

Committee:	Date:
Audit and Risk Management Committee	13 th May 2014
Subject: Anti-Fraud and Investigation Annual Report	Public
Report of: Chamberlain	For Information

Summary

This report provides Members with an update of our investigation activity for the period from 1st April 2013 to 31st March 2014.

The criminal benefit from housing tenancy fraud cases investigated by the City of London Corporation for 2013/14 amounts to £180,000, whilst the value of identified housing benefit overpayments during the 2013/14 amounts to £128,000. Internal Audit are working on quantifying and analysing the trend of identified corporate fraud and plan to report on this in the next Investigation update report to Committee in September 2014.

The Department for Work & Pensions will be assuming responsibility for housing benefit investigations under a Single Fraud Investigation Service (SFIS), with roll-out commencing from June 2014, no date has been confirmed for City of London housing benefit investigations to transfer to the Department for Work & Pensions as of yet, and no City of London staff have been identified as being in scope to transfer to SFIS.

Positive publicity has been achieved in the Wandsworth Guardian, following a recent successful housing benefit fraud prosecution at Southwark Crown Court on 20th March 2014.

A former City of London housing tenant has been prosecuted at the Central Criminal Court on 29th April 2014 to five Fraud charges, relating to fraudulently obtaining social housing with the City of London Corporation. The Judge sentenced Mrs Figueroa to 24 months imprisonment, with 12 months to be served in custody and 12 months to be served on licence.

14 frauds were identified through the City's involvement in the National Fraud Initiative, resulting in overpayments of £11,726.65, £8,126.86 of which is currently being recovered.

Detailed analyses of the housing benefit and housing tenancy fraud caseload are in appendices 3 and 4 respectively. A summary of delivery against the 2013/14 pro-active anti-fraud plan is included as Appendix 1, as is the detailed pro-active anti-fraud plan for the 2014/15 reporting year as Appendix 2.

Recommendations

Members are asked to note the report:

Main Report

Background

1. Members were provided with a proactive anti-fraud plan at this Committee on June 25th 2013; this report presents Members with a summary of key achievements during the 2013/14, along with a summary of the anti-fraud and pro-active work to be undertaken during the coming year. We maintain a clear emphasis on deterrence and prevention through targeted activity to raise fraud awareness across the organisation, in addition to undertaking targeted fraud drives in high risk areas.
2. Benchmarking against best practice (published in the Audit Commission's Protecting the Public Purse and the CIPFA Red Book guidance) provides the main focus for the development of the anti-fraud and investigation service and our subsequent programme of anti-fraud activity.
3. Successful investigations continue across a number of high risk areas, including internal fraud, grant fraud, parking permit fraud, housing tenancy fraud, and housing benefit fraud. A detailed case load summary for both housing benefit and housing tenancy fraud is included in appendix 3 and 4 respectively.

Proactive Anti-Fraud Activity

4. A summary of our delivery against the 2013/14 proactive anti-fraud plan is included as **Appendix 1** to this report, with details of key achievements summarised below;
5. Fraud Awareness E-learning – A tailored fraud awareness e-learning training course, developed in-house by the Senior Investigator was rolled out to all City of London employees from 1st July 2014, as of 28th January 2014, 3141 (95% of those required) City of London Corporation employees had completed the fraud awareness e-learning. Internal Audit is continuing to work with HR to ensure that this training is completed by all new starters. A separate lessons learned report from the introduction of this corporate training initiative is also on the Committee agenda.
6. National Fraud Initiative (NFI) – 896 matches have been reviewed, with 14 frauds identified, resulting in overpayments of £11,726.65, of which £8,126.86 is currently being recovered. In many cases there are ongoing savings through the termination of pension payments or housing benefit payments for example. The City's involvement in the National Fraud Initiative received positive feedback from the Audit Commission in September 2013,. Likewise the section played a key role in assisting the Audit Commission's NFI Team to implement its flexible matching service, for real time data-matching across key datasets.
7. A detailed Pro-active Anti-Fraud Plan for the 2014/15 reporting year is included as **Appendix 2** to this report. This plan continues our key objective from previous years to promote fraud awareness & prevention activities across the City Corporation, through various workshops and events delivered

to City Corporation employees, and Members, including a Fraud Awareness training session for Members on the 23rd June 2014. We will also be undertaking a number of pro-active fraud drives designed to identify fraud & error across different fraud risk areas, along with leading on the City Corporation's involvement in the Audit Commission's National Fraud Initiative for 2014/15.

