

Committee: General Purposes Committee

Date: 10th March 2016

Subject: Fraud Update

Lead officer: Caroline Holland – Director of Corporate Services
Lead member: Chair of the GP Committee
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Recommendations:

- A. That members note the Fraud Progress report and comment on the matters arising from it.**
 - B. That members receive as information the first London based Protecting the Public Purse Report and support continued participation including the development of the London baseline for future regional benchmarking activities.**
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1. Background to Fraud Investigation Resource

- 1.1 Merton Council entered into a shared fraud investigation service, known as the South West London Fraud Partnership (SWLFP), with Kingston, Richmond, Sutton & Wandsworth Councils from 1st April 2015 to ensure that an effective fraud investigation and prevention service would be maintained following the transfer of benefit fraud investigation to the Department for Work and Pensions (DWP). A brief outline on the structure and governance arrangements for the SWLFP is attached at [Appendix A](#).
- 1.2 The bringing together of retained knowledge and expertise under a single team strengthens resilience for individual authorities, enabling a collaborative approach to fraud investigations and introduces the ability to undertake regional proactive counter fraud exercises. Individual partner authorities retain responsibility for ensuring that its affairs are managed in accordance with proper standards of financial conduct and for preventing and detecting fraud and corruption.
- 1.3 The SWLFP undertakes internal enquiries into alleged or suspected fraud and corruption and maintains an immediate response capability in this respect. Trained staff undertake investigations in accordance with legislation, regulations and codes of practice to ensure that actions are not prejudicial to the outcome of a case, and to preserve the rights of the individuals.

1.4 Non-financial irregularities concerning an employee’s moral, ethical, or behavioural conduct (including criminal offences against parties outside of the SWLFP), or other unprofessional conduct are covered by the Partner’s Codes of Conduct and should be resolved by the relevant organisation. However the SWLFP Service can provide assistance with complex cases where required.

2. The South West London Fraud Partnership (SWLFP)

2.1 The SWLFP investigation team comprises 14 full time and 5 fixed term posts, with a mixture of expertise from both within and outside local government. 10 officers hold relevant Accredited Counter Fraud Specialist qualifications and 6 officers have commenced Accredited Counter Fraud Specialist training with CIPFA.

2.2 The investigation service is divided into two teams that deal with Corporate and Housing fraud. No Merton officers transferred into the partnership and the Council funds (including DCLG funding for tenancy fraud work) the equivalent of three officers that will be used to deliver the following activities:

	Planned Days	%
Referral Review	35	7
Pro Active Fraud Drives	199	41
Fraud Investigation	209	43
Fraud Awareness/prevention	13	3
Contingency	32	6
Total	488	100

2.3 The SWLFP has the ability to

deploy flexible resources with knowledge and experience to provide coverage across a range of counter-fraud activities in the areas shown below.

- Blue Badge/Parking Permits
- Contract/procurement fraud
- Council Tax Reduction/Discount
- Employee fraud
- NNDR, Business Rate Relief
- Social Care fraud
- Tenancy fraud/abuse

2.4 Priority areas of coverage for individual partner Councils are agreed through consultation with the Heads of Audit. This the first time that a fraud investigation resource has been allocated to tenancy fraud investigation and the SWLFP has worked closely with Merton Priory Homes.

3. Pro-Active Fraud Drives

- 3.1 **Council Tax Reduction:** As part of a pro-active fraud drive the SWLFP put itself forward for Council Tax Reduction data match and was selected by NFI as one of the organisation to pilot this new data match. Matched output was received in July with 2,101 potential matches for investigation of which 1,322 were within NFI defined high risk reports.
- 3.2 At the 10th February 2016:
- 704 matches were in progress (had some action taken on them);
 - 493 matches had been completed and closed;
 - 2 matches had been closed as fraud; and
 - 9 matches identified as errors.
 - To date, £10,753 has been identified as overpaid/incorrectly paid.
- 3.3 **NNDR:** The SWLFP has commenced a review on the NNDR process to identify potential for misuse of the system. There are several areas of potential misuse including: charitable relief; small business rate relief (SBRR); non occupation; composite liability; and phoenix companies frequently changing ownership to avoid recovery of debt. For this initial exercise the SWLFP is reviewing charitable relief and SBRR. The SWLFP will use data matching to identify anomalies within individual applications and where necessary undertake visits to business premises and/or interview business owners in order to verify entitlement.
- 3.4 Other pro-active fraud drives include; Housing Waiting lists; applicants review; Housing Tenancy review; working with a credit agency and utilising data matching across all five partner authorities; Single Person Discount; and Procurement. However, resources may be transferred to other fraud investigations depending upon the risk and volume of referrals.
- 3.5 The ability to undertake such pro-active fraud drives significantly depends upon: access to data sets for data matching; and access to the Council's systems for follow up enquiries.

