

<b>Committee(s)</b>	<b>Dated:</b>
<b>Audit &amp; Risk Management Committee</b>	<b>03 November 2020</b>
<b>Subject: Anti-Fraud &amp; Investigations - 2020/21 Update Report</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N/A</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of: Head of Audit &amp; Risk Management</b>	<b>For Information</b>
<b>Report author: Chris Keesing, Corporate Anti-Fraud Manager</b>	

### **Summary**

In total 16 investigations, across all disciplines, have been completed between 01 April 2020 and 30 September 2020, with an associated value of £140,218. There has been a small reduction in the volume of completed investigations when measured against the same period in 2019/20, where 23 completed investigations were recorded with an associated value of £214,852. Whilst it is difficult to determine the volume of cases that are likely to be referred for investigation during the second part of this reporting year, the National Fraud Initiative (NFI) data-matching is expected to provide a number of additional cases, leading to consistent levels of identified fraud and associated values at year end, when compared to previous years.

The COVID-19 pandemic has impacted the work of the team, shifting the focus of some work to prevention rather than recovery. The team has also seen an increase in response to emerging fraud risks resulting from the pandemic, specifically:

- Providing advice and guidance to front line service providers in relation to new services and support provided
- Undertaking investigations in relation to those new services
- Pre- and post-payment assurance checking in relation to COVID Business Grants (resulting in four applications for further investigation, one of which is subject to recovery action with the other three still under active investigation)

### **Recommendation**

Members are asked to note the report.

## **Main Report**

### **Background**

1. This report provides Members with an update on the activity of the Anti-Fraud and Investigation team between 01 April 2020 and 30 September 2020. It also provides Members with an update against our key anti-fraud initiatives.

### **COVID-19 Support and Response**

2. The COVID-19 pandemic has brought about a shift in focus from some of the work undertaken by the team, it has also resulted in a sustained period where visiting activity has not been possible for social housing tenancy fraud investigations. The Team has responded to the emerging fraud risks from the COVID-19 financial support administered by the City by providing advice, information and support to colleagues, and by assisting with the development of the various grants administration processes and application forms as well as undertaking a programme of comprehensive post-payment verification activity in respect of COVID grants paid by the City's Revenues Team.
3. Three different COVID-19 Business Grants have been administered by the City, these being:
  - Small Business Rates Relief (SBRR)
  - Retail Hospitality & Leisure Grants (RHLG)
  - Discretionary Business Grants

The eligibility criteria for SBRR and RHLG grants was defined by the Department for Business, Energy & Industrial Strategy, whilst the Discretionary Grants scheme was designed by The City to target those sectors most in need of financial support. In total, more than 1,500 grant applications were processed by the City, with those businesses that may be in scope contacted by City Revenues and invited to apply. The applications were assessed by colleagues in the City Revenues Team and payments made to those identified as being in scope.

4. Following guidance from the Ministry of Housing Communities & Local Government, post payment assurance work was undertaken by the Anti-Fraud Team; this assurance work involved analysing Companies House, Open Source and Vat data and gathering further evidence in those cases where there was an indication that the information provided by grants applicants was incorrect. Four Discretionary Business Grants were identified for detailed investigation and of these, one grant is subject to recovery, and the other three remain under active investigation.

### **NFI Pilot Exercise**

5. Additional post-payment COVID Business Grants assurance work was undertaken with the NFI. This pilot exercise involved eight local authorities across England and focused on matching RHLG and SBRR grants data against pre-determined data including credit reference data and live business data to identify potential concerns. 46 matches were identified where further investigation was undertaken, however, upon detailed review no fraud was identified. Positive assurance for the pre-payment and post-payment checks undertaken by the City was achieved through participation in this exercise.

Likewise, participation by the City and other pilot authorities has helped in shaping the development of the national NFI response to this area of work.

### **Track & Trace Grants**

6. The City's Benefits Team are responsible for assessing and administering the recently introduced Track & Trace Grants, these are grants of £500 issued to those on low incomes who are unable to work from home and who have been adversely affected financially through the need to self-isolate following a positive COVID-19 result. The Anti-Fraud Team has worked closely with the Benefits Manager to assist with the design of the on-line application form and to build in robust anti-fraud controls. This scheme is due to go live soon, and the Team will continue to support by investigating those cases where fraud concerns are identified.

### **Investigation Activity Summary**

7. An analysis of the number of cases investigated during the first half of the 2020/21 reporting year (01/04/2020 – 30/09/2020) vs. the same period last year can be found at Appendix 1 to this report, showing all fraud types along with the value of frauds detected. Despite the current challenges to traditional ways of working and the shift in focus during the COVID pandemic, our investigations have progressed well, with the associated value of identified fraud from the 16 completed investigations during this period amounting to £140,218.

