

Committee(s)	Dated:
Audit & Risk Management Committee	25 May 2021
Subject: Anti-Fraud & Investigations – 2020/21 Annual Report	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: Head of Audit & Risk Management	For Information
Report author: Chris Keesing, Corporate Anti-Fraud Manager	

Summary

In total 26 investigations, across all disciplines, have been completed during the reporting year with an associated value of £157,988. This is a 42% reduction in the volume of completed investigations when measured against the 2019/20 reporting year, and primarily relates to a 40% reduction in tenancy fraud and sub-letting referrals during the COVID pandemic.

A return to some traditional methods of investigation and an increased presence on the City’s housing estates as COVID restrictions ease, along with our ongoing review of the NFI matches is expected to produce a higher volume of referrals and outcomes during 2021/22.

The COVID-19 pandemic has impacted the work of the team, shifting the focus of some work to proactive prevention rather than recovery. An increase in the number of referrals in non-traditional fraud risk areas has been notable and whilst some have not resulted in any financial outcome or recovery, these have led to an increased awareness and better understanding of fraud risks in these areas.

The team has responded positively to emerging fraud risks resulting from the pandemic, specifically:

- Providing advice and guidance in respect of key corporate initiatives and to front line service providers in relation to COVID financial support provided by the City Corporation.
- Post-payment assurance activity in relation to COVID Business Grants.
- Investigation support and guidance in respect of City Bridge Trust funded charity concerns.

Recommendation(s)

- 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 during the 2020/21 reporting year. It also provides Members with an update against key anti-fraud initiatives and emerging risks.

COVID-19 Support and Response

2. The COVID-19 pandemic resulted in a shift from some of the work undertaken by the team, impacting traditional ways of working and resulting in a sustained period where visiting activity has not been possible for social housing tenancy fraud investigations and Council tax investigations. Despite the challenges presented by the pandemic the team has identified and embraced new ways of working wherever possible through smarter use of technology whilst identifying and reacting to emerging fraud risks relating to the COVID-19 financial support administered by the City Corporation.
3. The team have continued to support the City Revenues division, primarily through post payment assurance activity in respect of the COVID business support grants administered by the City, and through standalone investigations where concerns have been identified through the assessment of grant applications. During the reporting year our investigations identified three COVID business grants paid to businesses that were ineligible. The value of these grants amounted to £25,200 and all have been subject to recovery action as a result of the investigations. In addition, our enhanced checks have supported decisions made by City Revenues colleagues not to award grants to six businesses deemed ineligible for COVID business support.
4. The team supported the development of the City of London Recovery Grant Fund through advice and information in respect of fraud risks and data processing. A programme of post payment assurance work has been agreed and will focus on matching application data against National Fraud Initiative (NFI) data sets to identify any concerns for further review.

Investigation Activity Summary

5. An analysis of the number of cases investigated during the 2020/21 reporting year compared to the 2019/20 reporting 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 26 completed investigations during this period amounting to £157,988.

Corporate Investigation Activity

6. In addition to the COVID business grants investigations detailed above, the team supported four City Bridge Trust investigations relating to allegations of financial misappropriation during the reporting year. A summary of these investigations can be found below:

Nature of Concern	Outcome Summary
Allegation of double funding, collusion with CBT Officers to secure grant funding, and that CBT funds have not been used for the intended purpose	Comprehensive investigation of the charities use of CBT funds, including interviews with key stakeholders against the programme funded undertaken which found that the two sources of funding were complementary but not duplicative and the emphasis and eventual outcomes of the two projects were sufficiently different, with legacy benefits from the CBT funding still evident. The allegation of collusion was not supported, and no evidence could be found.
A phishing email was identified by CBT colleagues, requesting a change of bank account for a charity supported by CBT.	Matter investigated with CBT colleagues, including a meeting with the supported charities Chair. It was identified that the charity is likely to have been the subject of an insider fraud who was aware that a payment was due to be made. The email contained a number of red flags commonly associated with a change of bank account fraud. No account details were changed, and no losses were suffered. Advice and information to identify fraud was provided to the charity and CBT colleagues to build increased awareness to such fraud risks, whilst some CBT colleagues also repeated the fraud awareness e-learning.
Allegation of poor management, DPA/GDPR and safeguarding concerns at a CBT funded charity.	Comprehensive investigation and analysis of key policy and procedure documents supplied by the charity provided a reasonable degree of assurance around the controls in place to protect vulnerable persons and their personal data in line with CBT T&C's. Evidence that relevant training courses had been booked for the CBT funded postholder was provided along with evidence of an externally led investigation into the management practices identified. A meeting with the Chair, board members and key stakeholders demonstrated a commitment to ensure that bad practice was identified, and lessons learned with measures put in place to ensure delivery against objectives. These will be reviewed as part of the CBT grants monitoring activity.
Allegation of misappropriation of funds at a CBT funded charity.	Investigation undertaken with CBT colleagues found that there was little evidence to support the allegation. Enquiries found that other funders had received similar allegations and had also not identified evidence to substantiate the claims. It was identified, however, that the CEO of the charity was also acting as a Trustee and whilst not in breach of Charity Commission rules it was not considered best practice and could result in a conflict of interest. This post holder has now relinquished their role as a Trustee and the grant will be monitored as part of business as usual activity by CBT.

7. The team has progressed a complex and sophisticated Business Rates investigation during the reporting year and work on this continues with support from colleagues at the City of London Police. Updates on the progression and outcome of this investigation will be provided to Members as part of future Anti-Fraud & Investigation reports.

