

Committee(s)	Dated:
Audit and Risk Management Committee	17/09/2015
Subject: Anti-Fraud & Investigations Up-date Report	Public
Report of: Chamberlain	For Information

Summary

This report provides Members with an update of our anti-fraud and investigation activity; it also provides an analysis of the cases investigated during 2015/16 to date.

A successful housing benefit prosecution was secured in the Central Criminal court, resulting in a 20 week custodial sentence, suspected for two years, along with the repayment of £72,377 fraudulently claimed benefit. Positive publicity was received in this case following a publication in the Southwark News.

Three City Corporation properties that had been illegally sub-let and one that had been obtained by deception have been possessed and let to those in greatest need. A further two cases are currently in the Crown court awaiting criminal trial and six more cases are with the Comptroller & City Solicitor, five for criminal prosecution action and three for civil recovery action.

The City Corporation's participation in the National Fraud Initiative exercise has identified fraud with a value in excess of £51,000 from the matches reviewed to-date. Recovery action is in progress where possible. Further reviews are continuing to be undertaken against outstanding NFI matches.

Two corporate frauds referrals and one whistleblowing referral were received and investigated by the team; although the allegations were not substantiated, recommendations were made to strengthen controls where opportunities to commit fraud and exploit weaknesses were identified.

A report - Protecting the London Public Purse (PLPP) 2015 was commissioned by the London Borough Fraud Investigators Group, which benchmarked London boroughs work to tackle fraud across the region against work done in previous years; likewise the report highlighted the current and emerging key fraud risks for London boroughs. The Anti-Fraud & Investigation team will be benchmarking its work and proactive anti-fraud plan against the fraud risks identified in PLPP 2015 and will make changes as necessary in order to ensure that key fraud risks are being adequately examined.

Recommendation(s)

- Members are asked to note the report

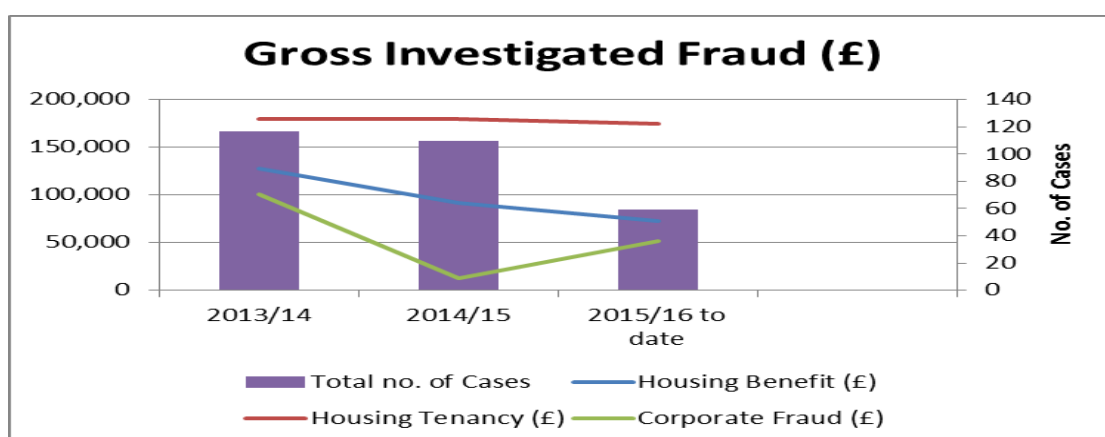
Main Report

Background

1. This report updates Members with the key issues arising from anti fraud and investigations work since the last report to Committee in April 2015.

Investigation Activity Summary

2. The graph below shows a trend analysis of the number of cases investigated during the current reporting year 2015/16, 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. The value of corporate fraud investigations are shown where these can be quantified.



3. A detailed housing tenancy fraud caseload report is contained as Appendix 1 to this report.

Housing Benefit Fraud Prosecution

4. The City of London Corporation recently secured a prosecution at the Central Criminal Court against one of its housing tenants for benefit fraud offences. Investigations found that XX had fraudulently claimed housing benefit, council tax benefit, jobseekers allowance and employment and support allowance from the City Corporation, Southwark Council and the Department for Work & Pensions, over an eight year period by failing to declare she had capital which exceeded the levels permitted for entitlement to benefit. As a result of this fraud, the authorities calculated that XX had been overpaid £72,377 in benefits during the period. XX pleaded guilty to 13 counts of fraud and was sentenced to 20 weeks imprisonment, suspended for two years. The overpayment has been repaid in full, along with £7,500 interest.
5. Following a press release issued by the City's Public Relations office, the case was publicised in the Southwark News, leading to positive publicity for the City of London. A copy of the publication is included at Appendix 2 to this report.

Housing Tenancy Fraud

6. Three fraudulently sublet City Corporation properties, and one obtained by deception have been recovered so far in this reporting year and are now being let to others in far greater need of housing. A further two cases are currently in the Crown court awaiting criminal trial and six more cases are with the Comptroller & City Solicitor, five for criminal prosecution action and three for civil recovery action.
7. The work of the Fraud Investigator at the City's Avondale Square estate in respect of housing tenancy and benefit fraud has recently been commended by the Area Housing Manager following a review of positive outcomes achieved on the Avondale Square estate.
8. A right to buy fraud has recently been identified by the Anti-Fraud & Investigation team, following a referral from the home ownership officer. The investigation found that the tenant was living away from the property and therefore did not qualify for the right to buy. The right to buy application was refused and we are currently liaising with the Comptroller & City Solicitor to establish whether any further civil or criminal action is suitable.