4. Summary of Fraud Investigations and Performance Results

- 4.1 In total, 73 fraud cases have been opened as a result of referrals received and concerns highlighted through pro-active fraud drives up to the end of January 2016. A breakdown of fraud referrals is shown in Table 1 below and Table 2 summarises the overpayments and notional savings identified as a result of the fraud work undertaken.

Table 1: Summary of fraud referrals

	2015/16 to end January 2016
Referral accepted in period for investigation by type:	
- Tenancy fraud/abuse	59
- Right to Buy	2
- Permit Fraud	1
- Corporate (Internal)	7
- Corporate (External) i.e. CTR & SPD	4
Total referrals in period	73
Closed in period	
- Closed no fraud	35
- Closed with sanction	11
Referrals still under investigation	27

Table 2: Summary of Overpayments and Notional savings

(* notional savings figures as per Audit Commission estimates)	2015/16 to Jan £
Social Housing (notional @ £18k per property recovered*)	126,000 (7 prop)
Right to buy (notional @ £100k discount)	200,000
Blue Badges & Parking Permit (notional @ £500 per case*)	0
Council Tax (identified overpayments and administrative penalties)	10,753
Total actual and notional savings	336,753

4.2 Appendix B shows closed investigations into fraud and financial irregularity to date in 2015/16. The referrals received are a reflection of the effectiveness of the implementation of the Council's Anti-Fraud and Anti-Corruption Strategy. This indicates a reasonable level of general fraud awareness by officers across all the Council's departments.

5. Local Government Transparency Code.

5.1 Under the code the Council is required to publish the following data regarding its Fraud Investigation activity 2015/16 figures to 31 January (with 2014/15 comparative figures show within brackets), shown below.

- Accredited number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers

Benefit Fraud Investigations (under the Social Security Fraud Administration Act 2001	0 (23)
Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	19 (0)

- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud

	Absolute	FTE
Fraud Investigation - SWLFP #	16 (8)	15.8 (7.8)

- Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists

	Absolute	FTE
PINS trained Fraud Specialist	9 (7)	9.0 (6.7)
CIPFA Certificate in Investigative Practices	2 (1)	1.8 (0.8)

- Total amount spent by the authority on the investigation and prosecution of fraud

	15/16	(14/15)
Other Fraud Investigation (* includes DCLG Funding)	£170.9k*	(£223.4k)

- Total number of fraud cases investigated.

	15/16	(14/15)
Benefit Fraud Investigations	0	(31)
Housing/Tenancy related Investigations	59	(0)
Right to Buy	2	(0)
Permit Fraud Investigation	1	(0)
Other Investigations	11	(28)

5.2 On 1st November 2014, responsibility for housing benefit fraud investigation transferred to the DWP under the Single Fraud Investigation Service (SFIS) and the team of officers responsible for housing benefit fraud investigation transferred to the DWP.

5.3 To ensure that sufficient knowledge and capability for fraud investigation was maintained Merton entered into a partnership with four neighbouring boroughs, the SWLFP. For 2015/16, the number of Fraud Investigation Officers and Officers with specialist fraud qualifications relates to the pool of officers within the SWLFP # that can be called upon although Merton's funding contribution equates to 3 FTE investigators.

6. PROTECTING THE PUBLIC PURSE

6.1 The report attached at [Appendix C](#) is the first Protecting the Public Purse report exclusively for London. It follows a series of national fraud reports previously published by the Audit Commission and has been compiled by The European Institute for Combating Corruption and Fraud (TEICCAF).

