

Committee(s)	Dated:
Audit and Risk Management Committee	29/05/2018
Subject:	Public
Anti-Fraud & Investigations Annual Report	
Report of: Chamberlain	For Information
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Summary

This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the 2017/18 reporting year, along with a summary of planned activities and initiatives for 2018/19.

In total 50 investigations, across all disciplines, were completed during 2017/18 with an associated value of £1,170,440 – an increase in both volume and associated value compared with 2016/17. In addition, 32 fraud investigations identified via the National Fraud Initiative 2016/17 exercise have been completed, with an outcome value of £423,343.

Sixteen social housing tenancies were returned during 2017/18 and have now been let to those in need of affordable housing, whilst the volume of tenancy fraud investigations continues to remain high, with the complexity of investigations in this area increasing. Three cases for civil recovery action and three cases for prosecution action are with the Comptroller and City Solicitor, whilst two of these prosecution cases are also subject to financial investigation, under The Proceeds of Crime Act, with colleagues at the City of London Police.

Fifteen corporate investigations, defined as fraud, corruption or conduct cases primarily relating to employee fraud or conduct, or other third-party fraud have been concluded during 2017/18. A summary of a number of these investigations has been included at Appendix 4 to this report.

The Cabinet Office's NFI AppCheck product, designed to identify fraud at the point of access has been introduced Corporation wide, following a successful bid for funding from the City's Smarter City team.

Three high profile proactive initiatives are planned for 2018/19:

- The London Counter Fraud Hub, designed to identify additional local and cross-boundary fraud across London not identified via current methods, initially in the areas of Council tax fraud, social housing tenancy fraud and business rates (NNDR) fraud.
- The National Fraud Imitative 2018/19 exercise, designed to identify fraud and error across departments ranging from housing, benefits, direct payment and HR, through to pensions and duplicate payments.
- Social Housing Tenancy Audit, designed to identify fire and health and safety risks, to update tenant data on Orchard (housing system) and to identify fraud, with the expectation of identifying at least 20 additional tenancy fraud cases for investigation.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the 2017/18 reporting year, along with a summary of planned activities and initiatives for 2018/19.

Investigation Activity Summary

2. An analysis of the number of cases investigated during the reporting year 2017/18, 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 50 completed investigations in 2017/18 amounts to £1,170,440. These totals do not include the number and value of fraud cases identified via the National Fraud Initiative exercise for 2016/17, which identified 32 frauds across five fraud disciplines – housing waiting list, housing benefit, disabled parking permits and personal budgets, with an outcome value of £423,343.

Social Housing Tenancy Fraud

3. Social housing tenancy fraud is a key fraud risk area for the City. The 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. In total there were 28 successful outcomes during 2017/18, with an associated value of £1,134,000. A summary of our work to date in this area, during 2017/18, is detailed in Appendix 2 to this report. Where illegal occupation of City housing stock is identified and recovered, the tenancies have now been re-let to those in greater need of affordable housing.
4. The volume of tenancy fraud investigations continues to remain high, with the complexity of investigations in this area increasing. The team currently have three cases for civil recovery action and three cases for prosecution action with the Comptroller and City Solicitor, whilst two prosecution cases are also subject to financial investigation, under The Proceeds of Crime Act, with colleagues at the City of London Police.
5. Case studies detailing a number of the successful social housing tenancy fraud cases dealt with by the team during 2017/18 can be found at Appendix 3.

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. A total of 18 corporate referrals were received by the team during 2017/18, investigated directly or through support for departmental investigations; of these 15 have been successfully concluded, with an associated value of £35,762.

7. Case studies detailing a number of the successful Corporate investigations dealt with by the team during 2017/18 can be found at Appendix 3 to this report.

Whistleblowing

8. 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.
9. During the 2017/18 reporting year, six whistleblowing referrals (as defined in the policy) have been received; one of these had been previously dealt with by HR, whilst four of these cases have now been concluded, with the final matter still subject to investigation by the team.

