

Committee(s)	Dated:
Audit & Risk Management Committee	12 May 2023
Subject: Anti-Fraud & Investigations – 2022/23 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: 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 with an associated value of £1,335,436. Whilst the value of these frauds is in the main notional, we identified recoverable amounts of £691,835, of which £636,251 has been recovered during the reporting year.

The team has had a strong focus on identifying cases where the use of Unlawful Profit Orders (UPO’s) and/or Proceeds of Crime Act (POCA) action can be taken, and this has resulted in increased recoverable amounts from our investigations during the reporting year.

Two face to face training sessions have been provided by the team during 2022/23, and have provided staff working in fraud risk areas with new skills to detect and prevent fraud, thereby mitigating the risk of fraud entering the system and impacting the City Corporation.

The Counter Fraud & Investigation Manager is taking a lead role for London Borough fraud teams in his capacity as Chairman of the London Borough Fraud Investigators Group on the use of the NFI London Fraud Hub to tackle the emerging fraud risk of agency and permanent staff working across multiple contracts simultaneously.

Recommendation(s)

- Members are asked to note the report.

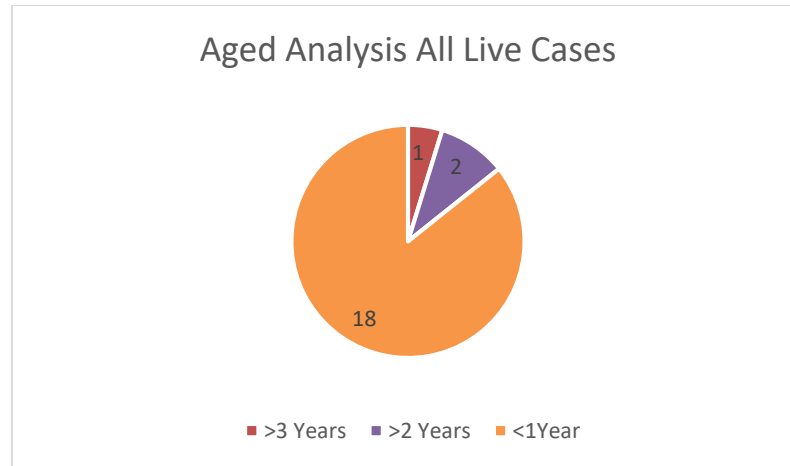
Main Report

Background

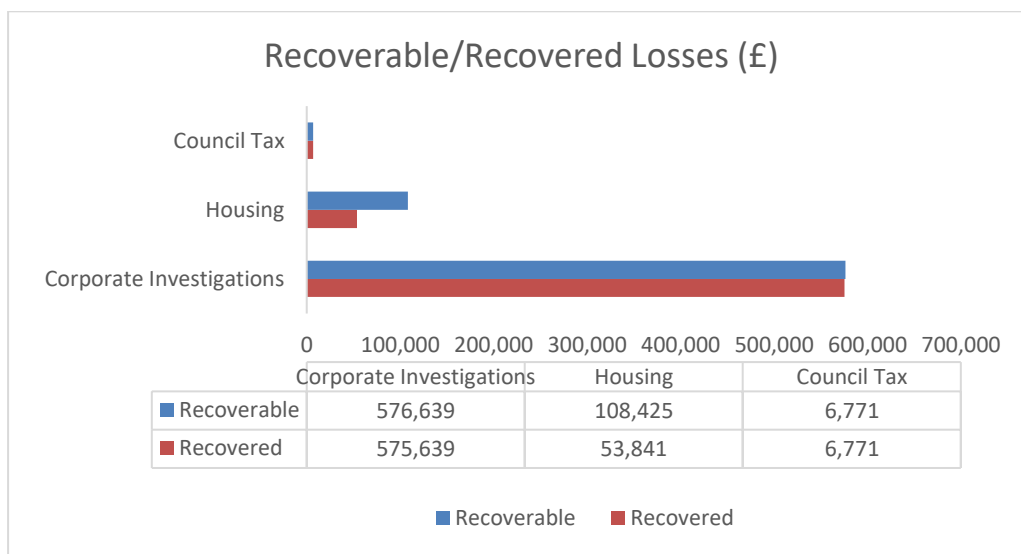
1. This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the 2022/23 reporting year. It also provides Members with an update against key anti-fraud initiatives, developments to assist in the prevention detection and reporting of fraud and any emerging risks.

