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| <b>Committee:</b>  | <b>Date:</b>               |
| Audit and Risk Management Committee                            | 4 <sup>th</sup> March 2014 |
| <b>Subject:</b><br>Anti-Fraud and Investigation Up-date Report | <b>Public</b>              |
| <b>Report of:</b><br>Chamberlain                               | <b>For Information</b>     |

### **Summary**

This report provides Members with an up-date of our investigation activity since the December 2013 Committee; it also provides detailed analyses of the housing benefit and housing tenancy fraud caseload as appendices 1 and 2, respectively.

Positive publicity for the City's counter-fraud work has been demonstrated through the use of a case study within a recent CIPFA publication – Audit Viewpoint, concerning a successful City of London disabled parking permit prosecution.

Liaison arrangements with the UK Borders Agency (UKBA) have been strengthened, and are providing the avenue to gather essential evidence in support of the social housing tenancy fraud investigations undertaken by the section.

A joint City of London/ UKBA fraud and document awareness session has been agreed for delivery to front-line housing and housing benefit staff later this year; this will provide staff with essential skills to mitigate the risk of fraud in these areas from the outset.

A former City of London housing benefit claimant has pleaded guilty to nine charges of fraud by false representation under the Fraud Act 2006 at Southwark Crown Court, in respect of an overpayment totalling £40,770.69. Sentencing is listed for 27th February 2014, and a verbal up-date will be provided to Committee, at the meeting on 4th March 2014.

Data-sharing and joint working protocols are in the process of being agreed with a social housing provider in the City of London - the Guinness Trust, which will strengthen our relationship and provide better access to information and intelligence. We will likewise seek to support the Guinness Trust to recover fraudulently obtained or illegally sub-let social housing properties that can then be made available to those on the City's housing waiting list.

### **Recommendations**

Members are asked to note:

- The positive publicity for the City's counter-fraud work;
- The liaison arrangements with the UKBA;
- The data-sharing and joint working protocols with the Guinness Trust;  
and
- The outcomes of investigations undertaken since the last update report.

