

Committee(s)	Dated:
Audit and Risk Management Committee	16 July 2019
Subject: Anti-Fraud & Investigations – 2018/19 Annual Report	Public
Report of: Head of Audit & Risk Management	For Information
Report author: Chris Keesing – Anti-Fraud Manager	

Summary

This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the 2018/19 reporting year. It also provides Members with an update against our key anti-fraud initiatives.

In total 43 investigations, across all disciplines, were completed during 2018/19, with an associated value of £602,188.

25 successful tenancy fraud outcomes were secured during 2018/19, comprising of 16 cases where tenancies were surrendered following investigation, three criminal prosecutions, one civil recovery case, four housing application frauds and one right to buy fraud.

Where criminal and/or civil action was successful in tenancy fraud cases during 2018/19, £8,352 in costs were awarded and £36,268 was secured under Proceeds of Crime action.

Our support for the housing divisions' tenancy audit programme has resulted in the review of 105 referrals, with one leading to recovery of a property and a further 45 still under investigation.

A total of 14 corporate fraud and/or conduct investigations were concluded during the 2018/19 reporting year with an associated value of £61,613, whilst nine whistleblowing referrals were concluded during the same period.

The National Fraud Initiative (NFI) matches were released in January 2019 and work is underway to review and investigate those matches where fraud has been identified. 214 matches have been reviewed so far, and to date, two frauds have been confirmed with a value of £6,480.

The team recently participated in an NFI pilot exercise, where NFI datasets were matched against HMRC data to identify fraud. Ten cases reviewed so far from the pilot are expected to result in successful outcomes and our work has supported the Cabinet Office's business case for rolling out data matching against HMRC data for all NFI participants, nationwide.

Work to join the London Counter Fraud Hub has progressed well and we expect to be one of the first London authorities to onboard to the hub.

Recommendation(s)

- Members are asked to note the report.

Main Report

Background

1. This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the 2018/19 reporting year. It also provides Members with an update against our key anti-fraud initiatives.

Investigation Activity Summary

2. An analysis of the number of cases investigated during the 2018/19 reporting year has been included as Appendix 1 to this report, showing all fraud types along with the value of frauds detected. The associated value of identified fraud from the 43 completed investigations during 2018/19 amounts to £602,188.

Social Housing Tenancy Fraud

3. Social housing tenancy fraud remains a key fraud risk area for the City. The team provides full investigative support across all aspects of housing, from initial applications, to the investigation of tenancy breaches and right to buy screening. During the reporting year, 25 successful outcomes have been secured, including the conclusion of two criminal prosecution cases at Inner London Crown Court, another at the City of London Magistrates Court and a defended possession case at Clerkenwell and Shoreditch County Court. The associated value of these cases is £540,000.
4. In the cases mentioned above, where criminal and/or civil action was successful, £8,352 in costs were awarded, and £36,268 was secured under Proceeds of Crime action. The prosecution costs in these cases was greater than the amounts awarded to the City, and whilst costs submissions are made in each case, it is at the discretion of the courts as to whether full, partial or nil costs are awarded.
5. A summary of our work in this area, during 2018/19, is detailed in Appendix 2 to this report.
6. Where illegal occupation of City housing stock is identified and recovered, the tenancies have now been re-let to those in greater need of affordable housing.
7. The volume of Right to Buy (RTB) applications referred to the team for screening has dropped considerably. Through liaison with the Home Ownership Manager, we understand that there has been a significant reduction in RTB applications from tenants during 2018/19, this has resulted in a drop in identified RTB fraud to one case.

8. Case studies detailing several successful social housing tenancy fraud cases has been provided at Appendix 3.

Tenancy Audit

9. The Anti-Fraud team supported the Housing Division with the full tenancy audit programme undertaken throughout 2018/19. Where tenancy fraud concerns were identified by visiting officers, these cases were referred to the team for investigation. In total 105 cases were referred to the team, and work continues to review and investigate a number of these referrals. A summary of our work to date in this area can be found below:

Tenancy Audit referrals received	105
Tenancy Audit referrals closed – no fraud	58
Fraud identified and property recovered	1
Fraud identified and case with C&CS for consideration of further action	1
Cases still under investigation	45
Total	105

Corporate Anti-Fraud & Investigation Activity

10. Corporate investigations are defined as fraud, corruption or conduct cases which relate to employee fraud or conduct, or other third-party fraud. A total of 14 corporate investigations were concluded during the 2018/19 reporting year with an associated value of £61,613. Where Corporate investigations identify wrongdoing by staff, we support Senior Management and colleagues in HR to take appropriate action under the City’s disciplinary procedure.
11. Case studies detailing several successful Corporate investigation cases has been provided at Appendix 4.

