

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	28/11/2017
<b>Subject:</b> Anti-Fraud & Investigations Up-date Report	<b>Public</b>
<b>Report of:</b> Chamberlain <b>Report author:</b> Chris Keesing, Anti-Fraud Manager	<b>For Decision</b>

### Summary

This report provides Members with an update of our anti-fraud and investigation activity since our last report to this Committee in February 2017; it also provides an analysis of the cases investigated during 2016/17 and the 2017/18 year to date.

In total 49 investigations, across all fraud disciplines, were completed in 2016/17 with a value of £1,063,307. In the current reporting year 2017/18 to date, 31 investigations have been completed with a value of £711,605.

In addition to the above, 32 fraud investigations identified via the National Fraud Initiative exercise have been completed, with an outcome value of £423,343.

19 tenancy fraud investigations have been successfully completed so far this reporting year, with one prosecution secured with the defendant receiving a two-year custodial sentence and agreeing a financial settlement of £111,818.07. A further 12 investigations across other fraud disciplines have come to a positive conclusion.

An outline joint working arrangement has been agreed between the City Corporation and the City of London Police, whereby specialist financial investigators from the City of London Police financial investigation unit will undertake financial investigations in City Corporation criminal investigations.

Two joint fraud awareness and identity fraud awareness training sessions, delivered with colleagues from the Home Office, were held in September; the training sessions were well received, with positive feedback provided by delegates.

The Anti-Fraud & Corruption Strategy and the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy have recently received minor updates. Tracked changes documents have been circulated electronically to Members for endorsement.

From April 2018, the Fraud Investigator post will become a dedicated Tenancy Fraud Investigator post and transferred to the Housing Division. Operational management for the Tenancy Fraud Investigator and the City's response to social housing fraud will remain with the Anti-Fraud Manager. We are currently reviewing resource arrangements, to ensure adequate resources are available to respond to the fraud risk at The City Corporation from April 2018.

## **Recommendation(s)**

1. Members are asked to note the report.
2. Members are asked to approve the changes to the Anti-Fraud & Corruption Strategy and endorse the changes to the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy.

## **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 February 2017.

### **Investigation Activity Summary**

2. An analysis of the number of cases investigated during the current reporting year 2017/18 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 49 cases concluded in 2016/17 amounts to £1,063,307, whilst the 31 investigation cases concluded in 2017/18 to date have an associated value of £711,605. These totals do not include the number and value of fraud cases identified via the National Fraud Initiative exercise.

### **National Fraud Initiative (NFI) 2016/17 Exercise**

3. A total of 5,335 NFI 2016/17 matches were received for review, of these 4,598 related to creditor matches which are considered low risk by the City Corporation and, owing to other priorities within the payments team, the review of these matches has been deferred until later in this reporting year. Of the 740 matches relating to other fraud types, 451 or 60% of these matches have been processed, including all high-risk matches. Another 43 are currently under investigation and 32 frauds have been identified with an outcome value of £423,343. A summary of the NFI outcomes can be found at Appendix 2.

### **Social Housing Tenancy Fraud**

4. 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. There have been 19 successful outcomes for 2017/18 to date, with an associated value of £682,000. A summary of our work to date in this area, this financial year, is detailed in Appendix 3 to this report.
5. A social housing tenancy fraud prosecution reached conclusion in July 2017 at Inner London Crown Court. Following a complex investigation, Miloudi Elakil pleaded guilty to three charges, one under The Counterfeit & Forgery Act 1981, one under The Theft Act 1968 and one under The Fraud Act 2006, for dishonestly obtaining social housing to which he wasn't entitled, as he owned a house outright in Bethnal Green. Elakil was sentenced to 2 years imprisonment, suspended for 2 years, to run concurrently on all 3 counts. In

addition to this, Elakil was ordered to pay £111,818.07, made up of £64,016.07 compensation, £15,177 costs and a confiscation order of £32,625; Elakil has settled this order in full. A press report was released by the Public Relations Office and can be found at Appendix 4 to this report

6. Four further cases are with the Comptroller & City Solicitor for action; two of these for civil action to recover the tenancy and two for criminal prosecution action, one where a summons is due to be issued by the end of November 2017 and the other with a trial date set for July 2018. Financial Investigations are also under way in these cases.
7. In relation to the above, all the tenancies have now been re-let to those in greater need of housing.

### **Resourcing**

8. The volume of social housing tenancy fraud work continues to remain high, with investigations into this fraud type becoming more complex. As such, the current Fraud Investigator post will become a dedicated Tenancy Fraud Investigator post from April 2018. This post will be transferred to the Department for Children and Community Services, and will be funded by the housing department. Operational day to day management for the Tenancy Fraud Investigator and the City Corporation's response to social housing fraud will remain with the Anti-Fraud Manager. As the Fraud Investigator will no longer support anti-fraud and investigation activity in other areas, the Anti-Fraud & Investigation Team is currently consulting on how to ensure adequate resources are available to respond to the fraud risk at The City Corporation.

