

Committee(s)	Dated:
Audit and Risk Management Committee	08/03/2016
Subject: Anti-Fraud & Investigations Up-date Report	Public
Report of: Chamberlain Report author: Chris Keesing – Anti-fraud Manager	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.

The Anti-Fraud & Investigation team have successfully recovered 15 illegally sub-let City of London social housing properties so far this reporting year. Four of these cases are currently with the Comptroller and City Solicitor for criminal prosecution action.

The Anti-Fraud & Investigation team undertook, or supported the investigation of, five corporate investigations resulting in a range of outcomes, or disciplinary sanctions against City of London employees.

The value of the cases investigated across all fraud disciplines amounts to £842,859 so far this reporting year.

A proactive fraud drive designed to identify any City of London employees with no right to work was undertaken in December 2015 and found no issues of concern, providing assurance against this serious fraud risk.

Two fraud preventative measures have been introduced to strengthen the City's due diligence activity in the social housing and right to buy application processes, with positive outcomes already obtained, including the identification of ten fraudulent social housing applications since the preventative measures were introduced.

The Anti-Fraud and Internal Audit teams continue to work closely together on cyber security reviews and officers meet regularly with colleagues from the City Corporation and City Police IT security teams. A work programme is being planned in line with the CESG (Communications Electronics Security Group) 10 Steps to Cyber Security.

Positive liaison was recently carried out with colleagues from the Home Office Immigration Enforcement Team, with an outline specification to undertake a joint exercise to identify social housing tenancy fraud and no recourse to public funds fraud against the City Corporation.

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 September 2015.

Investigation Activity Summary

2. A detailed analysis of the number of cases investigated during the current reporting year 2015/16 to date, 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 in 2015/16 to date amounts to £842,859, with much of this attributed to our increased activity in investigating social housing tenancy fraud.

Social Housing Tenancy Fraud

3. Social Housing Tenancy Fraud continues to be a key fraud risk area, and the Anti-Fraud & Investigations Team continues to provide investigative support across all aspects of Housing, from initial applications for assistance to the investigation of tenancy breaches. Work in this area has included;
 - a) Nine cases where sub-letting has been identified
 - b) Two cases where the property has been abandoned
 - c) Three cases where other social housing tenancy fraud was identified, e.g. ownership of private property or holding a social housing tenancy elsewhere, or where the tenant has no recourse to public funds
 - d) One case of fraudulent succession

Of the above, four cases are progressing with the Comptroller and City Solicitor for criminal prosecution, owing to the severity of the frauds committed. A summary of social housing tenancy fraud referrals and the tenancy frauds identified by the team for the period 01 April 2015 to 01 March 2016 is detailed in Appendix 2 to this report.

Corporate Anti-Fraud & Investigation Activity

4. Corporate investigations are defined as fraud, corruption or conduct cases which relate to employee fraud or conduct, or other third party fraud. Since 01 April 2015 work in this area has included:
 - a) A final written warning issued to an employee in a City Corporation department who signed documents relating to a commercial lease without delegated authority, contributing to a potential loss of rental income exceeding £200k.
 - b) Investigation support and assistance to colleagues at one of the City's wholesale markets in relation to a lease application, resulting in the City withdrawing its agreement to a lease assignment
 - c) A full review of a lease assignment at one of the City's wholesale markets following allegations of corruption in the lease assignment process. No concerns were identified.

- d) Investigation support and assistance in a matter involving excessive claims for travel expenses in respect of special educational care. Following a review by the Anti-Fraud and Investigation team and a meeting with key stakeholders, it was agreed that on the balance of probabilities, a travel expenses claim in excess of £8,000 was excessive and would not be paid.
- e) A final writing warning issued to an employee in a City Corporation department who had claimed for study leave and travel expenses to attend a university degree course funded by the City, when she had not attended all of the study sessions. Repayment of the amounts wrongly claimed, amounting to over £900 have been recovered from the employee's salary.

