

Committee(s):	Date(s):
Audit and Risk Management Committee	11th December 2013
Subject: Anti-Fraud and Investigation Up-date Report	Public
Report of: Chamberlain	For Decision

Summary

This report provides Members with an up-date of our investigation activity since the September Committee, and details the pro-active anti-fraud work currently being undertaken.

As of 2nd December 2013, the Fraud Awareness E-learning training course has been completed by 76% of staff across the City Corporation; a revised deadline of Friday 22nd November was given to Chief Officers to ensure that staff undertook this essential training. The Chamberlain is actively following up with those Chief Officers directly where overall completion of the training is still considerably below an acceptable level.

A Fraud Awareness hand-out booklet has been disseminated to Chief Officers to assist in the training of those staff that have no access to Corporate networks or PC's, or have insufficient skills to undertake the E-learning package. A deadline for completion of training to these groups of staff has been set for the 17th January 2014. It is estimated that this would apply to between 100 and 200 staff. Groups of staff being trained through these materials are to be agreed by Chief Officers with internal audit at the end of November. A further update on completion of the training will be given at the Committee meeting.

A pro-active drive targeting social housing fraud was recently undertaken in partnership with a major credit reference agency. This has identified 93 City of London social housing tenancies where there may be a high risk of tenancy fraud; it has likewise produced an additional 372 medium and low risk social housing fraud referrals for review. Work has already commenced on reviewing the high risk referrals, with one property already returned to the City of London Corporation as a direct result of this activity.

A housing benefit fraud prosecution case was heard in Westminster Magistrates Court on 20th November 2013: the defendant pleaded guilty to five charges relating to fraudulently obtaining housing benefit totalling £37,000. The defendant was given a six month custodial sentence, suspended for 12 months, ordered to pay costs of £5,446, and has repaid the overpaid benefit of £37,000 in full.

A recent recruitment exercise resulted in the employment of an experienced Fraud Investigator on a two year contract.

Recommendations

Members are asked to note:

- The progress of the Fraud Awareness training and the actions taken to facilitate delivery of the training to all staff across the City Corporation.
- The pro-active social housing fraud drive, undertaken in partnership with a major credit reference agency.
- The outcomes of investigations undertaken since the last update report.

Main Report

Background

1. The City's Internal Audit section provides a professional corporate investigation service across the City Corporation. Anti-fraud activity undertaken by the section combines reactive investigations with pro-active work designed to prevent, deter and detect fraud. Each Internal Audit review also considers fraud risk as part of its scope with appropriate recommendations made to improve controls to mitigate fraud risks where necessary
2. Members were provided with an anti-fraud and investigation update report at this Committee on 17th September 2013, summarising our investigation case-load and outcomes for the current reporting year, along with details of the anti-fraud activity being progressed by the team. This report provides Members with a summary to date of our investigation case-load and outcomes, along with details of the anti-fraud work currently being undertaken.

Investigation Activity Summary

3. The following table summarises our investigation activity in the current reporting year from April 2013; it gives the number of cases closed and number of cases subject to investigation across all types of fraud. It also details the investigation caseload over the past two reporting years for comparison, along with a summary of live cases currently under investigation from previous years.

Investigations Caseload	2013/14				2012/13	2011/12
	Cases brought forward from previous year	New cases opened	Cases closed	Current live cases	Total	Total
Benefit Fraud	21	20	31	10	52	43
Housing Fraud	10	23	20	13	21	21
Blue Badge Fraud	0	1	0	1	0	1
Corporate Fraud:						
Theft	5	5	9	1	13	3
Cheque Fraud	0	0	0	0	0	2
Employee Conduct	2	3	4	1	6	6
Total	38¹	52	64	26	92	75
Notes:						
¹ Of the total number of cases brought forward from the previous year, 32 have now been closed						

4. Detailed housing benefit and housing tenancy fraud caseload reports are maintained by Internal Audit and are available to Members upon request.
5. A housing benefit fraud prosecution case was heard in Westminster Magistrates Court on 20th November 2013; Edward Nelson, a former housing benefit claimant of the City of London Corporation, pleaded guilty to five counts of fraud by false representation under section 2 of the Fraud Act 2006, following a joint investigation with Camden Council. Mr Nelson was given a six month custodial sentence, suspended for 12 months, and ordered to pay the full prosecutions costs of £5,446, by 2nd January 2014. The overpaid housing benefit totalling £37,000 has been repaid in full to the City of London Corporation (£20,000) and Camden Council (£17,000).

