

Committee(s)	Dated:
Audit and Risk Management Committee	07/02/2017
Subject: Anti-Fraud & Investigations Up-date Report	Public
Report of: Chamberlain Report author: Chris Keesing, Anti-Fraud Manager	For Information

Summary

This report provides Members with an update of our anti-fraud and investigation activity since our last report to this Committee in September 2016; it also provides an analysis of the cases investigated during the 2016/17 reporting year.

Two housing tenancy fraud prosecutions have been secured so far this reporting year, whilst a further 21 tenancy related fraud investigations have been concluded across sub-letting fraud, housing application fraud and right to buy fraud.

Two corporate investigations have recently been concluded with one resulting in recovery of £5,000, and the other resulting in two disciplinary proceedings leading to final written warnings. Seven further corporate investigations are currently in progress by the team.

The value of identified fraud from the 33 cases, across all fraud disciplines concluded in 2016/17 to date, amounts to £826,259.

A joint proactive exercise with the Home Office Immigration Enforcement Team has resulted in 71 matches of potential fraud for review, whilst our proactive social housing tenancy fraud data-matching exercise has identified over 200 matches for review.

National Fraud Initiative matches were returned to the City of London on 26 January 2017 and a summary of the volume of matches received will be verbally provided to Members.

A City of London case study has been used by the Cabinet Office to highlight the successes achieved in implementing the NFI AppCheck solution to identify fraud at point of application for housing, providing positive publicity for the City Corporation.

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 investigation activity since the last report to Committee in September 2016.

Investigation Activity Summary

2. An analysis of the number of cases investigated during the current reporting year 2016/17 to date, compared with the previous reporting year has been included as Appendix 1 to this report showing all fraud types along with the value of frauds detected. The value of identified fraud from the 33 cases concluded in 2016/17 to date amounts to £826,259.

Social Housing Tenancy Fraud

3. Social Housing Tenancy Fraud continues to be a key fraud risk area, and the Anti-Fraud & Investigation Team continues to provide investigative support across all aspects of Housing, from initial applications to the investigation of tenancy breaches and right to buy concerns. The associated value of identified social housing tenancy fraud for 2016/17, to date amounts to £803,000; a summary of our work to date in this area, this financial year, is detailed in Appendix 2 to this report.
4. Two successful social housing tenancy fraud prosecutions have been secured this reporting year, along with a further 11 fraudulently obtained or sublet properties recovered via civil court action or having been directly recovered from the registered tenants as a direct result of our investigations. A summary of three highlighted social housing tenancy fraud investigations, where successful recovery has been recently secured can be found below;
 - I. Pakeman House tenancy – following a referral from the City's Rents Officer, who had concerns that the tenant was sub-letting the property, we commenced an investigation that identified the property was being occupied by two previously unknown persons, whilst the registered tenant was residing in the USA. Having identified contact information for the tenant in the USA, contact was made and we established that the tenant was not intending to return to the UK. We were however successful in recovering the property after the tenant agreed to voluntarily return possession and repay rent areas of £1,000, saving considerable legal costs and court costs and mitigating the risk of high rent areas.
 - II. Penfields House tenancy – following a referral from a York Way Estates Officer, who had concerns that the property was being sub-let, we commenced an investigation that identified the registered tenant was residing at a property he had owned since 2009, whilst sub-letting the City of London tenancy to another person. We formally interviewed the tenant under caution, but established that he suffered from mental health problems and in light of this, a decision was made not to progress to criminal prosecution. We were however successful in recovering the property from the tenant, with the sub-tenant leaving the property and all rent arrears paid without the need to take civil action, again saving considerable legal costs and court costs and mitigating the risk of high rent areas.

- III. Centre Point tenancy – following a referral from an Avondale Square Estate Officer, who had concerns that the registered tenant was abroad and other persons were residing at the property, we commenced an investigation that identified that the registered tenant was residing in Canada. We established that the tenant had obtained the tenancy in 2003 whilst living in the UK, and had returned to Canada to live with his wife; however the tenant allowed another person to reside at the property as a sub-tenant, who was paying the rent, Council tax and utility bills. Being unable to interview the tenant under caution as he was not in the country, civil action commenced to recover the tenancy and the City was subsequently awarded possession.
5. In all of the above, the tenancies have now been re-let to those in greater need of housing.

