

<b>Committee(s)</b>	<b>Dated:</b>
<b>Audit &amp; Risk Management Committee</b>	<b>30 November 2021</b>
<b>Subject: Anti-Fraud &amp; Investigations – 2021/22 Mid-Year Update Report</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N/A</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of: Head of Audit &amp; Risk Management</b>	<b>For Information</b>
<b>Report author: Chris Keesing, Corporate Anti-Fraud Manager</b>	

### **Summary**

In total 38 investigations, across all disciplines, have been completed during the reporting year with an associated value of £305,811. Whilst the bulk of this value relates to notional savings attributed to social housing tenancy fraud investigation, the volume of positive outcomes, where fraud or irregularity was identified has increased by 68% compared to same period last year, with some of this attributable to the return to more traditional investigation methods and the easing of COVID restrictions.

The team have adopted a revised formula for calculating the cost to the public purse from social housing tenancy fraud and mapped this against the City Corporation’s temporary accommodation costs to provide a true reflection of the loss to the public purse from this fraud risk.

We have identified and procured a new and sophisticated system to proactively identify fraud at an early stage and at point of access to some higher fraud risk services and will be rolling this out from January 2022. We also anticipate that this solution will be adopted by more London Boroughs in due course and provide London Boroughs with a mechanism to identify and tackle cross-boundary fraud effectively.

### **Recommendation(s)**

- Members are asked to note the report.

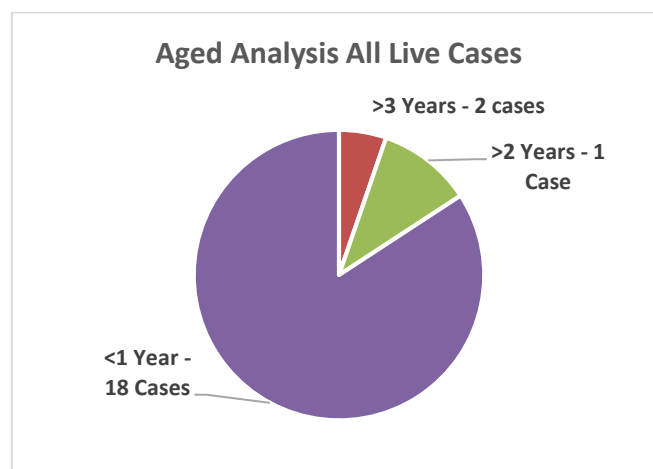
### **Main Report**

#### **Background**

1. This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the first half of 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 to date, compared to the same period during 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. Our analysis of live cases shows that of the 21 live cases currently under investigation 18 of these have been raised in the current reporting year, one case has been open for two years and two cases have been open for three years. In respect of the cases open for two years or longer, one relates to a complex business rates evasion fraud and two relate to tenancy fraud investigations where tenants have been out of the country for extended periods owing to medical interventions and/or COVID and formal interviews with the tenants are required to seek responses to the questions that are outstanding.



3. Our investigations have continued to progress well, with the associated value of identified fraud from the 38 completed investigations during this period amounting to £305,811, with the bulk of this relating to losses to the public purse from social housing tenancy fraud investigations.

## Corporate Investigation Activity

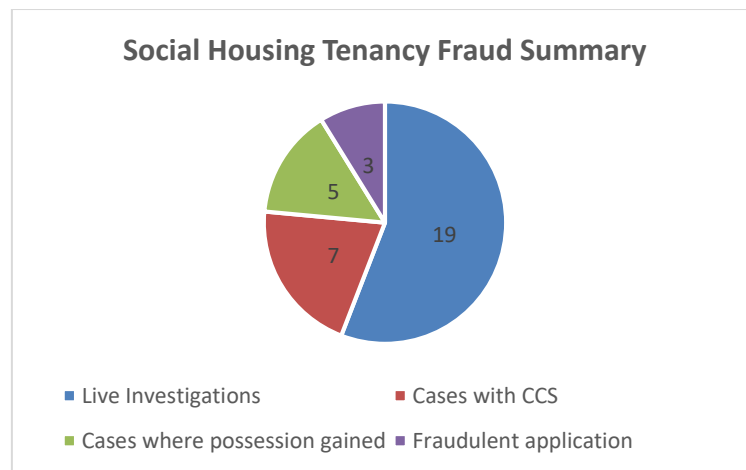
4. Six corporate investigations have been completed during the reporting year with an associated value of £38,928. Corporate investigations relate to fraud, theft and misconduct allegations investigated by, or investigations supported by, the Corporate Anti-Fraud Team.
5. Where applicable, management 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.

## Social Housing Tenancy Fraud

6. 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. Whilst continuing to provide a desk-based review of alleged housing application fraud, a return to more traditional investigation work and a fraud presence on the City's social housing estates has resulted in a 60% increase

in positive outcomes for properties successfully recovered when compared to the same period last year.

7. In addition to the above, we now have 70% more cases (an increase of two to seven) with the Comptroller & City Solicitor for civil and/or criminal action than at the same point last year, having progressed a number of cases to the evidential stages for legal action following the easing of COVID restrictions. Owing to the backlog in both the Crown, Magistrates and County Courts, outcomes in these cases are delayed and we are reliant on the court service to progress to hearings at various stages, including Crown Court trials. Updates on the outcomes in these cases will be provided in future reports.
8. A detailed summary of our work in this area, during the 2021/22 reporting year to date vs. the same period last year can be found at Appendix 3 to this report, whilst a snapshot can be found in the chart below.