Proactive Anti-Fraud Activity

6. Internal Audit recently engaged in a pro-active anti-fraud exercise with a major credit reference agency, designed to identify alleged sub-letting, and/ or cases of dishonest applications, by City of London social housing tenants. This exercise matched City Corporation housing tenant data against credit reference agency data to ascertain whether the tenant is linked to other addresses, or where unknown persons are linked to the tenants address. The following table summarises the output from the data-matching with the credit reference agency;

Description	Numerical	Percentage
Records Processed	1906	
No Risk of Tenancy Fraud	1441	75%
High Risk Referrals	93	5%
Medium Risk Referrals	114	6%
Low Risk Referrals	258	14%
Total	465	25%

7. The 93 high risk cases are currently being prioritised by the team, and are being worked through in Estates order. At the point of writing this report, the 29 high risk referrals relating to tenancies on one City Estate have been reviewed, from this 13 referrals have been closed as there was no fraud identified following closer inspection, 15 cases are currently subject to intelligence gathering actions and 1 property has been returned as a direct result of this exercise. Referrals that progress through the intelligence gathering stage are raised as full investigation cases and transferred to the social housing fraud caseload trackers as appropriate.
8. On 14th October 2013, the Prevention of Social Housing Fraud Act 2013 became law, this Act of Parliament gave specific criminal offences for unlawful sub-letting for the first time; likewise it made provisions for the courts to award social housing providers, such as the City of London Corporation, unlawful profit orders, designed to recover the illicit profits made by dishonest tenants from sub-letting. We intend to utilise these new powers, as appropriate, in all suitable cases, and seek to recover the illegal gains from social housing fraudsters, along with possession of City of London social housing stock that has been illegally obtained or used.

Fraud Awareness Training

9. Since our report to this Committee on 17th September 2013, much work has been undertaken to implement delivery of the fraud awareness training to all staff across the City Corporation. A unique identifier, payroll number, has been made mandatory on the Elearning platform and this allows an easier comparison to be made to our employee data base and has thus improved the accuracy of the statistics that are able to be drawn from the systems. This data is helping Chief Officers target those individuals who are yet to complete the training. This improvement to the system also allows for more accurate data transfer between systems so that an individual's training record is updated..
10. The initial target date for completion of this training was 1st October 2013. Members will be aware that we had difficulty verifying the data from the E-learning system at that time: although the numbers may not have been 100% accurate, it is clear that this had not been achieved.

11. A series of communications have been maintained with Chief Officers, and the target date was subsequently extended to 22nd November 2013. Chief Officers were asked to ensure that all staff had completed the on-line training by this date, and provide the Departmental listing of training completion back to Internal Audit by the close of business on Friday 29th November 2013. At the time of writing this report, responses have been received from eleven of the eighteen Departments. The listings provided by Departments are being used to confirm and agree those directly employed staff, who do not have access to the Corporate network, or to PC's, or have insufficient ICT skills and experience; such staff are to be trained by alternative methods. It is estimated that this would apply to between 150 and 200 staff, with groups of Open Spaces staff being the largest group.
12. In order to aid Departments in facilitating the Fraud Awareness training to those employees that have either no access to the Corporate network or to PC's, or have insufficient ICT skills and experience, Internal Audit have produced a Fraud Awareness hand-out booklet, encompassing key anti-fraud messages and training material beneficial to staff working at any level, and in any position, across the organisation. This Fraud Awareness hand-out booklet, which has been made available to Members, as Appendix 1 to this report, has been provided to Departments, for use in training staff. A deadline of the 17th January has been set for briefing and training staff using this material, and departments have been instructed to confirm back to Internal Audit which members of staff have received the training in this way, including a confirmation that briefed staff have been given sufficient time to read, and digest the information, and pose any questions with their line management. Groups of staff being trained through these materials will be agreed by Chief Officers with internal audit at the end of November.
13. It is intended that the Fraud Awareness training will form part of the City Corporation's induction process for all new starters joining the organisation. It will continue to be delivered via E-learning wherever possible.
14. A second phase Fraud Awareness roll-out is planned to include those who work for the City of London through an agency, and therefore are not directly employed, and staff who work intermittently such as Casual Staff, where the nature of their duties requires an awareness of anti-fraud and corruption issues. This will be rolled out in early 2014.
15. As of 2nd December completion of the Fraud Awareness training currently is 76% across the organisation. The table on the next page summarises the completion of the Fraud Awareness training across Departments, as of this same date.