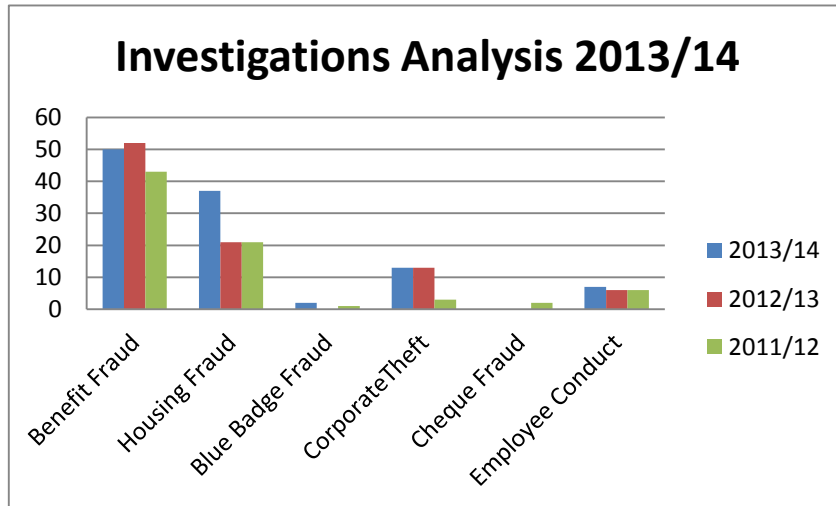
## Main Report

### Background

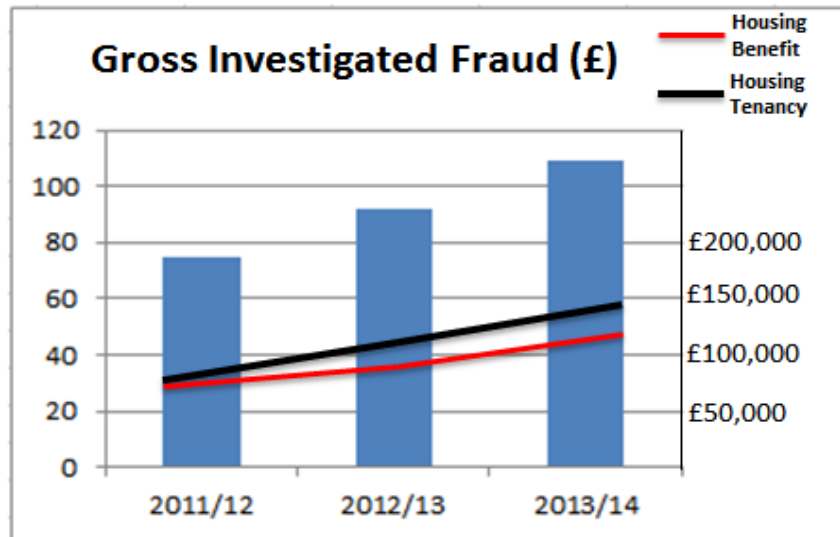
1. The City's Internal Audit section provides a professional corporate anti-fraud & investigation service across the City Corporation. Anti-fraud activity undertaken by the section combines reactive investigations alongside proactive work designed to prevent, deter and detect fraud. Internal Audit reviews likewise consider the fraud risk as part their scope, with appropriate recommendations made to improve controls to mitigate fraud risk where necessary
2. This report provides Members with a summary of our investigation case-load and outcomes for the year to date, along with a trend analysis against fraud investigation work carried out in previous years. It also details the anti-fraud work currently being undertaken by the team.

### Investigation Activity Summary

3. The following graphs summarise our investigation activity in the current reporting year from April 2013; the first shows the number of new cases in the current reporting year, the number of cases closed and number of cases subject to investigation across all types of fraud.



4. The second graph shows a trend analysis of the gross number of cases investigated this reporting year, against the previous two reporting years for all fraud types, along with the value of frauds detected for both housing benefit and housing tenancy investigations.



5. Detailed housing benefit and housing tenancy fraud caseload reports are maintained by Internal Audit, detailing the gross overpayment value are produced as Appendix 1 and Appendix 2 respectively.
6. The value of Corporate fraud investigations are not currently recorded in the same manner as housing benefit or housing tenancy, and are at times more difficult to quantify. Internal Audit are working towards quantifying the true value of Corporate fraud investigations, and will report this to the Committee in May 2014.

### Housing Benefit Fraud

7. At the time of writing this report, a former City of London housing benefit claimant has pleaded guilty to nine charges of fraud by false representation under the Fraud Act 2006 at Southwark Crown Court, in respect of an overpayment totalling £40,770.69. Sentencing is listed for 27th February 2014, and a verbal up-date will be provided to Committee, at the meeting on 4th March 2014. It is our intention to issue a press release in this case.

### Housing Tenancy Fraud

8. Eight City of London social housing tenancies have been recovered this year to date, with an additional five subject to legal action; the recovered properties were the subject of illegal sub-letting or had been obtained by deception, they have now been allocated to those in greater need of social housing.
9. Following a recent fraud awareness session undertaken with the housing options team, we have now started to pro-actively investigate suspicious social housing applications; this work, which has already yielded successful results, is undertaken alongside housing options staff, and seeks to ensure that only those with a genuine housing entitlement are on the City's waiting list, by cancelling applications from the outset where fraud is identified.

10. Following a meeting with the fraud team from the Guinness Trust (the housing association responsible for the social housing estate in Mansell Street, E1) data-sharing and joint working protocols are in the process of being agreed, which will strengthen our relationship with the housing provider and provide better access to information and intelligence. We will likewise seek to support the Guinness Trust to recover fraudulently obtained, or illegally sub-let social housing properties that can be made available to those on the City's housing waiting list.

