

Committee:	Date:	Item no.
Audit and Risk Management Committee	5 th March 2013	
Subject: Investigation Activity Update Report	Public	
Report of: Chamberlain	For Information	
<p><u>Summary</u></p> <p>Internal Audit continues to provide a professional anti-fraud & investigation service across the City Corporation. The section investigates referrals, received from various sources, as well as working to a proactive anti-fraud plan.</p> <p>Following agreement of the plan at the June 2012 Committee, Members were provided with an update against our pro-active anti-fraud plan in December 2012.</p> <p>This report provides Committee members with details of all relevant Fraud matters affecting the Corporation of London. It also provides Members with a summary of our Investigation activity since December 2012, details the National Fraud Initiative matches released in January 2013, and provides an up-date on our recent recruitment exercise.</p> <p>Enhanced liaison arrangements have recently been developed with the City of London Police's Economic Crime Directorate. Our recent liaison meetings have been very positive, and focused on our data sharing arrangements, and protocols for referral of sensitive City Corporation audit investigations to the City of London Police. Recent communication between officers from the City Corporation's Internal Audit section, and officers from the City of London Police has proved productive, with timely advice and information assisting the City Corporation's investigative activities.</p> <p>Recommendations</p> <p>Members are asked to note;</p> <ul style="list-style-type: none"> • The summary of the investigation activity since our last report in December 2012; • The release of National Fraud Initiative matches, and the progress against these; • The successful appointment of a Fraud Investigator on a six month contract; and • The enhanced liaison arrangements developed between the City Corporation, and the City of London Police. 		

Main Report

Background

1. In our last report to this Committee in December 2012, Members were provided with a report detailing the sections progress against its proactive anti-fraud plan, along with a summary of our fraud investigation activity, and noteworthy outcomes for the reporting period.
2. This report provides Members with a summary of our investigation activity since the last Committee, and details of notable investigation outcomes.

Investigation Activity Summary

3. The following table summarises our investigation activity in the current reporting year; it gives the number of cases closed and number of cases subject to investigation across all disciplines, and also details investigation activity over the past two financial years for comparison, along with a summary of live cases currently under investigation from previous years. The current live cases are mostly complex matters which result in increased investigation time spans.
4. Corporate fraud investigations are in the main reactive, initiated following referral and owing to the seriousness of matters involving employee conduct and potential cash losses, such investigations are prioritised by the Senior Fraud Investigator. Detailed summaries in respect of housing benefit fraud and housing tenancy fraud caseloads are shown as Appendix 1 and 2 respectively.

Investigations Caseload	2012/13				2011/12	2010/11
	Cases brought forward from previous year	New cases opened	Cases closed	Current live cases	Total	Total
Benefit Fraud	20	19	22	17	43	33
Housing Fraud	11	9	10	10	21	19
Corporate Fraud:						
Theft	3	6	6	3	3	5
Cheque Fraud	0	0	0	0	2	2
Employee Conduct	1	5	4	2	6	0
Total	37 ¹	39	42	32	75	59
Notes: ¹ Of the total number of cases brought forward from the previous year, 25 have now been closed						

Notable Outcomes

5. Housing Tenancy Fraud – During a routine evidence gathering visit to the City’s Avondale Square Estate, as part of a housing benefit fraud case, the Fraud Investigator received a referral from the Estates staff, concerning an alleged housing tenancy fraud. The investigation found that the tenant had left the country some eighteen months ago, and had been sub-letting the property to friends. As a result of our investigation activity, the City Corporation successfully gained possession of this property, which has now been let to a family in need of social housing.

Corporate Investigations

6. The section receives referrals of fraud, theft and corruption via various avenues from employees and the public. A number of the cases referred for investigation cannot be substantiated, represent too low a significance to warrant investigation, or simply result in advice to the Departments concerned to mitigate against similar exposure. Despite the outcomes, these matters still require some investigation and are included in the corporate fraud statistics in the table above.

National Fraud Initiative (NFI)

7. The City Corporation participates in the National Fraud Initiative (NFI) which is a national data matching exercise undertaken by the Audit Commission on a bi-annual basis. The City Corporation submits various data sets to the Audit Commission, including payroll, pensions, housing tenancy, housing benefit and trade creditor payments. These data sets are matched against those provided by other public and private sector organisations, to identify fraud and error; they are returned to the City Corporation as matches for further investigation.
8. On the 29th January, the Audit Commission returned 4,855 matches to the City Corporation for further investigation. The Audit Commission also identified 595 instances where data matching has indicated a high possibility of fraud or error; these instances are being prioritised for review and investigation, above all other matches. As of 8th February 49 instances have been processed, and closed with no further action, whilst a further 54 instances are currently subject to review. Formal investigation activity will commence in cases where such action is deemed suitable. We will seek to update Members on the progress against our NFI activity in future reports to this Committee.

City of London Police Liaison arrangements

9. The Business Support Director, Head of Audit & Risk Management, and the Senior Investigator recently held a liaison meeting with a Detective Superintendent from the City of London Police Economic Crime Directorate. Discussions focused on our liaison activities, data sharing arrangements, and case referral protocols for referral of sensitive City Corporation audit investigations to the City of London Police. Regular liaison meetings will continue, and our communications with the City of London Police since our recent liaison meeting have been very positive and helpful to our work.

Recruitment

10. A Fraud Investigation Officer has been recruited on a six month contract from 21st January to investigate housing benefit and housing tenancy fraud referrals. The Officer has made a strong start, securing the possession of a City Corporation social housing property, being unlawfully sub-let, as detailed earlier within the report.

Conclusion

11. Internal Audit continues to prioritise corporate fraud investigations because of the risks involving potential losses to public funds or assets, and the risks to the City Corporation's reputational damage, resulting from inappropriate employee conduct. Feedback from departments involved continues to remain extremely positive, and support is readily provided where necessary. Where appropriate action is taken by individual Departments following recommendation, to improve management controls, and mitigate against any recurrence of similar irregularity.

Background Papers:

Appendices

Appendix 1: Housing Benefit Fraud Caseload Summary

Appendix 2: Housing Tenancy Fraud Caseload Summary

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