Investigation Activity Summary

- An analysis of the number of cases investigated during the 2022/23 reporting year compared to the 2021/22 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 three cases open for more than one year, two cases involve criminal action where summonses have been issued and are awaiting progression in the courts; the final matter is a complex business rates evasion case where formal interviews have been arranged.



- The total associated value of identified fraud from the 52 completed investigations during this period amounts to £1,335,436. Whilst the value of these frauds is, ordinarily, in the main notional, we identified recoverable amounts of £691,835, of which £636,251 has already been recovered, with the remainder being recovered through court orders.
- The chart below provides a snapshot of recoverable losses vs recovered losses during the 2022/23 reporting year across applicable investigation types.



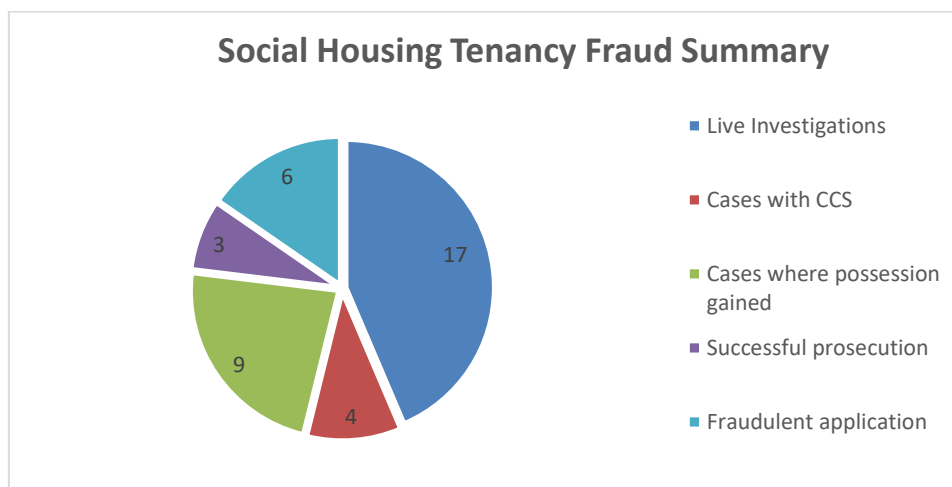
Corporate Investigation Activity

5. Eleven corporate investigations have been completed during the reporting year with an associated value of £610,553. Corporate investigations relate to fraud, theft and misconduct allegations investigated by, or investigations supported by, the Corporate Anti-Fraud Team.
6. The team have recovered £576,639 from our Corporate Investigations during the reporting year, this almost entirely relates to a single mandate fraud with a value of £575,639. It should be noted that such a high value of corporate fraud is unusual and relates to a substantial mandate fraud attack during the year; the team do not expect such high values of corporate fraud to be an annual occurrence.
7. Two corporate fraud cases that had been referred to the City of London Police for further action have progressed; the first involved misuse of the Adison Lee taxi account for personal gain by an employee of another London Borough during the Covid pandemic, this has resulted in a criminal prosecution and recovery of the taxi journeys in full; the second relates to an email compromise fraud from of a corporate contract with the beneficiary of the fraud living in Manchester having been charged with offences under the Fraud Act 2006, and now subject to an arrest warrant for failure to attend court hearings.
8. 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.