### **City of London Police Liaison**

9. The Anti-Fraud & Investigation team has recently agreed an outline joint working arrangement with The City Police, whereby specialists from the City Police financial investigation division will undertake financial investigations on behalf of the City Corporation's criminal investigations. It is anticipated that this joint working arrangement will ensure that those that are intent on committing fraud against the City Corporation will face losing their assets as well and facing criminal prosecution.

### **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. Eleven referrals have been received and classified as corporate investigations during 2017/18 to date. Eight have now been closed and three are currently under investigation, including two in conjunction with the City of London Police. Two further corporate investigations that commenced in 2016/17 are also under investigation. The total value of these investigations currently amounts to £48,927.

### **Whistleblowing**

11. 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.

12. Since the start of the 2017/18 reporting year, two whistleblowing referrals (as defined in the policy) have been received, one of which had been previously dealt with by HR, under alternative procedures and another where the matter is currently under investigation by the Anti-Fraud & Investigation Team. In addition, one complex investigation received via whistleblowing channels from the previous reporting year is currently with external Counsel for advice.

### **Fraud Awareness Training**

13. The Anti-Fraud & Investigation Team delivered two joint fraud awareness and identification fraud awareness training sessions in September 2017, with colleagues from the Home Office Immigration Enforcement Team; the training provided an overview of fraud risk, the cost and warning signs of fraud, how to handle and report concerns, and how to spot and identify fraudulent and/or counterfeit identity documents provided as supporting evidence. The training was very well received and attended mainly by front line staff in housing and social services, with 84% of delegates reporting that the training was very good and 70% feeling confident about using the new skills they've learnt in the work place.

### **Policy Updates and Raise Your Concern Form.**

14. The 'Raise Your Concern' form, an avenue for the public, staff and contractors to raise concerns under the Whistleblowing Policy, the Anti-Fraud & Corruption Strategy and the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy have recently been updated. The new form has been designed to fit within the current suite of City of London forms, and now provides those wishing to raise concerns with far more details about the information required, links to policy documents and opportunities to add photographs etc.
15. As part of the process to implement the new form, it was necessary to update the Whistleblowing Policy, the Anti-Fraud & Corruption Strategy and the Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy in order for the links within the documents to direct those raising concerns to the form. The only change to the Whistleblowing Policy has been this link.

[Anti-Fraud & Corruption Strategy](#) – The Strategy has received minor changes to wording, and a small number of changes to reflect best practice in the following sections:

- Section 5.1: Deterrence - the addition of a statement on mandatory e-learning for officers.
- Section 5.13: Investigation - the addition of a statement on serious and organised crime.
- Section 5.14: - Liaison with other Organisations - additional statements on liaison with other organisations.

[Social Housing Tenancy Fraud – Anti-Fraud & Prosecution Policy](#) - This Policy has received minor changes to wording, and a small number of changes in the following sections:

- Section 2: Background – updated to reflect changes to The City's tenancy policy and up-to-date value of tenancy fraud to UK PLC.
- Section 3: Policy Aims & Objectives – reference to proceeds of crime.

- Section 6: What is the City Corporation doing to combat tenancy fraud – reference to undertaking checks with external organisations, as part of the application process and a statement on working with neighbouring local authorities.
- Section 7: Legislation & Legal Proceedings – reference to The Forgery and Counterfeiting Act 1981.
- Section 9: Raising a Concern – now a standalone section, with details of avenues for raising concerns.

16. It has been necessary to update these Policy documents, prior to Member endorsement at Committee, as the platform for hosting the former 'Raise Your Concern' form is no longer available. Tracked changes versions of the respective policy documents have been provided to Members via email.

### **Conclusion**

17. The Internal Audit division continues to deliver a professional anti-fraud and investigation service across the organisation; the volume and associated value of fraud cases continues to increase year on year, whilst investigations become more complex in their nature. Our new joint working arrangement with the City of London Police to undertake financial investigations in City Corporation criminal investigations will ensure that those that are intent on committing fraud against the City Corporation will face losing their assets as well and facing criminal prosecution. The team continue to provide important and valued fraud awareness training to staff, helping to give them the skills required to prevent and detect fraud committed against the City Corporation.

### **Appendices:**

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

**Appendix 2: NFI outcomes summary**

**Appendix 3: Housing tenancy fraud caseload**

**Appendix 4: Miloudi Elakil prosecution, press release**

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