

Committee(s)	Dated:
Audit & Risk Management Committee	22 November 2022
Subject: Counter Fraud & Investigations – 2022/23 Mid-Year Update 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: the Chamberlain	For Information
Report author: Chris Keesing, Counter Fraud & Investigations Manager	

Summary

In total 52 investigations, across all disciplines, have been completed during the reporting year, an increase of 27% since the same period last year. The associated value of fraud investigated during this period amounts to £1,085,261, with almost half of this value relating to one mandate fraud investigation.

The team have made a series of recommendations to mitigate the risk of fraud from mandate fraud, which are expected to further limit opportunities for fraudsters to target this fraud risk area.

An emerging fraud risk relating to agency workers undertaking multiple assignments across London has been identified, we are working across our professional networks to tackle this fraud risk and through the NFI London Fraud Hub user group to explore how the hub can be used to assist in the proactive identification of cross-boundary fraud in this area.

Recommendation(s)

- Members are asked to note the report.

Main Report

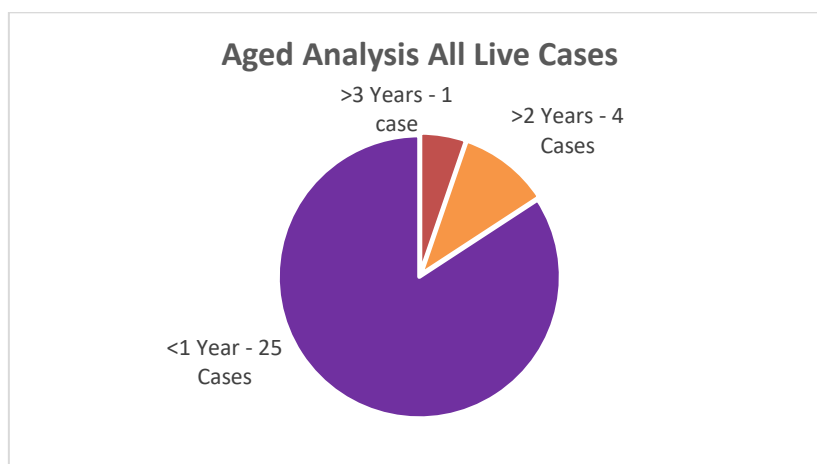
Background

1. This report provides Members with a mid-year update on the activity of the Counter Fraud and Investigation team during the first half of 2022/23. It also provides Members with an update against key anti-fraud initiatives and proactive measures 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 2022/23 reporting year to date, compared to the same period during 2021/22 can be found at Appendix 1 to this report, showing all fraud types along with the value of frauds

detected. Analysis of live cases shows that of the 30 live cases currently under investigation 25 have been raised in the current reporting year, four cases have been open for two years and one case has been open for three years.



3. Our investigations have progressed well, with the associated value of fraud investigated from the 52 completed investigations during this period amounting to £1,085,261.