## **Corporate Fraud**

11. Internal Audit recently supported an HR investigation in relation to an alleged fraud involving a Barbican Car Park attendant. The employee had been off work on long term sickness absence, and was failing to comply with the City's sickness absence procedure. Enquiries made with the employee's GP Practice found that the 'fit note' provided by the employee in relation to his sickness was not issued by the practice, and was in fact a fraudulent document. A disciplinary interview was arranged, which the employee failed to attend; the disciplinary hearing proceeded in the employee's absence, and he was dismissed with immediate effect. The matter has been reported to the City of London Police, and Internal Audit have supported the investigation by providing witness statements and supporting evidence.
12. A report was received from the Superintendent of Billingsgate Market, concerning a cash theft from a Market Tenant. This was alleged to have been perpetrated by a member of the Market's maintenance team. Internal Audit provided specialist investigation support to this investigation, which found that the employee had stolen £500 in cash, by letting himself into a Market Tenants office, using a key he had not returned whilst undertaking a maintenance job earlier in the year. At interview the employee admitted to stealing the cash from the Tenant; the employee is currently suspended and is subject to a formal disciplinary hearing on 17th February 2014. Internal Audit will notify Members of the outcome of this hearing at the Committee meeting on 4th March 2014. In line with the City's zero tolerance towards fraud & corruption, this matter has been reported to the Metropolitan Police, who are considering whether the matter is suitable for criminal investigation.

## **Publicity**

13. Publicity is considered in each fraud investigation case following successful sanction action. Internal Audit have a positive working relationship with colleagues in the Public Relations Office and the Internal Communications Team, benefiting from their professional knowledge and skills. Any publicity is subject to the public interest test, consideration for the City's reputation, and the deterrent factor that it provides. Internal Audit have utilised a number of avenues to publicise successful outcomes, these include press releases to local and national press, articles in City of London publications such as 'Your Homes', delivered quarterly to City of London social housing tenants, the use of our housing estates notice boards, and the City's Internet and Intranet.

14. A monthly CIPFA publication – Audit Viewpoint used, in their December edition, a case study concerning a disabled parking permit fraud involving a City of London resident, who was successfully prosecuted by the City of London for obtaining a disabled parking permit by deception. Case studies of this type provide positive publicity for the anti-fraud work undertaken by the City.
15. Internal Audit will advise Members of any future press releases following successful outcomes in fraud investigations, providing the article as an Appendix to future anti-fraud & investigation up-date reports, as necessary.

### **UKBA Liaison Arrangements**

16. Internal Audit have built a strong working relationship with the UKBA Field Immigration Officer for the City of London area. This arrangement enables the City to obtain evidence to support suspected false identity and those with no leave to remain, right to work or recourse to public funds. It has been used successfully in three housing tenancy fraud cases to date, with essential evidence supporting our investigations.
17. Bi-monthly meetings have been agreed between Internal Audit & the UKBA in order to share intelligence and share details of emerging risks as necessary.
18. A joint City of London/ UKBA fraud and document awareness session for front-line housing and housing benefits staff will be undertaken, and is planned for later in the year.

### **Conclusion**

19. Internal Audit continues to provide a specialist fraud investigation service across the City Corporation; positive outcomes across a number of fraud areas continue to be delivered, as detailed in the case summaries above, and demonstrate our robust approach to tackling fraud.
20. Our relationship with the UKBA continues to strengthen, with evidence obtained positively supporting the sections housing tenancy fraud investigations.
21. A fraud and document awareness session has been agreed for front-line housing and housing benefit staff later this year, which will up skill these staff and help to reduce fraud from the outset.
22. Positive publicity for the City's counter-fraud work has been demonstrated through the use of a case study within a recent CIPFA publication – Audit Viewpoint, concerning a successful City of London disabled parking permit prosecution.

23. Successful fraud investigation prosecutions will continue to be considered for publicity, where this is in the public interest. Such publications will be made available to Members of this Committee as Appendices to future anti-fraud & investigation up-date reports as necessary.

**Background Papers:**

**Appendices**

**Appendix 1: Housing Benefit Fraud Caseload**

**Appendix 2: Housing Tenancy Fraud Caseload**

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