Publicity

8. The City Corporation, in partnership with the Department for Work & Pensions, recently prosecuted a Housing Benefit claimant for claiming in excess of £40,000 in fraudulent claims across a period of seven years, on the basis that she was not in employment, and had no savings, capital or income. The claimant failed to declare that she owned a property in Clapham, South West London outright, which she had been letting out and receiving rental income. The claimant admitted nine charges under the Fraud Act 2006, and was given a 6 month custodial sentence for each offence to run concurrently, which was suspended for 15 months. A confiscation order was also made, which will ensure that the fraudulently obtained benefit is repaid to the public purse. The City's Public Relations Office issued a press release in relation to this case, and an article was published by the Wandsworth Guardian; a copy of the press release can be made available to members on request.

Single Fraud Investigation Service (SFIS)

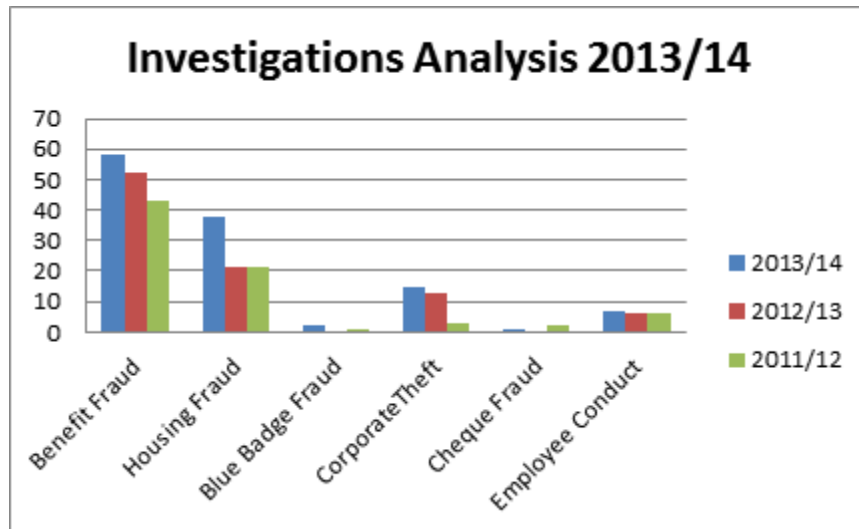
9. At this Committee on 15th December 2011, Members were advised of the proposed changes to welfare fraud investigation in the public sector, and the Department for Work & Pension's intention to introduce a Single Fraud Investigation Service, which will take on responsibility for the investigation of housing benefit fraud, which is currently a Local Authority responsibility. There have been several pilot exercises between the DWP and various Local Authorities across different parts of the country (Hillingdon being the pilot site for London), looking at various models for SFIS to follow.

SFIS rollout will begin in June 2014. This will be for those sites that are part of the pilot exercises. After this there will be a three month pause to assess the implementation of work and staff to SFIS. Full implementation, on a phased basis, will begin from October 2014. This is expected to be for three sites per month per region, up until March 2016. A transfer date for the City of London will be notified to the Town Clerk & Chief Executive towards the end of April/ beginning of May 2014.

