

Committee:	Date:
Audit and Risk Management Committee	9 th September 2014
Subject:	Public
Anti-Fraud and Investigation Up-date Report	
Report of:	For Information
Chamberlain	

Summary

This report provides Members with an update of our investigation activity since our last report to Committee in May 2014.

The responsibility for investigating housing benefit fraud transfers to the Department for Work & Pensions, Single Fraud Investigation Service on 1st December 2014. Initial meetings have been held concerning the transfer, with three workshops arranged for early September.

Two fraud awareness training sessions were held in conjunction with a colleague from the UK Borders Agency. A Member fraud awareness session was held on 23rd June 2014, presentation slides are available to Members who were unable to attend.

Preparation is underway for the 2014/15 National Fraud Initiative exercise, with the Senior Investigator continuing to co-ordinate the City Corporation and the City of London Police participation in this valuable data matching exercise.

Possession of a social housing property on the City's Middlesex Street estate has recently been returned to the City, following the identification of illegal sub-letting.

Fifty litres of diesel were stolen by an employee at the Cemetery and Crematorium, disciplinary action has been taken in this matter. Anonymous allegations were also received, which prompted an Internal Audit investigation in to other areas at the Cemetery and Crematorium, no further thefts or frauds were identified, however seven recommendations have been made and agreed to improve the control environment, including ensuring instances of Fraud and theft are reported promptly.

CIPFA have recently launched a new Counter Fraud Unit, taking the lead on counter fraud and corruption for local government.

Recommendations

Members are asked to note the report:

Main Report

Background

1. This report provides Members with a summary of our investigation case-load and outcomes since our last report to Committee in May 2014, along with a trend analysis against fraud investigation work carried out in the two previous reporting years. It also details the anti-fraud work currently being undertaken by the team.

Proactive Anti-Fraud Activity

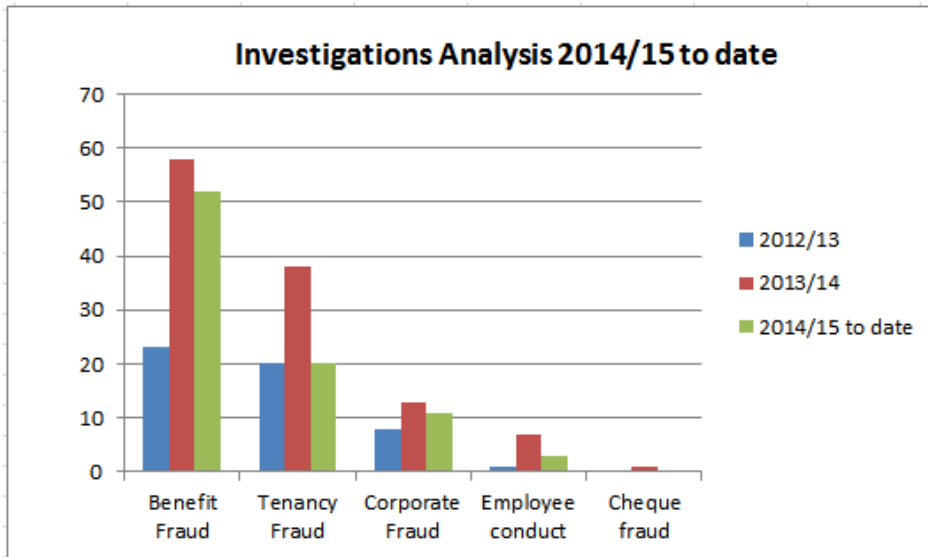
2. Document & Fraud Awareness - Two interactive document and fraud awareness training sessions, delivered by the City's Fraud Investigator and a colleague from the UK Borders Agency were held on 20th May 2014, these were attended by officers from HR, the City's Housing Department and the Housing Benefit team. The sessions focused on how to detect fraudulent or counterfeit identity documents, and advised on what to do if fraud is suspected. Excellent feedback was received, and further sessions are being considered (subject to the availability of our UKBA colleague) later this year.
3. Member Development Session – A fraud awareness session for Members was delivered on 23rd June 2014, featuring an introduction to fraud in local Government, the City's response to fraud, and current fraud threats affecting the City Corporation. The presentation slides are available to Members who were unable to attend.
4. National Fraud Initiative (NFI) – Preparation is underway for the 2014/15 NFI exercise, with the Senior Investigator continuing to co-ordinate the City Corporation and the City of London Police participation in this valuable data matching exercise. Twelve data-sets will be uploaded to the Audit Commission on the 6th October 2014. The output will be available for investigation from 29th January 2015.

