

<b>Committee(s):</b>	<b>Date(s):</b>
Audit and Risk Management Committee	25 <sup>th</sup> June 2013
<b>Subject:</b> Pro-Active Anti-Fraud and Investigation Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>

### **Summary**

This report provides Members with a summary of the Internal Audit Section's delivery against its programme of pro-active anti-fraud activity for the 2012/13 reporting year; it also details our programme of proactive anti-fraud activity for the 2013/14 reporting year, along with summaries of the outcomes of our investigations in the attached appendices.

During 2012/13 the section completed the development of the Corporate-wide fraud awareness e-learning package, delivered three Fraud awareness presentations, completed a pro-active antifraud review of Housing Tenancy allocations and made significant progress in preparing for the 2013 National Fraud Initiative (NFI) data matching exercise, with good progress being made in the investigation of matches.

The work streams outlined within this year's plan have been formulated following regular benchmarking against recognised best practice and include a range of activity to continue our commitment to promote deterrence and prevention. This year's plan includes the delivery of a Fraud prevention awareness week, continuing with targeted Fraud awareness presentations to officers, and pro-active data matching exercises looking at Housing rents and employee to Directorship records.

This report also provides Committee members with details of all relevant Fraud matters affecting the Corporation of London. A separate report in relation to investigations into the proper use of two City Bridge Trust grants is provided on the Committee agenda.

### **Recommendations**

Members are asked to note:

- The programme of pro-active anti-fraud activity for the current reporting year;
- Our delivery against the 2012/13 pro-active anti-fraud plan, the roll-out of a Corporate wide fraud awareness e-learning package; 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 investigation service across the City Corporation. Anti-fraud activity, undertaken by the section, combines reactive investigations with pro-active work designed to prevent, deter and detect fraud. Each Internal Audit review also considers fraud risk, as part of its scope, with appropriate recommendations made to improve controls to mitigate fraud risks, where necessary.
2. Members were provided with a proactive anti-fraud plan at this Committee on June 14<sup>th</sup> 2012 followed by a summary of delivery against this plan on 12<sup>th</sup> December 2012. Internal Audit will continue to provide Members with a forward looking proactive anti-fraud plan at each June Committee and a six monthly progress report against this plan in December. Investigation update summary reports will be made to the intervening Committees.
3. Benchmarking against best practice (published in the Audit Commission's protecting the Public Purse, the National Fraud Authorities Fighting Fraud Locally strategy, and CIPFA guidance) provides the main focus for the development of the anti-fraud and investigation service and our subsequent programme of anti-fraud activity.
4. The section continues to undertake successful investigations across a number of high risk areas, including internal fraud, grant fraud, housing tenancy fraud, and housing benefit fraud. A detailed case load summary is included within the appendices.
5. This report also presents Members with a summary of key achievements during the 2012/13 reporting year, 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 fraud drives in high risk areas, in order to identify and take action against fraud and corruption.

## Proactive Anti-Fraud Activity

6. A summary of our delivery against the 2012/13 proactive anti-fraud plan is included as **Appendix 1** to this report, with details of key achievements are summarised below;

Fraud Awareness E-learning – A tailored fraud awareness e-learning training course has been developed in-house by the Senior Investigator;

benchmarking was undertaken by the Head of Training & Educational Services at the City of London Police, who has provided positive feedback & support. Following support for the introduction of this training course at Chief Officers group in March, a phased roll-out across the City Corporation is in progress, with the aim that it should become a mandatory part of the employee induction.

National Fraud Initiative (NFI) – Strong progress has been made against reviewing the matches provided by the Audit Commission in January 2013, these matches suggest matters to review, where there may be fraud or error, such as undeclared residents where Council tax single person discount is claimed, or possible duplicate payments.. Additional buy-in from owning departments has been achieved to support the continued investigation of the instances of fraud, or of errors identified by this data-matching exercise. The City's involvement in this exercise continues to remain a key tool in detecting fraud and errors across a number of services provided by the City of London.