### **Social Housing Tenancy Fraud**

8. The team provides full investigative support across all aspects of housing, from initial applications, to the investigation of tenancy breaches and right to buy screening. The COVID-19 pandemic has changed the focus of investigation activity, specifically, emphasis has shifted more to proactive counter-fraud activity in relation to applications (which is desk-based and focussed on prevention) rather than tenancy fraud investigations (which often requires physical visits to property and direct contact with tenants and results in recovery of property). This is owing to current restrictions and Government guidance on working safely in the COVID era. Members should note, however, that social housing tenancy fraud remains a key fraud risk area for the City and other social housing providers and that the balance of work will change as restrictions ease. Between 01 April 2020 and 30 September 2020, seven successful outcomes have been secured, comprising of two cases where recovery of the property was secured and five cases where housing application fraud was identified, consistent in overall numbers with the same period last year.
9. In addition, we currently have two cases with the Comptroller and City Solicitor for criminal prosecution action and three cases for civil recovery action. A further two cases are currently being prepared for prosecution.
10. A summary of our work in this area, during the first half of the 2019/20 reporting year vs. the same period last year can be found at Appendix 2 to this report.

11. A ban on evictions was introduced by Central Government at the start of the pandemic and this has limited our options when tenancy fraud was detected, however, we have still been able to recover two properties through voluntary returns by sub-tenants. These properties have now been re-let to those in greater need of affordable housing.

### **Council Tax Fraud**

12. The Team has investigated four Council Tax frauds in this reporting year to date; two investigations have centred around single person discounts with investigations resulting in the removal of the single person discount awards and overpayments of £308. A further case involved a dishonest student exemption claim where following investigation this claim was denied and a £70 fine (in line with Council Tax Regulations) issued. The final case relates to a Council Tax Reduction Scheme investigation, identified as a direct result of our tenancy fraud work which has resulted in an overpayment of £5,400 over a fraud period of almost six years. This case will be considered for further civil and/or criminal action.

### **Corporate Anti-Fraud & Investigation Activity**

13. Three Corporate investigations have been concluded between 01/04/2020 and 30/09/2020, with an associated value of £8,440; this included a joint investigation between the Anti-Fraud Team and City Bridge Trust to investigate an allegation of corruption, an allegation of breaches of the Landlord & Tenant Act and a one completed grants investigation.

### **Whistleblowing**

14. The City's Whistleblowing Policy identifies the Head of Audit & Risk Management as one of the main contacts for reporting a concern and Internal Audit is responsible for maintaining a confidential and secure register of all concerns raised through the Whistleblowing Policy.
15. The number of referrals received via whistleblowing channels is relatively low; however, when referrals are received, they are generally of high significance leading to further investigation.
16. During the period 01/04/2020 to 30/09/2020, two whistleblowing referrals (as defined in the policy) have been received and both have been concluded.
17. The table below provides an overview of the allegation and outcome of the investigation:

Allegation		Outcome
1	Corruption - allegation that a family member of the person submitting the concern had set-up businesses on Companies House with City addresses in order to benefit from COVID-19 Business Grants.	Case fully investigated and when the data was analysed on Companies House, the businesses would have had no entitlement to the grants as they were set-up post 11/03/2020 – the applicable date set by BEIS. Checks against grants application data did not identify any applications in scope.
2	Accusation of historic racism against a current member of staff. Matter referred to Corporate HR.	Matter investigated – no evidence to support the allegations could be found. Case closed.

### **NFI Biennial Exercise 2020/21**

18. The City Corporation and City of London Police are required by law to participate in the Cabinet Office's biennial NFI exercise. The Anti-Fraud Manager is the Key Contact for both the City Corporation and City Police's involvement in the NFI. The NFI is a sophisticated national data-matching exercise run by the Cabinet Office and designed to identify fraud across local authority functions including payments, payroll, pensions, housing and council tax. Preparation for the NFI 2020/21 continued successfully throughout the summer with Departmental NFI contacts recently having extracted data from their systems. This data has now been securely submitted to the NFI. Output from the data-matching will be available to the City from 28<sup>th</sup> January 2021 for further investigation.

### **Corporate & Strategic Implications**

19. The work of the Team is designed around minimising the risk of fraud across the organisation by providing a comprehensive counter fraud and investigation response with a clear focus on safeguarding the Corporations assets and recovering any losses due to fraud. This is underpinned by our Anti-Fraud & Corruption Strategy, which gives due regard to the Corporate Plan. The confidential whistleblowing arrangements managed by the Team ensure that a safe and secure mechanism for raising concerns is maintained and that these concerns are acted upon.

### **Conclusion**

20. The COVID-19 Pandemic has impacted on the work of the Anti-Fraud Team, with some traditional investigation methods not being possible, despite these restrictions the Team have continued to effectively progress investigations to conclusion and to achieve successful outcomes as detailed in this report and its appendices.

21. The Team has shifted some focus to support the quickly implemented COVID Business Grants administered by the City Revenues Team, by undertaking post-payment verification of all grants paid by the City. Our work in this area also involved participation in an NFI pilot exercise which, although not identifying fraud, resulted in assurance as to the quality of the work

undertaken by the Team and by City Revenues colleagues. It has also helped to shape the NFI's response to this fraud risk nationally. Further COVID-19 response support has been, and continues to be, provided to colleagues across the organisation.

22. The biennial NFI exercise is underway for the City Corporation and City Police, with output expected in January for further investigation.

**Appendices:**

- Appendix 1 – Analysis of the number of cases investigated between 01/04/2020 and 30/09/2020
- Appendix 2 - Housing Tenancy Fraud Caseload Analysis 01/04/2020 to 30/09/2020

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