

Committee(s)	Dated:
Audit & Risk Management Committee	24 May 2022
Subject: Anti-Fraud & Investigations – 2021/22 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 Internal Audit	For Information
Report author: Chris Keesing, Counter Fraud & Investigations Manager	

Summary

In total 26 investigations, across all disciplines have been completed during the reporting year with an associated value of £460,063. Whilst the value of these frauds is in the main notional, we aim to recover £124,919 through a mix of Proceeds of Crime Act investigations, insurance claims and Council tax recoveries.

Returning to more traditional ways of working whilst maintaining the positive aspects of desk-based investigations practiced during the pandemic has resulted in a more agile and productive response by the team. This is demonstrated through the effective triaging of referrals and focus on only those cases where outcomes are likely to be achieved.

The number of cases open for more than one reporting year is low and predominantly relates to prosecution or civil action where we are reliant on the courts service for hearings. Where complex investigations are progressing, these are likely to take a longer period to be finalised.

The procurement and addition of the NFI London Fraud Hub to our counter fraud and investigation armoury provides more resilience to the service and allows us to respond to current and emerging fraud risks by undertaking regular proactive data-matching against core NFI datasets and cross-boundary datasets to detect and prevent fraud at either the point of application or at an early stage.

Recommendation(s)

- Members are asked to note the report.

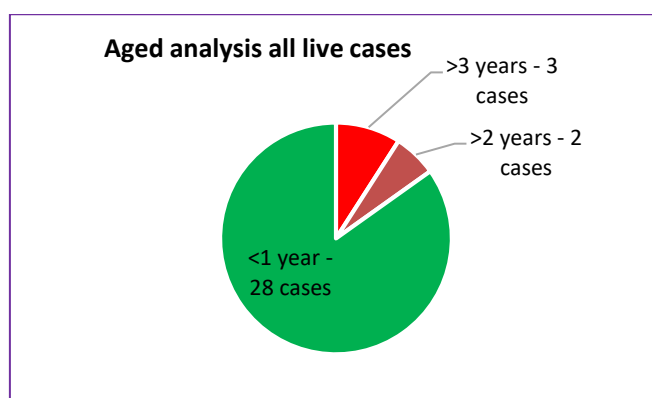
Main Report

Background

1. This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the 2021/22 reporting year. It also provides Members with an update against key anti-fraud initiatives, developments to assist in the prevention detection and reporting of fraud and any emerging risks.

Investigation Activity Summary

2. An analysis of the number of cases investigated during the 2021/22 reporting year compared to the 2020/21 reporting year can be found at Appendix 1 to this report, showing all fraud types along with the value of frauds detected. An aged analysis of all live cases has been summarised below; there are five cases open for more than one year and these relate to three cases where summonses have issued and we are awaiting progression in the courts, and two complex cases where further investigation activity continues.



3. The total associated value of identified fraud from the 31 completed investigations during this period amounting to £417,382. Whilst the value of these frauds is in the main notional, we aim to recover £124,919 as a result of our investigations, this is calculated as:

Fraud type	Recovery method	Value £
Corporate fraud	Recovery via insurance claims	35,778
Council tax fraud	Recovery via revised billing and penalties	2,663
Housing tenancy fraud	Recovery via Proceeds of Crime Act investigations	86,478
Total £		124,919