Corporate Anti-Fraud & Investigation Activity

6. Corporate investigations are defined as fraud, corruption or conduct cases which relate to employee fraud or conduct, or other third party fraud. Eleven referrals have been received and classified as corporate investigations during 2016/17.
7. The team recently secured the recovery of £5,000 in outstanding income, following a referral from the Open Spaces team at Epping Forest. It was established that a former contractor had failed to pay all income to Epping Forest when leaving their role. Attempts to recover the income locally had been unsuccessful and we established that the contractor had moved abroad. Utilising the investigation tools available to the team, we were able to trace the contractor abroad, and secure recovery of the income.
8. The team recently supported an investigation by colleagues at one of the City's wholesale markets, who had identified two concerns surrounding City Corporation employees at the market; firstly concerns surrounding the collection and banking of parking income and secondly, that staff were facilitating trader's waste being disposed of at the markets expense. Following conclusion of the investigation disciplinary hearings were held and the two employees involved were given final written warnings.
9. The team is currently investigating concerns at the Monument, the Barbican, Community and Children's Services and City Bridge Trust grants; we will report the outcomes of these investigations in future up-date reports to this Committee.

Whistleblowing

10. 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. Since the start of the 2016/17 reporting year, four whistleblowing referrals (as defined in the policy) have been received, one of which is at draft report stage, whilst another has already been dealt

with under alternative procedures. The remaining two referrals are currently subject to investigation by the team.

Proactive anti-fraud activity

11. The volume of pro-active anti-fraud activity undertaken by the team has reduced in 2016/17, owing to the volume of, and increase in, reactive investigations. The volume of proactive anti-fraud work undertaken by the team during 2016/17 accounts for seventeen percent of available time, with two key proactive fraud drives continuing to progress around our reactive work; the progress against these is summarised below.
12. A proactive fraud drive with the Home Office Immigration Enforcement Team that seeks to identify no recourse to public funds concerns across our housing estates is progressing well with 71 matches across our housing estates that are currently being reviewed to establish whether fraud has been committed.
13. Our proactive social housing tenancy fraud drive that seeks to identify dishonest housing applications and illegal sub-letting, by matching data against credit reference agency data has identified over 200 matches. Fifteen percent of the matches, all being high risk, are currently subject to review and/or investigation to establish whether fraud has been committed.
14. We will update this Committee on the progress of our review of these matches as part of future update reports.

National Fraud Initiative (NFI)

15. Since our last report to this Committee, 19 data-sets for the City Corporation and four data-sets for the City Police, covering a wide number of areas from payroll and pensions, to Council tax and social housing have been uploaded to the NFI team for data matching to identify fraud and error; the matches were returned for review and investigation on 26 January 2017. A summary of the volume of matches received will be verbally provided to Members, whilst Internal Audit will update the Committee on progress of the NFI 2016/17 exercise as part of future Anti-Fraud & Investigation up-date reports.

Case Study

16. The Cabinet Office recently used the City of London Corporation in a case study, following our successful implementation of the NFI AppCheck service to identify housing application fraud at the point of application. The case study demonstrates our successes and outcomes in using this tool to check application data against data held by other local authorities, to identify fraud and inconsistencies, and provides positive publicity for The City's anti-fraud work. The case study can be found at Appendix 3 to this report.

Conclusion

17. Internal Audit continues to deliver a professional anti-fraud and investigation service across the organisation; an increase in reactive investigations has impacted on the volume of proactive anti-fraud activity the team has been able to undertake during 2016/17, although positive work continues in this area around tenancy fraud and no recourse to public funds fraud. Completed investigations and outcomes have exceeded the volume and value achieved in 2015/16 and demonstrates our commitment to tackling fraud and corruption across the City of London Corporation.

Appendices:

Appendix 1: Analysis of cases investigated during the current reporting year

Appendix 2: Housing Tenancy Fraud Caseload

Appendix 3: City of London Case Study

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