Cyber Security

- 5. The Anti-Fraud and Internal Audit teams continue to work closely together on cyber security reviews. Regular liaison is now conducted with colleagues from the City Corporation and City Police IT security teams and a work programme is being planned in line with the CESG (Communications Electronics Security Group) 10 Steps to Cyber Security. Updates for our cyber security review activity will be reported to this Committee periodically.

Proactive anti-fraud activity

- 6. No right to work is a serious fraud risk, carrying associated reputational and financial risks for the City Corporation. A proactive exercise was undertaken by the anti-fraud team in December 2015 to check all directly employed City Corporation employees against Home Office immigration data. By utilising the NFI flexible matching service the team were able to identify employees with immigration or visa concerns for further investigation; two employees were highlighted for further review, however additional verification checks undertaken confirmed that there was no issue with their right to work status.

Prevention

- 7. As part of our commitment to continuously develop the counter fraud service, Internal Audit continues to focus on preventative processes in order to increase the City's resilience to fraud. In November 2015 the anti-fraud team provided the housing service with an on-line tool to aid the assessment of all new housing applications. The NFI Application Checker allows frontline staff to check and verify the details of all new applications for social housing. A summary of the outcomes from the NFI Application Checker is included within Appendix 2 to this report.
- 8. In addition to the NFI Application Checker, the Anti-Fraud team have introduced further due diligence measures in response to increased right to buy fraud risks (RTB). A new additional right to buy application form has been introduced and now forms a key part of the application process; this new form ensures that key information is gathered which assists the City to process RTB applications and ensure that only those that are eligible for the RTB proceed. The anti-fraud team further support this process by undertaking enhanced verification checks for each RTB application, with those indicating concern proceeding to full investigation by the team.

Whistleblowing

9. The City's whistleblowing policy identifies the Head of Audit & Risk Management as one of the main contacts for staff wishing to report a concern that they believe they cannot discuss with their line manager. The number of referrals to Internal Audit continues to be relatively low, however when a referral is received they are generally of high significance leading to further investigation. From 1 April 2015 to 1 February 2016, two whistleblowing referrals (as defined in the policy) have been received, one of which is being investigated under alternative policy and procedure, whilst the other is currently subject to investigation by the Anti-Fraud team.

Police Liaison

10. The Anti-Fraud Manager met with colleagues from the City of London Police in February to discuss how the City Corporation can assist the City Police with the dissemination of National Fraud Investigation Bureau (NFIB) intelligence alerts, across London Borough fraud teams, via his position on the London Borough Fraud Investigators Group (LBFIG) Executive Committee. The meeting was positive and the Anti-Fraud Manager is liaising with peers across London borough's fraud community and arranging for City Police colleagues from the NFIB to present at the next LBFIG AGM and training event.

Home Office Immigration Enforcement liaison

11. The Anti-Fraud Manager met with a Chief Immigration Officer from the Home Office Immigration Enforcement team in January in order to explore a joint working initiative to tackle social housing fraud and No Recourse to Public Funds (NRPF) fraud across the City's social housing estates. NRPF has been identified in the Protecting the London Public Purse report 2015, as being a key fraud risk for London, with identified fraud in this area amounting to £7m. A joined up approach to tackling this fraud risk for the City Corporation will enable us to take robust action against those abusing the City's social housing stock, whilst colleagues from the Home Office Immigration Enforcement can take appropriate action against those who do not have the right to remain in the UK or to obtain support from public funds. A fraud drive proposal is being developed, progression will be reported to this Committee as part of our next up-date report.

Conclusion

12. Internal Audit continues to provide a professional anti-fraud and investigation service, with successful investigations resulting in positive outcomes the City Corporation. Social housing tenancy fraud continues to be a key fraud risk for the City Corporation, with 15 properties successfully recovered so far this reporting year as a direct result of the teams work in this area.

Appendix 1: Housing Tenancy Fraud Caseload

Appendix 2: Press Release – Housing Benefit Fraud