NFI Biennial Exercise

8. The Corporate Anti-Fraud Manager is the Key Contact for the both the City Corporation's and City of London Police's participation in the NFI exercise.

Output from the NFI biennial exercise was released in January 2021 and consists of risk-based data matches for review. A summary of these matches can be found below.

	City Corporation	City Police
Total number of matches	5,153	341
Number of creditor matches (traditionally low risk)	4,706	284
Number of high-risk matches received	142	16
Number of high-risk matches reviewed and cleared	129	12
Number of high-risk matches under investigation	13	4
Number of low and medium risk matches not yet reviewed	163	25
Total	5,153	341

9. The largest proportion of NFI matches relate to creditors; 91% of all NFI matches for the City Corporation and 83% of all NFI matches for the City Police. Creditor matches have traditionally been considered low risk owing to the control framework in place across the organisation and volume of false positives. We have focused on the high risk matches in the first instance with Accounts Payable colleagues reviewing a sample of creditor matches to assess the output from May 2021. A review of all other low to medium risk matches is scheduled for later this reporting year.

NFI Council Tax Single Person Discount (SPD) Exercise

10. The pandemic has impacted the traditional Council tax SPD annual review undertaken by the Council Tax team. In previous years the annual review has focused on all residents in receipt of a SPD discount returning a SPD review form to the City. Working with the Council Tax team, we onboarded to a premium service provided by through the NFI to identify potential SPD fraud through data-matching against NFI records and credit reference agency data to identify if more than one resident appeared to be residing in any eligible property, meaning that the account holder may no longer be entitled to the discount. A review of the high and medium risk matches is being progressed by the Council Tax team, with investigative support provided by the Corporate Anti-Fraud Team. A summary of the NFI output can be found below:

Total number of CT records submitted	1,927
Total number of nil and low risk matches	1,785
Total number of medium risk matches	130
Total number of high-risk matches	12
Total	1,927

Social Housing Tenancy Fraud

11. 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, restrictions, and safe working practices has resulted in changes to our traditional investigation activity, with work over

the reporting year focusing on proactive counter-fraud investigations in relation to housing applications, successions and mutual exchanges (which are desk-based and focussed on prevention) rather than tenancy fraud investigations (that often require physical visits to property and direct contact with tenants, sub-tenants and witnesses and can result in recovery of property). 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 we aim to safely recommence doorstep visiting activity across the City's housing estates from 17 May 2021, subject to further easing of COVID restrictions.

12. Between 01 April 2020 and 31 March 2021 there has been a 40% reduction in tenancy fraud referrals when compared to 2019/20; this is primarily down to the reduced presence of staff on the City's housing estates during the pandemic who regularly report concerns to the team. It is anticipated that these volumes will increase and rise again as COVID restrictions ease and a more visible presence returns across the City's estates. Seven successful outcomes were secured during the reporting year, comprising of two cases where recovery of the property was secured and five cases where fraudulent applications were identified.
13. In addition, we have progressed more complex cases to prosecution and/or civil recovery phase and currently have three cases with the Comptroller and City Solicitor for criminal prosecution action and four cases for civil recovery action. Progress in respect of these cases is delayed owing to a severe backlog of criminal and civil litigation work that the Courts Service were unable to progress during the COVID pandemic
14. A fixed trial date in August has been set in relation to a complex social housing tenancy fraud investigation undertaken by the team, the outcome of which will be reported to this Committee as part of the November update report.
15. A summary of our work in this area, during the 2020/21 reporting year vs. the 2019/20 reporting year can be found at Appendix 2 to this report.

Council Tax Fraud

16. The Team investigated six Council Tax frauds during the reporting year; three investigations centred around single person discounts with investigations resulting in the removal of the single person discount awards and discounts of £1,280 being subject to recovery. Two claims for dishonest student exemptions resulting in discounts being denied and £70 fines (in line with Council Tax Regulations), and a final case relating to a Council Tax Reduction Scheme investigation, which has resulted in an overpayment of £5,400 over a period of almost six years. This case is subject to further investigation by the team.

Whistleblowing

17. 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.

18. 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.
19. During the reporting year, three whistleblowing referrals (as defined in the policy) have been received and both have been concluded.
20. 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.
3	Employee breaches of safe working protocols for essential workers during the pandemic	Matter investigated by HR colleagues. The Departmental Director reinforced the City's safe working practices reminded colleagues of their responsibilities to ensure that social distancing was being adhered to. Staff presence in the office was also kept to a minimum wherever possible.

Corporate & Strategic Implications

21. 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 City's 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

22. The COVID-19 Pandemic has impacted on the work of the Corporate Anti-Fraud Team, with some traditional investigation methods not being possible impacting our tenancy fraud investigations; 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. Likewise, we have been able to progress seven tenancy fraud investigations to

criminal prosecution and/or civil litigation standard and these are subject to ongoing action.

23. A shift in focus to support the City Revenues Team by undertaking post-payment assurance work has been effective in identifying three grants that were made to ineligible businesses, whilst providing assurance that other grants have been made to eligible businesses. Advice and guidance during the development of the City's COVID Recovery Fund initiative has assisted in developing fraud risk controls and data processing assurance, with further support provided through a programme of post-payment assurance activity.

24. The output from the biennial NFI exercise has been received with the majority of high-risk matches reviewed and 17 subject to ongoing investigation. Workstreams have been agreed to review the creditor and lower priority matches over the coming months.

Appendices:

- Appendix 1 – Analysis of the number of cases investigated during the 2020/21 reporting year vs the 2019/20 reporting year
- Appendix 2 - during the 2020/21 reporting year vs the 2019/20 reporting year

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