6.2 The report identifies trends in current fraud risk, highlights emerging risks and for the first time in the public domain provides comparative benchmark information for London councils. It promotes the fight against fraud and encourages locally elected members to recognise and celebrate the success of London boroughs that are playing their part protecting taxpayers' money and local services from fraud.

6.3 This report aims to; help the Committee better understand the fraud risks specific to the capital; and to help establish a new London baseline for future regional benchmarking activities.

6.4 Some of the key headlines from the report are listed below:

- Councils in London uncovered £73 million of fraud last year, an increase of 46% on the previous year;
- While the number of fraud cases councils are dealing with has decreased by about 10%, the value of those cases has increased dramatically, by 46%;
- London boroughs recovered 1,618 properties from fraudsters in 14/15 – half the total recovered across the entire country;
- Right to buy fraud has seen a huge increase, with detected cases more than doubling to 300 in 14/15. The value of this fraud increased by more than 185% to almost £26 million, and analysis suggests that at least 3% of right to buy applications in London are fraudulent;
- A new type of fraud is emerging. Councils in London identified 432 cases worth more than £7 million relating to people with no recourse to public funds.

6.5 The Chair of the London Boroughs' Fraud Investigators' Group, said: "*Councils in London are leading the way in the fight against public sector fraud. Councils across the country can learn from our proactive approach to tackling fraud, and protecting the public purse, at a time when council coffers are stretched more than ever before. The sterling work our fraud teams are doing is taking money and council houses back from fraudsters, so that they can benefit those in genuine need. However we can't be complacent. New risks are emerging all*

the time and we need to stay one step ahead of those who want to cheat the public purse”.

7 MAIN ISSUES COUNCILS FACE IN TACKLING FRAUD

7.1 In preparing the report, councils were asked to identify the top three issues they face in tackling fraud. The three most significant items that needed to be addressed were:

- Capacity;
- effective fraud risk management; and
- better data sharing.

7.2 To ensure that a sufficient resilience of investigative resource remained following the transfer of benefit fraud investigation to the Department for Work and Pensions, the Council entered into a shared fraud service, the South West London Fraud Partnership (SWLFP). This bringing together of retained knowledge and expertise under a single team has strengthened resilience for individual authorities, enabled a collaborative approach to fraud investigations, introduced the ability to undertake regional proactive counter fraud exercises, promote cross fertilisation of skills, sharing of knowledge and provides cover for extra work when circumstances dictate.

7.3 The TEICCAF report goes on to demonstrate that London is the strongest performing area in the prevention and detection of fraud, and encourages councils with low levels of detected fraud to consider whether they are giving this issue the attention it deserves. The report mentions that generally, local authorities with particularly high levels of non-benefit fraud detection have a strong corporate commitment to the fight against fraud and are often the most proactive and innovative in their approach.

8 FRAUD BENCHMARKING FOR MERTON

8.1 In addition to the Protecting the London Public Purse report, TEICCAF produced fraud benchmarking reports for each borough, a copy for Merton Council is attached at [Appendix D](#). Some precautionary points which TEICCAF have asked individual Council's to note when using the benchmarking are that the data is derived from the data made available in the fraud survey and that these benchmark briefing have been produced manually so Council's should be aware that there is a possibility of errors, (a figure transposed, wrong cell clicked etc.) being included in the graphs.

8.2 The benchmarking report demonstrates that fraud investigation and prevention by Merton is successful. The Council is ranked sixth in London for the number of detected fraud and abuse cases (excluding tenancy fraud) detecting 1,121 fraud cases with a value of £293k. The majority of the detected cases relate to Council tax discount fraud.

9. CONCLUSION

- 9.1 The Council has made suitable provision for the investigation and prevention of fraud and corruption.

GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
CTR	Council Tax Reduction
DCLG	Department for Communities and Local Government
DWP	Department for Work and Pensions
FTE	Full Time Equivalent
NFI	National Fraud Initiative
NNDR	National Non Domestic Rate
PINS	Professionalism IN Security
POSHFA	Prevention of Social Housing Fraud Act
RTB	Right to Buy
SBRR	Small Business Rate Relief
SFIS	Single Fraud Investigation Service
SPD	Single Person Discount
SWLFP	South West London Fraud Partnership
TEICCAF	The European Institute for Combatting Corruption and Fraud