

Committee(s)	Dated:
Audit & Risk Management Committee	06 November 2023
Subject: Counter Fraud & Investigations – 2023/24 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: Chamberlain	For Information
Report author: Chris Keesing, Counter Fraud & Investigations Manager	

Summary

In total 34 investigations, across all disciplines, have been completed during the first six months off this reporting year with an associated value of £658,333. The bulk of this relates to the recovery off nine social housing tenancies with an associated loss to the public purse off £539,624.

The team have overseen 15 corporate investigations across a wide remit with six recommendations made to improve controls and mitigate the risks off further fraud occurring.

The Counter Fraud & Investigations Manager has been leading on a pan-London project to identify polygamous working, supported by 24 London Boroughs and five major suppliers of temporary resources to these organisations. The project is due to go live as a proof-of-concept in November 2023.

Recommendation(s)

- Members are asked to note the report.

Main Report

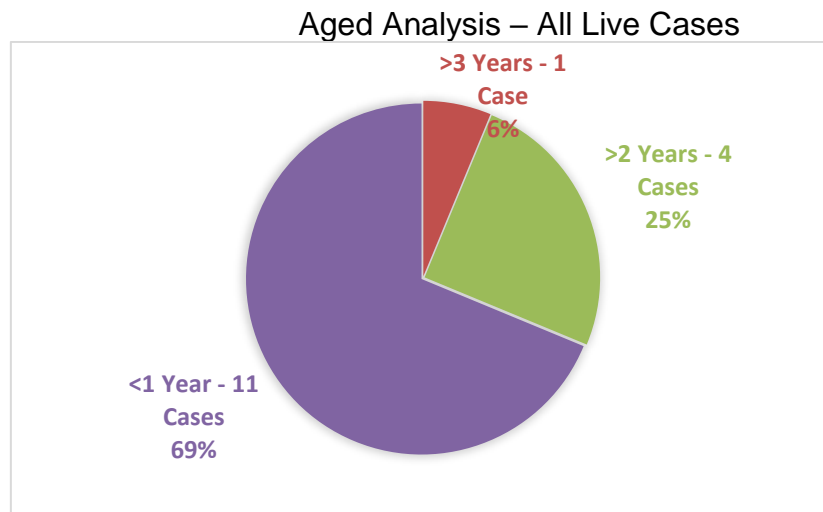
Background

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 2023/24. 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.

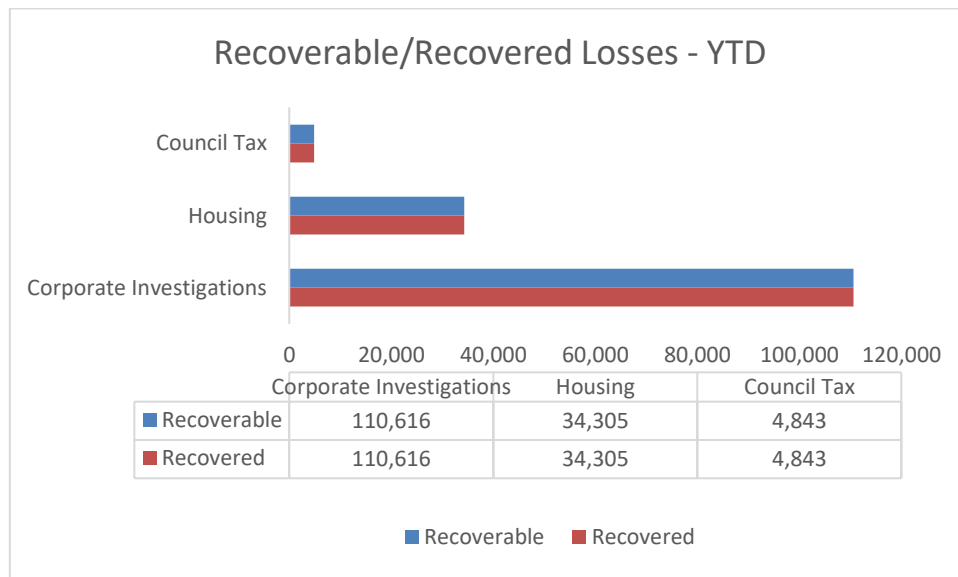
Investigation Activity Summary

2. An analysis of the number of cases investigated during the 2023/24 reporting year to date, compared to the same period during 2022/23 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 16 live cases currently under investigation 11 have been raised in the current reporting year, four cases have been open for two years and one complex investigation has been open for over three years.



- Our investigations have progressed well, with the associated value from the 34 completed investigations during this period amounting to £658,333.
- The graphic below shows the volume off recoverable losses during the first half of this reporting period. We have recovered £149,764 in losses this year to date, including £106,737 in VAT overpaid in error, and £34,305 following a proceeds of crime investigation in a tenancy fraud prosecution.



Corporate Investigation Activity

- 15 corporate investigations have been completed during the reporting year with an associated investigation value of £110,616. Corporate investigations relate to fraud, theft, error, and misconduct allegations investigated by, or investigations supported by, the Counter Fraud Team.

6. Nine cases resulted from the City's participation in the National Fraud Initiative (NFI). One of the NFI reports analysed the City's VAT payments and highlighted payments where possible inconsistencies were identified; further investigation found that the City had paid £106,737 too much in VAT on nine payments. We have been able to recover the VAT overpaid in error, as a direct result of these investigations.
7. An investigation at one of the City's independent schools following a report that a staff members salary had not been received found that the school was subject to a salary mandate fraud. Emails originating from a Russian email domain were used to deceive staff at the school to processing a change to a member of staff's bank account, resulting in a loss of £3,879. Whilst the loss is covered under the City's financial crime insurance policy, opportunities existed for the school to identify this fraud at an early stage. We have made five recommendations to improve controls and mitigate opportunities for similar frauds to succeed in the future.