National Fraud Initiative

9. The Anti-fraud & Investigation team have progressed 314 National Fraud Initiative matches since their release in January this year, covering fraud risk areas including housing tenancy fraud, Council tax fraud and disabled parking permit fraud, no recourse to public funds fraud, pension fraud and duplicate payment errors. Other matches relating to possible benefit fraud, payroll fraud, and direct payment fraud will be reviewed with departmental colleagues throughout the year.
10. A number of successful outcomes have been obtained and are summarised in the table below. A number of successful outcomes have been obtained and are summarised in the table below. The pension fraud outcomes relate to two individuals who had passed away; overpayments were created and further scheduled payments stopped. Council tax fraud outcomes relate to two confirmed fraudulent single person discount claims and the identified duplicate payment related to an invoice that was found to have been paid twice. These overpayments are subject to recovery action by the City Corporation. Identified housing tenancy fraud is valued at £18,000 per investigation.

Fraud type	No. of cases	Value £
Pension Fraud	2	2,125
Council Tax Fraud	2	11,351
Housing Tenancy Fraud (included in tenancy fraud appendix)	2	36,000
Duplicate Payments	1	1,894
Total	8	£51,370

Corporate Fraud

11. A report was received from the financial services division relating to concerns that income amounting to £2,249, from public conveniences in the City had shortfalls over a four day period in May 2015. Investigations found that the City's contractor, responsible for collecting income from the public conveniences, was using the coins emptied from the collection tins for change at other public conveniences as the banks were closed during the bank holiday period. It was identified that this arrangement was not authorised by the City Corporation. The shortfall has been reimbursed and we have been given assurances that the contractor has now ceased this process.
12. A referral was received from the City Police finance team following a review of contractors' payments and timesheets that had identified a potentially serious financial irregularity, including alleged corruption in the sign-off of time sheets and the fraudulent use of a staff member's signature during a period that she was on maternity leave. Enquiries found that the contractor was a highly paid individual and payments to the resourcing supplier had been on hold for over six months, with invoices exceeding £80,000 outstanding. Following an internal audit investigation it was identified that the contractor had not been procured under the Comensura corporate contract and as such controls over the temporary contract were limited and purchase orders had not been raised. No evidence could be found to support that fraudulent timesheets had been submitted, however a breakdown in communication was identified between City Police HR and the procuring division which meant that a reduced hourly rate earlier agreed was not implemented and resulted in the contractor being paid a higher hourly rate than necessary. A number of recommendations were made in relation to our findings to strengthen controls in this area. These have been agreed and are being implemented.

Whistleblowing

13. A whistleblowing referral was received from a member of the public following a visit to the Monument in January 2015. The whistle-blower raised concerns that he and other visitors had not been provided with a receipt during their visit to the Monument. An internal audit investigation was undertaken which identified that on the day of the visit the tills at the monument had crashed and manual income collection arrangements had been implemented. A review of all income received during the period covering the visit was carried out, along with a review of the processes for reconciling and banking of cash income, however we were unable to identify any suspicious transactions. Three minor recommendations were made in relation to our findings, which have been agreed and are due to be implemented.

Protecting the London Public Purse (PLLP) 2015 Report

14. The London Borough Fraud Investigators Group (LBFIG) recently commissioned a pan London report, PLPP 2015, released in July 2015, regarding the region's response to fraud against London boroughs. The authors of the report used data gathered from London boroughs following a comprehensive survey, and utilised publicly available data from previous Protecting the Public Purse reports, produced by the Audit Commission, in

order to benchmark the anti-fraud work and results across London against previous years.

15. The PLPP 2015 report identified that the value of detected fraud committed against London boroughs, during 2014/15 amounted to £73m, an increase of 46 per cent compared to the previous year.
16. PLPP 2015 also identified and recommends several key fraud risks areas for London boroughs to focus resources on in future work plans, these are;
 - Right to buy (RTB) fraud – in excess of 300 cases were identified across London with a value of £26m, with at least 3 per cent of RTB applications being fraudulent.
 - No recourse to public funds (NRPF) fraud – 432 cases were identified with a value of £7m, with NRPF fraud representing one of the most significant fraud types detected by London boroughs.
 - Tenancy Fraud – 1,618 tenancy frauds were detected across London, with two thirds of all illegal sub-letting detected across England being in London boroughs.
17. A successful City Corporation prosecution in the Central Criminal Court last April relating to a tenant who had committed tenancy fraud and NRPF fraud was used as a case study within the PLPP 2015 report, providing further positive publicity of our successful work in the fight against fraud.
18. The Anti-Fraud & Investigation team will be benchmarking its work and proactive anti-fraud plan against the fraud risks identified in PLPP 2015 and will make changes as necessary in order to ensure that key fraud risks are being adequately examined.

Conclusion

19. Internal Audit continues to provide a professional anti-fraud and investigation service, with successful investigations resulting in positive outcomes and positive publicity for the City Corporation. Housing tenancy fraud continues to be a key fraud risk for the City Corporation, evidenced by the outcomes obtained to date and the criminal prosecution and civil cases currently in the crown court or with the Comptroller and City Solicitor.

Appendices

Appendix 1: Housing Tenancy Fraud Caseload

Appendix 2: Press Release – Housing Benefit Fraud

Contact: Chris Keesing, Anti-Fraud Manager
chris.keesing@cityoflondon.gov.uk 020 7332 1278