

Committee:	Date:
Audit and Risk Management Committee	8 th December 2014
Subject: Anti-Fraud and Investigation Up-date Report	Public
Report of: Chamberlain	For Information
<p style="text-align: center;">Summary</p> <p>This report provides Members with an update of our anti-fraud and investigation activity since our last report to Committee in September 2014.</p> <p>Housing benefit fraud investigations transferred to the Department for Work & Pensions (DWP), Single Fraud Investigation Service on 1st December 2014. All new fraud referrals that relate solely to Housing Benefit will be directed to the DWP.</p> <p>Data sets for the City Corporation and City Police involvement in the National Fraud Initiative (NFI) have been successfully uploaded to the Audit Commission. NFI output matches will be released on 29th January 2015 for further investigation.</p> <p>A liaison meeting with colleagues from the Home Office UK Visas and Immigration Team was successful in securing ongoing support for the verification of suspect identity documents in key risk areas including housing applications, housing benefit and recruitment. An agreement was also reached to undertake appropriate joint working initiatives in the future.</p> <p>Joint working with the City Police was successful in seizing vital evidence in support of a housing benefit fraud investigation. £84,000 has been restrained in this case under the Proceeds of Crime Act,</p> <p>A further three housing tenancy fraud cases, where serious housing tenancy fraud offences have been identified, have been submitted to the Comptroller and City Solicitor for prosecution action</p> <p>A whistleblowing allegation relating to corruption in the award decision of a grant made under the small grants scheme administered by the Department for Community & Children's services was fully investigated and found to be unsubstantiated.</p> <p>CIPFA released its code of practice; Managing the Risk of Fraud & Corruption in October 2014. Internal Audit will be benchmarking against this code in the new year.</p> <p>Recommendations Members are asked to note the report:</p>	

Main Report

Background

1. This report provides Members with a summary of our investigation caseload and outcomes since our last report to Committee in September 2014, along with a trend analysis against fraud investigation work carried out in the two previous reporting years. It also details the proactive anti-fraud activity currently being undertaken by the team and an update on the transfer of housing benefit investigations to the Department for Work & Pensions.

Single Fraud Investigation Service (SFIS)

2. Responsibility for the investigation of housing benefit fraud transferred to the Department for Work & Pensions, under the SFIS on 1st December 2014. All current live housing benefit fraud investigation cases have been reviewed and transferred. A post SFIS referral management and new burdens training session was held on 19th November for housing benefit staff, which was also attended by the Anti-Fraud Manager & the Fraud Investigator. Whilst we anticipate the majority of this post SFIS activity to be undertaken by the housing benefit staff, the internal audit section team will continue to provide support and advice where appropriate.
3. Whilst all new housing benefit fraud reports will go directly to SFIS from 1st December, the Anti-Fraud & Investigations team will screen these to ensure that any potential Council tax reduction fraud, and/ or, social housing tenancy fraud is identified, and can be acted upon promptly.
4. The City is retaining responsibility for the prosecution of one housing benefit fraud case, currently listed at the Central Criminal Court; the case involves an overpayment of £67,000. We have worked in partnership with Southwark Council who provided specialist Financial Investigator support. An order was granted by the Court enabling us to restrain £84,000 under the Proceeds of Crime Act. Working with the City of London Police vital evidence in support of the prosecution's case was seized following searches, with the benefit of search warrants, at addresses in London and Sunderland.

Proactive Anti-Fraud Activity

5. National Fraud Initiative (NFI) 2014/15 Exercise – Data sets for the City Corporation and City Police involvement in this valuable exercise were successfully submitted to the Audit Commission for data matching on 6th October; two further data sets will be submitted in December as per NFI timetable. The NFI output matches are released on 29th January 2014.
6. Home Office UK Visas and Immigration Team Liaison - The Anti-Fraud Manager met with the City of London region, Immigration liaison officer in October. The meeting was very positive, with an agreement for Home Office UK Visas and Immigration to continue to support the City by verifying questionable identity documents provided in support of applications for services and employment etc. In addition to this, the Home Office UK Visas and Immigration team have also agreed to work jointly with the City

Corporation in future proactive anti-fraud drives, designed to identify fraud and abuse of the services the City provides.

CIPFA Code of Practice - Managing the Risk of Fraud & Corruption

7. The CIPFA counter fraud centre released a code of practice in October 2014 entitled “Managing the Risk of Fraud & Corruption”. The code introduces a requirement for organisations to include a statement within their annual governance report about their response to tackling fraud and corruption and their adherence to the code. From an overview of the code of practice, the City Corporation’s counter-fraud and investigation activity is, on the whole, in alignment with the recommendations set out in the code. A more detailed review of the code in relation to our counter-fraud activities will be conducted and the outcomes of our findings will be reported to this Committee in February 2015 alongside the anti-fraud plans for 2015/16.

Protecting the Public Purse 2014

8. The Audit Commission released its “Protecting the Public Purse 2014” report in October; this report benchmarks Local Government’s anti-fraud and investigation activity using data collated from the mandatory fraud survey completed by all local authorities each July. The report concludes that housing tenancy fraud will represent the biggest fraud risk area for local authorities post the transfer of housing benefit fraud investigations to the Single Fraud Investigation Service. The Corporation is well placed to respond to this fraud risk, having developed a robust approach to dealing with housing tenancy fraud and having achieved some very good results in this area in recent years.