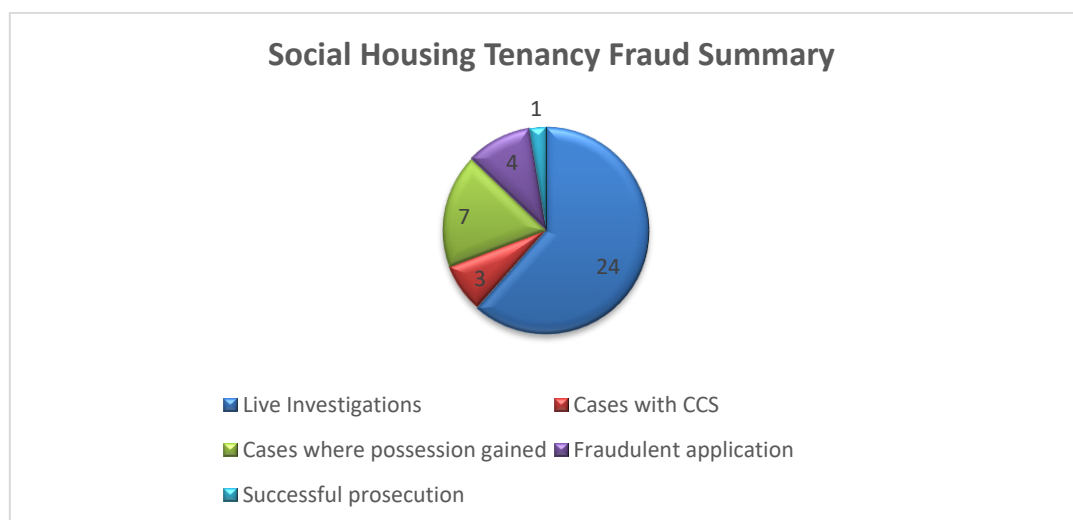
Corporate Investigation Activity

4. Five corporate investigations have been completed during the reporting year with an associated investigation value of £575,739. Corporate investigations relate to fraud, theft and misconduct allegations investigated by, or investigations supported by, the Counter Fraud Team.
5. One investigation concerned a mandate fraud with a value of £575,639 relating to an imposter fraud at a supplier commissioned to undertake works on a Bridge House Estates investment property. Whilst the funding area related to Bridge House Estates, we considered this to be a fraud against the City of London, providing the payment services across its operations as an enabling function. The fraud was successful owing to an imposter spoofing email addresses belonging to employees of the supplier, and a failure to follow procedure by an employee in the City's Accounts Payable team, who allowed the change of bank account request to be actioned without telephone verification as required under local procedures. Disciplinary action was taken against the employee who has subsequently left the City Corporation. The City was successful in recovering the funds from the fraudsters bank account in full, and six recommendations were made to improve the control framework following this investigation.
6. Following the identification of this fraud, a new protocol for the treatment of financial loss resulting from bank mandate fraud has been produced and deals with incidents of this nature. This protocol has been agreed between key stakeholders and sets-out the process for responding to mandate frauds impacting the City of London, across all of its funds and how any losses suffered as a direct result of such fraud will be covered.
7. In addition to the above, revised terms and conditions for suppliers and contractors have now been implemented by City Procurement, following

engagement with the Comptroller and City Solicitor. An electronic communications clause has been added to the official order form for all new suppliers and contractors, with each party being responsible for maintaining the integrity and security of its own data storage and transmission systems, taking into consideration current applicable guidance issued by the National Cyber Security Centre (“NCSC”).

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. Five new Resident Services Officers are now in place across the City’s Estates following the TOM at the Department for Children’s and Community Services, and on-site liaison visits from the Fraud Team, along with a counter fraud and awareness session at the Barbican Estates Office has worked well, with new tenancy fraud referrals generated by estates staff being received by the team.
9. Although the volume of referrals in this reporting period remains consistent with the same period in 2021/22, recovery of property lost to fraud has increased by 38% from 5 units to 8 units, meaning that more housing can now be made available to those in need of affordable housing on the City’s waiting list.
10. We currently have two cases with the Comptroller & City Solicitor for prosecution action and one for civil recovery action. One case is currently awaiting sentencing and a financial order under the Proceeds of Crime Act and will be heard at the Central Criminal Court in January 2023, whilst the other prosecution case is subject to a first hearing at the City of London Magistrates and Court in February 2023.
11. A detailed summary of our work in this area, during the 2022/23 reporting year to date vs. the same period last year can be found at Appendix 2 to this report, whilst a snapshot can be found in the chart below.



12. Our work to tackle housing application fraud mitigates the risk of fraud entering the system from the outset and reduces losses to the public purse, although it

should be noted that fraud can occur at various stages of a tenancy through dishonest failure to report a change of circumstances.