Whistleblowing

12. The City’s Whistleblowing Policy identifies the Head of Audit & Risk Management as one of the main contacts for reporting a concern. The number of referrals received via whistleblowing channels is relatively low; however, when referrals are received, they are generally of high significance leading to further investigation.
13. During the 2018/19 reporting year, ten whistleblowing referrals (as defined in the policy) have been received. Nine cases were concluded during 2018/19, whilst a further complex case remains subject to investigation by the team.

National Fraud Initiative (NFI)

14. The NFI is a statutory bi-annual exercise, managed by the Cabinet Office and designed to identify fraud and error across departments ranging from housing, benefits and employment, through to pensions and duplicate payments. Data

matches for the current exercise were released in January 2019 and work is underway by the team and by departmental colleagues to review the matches. In total 5,354 matches were received, including 4,516 creditor matches that have traditionally been considered low risk to the City. A sample of these matches will be reviewed by the Accounts Payable team over the coming months.

15. Of the remaining 838 matches, 214 have been investigated and closed with no further action, whilst a further 47 are subject to ongoing investigation. Two frauds have been confirmed with an associated value of £6,480. The team continues to review, and support departmental review, of NFI matches as appropriate.

National Fraud Initiative (NFI) Pilot Exercise

16. The Anti-Fraud team were one of ten authorities to participate in an NFI pilot exercise, whereby several City of London datasets (Housing, Housing Benefit, Council Tax Support, Payroll, Direct Payments) were matched against HMRC data. The use of HMRC data for NFI matching purposes was permissible under the Digital Economy Act 2017, and it was, therefore, necessary, and important, for pilot authorities to work closely with the NFI team to feedback findings to demonstrate the value of the data-matching and justify roll-out to all NFI participants.
17. The City received a total of 250 additional matches as a result of the NFI pilot exercise. To date, 78 high risk Tenancy, Direct Payment and Payroll matches have been reviewed, resulting in 10 cases where successful outcomes are expected. The remaining 172 lower risk matches are subject to investigation.
18. The results from the City's participation in the NFI Pilot, along with that of the other nine pilot authorities, has supported the Cabinet Office's business case to roll-out the HMRC data-matching to NFI participants, nationwide.

London Counter Fraud Hub (LCFH)

19. Members will recall supporting the City's intention to onboard to the LCFH in November 2018. The City has continued to work closely with CIPFA and LB Ealing (as lead authority) to prepare for joining the hub and subject to some final enquiries, we aim to be in a position to become one of the first London authorities to onboard. Progress will be reported to Members as part of future Anti-Fraud & Investigation update reports.

Conclusion

20. The team continue to provide a professional and robust anti-fraud and investigation service across the organisation. 43 investigations across all disciplines were completed during 2018/19, with an associated value of £602,188. Tenancy fraud continues to be high risk and 25 successful results were secured in this area during the reporting year, with three successful prosecutions and one successful civil possession cases secured. £8,352 in costs was awarded and £36,268 was secured under Proceeds of Crime action in these four cases.

21. The team supported the housing divisions tenancy audit programme, receiving 105 referrals of suspected tenancy fraud, with 58 cases reviewed to date, one property has been recovered and one case is with the Comptroller and City Solicitor for consideration of further action. The remaining 45 referrals are subject to further review.
22. NFI matches were released in January 2019; 214 matches have been investigated to date, with two frauds confirmed with a value of £6,480. The team also participated in an NFI pilot exercise whereby datasets were matched with HMRC data to identify fraud. This supported a successful business case by the Cabinet Office to roll-out HMRC matches to NFI participants, nationwide.
23. Work is progressing well on preparations for joining the London Counter Fraud Hub and we expect to be one of the first London authorities to onboard to the hub.

Appendices:

Appendix 1: Analysis of cases investigated during 2018/19

Appendix 2: Housing tenancy fraud caseload 2018/19

Appendix 3: Social housing tenancy fraud case studies 2018/19 (non-public appendix)

Appendix 4: Corporate Investigations case studies 2018/19 (confidential appendix)

Contact:

Chris Keesing,

Corporate Anti-Fraud Manager

E: chris.keesing@cityoflondon.gov.uk

T: 020 7332 1278