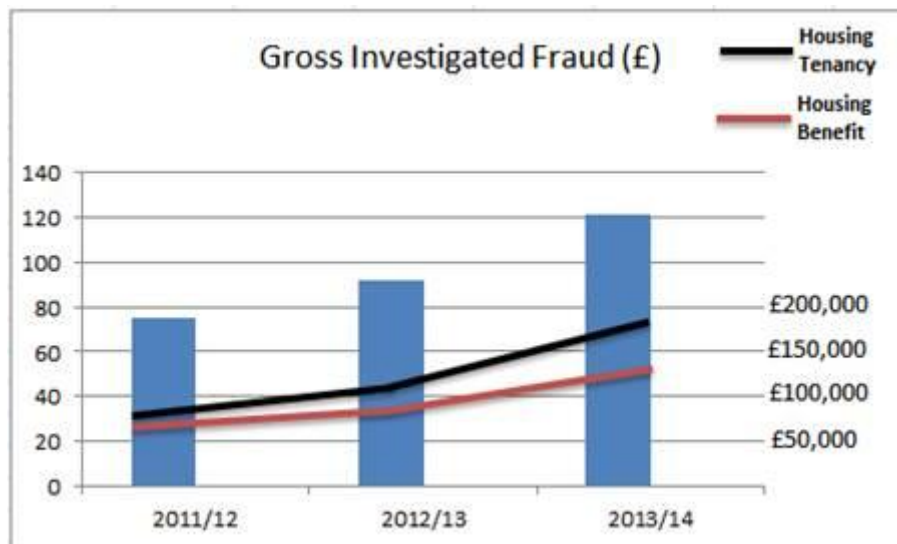
10. The City of London does not consider any of its staff to be in scope for transfer to the Department for Work & Pensions. The investigation of housing benefit fraud has been decreasing since the introduction of more robust eligibility criteria such as the benefit cap and the bedroom tax. This particularly affected central London areas, where rents are far higher than in other parts of the Country; further to this the section has continued to develop its anti-fraud & investigation capabilities in other more pressing areas affecting the City Corporation, such as housing tenancy and internal fraud, which continue to show a marked year on year increase in referrals and successful outcomes.

Investigation Activity Summary

11. The following graphs summarise our investigation activity for the 2013/14. The first shows the number of cases referred to the Investigation Team in the year, the number of cases closed and number of cases subject to investigation across all types of fraud.



12. The second graph shows a trend analysis of the gross number of cases investigated during 2013/14, against the previous two years. This shows all fraud types, along with the value of frauds detected for both housing benefit and housing tenancy investigations.



13. Detailed housing benefit and housing tenancy fraud caseload reports are maintained, detailing the gross value of the fraud identified for both disciplines. The reports produced as **Appendix 3** and **Appendix 4** respectively, detail the investigation activity across both housing benefit and housing tenancy fraud for 2013/14.

Housing Tenancy Fraud

14. A former City of London housing tenant of Avondale Square Estate was prosecuted at the Central Criminal Court on 29th April 2014 to five charges under the Forgery & Counterfeiting Act 1981, Theft Act 1968, Social Security Administration Act 1992 & the Identity Documents Act 2010 relating to fraudulently obtaining social housing with the City of London Corporation. The criminal benefit in this case exceeds £127,000. At sentencing the defendant was sentenced to 24 months imprisonment, with 12 months to be served in custody and 12 months to be served on licence. She was taken to prison immediately. We are working with the City's Public Relations Office to release a press release in this case.

Corporate Fraud

15. Internal Audit recently investigated a matter at Epping Forrest involving the low value theft of City Corporation cash from a secure area. The investigation found that an employee had been taking unauthorised loans from a safe in order to support a family member. When interviewed by the Senior Investigator the employee admitted the offences and was subsequently suspended. The employee tendered his resignation prior to gross misconduct charges being heard. Following conversations with Essex Police a Community Resolution order was achieved which dealt effectively with the criminal aspect of the investigation. The money taken by the employee was recovered from his final salary payment. Internal controls operated by Epping Forest Open Spaces staff over cash handling had proved to be robust in quickly identifying and reporting this loss within 24 hours of the cash being taken. Local management and Internal Audit were alerted promptly which allowed a swift investigation to take place.

16. Internal Audit are continuing to work on quantifying the value of corporate fraud Investigations. We will be in a position to report on the value of corporate fraud investigations in the next Investigation update report to Committee in September 2014.

Conclusion

17. 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 achieved. Publicity for our work is actively pursued where appropriate as part of our ongoing anti-fraud activity.

Appendices

Appendix 1: Summary of delivery against the 2013/14 proactive anti-fraud plan

Appendix 2: Pro-active Anti-Fraud Plan for the 2014/15 reporting year

Appendix 3: Housing Benefit Fraud Caseload

Appendix 4: Housing Tenancy Fraud Caseload

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