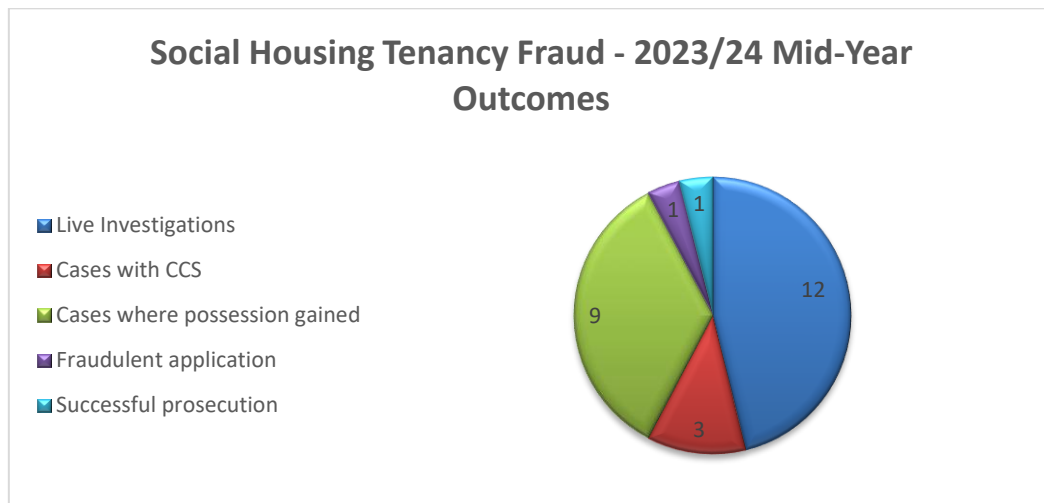
Fraud Prevention

8. Following a number of successful mandate frauds in recent years, and the Counter Fraud teams work with the Transactional Finance Team to improve controls and deliver fraud awareness training to upskill officers, Accounts Payable colleagues have successfully identified and prevented £301,596 in attempted mandate fraud during the first six months of this reporting year. Whilst there is an inherent risk of fraud in payment activities, the successful identification of these attempted frauds demonstrates the benefits of strong internal controls and of developing a fraud aware culture. Internal Audit has recently highlighted the importance of raising purchase orders on a timely basis, and while perhaps not an obvious link, the purchase order is part of the control framework to prevent loss from mandate fraud in that the City's standard terms and conditions incorporate protection for the City of London Corporation in the event that a supplier's communications are compromised.

Social Housing Tenancy Fraud

9. Social housing tenancy fraud remains a key fraud risk for the City of London; 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.
10. The volume of tenancy fraud referrals is consistent with the same period in 2022/23. We have recovered nine tenancies lost to fraud in the first half of this reporting year; an increase of 23% on the previous year, that have now been made available to those in greater need of affordable housing, and reducing the pressure on the City's housing waiting list.
11. We currently have two cases with the Comptroller & City Solicitor for prosecution action and one for civil recovery action. One case is listed for a Crown Court trial in November 2024, with the second case involving two defendants subject to an arrest warrant for failing to appear at Magistrates Court hearings.

12. A detailed summary of our work in this area, during the 2023/24 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.



National Fraud Initiative (NFI) & NFI London Fraud Hub

13. The Counter Fraud & Investigations Manager is leading on a pan-London project to identify and tackle polygamous working, where workers are engaged simultaneously across multiple contracts. Through his leadership of the London Boroughs Fraud Investigators Group, the NFI London Fraud Hub was launched last year and now boasts 24 London Boroughs. Through this forum we have engaged and harnessed the support of five major suppliers of temporary workers to London Boroughs and undertaken detailed due diligence to allow for the lawful sharing of permanent and temporary worker data across all 24 NFI Fraud Hub members. This proof-of-concept project will run for six months and is scheduled to 'go live' in November 2023, when data will start to be ingested into the Fraud Hub; Output detailing persons of interest will be released to Fraud Hub members in December for further investigation. We will report the progress of this project to Members at the April 2024 Committee.
14. A Council Tax Single Person Discount (SPD) exercise has been undertaken during this reporting year; SPD data was shared through the National Fraud Initiative and matched to Electoral Register data, with the following results.

SPD matches identified	348
SPD matches processed to date	150
SPD cases currently under review	37
No. of SPD frauds identified to date	5
Value of identified SPD fraud to date	£4,143

Whistleblowing

15. 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 concerns raised through the Whistleblowing Policy.

16. 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.
17. Both disclosures related to conduct concerns; the first was an anonymous disclosure that we considered had no basis for any investigation. The second related to a matter under investigation under alternative Policy and Procedures, and following consultation with the Comptroller & City Solicitor it was not considered appropriate to conduct an independent investigation as this would risk prejudicing ongoing matters.

Case Management System

18. We have recently procured a fraud case management system and are in the progress of implementing this system across the team. The system will support paperless case and prosecution files and is anticipated to improve performance by providing a mechanism to manage investigation cases and record evidence in one place. We are working with the supplier to further develop the system to record fraud risks and recommendations arising from corporate investigations.

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 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.

Conclusion

20. The team continues to perform well with 34 investigations completed during the period with a value of £658,333. We continue to innovate and develop strategies to identify and tackle fraud risks by using 'big data' and the technology we have invested in.
21. Polygamous working represents a significant risk to the City of London and to the wider London public purse, it also represents related intellectual property, reputational and safeguarding risks. The Counter Fraud & Investigations Manager is leading on a pan-London project to tackle this fraud risk through the NFI London Fraud Hub with a 'go live' date in November 2023.

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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