Single Fraud Investigation Service (SFIS)

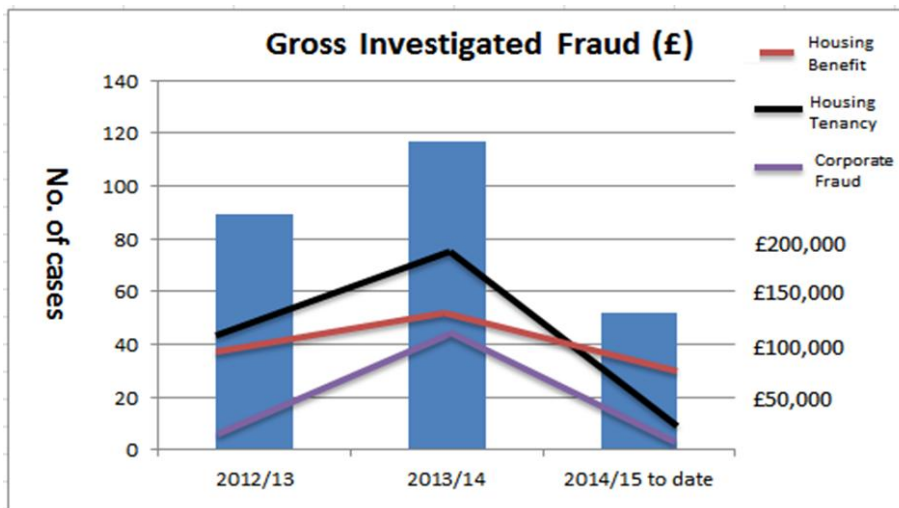
5. Members were advised at this Committee in May 2014 that the responsibility for investigating housing benefit fraud would be transferring to the Department for Work & Pensions (DWP) under the Single Fraud Investigation Service (SFIS). This transfer will take place on the 1st December 2014. A start-up meeting was held with officers from the DWP on 17th July 2014, during which an overview of how SFIS will operate post implementation was provided, along with further information concerning the transfer of live investigation cases from the City of London to the SFIS.
6. Three further workshops have been agreed for 3rd September 2014 to cover more detail about the operation between the City and the SFIS. We are still to see the national service level agreement for SFIS and future joint working protocol. A verbal update will be given at your meeting.

Investigation Activity Summary

7. The following graphs summarise our investigation activity for the 2014/15 reporting year to date. The first shows the number of cases referred to the Investigation Team in the year, the number of cases closed and number of cases subject to investigation across all types of fraud. The Corporate Fraud bar is amended from previous graphs provided to this Committee, and relates to cases of theft, grant fraud and procurement fraud.



8. The second graph shows a trend analysis of the gross number of cases investigated during the current reporting year to date, against the previous two years. This shows all fraud types, along with the value of frauds detected for both housing benefit and housing tenancy investigations. We have additionally added the value of Corporate Fraud investigations, where these can be quantified, however, as previously advised, these are usually more problematic to quantify, owing to the nature of the offences committed.



9. Detailed housing benefit fraud and housing tenancy fraud caseload reports are contained in Appendix 1 to this report.

Housing Tenancy Fraud

10. Following a referral from an Estates Officer at the City's Middlesex Street estate, an investigation found that a City of London social housing tenant was sub-letting his property for financial gain, in breach of his tenancy terms and conditions. The tenant was interviewed under caution, where he made full admissions to sub-letting offences. Possession has now been returned to the City of London, whilst a file is being prepared for submission to the Comptroller and City Solicitor for consideration of criminal action.

Corporate Fraud

11. A report was received in April 2014, from the Superintendent of the Cemetery and Crematorium concerning a suspected theft of 50 litres of diesel (approximate value £70). Anonymous allegations received via the City's whistleblowing channels were also received relating to this theft and also concerning the misuse of procurement cards, and corporate contracts for the purchasing of certain goods, along with breaches of City of London Corporation policy and procedures at the Cemetery and Crematorium.
12. An Internal Audit investigation was undertaken. The allegation concerning the theft of diesel was confirmed. Financial regulations were not followed in a timely manner because the matter was not reported to Internal Audit, or the Chief Officer, until after a decision on disciplinary action was taken. Our enquiries found that the appropriate HR, Business Partner was consulted on the matter, and the theft was dealt with by local management by means of a written warning. Internal Audit also reviewed the other areas highlighted in the anonymous letters, and although no fraud or further thefts were found, we identified a number of areas for improvement in control.
13. Two amber and five green recommendations have been agreed for full implementation by the end of December 2014. HR have raised awareness across all HR Business Partners and HR advisors on the need to ensure potential Fraud issues are immediately referred to Internal Audit, as required by Financial Regulations. Management have also agreed to computerise fuel stock and utilisation records to improve the accuracy and speed of recording fuel use, and introduce a greater level of separation of duties by the end of October 2014. Further green priority recommendations were agreed to improve control over fuel usage monitoring, collection of income from the donation box, improving controls over the scrap metal recycling contract, and reviewing the use of procurement cards with City Procurement for the purchase of replacement equipment and parts.

CIPFA Counter Fraud Centre

14. CIPFA have recently launched a new Counter Fraud Unit, taking the lead on counter fraud and corruption for local government, producing best practice guidance, including updating the CIPFA Red Book and Fighting Fraud Locally, and providing accredited anti-fraud training. We will review the guidance and best practice documentation arising from the CIPFA Counter Fraud Centre, taking appropriate action, and will advise Members accordingly.

Conclusion

15. Internal Audit continues to provide a valuable anti-fraud and investigation service across the City Corporation. The responsibility for investigating housing benefit fraud transfers to the Department for Work & Pensions on 1st December 2014; three workshops have been arranged for early September to develop the arrangements for the transfer of this work.

Appendices

Appendix 1: Housing Benefit Fraud & Housing Tenancy Fraud Caseload

Contact: Chris Keesing Chris.keesing@cityoflondon.gov.uk 020 7332 1278