Social Housing Tenancy Fraud

9. 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 consider social housing tenancy fraud to be one of the City's top fraud risks and as such have a dedicated resource to investigate all aspects of tenancy fraud.
10. The team has had an increased focus over the past year on ensuring that where tenants commit fraud and benefit from unlawful subletting, robust action is taken to recover any profits made using Unlawful Profit Orders or Proceeds of Crime Act Investigations, the later through a partnership with Croydon Council's Financial Investigators. This has resulted in the identification of £108,425 in recoverable fraud, of which £53,841 has already been recovered. The remainder is subject to court ordered timescales for recovery.
11. During the reporting year the team recovered nine tenancies, successfully prosecuted three defendants, and stopped six fraudulent housing applications from progressing. Four further cases are currently subject to criminal (2) and civil (2) action, of which both criminal cases are awaiting first hearings.
12. A detailed summary of our work in this area, during the 2022/23 reporting year vs the same period in 2021/22 can be found at Appendix 2 to this report and a

summary of noteworthy cases is included as Appendix 4. A snapshot of the tenancy fraud position at 2022/23-year end can be found below.



Council Tax Fraud

13. The total value of Council Tax Single Person Discount (SPD) fraud identified and reported to the November Committee meeting has been revised down from £18,979 to £6,771 following successful appeals by rate payers who have provided evidence to support the position that they are sole occupiers of their dwellings. The Council Tax team have recovered the dishonestly claimed Council Tax SPD's in full.

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, two whistleblowing referrals (as defined in the policy) have been received and both have been successfully concluded, two further referrals received during the 2021/22 reporting year have also been concluded during the year. There are no outstanding whistleblowing concerns at the point of drafting this report.

17. The table below provides an overview of the allegation and outcome of the four completed investigations:

	Allegation	Outcome
1	Allegation of corruption in the authorisation of pay for hours not worked by an agency staff member that was married to a permanent	A management investigation supported by Internal Audit found that the CoL employee had authorised overtime payments for their partner, and that overtime hours claimed for had been

	employee managing the applicable service.	authorised, even though the agency worker had not worked the requisite 35 hours within the week of the claim. At a disciplinary hearing the CoL employee was given a final written warning. Internal Audit reviewed the service area following investigation making a number of recommendations to improve the control framework and practices in place.
2	An employee raised concerns about the employment of consultants and money being spent on Consultancy for the EDI programme. The concern also suggested unfair recruitment of consultants outside of the expected recruitment and selection process, resulting in an unfair award of business to friends and family.	Review undertaken by the Head of Audit, which found that the engagement of the primary consultant did end up being in breach of the Procurement Code and Officers could have handled this better, it was as a result of the need to extend the contract and the short time available to do this meant that it perhaps wasn't managed with Members and procurement colleagues as we would like/expect. It was found that the consideration of VFM at the outset was poor/limited but, retrospectively, the department were able to describe the value that they derived from this.
3	Report of observed inappropriate behaviour towards women in the workplace	Matter discussed with the whistleblower, there were no other employees who had reported the concerns and despite assurances as to the confidential nature of whistleblowing concerns, no evidence, other than hearsay evidence could be provided, and no direct reports were received. It was agreed that the Head of Audit would discuss further with the Chief Operating Officer, who agreed to take forward directly with the relevant Chief Officer to ensure that there was knowledge of the concern within the department, and that the employees' behaviour could be monitored.
4	Allegation that two senior managers were offered, and accepted, hospitality from a supplier in breach of the Conflict-of-Interest Policy.	The concern was investigated by Internal Audit with formal interviews held. During the interviews, both employees admitted attending the event in question but gave differing reasons why and about their knowledge of the Conflict-of-Interest Policy, their responsibilities under the Policy and their need to record any instances. The findings were reported to the relevant Chief Officer who agreed with the Internal Audit findings that attending the event did constitute hospitality and that this is exceeded the thresholds set out in the Corporate Policy and that the employees should have declined the invitation. The employees were warned about their behaviour, asked to familiarise themselves with the Corporate Policy and requested to retrospectively book annual leave for the day in question