Whistleblowing – DCCS Small Grants

9. A whistleblowing report was received in February this year alleging corruption in a small grants scheme run by the Department for Community & Children’s Services. The whistleblower alleged that decisions on funding had been predetermined, as the Director of one of the charities bidding for funding was a friend of a Director at the Corporation. A comprehensive investigation was undertaken by Internal Audit and allegations were not substantiated. We did not identify any concerns relating to fraud or corruption in the small grants team. The whistleblower also reported their concerns to the Charity Commission who do not intend to investigate the matter any further after receiving a copy of our investigation report.

Housing Tenancy Fraud

10. Five housing tenancy fraud investigation cases are currently with the Comptroller and City Solicitor; four for criminal prosecution, and one for civil action to recover possession. These cases involve those that have illegally sub-let or submitted fraudulent applications to obtain housing from the Corporation. In three of the cases mentioned above, we have already gained possession of the property, and re-let them.

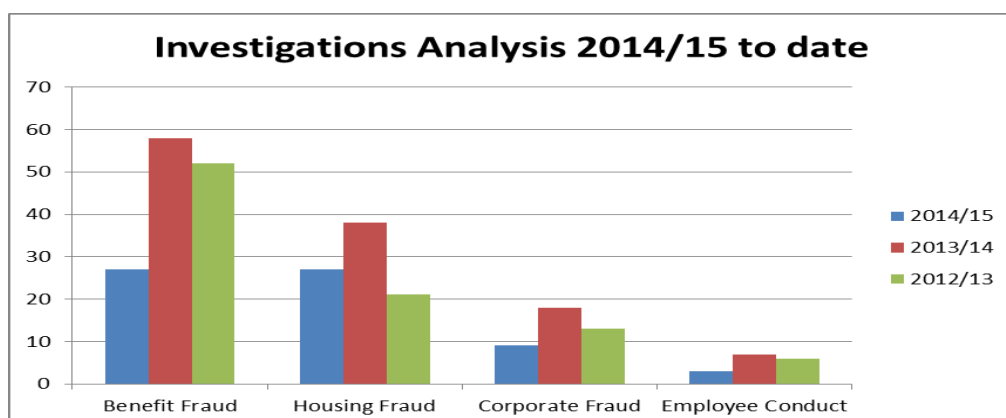
Corporate Fraud

11. PABX Fraud (Private Automatic Branch Exchange) – The City of London Girls School has recently been subject to a PABX fraud resulting in the loss of £4,000. PABX fraud occurs when an external hacker gains access to the telephone switchboard. The criminal then profits in two main ways, making a

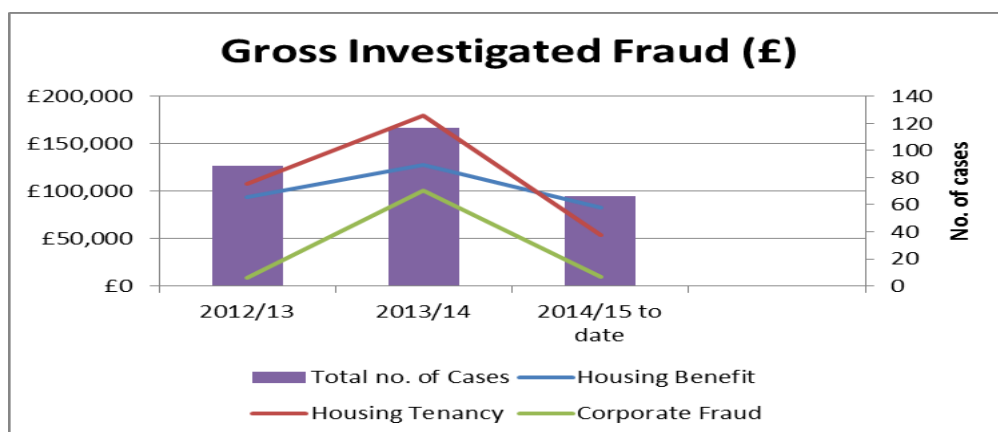
high volume of calls to premium rate numbers to which they are affiliated and selling calls via dialling international numbers through the compromised switch. It is very difficult to identify those responsible for these frauds owing to their nature and remote location. Internal Audit have undertaken a review of the City's main PABX system and found there to be a sound control environment with risks to system objectives being reasonably managed. Eight (two amber & six green) recommendations have been made in order to mitigate against further risks to fraud in this area.

Investigation Activity Summary

12. 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 relates to cases of theft, grant fraud and procurement fraud.



13. 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. The value of Corporate Fraud investigations are shown where these can be quantified, however, as previously advised, these are generally more problematic to quantify, owing to the nature of the offences committed.



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

Conclusion

15. Internal Audit continues to provide a professional anti-fraud and investigation service across the Corporation with a wide range of fraud types being successfully investigated and reviewed. An overview of CIPFA's newly released code; "Managing the Risk of Fraud & Corruption" indicates that the Corporation's anti-fraud activities are in line with the Code of Practice.

Appendices

Appendix 1: Housing Benefit Fraud & Housing Tenancy Fraud Caseload

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