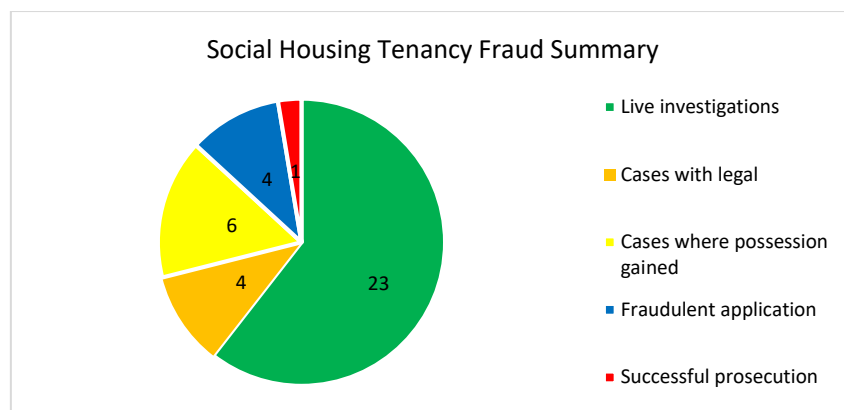
Corporate Investigation Activity

4. Nine corporate investigations have been completed during the reporting year with an associated value of £40,018. Corporate investigations relate to fraud, theft and misconduct allegations investigated by, or investigations supported by, the Corporate Anti-Fraud Team.
5. Where applicable, management reports have been issued detailing the nature and findings from our corporate investigations along with recommendations to improve the control environment and mitigate future risks. A summary of noteworthy cases is included as Appendix 3 to this report.

6. Two corporate fraud cases have been referred to the City of London Police following investigation by the team; these cases were considered suitable for criminal investigation and Police/CPS prosecution and are progressing well. Outcomes in these cases will be provided to Members at their conclusion.
7. The team has been engaged on a high value, complex and sophisticated Business Rates investigation and work on this continues in to 2022/23 with support from colleagues in Chamberlains, Comptroller & City Solicitors, and the City of London Police.

Social Housing Tenancy Fraud

8. The team provides a full investigative response across all aspects of housing, from initial applications to the investigation of civil and criminal tenancy breaches and right to buy screening. We have continued with the positive elements practiced during the pandemic of undertaking desk-based reviews of alleged housing application fraud and smarter triaging of referrals whilst returning to our traditional investigation work and a fraud presence on the City's social housing estates; this has resulted in a 33% increase in the volume of referrals in this key fraud risk when compared to 2020/21, allowed the team to swiftly close 49% of the referrals received where, after triage, the likelihood of a successful outcome was minimal, and has resulted in us being able to devote more time and resource to those cases where an outcome is anticipated.
9. During the reporting year the team recovered seven tenancies, stopped four fraudulent housing applications from progressing and had a guilty plea in one prosecution case. Four further cases are currently subject to criminal (2) and civil (2) action, of which two are awaiting court hearings. The associated loss to the public purse in this fraud risk area is £417,382.
10. One defendant has recently pleaded guilty at the Central Criminal Court to charges under the Fraud Act 2006; the matter is subject to a Proceeds of Crime Act timetable and is awaiting pre-sentence reports, the defendant is listed to be sentenced in August this year.
11. A defendant in another case attended City of London Magistrates Court for a first hearing in April with the matter referred to the Crown; a trial date is to be set in due course. And finally, a defendant in a further case faces a trial at Inner London Crown Court in August.
12. A detailed summary of our work in this area, during the 2021/22 reporting year vs the same period in 2020/21 can be found at Appendix 3 to this report and a summary of noteworthy cases is included as Appendix 4. A snapshot of the tenancy fraud position at 2021/22-year end can be found below.



Council Tax Fraud

13. The Team received 12 Council Tax fraud referrals during the reporting year; five of these failed triage and were closed with no further action, whilst seven investigations, comprising of six Council tax single person discount frauds and one fraudulent student exemption fraud resulting in identified fraud of £2,663.

Whistleblowing

14. The City's Whistleblowing Policy identifies the Head of Audit as one of the main contacts for reporting a concern. 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 often of high significance leading to further investigation.
16. During the reporting year, six whistleblowing referrals (as defined in the policy) have been received of which five have been concluded.
17. The table below provides an overview of the allegation and outcome of the five completed investigations:

Allegation		Outcome
1	Allegation that staff may have been exposed to asbestos	Health and Safety Manager confirmed that he was aware of this report from other sources and that all appropriate asbestos safety management processes were in place and staff were not exposed to risks. Case closed.
2	Formal complaint about breaches of Health and Safety and Equality	Report passed to Assistant Director of HR and HR Business Partner who confirmed that the matter would be processed in line with the City's staff grievance process. Case closed.
3	External report that residents were being exposed to asbestos risks as part of the fire safety works at Petticoat Tower	Concerns discussed with lead surveyor and Town Clerks complaints team. The report was investigated under the complaint's procedure and the tenant advised accordingly.
4	Concern raised that Open Spaces Sergeant was impersonating a Police	Matter referred to HR Team for further investigation. Case closed.