Department	No. of Staff	Completed Numeric	Completed %
Sir John Cass School	79	1	1%
Boys School	151	9	7%
Community & Children's Services ¹	238	108	45%
GSMD ²	223	103	46%
Barbican	298	168	56%
Mansion House	35	22	63%
Freemen's School	152	118	78%
Girls School	136	109	80%
Open Spaces ³	369	302	82%
Culture, Heritage & Libraries	288	269	93%
Built Environment	190	176	93%
Central Criminal Court	108	102	94%
City Surveyors	255	241	94%
Town Clerks	230	226	98%
Chamberlains	256	254	99%
Comptroller & City Solicitors	52	52	100%
Markets & Consumer Protection	242	242	100%
Remembrancers	26	26	100%
TOTAL	3328	2528	76%

¹Of the 130 staff in the Department of Children & Community Services that are yet to complete the Fraud Awareness Training, Internal Audit have agreed that 46 can be trained by means of the Fraud Awareness hand-out booklet.

²Of the 120 staff in the Guildhall School of Music and Drama that are yet to complete the Fraud Awareness Training, approval for 49 members of staff to be trained by alternative means has been requested. The rationale for this is currently under discussion with the school.

³Of the 67 staff in the Open Spaces Department that are yet to complete the Fraud Awareness Training, Internal Audit have agreed that an additional 34 can be trained by means of the Fraud Awareness hand-out booklet. 67 staff from Open Spaces have already received such paper based training in recent weeks.

16. The application of the unique identifier to the Elearning platform has improved the data quality by giving Chief Officers more comprehensive information about completion in their departments. As a result, they have been able to identify those employees that are on the system but are not working at present due to various factors including maternity leave and long term sickness absence. The effect of this is that some departments have moved to their accurate position of 100% completion. We are continually reviewing this and it is anticipated that a number of other departments will move to this level when the full departmental returns are submitted to Internal Audit.

17. Members will be provided with a further update on the completion statistics by Department prior to the Committee meeting on 11th December 2013.

City of London Police Liaison arrangements

18. Our liaison with the City Police has now been ongoing for over a year, and remains an extremely positive arrangement. Through this liaison activity, we have been able to facilitate the referral of cases effectively and in a timely fashion to the City Police, and likewise assist the City Police where necessary with requests for information from the City Corporation. Quarterly liaison meetings are set to continue, with the next meeting being arranged for February 2014.

Recruitment

19. Following a recent recruitment exercise, an experienced Fraud Investigator has been appointed on a two year fixed term contract. The successful candidate who has been engaged on a contract basis with the City Corporation since January 2013, has already delivered a number of positive outcomes, contributing to the recovery of eight social housing properties and the sanction of twelve housing benefit claimants so far this reporting year.

Conclusion

20. Internal Audit continues to provide a specialist fraud investigation service across the City Corporation, with positive outcomes continuing to be delivered as demonstrated by the recent successful Housing Benefit prosecution case.

21. A pro-active social housing fraud drive, undertaken with a major credit reference agency has identified 93 tenancies that may be at high risk of tenancy fraud. Work is already underway to review the referrals received, with one property already returned as a direct result of this activity.

22. The fraud awareness training has been completed now by a much higher percentage (76%) of directly employed City Corporation employees as of 2nd December 2013. Significant work and improvements have been made to the management information in the last 2 months, to enable the targeted monitoring of training completion, and escalation by the Chamberlain with Chief Officers where there has been poor completion rates. Additional, non-IT based training material has also now been made available to assist the delivery of training.
23. Liaison arrangements with the City of London Police remain extremely positive, and have aided timely and successful referrals of appropriate cases to the City Police.
24. An experienced Fraud investigator has been successfully recruited and employed on a 2 year contract. This will provide a strong basis for the continued provision of anti-fraud and investigation capability and capacity.

Background Papers:

Appendices

Appendix 1: Fraud Awareness Hand-out Booklet

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