NFI AppCheck

10. NFI AppCheck is a sophisticated product provided by the Cabinet Office's NFI team; AppCheck is designed to identify fraud at the point of access to services, licences, permits or employment in public sector organisations, by verifying application data against data held in the core NFI database along with third party data from organisations including the Home Office and General Register Office. The Anti-Fraud Team recently worked with colleagues from the Smarter City team, successfully bidding for a year's funding to introduce AppCheck Corporation wide. AppCheck is now being rolled out to colleagues in HR, parking permits, housing benefits, council tax and insurance. Colleagues in the housing team have been using AppCheck on an ad-hoc basis for the past 18 months, identifying 23 potentially fraudulent applications for further review during 2017/18.

Resourcing

11. Members will recall that at November Committee we advised that the Fraud Investigator post would be transferred to the Department for Children and Community Services (DCCS). Owing to changes to the leadership team within DCCS since we last reported to Committee, the Fraud Investigator post will remain within the Chamberlain's department; however, funding for the post has been provided by DCCS and the Fraud Investigator will focus on tenancy fraud investigations.
12. We are continuing to monitor the impact of anti-fraud and investigation activity on the team's workloads, and ability to provide an adequate response to the City's fraud risks and will consult with the Chamberlain as appropriate.

Planned Activities and Initiatives 2018/19

London Counter Fraud Hub (LCFH)

13. In our Investigations Up-date report to this Committee in September 2016, we updated Members on the award of a contract to CIPFA to deliver the LCFH. The LCFH is a sophisticated proactive data-matching exercise designed to identify additional local and cross-boundary fraud across London not identified via current methods, initially in the areas of Council tax fraud, social housing tenancy fraud and business rates (NNDR) fraud. The City has now signed a letter of intent for participation in the LCFH, with an assumed on-boarding date in January 2019. Consultation with key stakeholders across the City, along with an analysis of contract and on-boarding requirements will be undertaken over the coming months in order to prepare the City for January 2019. We will update Members with the progress on preparations for the City's involvement in the LCFH during future up-date reports.

National Fraud Initiative (NFI) 2018/19

14. The Cabinet Office's NFI is a bi-annual exercise, designed to identify fraud and error across departments ranging from housing, benefits, direct payment and HR, through to pensions and duplicate payments. The City has participated in this statutory exercise since its introduction in 1996, with the 2016/17 exercise identifying 32 frauds with a value of £423,343. Work is currently underway to ensure the City's readiness for participation in NFI 2018/19, with data-set uploads timetabled for October 2018 and the release of matches, resulting from the data-matching being made available for review in January 2019. We will update Members with the progress on the City's NFI 2018/19 participation as part of future up-date reports.

Social Housing Tenancy Audit

15. The Department for Children and Community Services (DCCS) are undertaking a tenancy audit project across all City Corporation social housing tenancies. This project is designed to identify fire and health and safety risks, to update tenant data on Orchard (housing system) and to identify fraud. Academic studies suggest that approximately 5% social homes in London are illegally occupied; therefore, we could expect circa 100 referrals resulting from this project, with an expectation of at least 20 tenancy investigations. The Anti-Fraud and Investigation team have been working closely with the DCCS project lead in developing our response to investigating tenancy fraud identified through this project, along with the support we are providing to visiting officers through initial fraud awareness training and access to intelligence tools, through to skilled fraud investigation support during visiting activity. We will provide Members with updates concerning the investigation activity resulting from this project as part of future up-date reports.

Conclusion

16. The team continue to provide a professional and robust anti-fraud and investigation service across the organisation. A new Corporation wide product, AppCheck has been introduced to enable the organisation detect fraud at the point of access in a number of areas, whilst 50 investigations, across all disciplines, were completed during 2017/18, with an associated value of £1,170,440 – an increase in both volume and associated value compared with 2016/17.
17. A number of initiatives to detect fraud across the organisation are planned for 2018/19 and include the London Counter Fraud-Hub and National Fraud initiative, whilst our support for the social housing tenancy audit, being undertaken by colleagues in DCCS is also expected to identify additional tenancy fraud investigations, resulting in possession of tenancies that can be let to those in greater need.

Appendices:

Appendix 1: Analysis of cases investigated during 2017/18

Appendix 2: Housing tenancy fraud caseload 2017/18

Appendix 3: Social housing tenancy fraud case studies 2017/18

Appendix 4: Corporate Investigations case studies 2017/18

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