7. A detailed Pro-active Anti-Fraud Plan for the 2013/14 reporting year is included as **Appendix 2** to this report. This plan seeks to promote fraud awareness & prevention activities across the City Corporation, through various workshops and events aimed at City Corporation employees, along with pro-active fraud drives designed to identify fraud & error. These risk areas and activities were identified as part of our benchmarking against current risks faced by local Government, highlighted by the National Fraud Authorities Fighting Fraud Locally strategy.
8. Internal Audit remain committed to publicising successful prosecutions, in order to highlight our commitment to taking robust action against those who commit fraud, and as a way of deterring those who may be considering committing such offences.

### **Investigation Activity Summary**

9. The following table summarises our investigation activity in the current reporting year from April 2013; it gives the number of cases closed and number of cases subject to investigation across all disciplines. It also details investigation activity over the past two reporting 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.

Investigations Caseload	2013/14				2012/13	2011/12
	Cases brought forward from previous year	New cases opened	Cases closed	Current live cases	Total	Total
Benefit Fraud	21	3	8	16	52	43
Housing Fraud	10	4	0	14	21	21
Corporate Fraud:						
Theft	5	1	1	5	13	3
Cheque Fraud	0	0	0	0	0	2
Employee Conduct	2	1	1	2	6	6
<b>Total</b>	<b>38<sup>1</sup></b>	<b>9</b>	<b>10</b>	<b>37</b>	<b>92</b>	<b>75</b>
<b>Notes:</b>						
<b><sup>1</sup>Of the total number of cases brought forward from the previous year, 7 have now been closed</b>						

10. Corporate fraud investigations are primarily reactive, initiated following receipt of an allegation. Owing to the seriousness of matters involving employee conduct and potential cash losses, such investigations are prioritised by the Senior Fraud Investigator. The section continues to up-date Members of this Committee on the progress and outcomes of sensitive and significant investigations. A number of the cases referred to the section for investigation, however, either cannot be substantiated, represent too low a significance to warrant investigation, or result in advice to the Departments concerned to mitigate against similar exposure. Such matters are included in the corporate fraud statistics within the above table.

11. Detailed summaries in respect of housing benefit fraud and housing tenancy fraud caseloads are shown as Appendix 3 and 4 respectively.

### **City of London Police Liaison arrangements**

12. The City Corporation's liaison arrangements with The City Police continue to grow providing Internal Audit with a professional opinion on cases where Police involvement is considered necessary. Quarterly liaison meetings have been established between Internal Audit & the Economic Crime Directorate, providing opportunities to continue to build upon and strengthen our relationship and data-sharing protocols.

### **Measuring Success and Progress**

13. As a new policy the Chamberlain's Department will be progressively introducing a programme of self assessment / competency tests to be undertaken on-line by appropriate officers in areas of finance, information

technology and procurement. Members may have come across this “ driving license” type approach before. Awareness of fraud and knowledge of how to prevent and deal with it is an ideal application for this self assessment / competency testing and will be implemented.

## **Conclusion**

14. The City of London Corporation has a clear programme of pro-active anti-fraud activity designed to prevent, deter and detect fraud and error. These plans have been developed following benchmarking activity against Audit Commission, CIPFA and NFA anti-fraud guidance, and seek to encompass activity to identify current and emerging fraud risks affecting Local Government, whilst continuing to provide a clear emphasis on deterrence and prevention.
15. The key activities detailed for action in the 2012/13 pro-active anti-fraud plan, have been completed, with the introduction of a Fraud Awareness e-learning training course Corporation-wide providing a positive addition to our fraud prevention tools.
16. Corporate fraud referrals, received by the section, have increased over the past year; Internal Audit continues to prioritise such investigations because of the risks involving potential losses to public funds or assets, and the risks to the City Corporation’s reputation, resulting from inappropriate employee conduct. Departmental feedback continues to remain extremely positive, whilst support is readily provided, where necessary. Where appropriate, action is taken by individual Departments, following advice being provided by internal audit and HR.

## **Background Papers:**

### **Appendices**

**Appendix 1: Pro-active Anti-Fraud Plan 2012/13 – summary of achievements**

**Appendix 2: Pro-active Anti-Fraud Plan 2012/13**

**Appendix 3: Housing Benefit Fraud Caseload Summary**

**Appendix 4: Housing Tenancy Fraud Caseload Summary**

### **Contact:**

*Chris Keesing | [Chris.keesing@cityoflondon.gov.uk](mailto:Chris.keesing@cityoflondon.gov.uk) | 020 7332 1278*