

Committee(s)	Dated:
Audit and Risk Management Committee	28/04/2015
Subject: Anti-Fraud & Investigations Up-date Report	Public
Report of: Chamberlain	For Information

Summary

This report provides Members with an update of our anti-fraud and investigation activity. It also provides an analysis of the cases investigated throughout 2014/15 along with a high level comparison of the value of identified fraud vs investigation expenditure, as requested by Members.

National Fraud Initiative potential fraud data matches were released to the City of London Corporation on 29th January 2015 and these are currently being reviewed by departmental contacts. Any matches resulting in fraud and/or corruption will be investigated by the anti fraud and investigation team and the outcomes reported to future meetings.

An IT penetration test exercise was undertaken in January 2015, which identified a number of cyber risks; further details, along with the actions taken to mitigate these risks are included as a non-public appendix to this report. This appendix also provides some further details on potential cyber risks as requested by the Committee.

Since the last update an employee investigation has been undertaken in relation to a theft of donations at the City of London Cemetery and Crematorium which resulted in a disciplinary investigation and subsequent dismissal.

A successful social housing tenancy fraud prosecution, under the Prevention of Social Housing Fraud Act was heard at the City of London Magistrates Court, with the defendant pleading guilty, and levied with a fine, costs and unlawful profit order.

Recommendation(s)

- Members are asked to note the report

Main Report

Background

1. This report updates Members with the key issues arising from anti fraud and investigations work since the last report to Committee in December.

Proactive Anti-Fraud Activity

2. National Fraud Initiative (NFI) 2014/15 Exercise – Data matches for the City Corporation's involvement in this exercise were released on 29th January 2015. A total of 6,922 data matches were returned for further inspection of which 1,300 are classed as recommended filter matches (ones that should be looked at as a matter of priority) by the NFI team. The majority of these data matches relate to possible creditor duplicate payments. There are a total of 5,321 creditor data matches and of these 699 are recommended filter matches, previous exercises have shown that many of the NFI matches result in false positives. Departmental key contacts have been reviewing recommended filter matches, relevant to their area, since their release in January; we expect these reviews, in the main, to be completed by August, with only a moderate impact on departmental resources. The review of NFI matches is progressing well and is in-line with previous years exercises. Any cases of alleged fraud identified through further inspection of the data matches will be reviewed and investigated by the Anti-Fraud & Investigation team as appropriate. Outcomes will be reported to future meetings.

Cyber Fraud Risks

3. A penetration test exercise (also known as a 'Pen Test', a legal attempt at gaining access to an organisations protected computer systems or networks, with the purpose of identifying security vulnerabilities and then attempting to successfully exploit them in order to gain some form of access to the network or computer system) was undertaken on behalf of the City of London Corporation in January 2015; this exercise identified a number of vulnerabilities which have been classified with a risk basis, and are detailed within a non-public appendix to this report. Also included within this non-public appendix is a high level summary of actions taken, and timetable to mitigate against these risks. A further summary of the types and nature of cyber fraud risks and potential auditing activity is also included within this appendix.

Anti-Fraud & Investigation Cost Analysis

4. An identified fraud value vs investigation cost expenditure analysis of the team's activity for 2014/15 has been undertaken and can be found at appendix 1 to this report. This provides Members with an analysis of investigation expenditure against the value of identified fraud for 2014/15 across the three main fraud types – housing tenancy, housing benefit & corporate fraud.

Housing Tenancy Fraud

5. A successful social housing tenancy fraud prosecution case was heard at the City of London Magistrates Court on 11th March 2015. A prosecution was brought under a new piece of legislation – the Prevention of Social Housing Fraud Act – a first for the City of London, in relation to a former City of London social housing tenant at Middlesex Street Estate, who unlawfully sub-let his flat. The defendant pleaded guilty and was fined £1,000 plus a £100 victim surcharge, he was also ordered to pay full costs of £2,010.10, and the City of

London Corporation was awarded an unlawful profit order of £685.36. The tenancy has now been given to another person in much greater need.

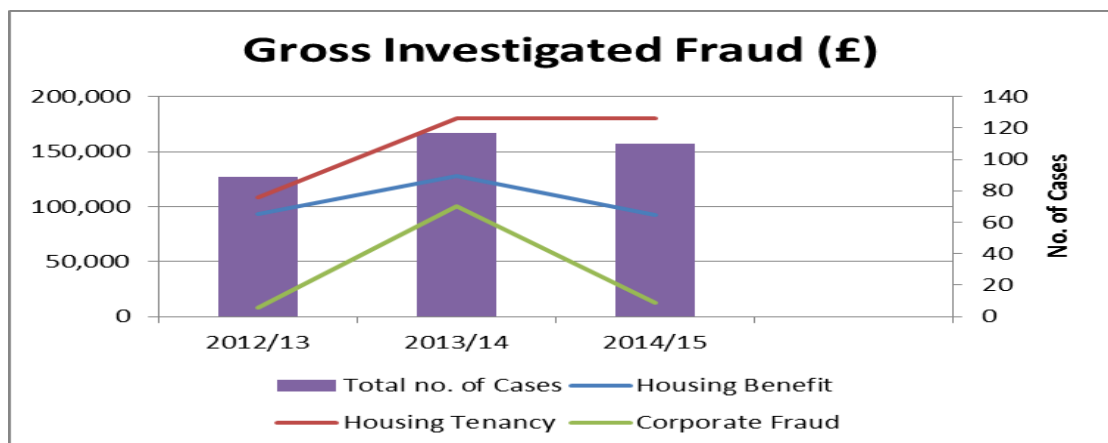
- Five housing tenancy fraud investigation cases are currently with the Comptroller and City Solicitor; four for criminal prosecution, and one for civil action to recover possession. These cases involve those that have illegally sub-let or submitted fraudulent applications to obtain housing from the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

Corporate Fraud

- An investigation was undertaken at the City of London Cemetery & Crematorium, supported by the Anti-Fraud Manager, in relation to an employee who was found to be stealing money from the donations box, attached to the front gate. The investigation found that the employee, who worked on the front gate, greeting visitors and undertaking general security duties, was stealing small value donations given by visitors. At the finalisation of the investigation in October 2014 a disciplinary hearing concluded that the employee had committed gross misconduct and the employee was subsequently dismissed from employment.

Investigation Activity Summary

- The graph below shows a trend analysis of the gross number of cases investigated during the current reporting year 2014/15, 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.



- Detailed housing benefit fraud and housing tenancy fraud caseload reports are contained in Appendix 2 to this report.

Conclusion

10. Internal Audit continues to provide a professional anti-fraud and investigation service, with successful investigations resulting in positive outcomes for the City Corporation. Several fraud investigation cases are currently with the Comptroller & City Solicitor and are subject to either criminal or civil proceedings.

Appendices

Appendix 1: Identified Fraud vs Investigation Expenditure Analysis

Appendix 2: Housing Benefit Fraud & Housing Tenancy Fraud Caseload

Non-Public Appendix: Cyber Fraud Risks

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