing applications

Issue/Control Weakness

Photographs of tenants are not on their housing file.
Proof of identification is not routinely requested.

Risk

Fraudulent applications or sub letting may occur due to a lack of supporting documentation or photograph to verify tenants.

Findings

Having a picture or other confirmation of identity of the tenant on file can help detect fraud because it would be obvious to the member of staff visiting the property if the person living there was not the registered tenant. The Housing Management Service intended to take photographs of new tenants and put them onto the SX3 system. However, a review of a sample of ten new tenancies during the last year showed that only three of these had a picture on their file. An additional test showed that only half of the tenants in the sample had a proof of identification, such as a copy of a passport, on file. Proof of identification is not one of the documents requested to support the application.

Housing Management Service intends to roll out a programme of tenancy audits where it is intended to visit the property which would create an opportunity to take photographs of existing tenants. However, there is no agreed timescale or process to undertake the tenancy audits.

Agreed Action 2.1

Housing Management Officers will be reminded to take a photograph of the tenants at the point of signing a contract with the photograph being uploaded onto SX3. The service will also implement this for other forms of transfer including mutual exchanges so as to capture even more tenants. The service will also cross check the tenants signing up with the photograph on the application form.

The Tenancy and wellbeing visits will be implemented later in 2019/20 to take photographs of tenants which will be cross checked against identity such as passports, driving licenses or other recognised official forms of identification.

Priority

2

Responsible Officer

Housing Management
Service Manager

Timescale

31st March 2020

3. Collaboration with other departments

Issue/Control Weakness

Data matching exercises are not being done with other records such as the electoral roll or benefits system. Staff in the Repairs Service also don't have access to a picture of the tenant on the SX3 rents system.

Risk

The lack of collaboration with other departments may mean that instances of housing fraud are not being identified.

Findings

Data matching exercises are not being done against the electoral roll or the benefits system. This is despite there being evidence that housing fraudsters will often commit benefit fraud as well as tenancy fraud. This means that successful prosecutions may lead to recoveries of benefits payments as well as properties. It might be possible to compare addresses of tenants against the electoral roll and benefits system to confirm the tenant is not living at other properties or that another person is living at the rented property.

In addition, staff in the Housing Repairs team will visit properties in order to undertake repairs and as a result could identify instances of housing fraud such as illegal sub letting. At the time of the audit Repairs Operatives didn't have access to the SX3 rents system so would not be able to view pictures of the tenant to confirm the tenant's identity when visiting the property.

Agreed Action 3.1

1. There have been some issues in the past with data sharing/ cross checking of systems within the council for data protection reasons. The Supported Housing Manager will ensure that this is revisited to ensure cross checking of housing systems against benefits and electoral rolls are maximised.
2. Photos of the system should also be available to repairs staff and the service will look into how this could be made possible as part of the new ICT system due for implementation in 2021 and whether there is a system that can be implemented sooner.

Priority

2

Responsible Officer

Housing Management Service Manager

Timescale

31st March 2020

4. Increasing awareness of housing fraud

Issue/Control Weakness

Regular articles aren't included in the Streets Ahead bulletin to raise awareness of housing fraud nor does the bulletin include the fraud hotline number.

Risk

Housing fraud is not being reported because tenants are not aware of the forms it can take or the problems it can cause.

Findings

Awareness of tenancy fraud could be publicised in the quarterly Streets Ahead bulletin or the Housing Services Facebook page. A review of the Streets Ahead bulletins since 2018 showed that there had been no articles to raise awareness of tenancy fraud nor was there mention of the fraud hotline number that tenants could use to report suspected housing fraud. Consideration should be given as to how often articles should appear in the Streets Ahead bulletin to raise awareness of housing fraud and whether the fraud hotline number should be included in every issue.

Agreed Action 4.1

Increasing awareness of housing fraud will be included in future Streets Ahead and using facebook and the Website. The service will work with the Veritau Fraud team in regards to this.

Priority

3

Responsible Officer

Housing Management
Service Manager

Timescale

31st December 2019

5. Supporting evidence for Right to Buy applications

Issue/Control Weakness

Documentary evidence is not fully obtained to support Right to Buy applications nor are credit rating checks done on every case.

Risk

Properties are sold at discounted prices under the Right to Buy scheme to unsuitable applicants.

Findings

Currently evidence to support Right to Buy is obtained visually when staff visit the property to undertake the Right to Buy inspection visit. A check list is completed during the visit to confirm the state of the property as well as details of the tenant. However, the check list does not ask the Right to Buy inspection officer to confirm that the applicant's National Insurance number is correct or that a wage slip has been viewed even though these two documents are requested by the council to support the Right to Buy application.

Experian credit checks are only undertaken on Right to Buy applicants if the member of staff that is processing the claim is suspicious of the application. Consideration should be given as to whether it would be worthwhile to undertake Experian credit checks on all Right to Buy applications.

Agreed Action 5.1

National Insurance Numbers and a wage slip will be requested for viewing at the house visit or as soon as practical afterwards if they are not available during the visit.

The council has invested in a programme called Insight which allows the council and Veritau to check key information with regards to the financial circumstances and arrangements of tenants. The service will seek to maximise opportunities with this programme to identify any fraud through Right to Buy applications with this system is linked to Experian credit checks. If the tenant is not opted into the system the service will explore requesting permission to carry out a separate Experian check in order to ensure that fraud is reduced in this key area.

Priority

3

Responsible Officer

Housing Management
Service Manager

Timescale

31st December 2019

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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