	Constable to gain a discount on a new car	
5	Concern raised relating to collusion in respect of the employment of consultants and money being spent on Consultancy and sub-consultants.	The engagement of the primary consultant was found to be in breach of the Procurement Code and resulted from the need to extend contracts and short time available to do this. It was found that consideration of VFM at the outset was poor/limited but, retrospectively, the department were able to describe the value that they derived from this. There was no evidence to support wider claims in relation to inappropriate commissioning of sub-consultants.

NFI London Fraud Hub

18. In our update report to this Committee in November 2021, Members were updated on our procurement of the NFI London Fraud Hub, there have now been a further six London Boroughs who have procured and introduced the fraud hub, enabling effective and proactive cross-boundary data-matching to detect and prevent fraud.

19. Initial focus has been on pensions and housing data; for pensions this involves matching against the deceased register to identify pensions that may be in payment to deceased pensioners or surviving partners, and for housing to identify fraudulent housing applications and tenants who may be sub-letting or not using their tenancy as their sole and principal residence. Reviews against the output from this matching is being supported by departmental colleagues.

Emerging Risks

20. The team keep abreast of emerging risks through regional and national networks including the London Borough's Fraud Investigators Group (LBFIG), the National Anti-Fraud Network (NAFN), the National Fraud Intelligence Bureau, and CIFAS. Weekly NAFN Intelligence alerts have predominantly related to mandate fraud risks, and these are routinely shared with colleagues in the Accounts Payable team and disseminated on a risk-based approach.

21. The cost-of-living crisis and the current level of inflation is anticipated to result in increased volumes of fraud or attempted fraud across London as people look for opportunities to defraud public services for personal gain, whether that be for greed or perceived desperation. The Counter Fraud Manager is working with colleagues from LBFIG on horizon scanning to consider those services that may be at an increased fraud risk and how AppCheck (a tool to assist in the identification of fraud at application stage) and regular data-matching through the London Fraud Hub can support in mitigating these risks.

Corporate & Strategic Implications

22. 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. Horizon scanning with LBFIG colleagues to identify fraud risks that may emerge from the cost-of-living crisis and inflationary pressures will feed into our counter fraud response and additional data-matching through the London Fraud Hub; we anticipate that with

the addition of this tool and the ability to conduct proactive data-matching at regular intervals we are better placed to prevent and detect fraud at an early stage and safeguard the City's assets. 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

23. The service has returned to some traditional ways of working post pandemic whilst adopting the agile benefits practiced during lockdown, this has resulted in more effective triaging of referrals and allowed the team to focus resources on only those cases where there is a likelihood of securing a positive outcome.
24. The addition of the NFI London Fraud Hub provides a proactive tool to assist in the early identification of fraud and to undertake regular cross-boundary data-matching which has not been possible in the past. We anticipate that as the London fraud hub is adopted by more London Boroughs the benefits of the hub will continue to increase and play a vital role in combatting fraud at City of London and across the London Boroughs, in response to both traditional and emerging fraud risks.
25. The team have increased the use of Proceeds of Crime Act investigations in appropriate cases which is expected to result in the recovery of fraud losses along with investigation and prosecution costs.

Appendices:

- **Appendix 1 – Analysis of the number of cases investigated during the 2021/22 reporting year vs 2020/21.**
- **Appendix 2 – Housing tenancy fraud caseload analysis, 2021/22 reporting year vs 2020/21.**
- **Appendix 3 – Corporate investigations summary.**
- **Appendix 4 – Social housing tenancy fraud investigations summary.**

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