National Fraud Initiative (NFI) & NFI London Fraud Hub

13. The Counter Fraud Manager is the Key Contact for the NFI participation for both the City Corporation and The City of London Police. Datasets mandated by the Cabinet Office for the biennial NFI exercise have all now been submitted for data matching in advance of the deadline, with output due in January 2023; this output will be reviewed by the team and by departmental NFI champions from the City Corporation and the City Police. Any serious fraud or corruption cases that meet the threshold for criminal investigation will be overseen, or directly managed by, the Counter Fraud Team or the City Police Professional Standards Division, as appropriate, in order to ensure that investigations comply with legal requirements and that any recommended disposal does not risk being prejudiced.
14. There are now 19 London Authorities signed up to the NFI London Fraud Hub allowing for the cross-boundary matching of data across London. The Counter Fraud Team have submitted data files in respect of pensions, housing, Council tax and blue badges with some of the output already reviewed; this is summarised below.

Pensions

15. Colleagues in the pensions team have reviewed the deceased records matches and found that in all cases the City was already aware of the deaths either from notifications from relatives or through deceased matching by their software supplier, therefore providing a degree of assurance in the current control measures to mitigate the risk of losses from unknown deceased pensioners.

Housing Waiting List

16. Data-matching housing waiting list data to deceased records identified three housing applicants who had passed away where the City was unaware; these applicants have now been removed from the City's waiting list. The NFI associated value of one deceased housing waiting list applicant is £3,240, thereby providing an associated value of £9,720 for these three cases.

Council Tax Single Person Discount (SPD)

17. Council Tax SPD data was matched to HMRC data through the fraud hub, from this exercise, 18 taxpayers in receipt of Council Tax SPD were found to have failed to report one or more additional people residing at their home, resulting in fraudulently claimed discounts of £18,979. These are in the process of being recovered by the Council Tax team.

Whistleblowing

18. The City's Whistleblowing Policy identifies the Head of Audit as one of the main contacts for reporting a concern and Internal Audit is responsible for maintaining a confidential and secure register of all disclosures raised through the Whistleblowing Policy.

19. The number of referrals received via whistleblowing channels is relatively low; however, when referrals are received, they are, at times, of high significance leading to further investigation. During the reporting year to date, two whistleblowing disclosures (as defined in the policy) have been received.
20. One disclosure received in 2022/23 related to an allegation of hospitality involving two employees; this was investigated by the Internal Audit and Counter Fraud Team and the allegations were found to have merit and reported to the relevant Chief Officer who provided a formal response to the employees. The risks to corporate contracts and procurement activity involving these employees were explored with colleagues in the City's Procurement Division at the same time and were considered to be negligible.
21. One disclosure remains under live investigation by the Internal Audit and Counter Fraud Team with further evidence to be collated and reviewed before considering any further formal investigation.

Emerging Risks

22. The team keep abreast of emerging risks through local and national networks including the London Borough's Fraud Investigators Group, 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.
23. A significant emerging risk has been identified across London concerning agency workers working multiple contracts concurrently. This risk has developed through the move towards a hybrid working model where less oversight over the whereabouts of agency staff exists and provides opportunities for workers to moonlight across multiple recruitment agencies/assignments as temporary workers. Through our professional networks we are exploring opportunities to undertake data matching through the London Fraud Hub to proactively tackle this fraud risk.

Corporate & Strategic Implications

24. 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 NFI London Fraud Hub provides a proactive cross-boundary mechanism to support us in identifying fraud at an early stage through regular data matching activity and in emerging fraud risk areas using powers under the Local Government Act 1972. 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

25. The volume of completed investigations has risen by 29% compared to the same period last year and the value of fraud investigated has risen significantly,

although this was mainly owing to a significant mandate fraud to the value of £575,639.

26. The NFI London Fraud Hub is progressing well and identifying fraud in a number of service areas. The scope to proactively tackle the emerging fraud risks of agency workers undertaking multiple assignments across London using the Fraud Hub has the potential to significantly lower this risk and protect the City's funds.

Appendices:

- **Appendix 1 – Analysis of the number of cases investigated during the 2022/23 reporting year to date compared to the same period in 2021/22.**
- **Appendix 2 - Housing Tenancy Fraud Caseload Analysis during the 2022/23 reporting year to date compared to the same period in 2021/22.**

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