Training

18. The Counter Fraud & Investigation Manager has delivered two face to face training events during the reporting year; the first was a joint session in February 2023 with the Transactional Finance Team Managers designed to upskill AP & AR staff to identify and respond to mandate fraud, how to identify and spot the red flags and the appropriate action to take. This session was well received and there have been no successful mandate fraud incidents since delivery of the training in February 2023.
19. The second training event was delivered to 20 housing staff across working across the City's social housing estates, this included a tenancy fraud awareness and knowledge session delivered by the Counter Fraud & Investigation Manager, a document and ID fraud awareness session delivered by colleagues from the Home Office and a Q&A with a Chief Immigration Officer about how to identify and respond to any immigration concerns and how support can be obtained. A feedback form completed by delegates following the event found that all staff enjoyed the training day, considered that the knowledge of the trainers was excellent, and most felt that they would be able to put their learning in to practice in their day-to-day work.

NFI London Fraud Hub & Emerging Fraud Risks

20. Since the City joined the NFI London Fraud Hub in January 2022, a further 17 London Boroughs have onboarded, with a further four in the process of joining. The hub allows London Boroughs to share data for the prevention and detection of fraud, whilst providing unlimited access to the NFI AppCheck to enable the City to undertake increased due diligence across relevant service areas to identify fraud. AppCheck is currently being used by HR colleagues in the recruitment process to assist in the verification of information provided during an application for employment, by housing staff to verify data provided on housing applications prior to tenancy inspections, and as part of any income recovery activity when bad debts have been identified, and finally by staff processing blue and red badge applications to verify the information provided prior to the issue of disabled parking permits. The team continues to engage with departments to identify further scope for the rollout of the AppCheck product to support with officer due diligence.
21. The Counter Fraud & Investigation Manager has taken a key role across London to progress an initiative through the London NFI Fraud Hub to identify and tackle the emerging fraud risk of agency and permanent staff working across multiple contracts simultaneously. This fraud risk offers the opportunity for significant financial benefit, and is a growing risk not only to the public purse, but also to the risks of misuse and/or theft of data and/or intellectual property. The hub provides London Boroughs with a mechanism to match both agency and employee data securely and under an existing legal gateway through the Local Audit & Accountability Act 2014. We have now consulted with the Public Sector Fraud Authority, the Information Commissioners Office, the recruitment agencies providing temporary staff to London Boroughs and the company providing the fraud hub solution. We are currently seeking independent legal advice that we can share with our recruitment agency partners and we expect to be in a position to ingest agency and establishment data into the fraud hub

from July this year with the aim of refreshing the data within the hub on a quarterly basis to provide ongoing fraud detection and prevention through proactive matching and publicity of the initiative.

Corporate & Strategic Implications

22. The work of the Team is designed around preventing and detecting fraud risks 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 emerging fraud risk of agency and/or permanent staff working across multiple contracts is an emerging risk that we are working across London to tackle through our investment in the NFI London Fraud Hub with the City's Counter Fraud & Investigation Manager taking a key and leading role in his capacity as the Chairman of the London Borough Fraud Investigators Group, to develop and launch the initiative. 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 team continues to perform strongly, identifying and responding to fraud referrals and fraud risks, whilst ensuring that face to face training is delivered with measurable benefits in high-risk areas across the organisation to empower front line staff to identify and tackle fraud risks impacting the City at the point of application/contact. The recovery of properties lost to fraud enables the City to provide good quality, affordable housing to those in the greatest need.

24. A strong focus during the 2022/23 reporting year has been on ensuring that criminal benefits are recovered for the City through the use of Unlawful Profit Orders and Proceeds of Crime Act investigations, with this activity resulting in the recovery of £636,251, with a further £54,584 subject to court orders and expected to be recovered in due course.

Appendices:

- **Appendix 1 – Analysis of the number of cases investigated during the 2022/23 reporting year vs the 2021/22 reporting year**
- **Appendix 2 - during the 2022/23 reporting year vs the 2021/22 reporting year**
- **Appendix 3 – Corporate investigations summary**
- **Appendix 4 – Social housing tenancy fraud investigations summary**

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