9. The team have recently adopted a revised formula for valuing the cost to the public purse from social housing tenancy fraud. This formula has been developed by the Tenancy Fraud Forum with support from industry groups including the London Borough Fraud Investigators Group, which the City's Corporate Anti-Fraud Manager currently Chairs. In order to develop this new formula, the research team took evidence from social landlords across the country including Councils and Registered Social Providers to understand the following:
  - a) The annual average temporary accommodation cost per family for individual councils.
  - b) The average number of years a family typically spends in temporary accommodation.
  - c) Average investigation costs for a tenancy fraud investigation.
  - d) Average legal costs for a tenancy fraud investigation.
  - e) Average void costs for a tenancy fraud investigation.

The national average value of tenancy fraud identified through this research has been identified as costing the public purse £41,740. A copy of this formula and help sheet can be found at Appendix 4 to this report.

10. This formula has also been designed to be used to calculate the local costs of tenancy fraud to the public purse. We have, accordingly, applied this and established the true cost of a single social housing tenancy fraud at the City Corporation as £59,626. The City uses both inner and outer London temporary accommodation which varies in cost with the average temporary accommodation cost for inner London placements over three years being £45,864, whilst the cost for outer London placements over three years is £36,036; therefore, a median figure of £40,950 has been used to provide a fair reflection of the temporary accommodation costs over three years to those placements made by the City Corporation; the other costs detailed within the formula remain static. A copy of the City of London calculation can be found at Appendix 5 to this report.
11. Using this new formula, the associated cost to the public purse from those tenancy fraud cases investigated and resolved by the team during the first half of this reporting year amounts to £298,130. Whilst this is not a recoverable cost in cases where housing is recovered through voluntary surrender following investigation, the team seek to utilise Unlawful Profit Orders and the Proceeds of Crime Act in the most serious cases where either criminal/civil proceedings are undertaken.
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.

### **Whistleblowing**

13. 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.
14. 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.
15. During the reporting year, five whistleblowing referrals (as defined in the policy) have been received and of these four have been concluded including where they have been passed to departmental management for further review and action.
16. One case remains under live investigation by the department with the Corporate Anti-Fraud Manager providing support, procedural and evidential guidance, and support.

### **National Fraud Initiative (NFI) Fraud Hub**

17. Building upon the success of the NFI biennial exercise at the City Corporation, funding has recently been secured for the NFI Fraud Hub; the contract has recently been reviewed and we anticipate that we will be able to start using the fraud hub from January 2022. The NFI Fraud Hub provides a proactive

capability for the City Corporation and enables us to identify fraud at an earlier stage through data-matching against core NFI datasets and those held by other London Boroughs. At the point of writing there is one other London Borough committed to procuring the hub and significant interest from many others. Intelligence suggests that cross-boundary fraud is a significant risk to local authorities and this solution will allow London Boroughs to share data within the hub on a legal basis to identify fraud and mitigate the risks that fraudsters move from borough to borough committing the same, or similar, offences.

18. In addition to the above, the NFI AppCheck, a sophisticated tool for assessing applications for housing, Council tax discounts, concessionary travel passes, and employment is included in the subscription and will be rolled out across those high-risk areas from January 2022 to mitigate the risk of fraud at the point of application.

### **Emerging Risks**

19. The team keep abreast of emerging risks through regional 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.
20. Through our work this year investigating mandate frauds affecting the City Corporation, improvements have been made to the control framework surrounding new supplier set-ups and amendments to bank account details. These new processes have been designed by the Accounts Payable Team in consultation with Internal Audit, guidance has been disseminated across the organisation, providing a stronger response to mitigating future fraud risks in this area.

### **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. Our investment in the NFI Fraud Hub which will add additional mechanisms to assist in identifying fraud at an early stage through regular data matching activity and enable the roll-out of the NFI AppCheck, a pre-application tool to identify fraud at the point of application to more high-risk departments across the City Corporation. 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 team has returned to some traditional methods of investigation activity, particularly in respect of social housing tenancy fraud and this has resulted in an increase in positive outcomes in this area, whilst maintaining elements of the desk-based approach to counter fraud and investigations adopted

throughout the pandemic that worked well and enabled us to work more efficiently in some areas.

23. The volume of positive outcomes is returning to pre-pandemic levels, whilst the complexity of some of our cases continues to grow. The new formula for calculating the loss to the public purse from tenancy fraud investigations is positive and provides a better reflection of the cost of this fraud risk to the public purse and the need to ensure that only those with a genuine need are occupying social housing.

24. The NFI Fraud Hub will enhance our pro-active investigation capabilities and allow us to work smarter making best use of the data available to us, whilst engineering out fraud at the point of access through the NFI AppCheck.

#### **Appendices:**

- **Appendix 1 – Analysis of the number of cases investigated during the 2021/22 reporting year to date compared to the same period in 2020/21.**
- **Appendix 2 - Corporate Investigations Summary**
- **Appendix 3 – Housing Tenancy Fraud Caseload Analysis during the 2021/22 reporting year to date compared to the same period in 2020/21.**
- **Appendix 4 – Calculating Losses from Housing Tenancy Fraud Help Sheet**
- **Appendix 5 - COL Tenancy Fraud Median Values**

#### **Contact:**

Chris Keesing

Corporate Anti-Fraud Manager

Chamberlains Department

E: [chris.keesing@cityoflondon.gov.uk](mailto:chris.keesing@cityoflondon.gov.uk)

T: 07500 991120 or MS Teams