

Committee: Standards and General Purposes Committee

Date: 9th November 2017

Subject: Fraud Update

Lead officer: Caroline Holland – Director of Corporate Services
Lead member: Chair Standards and General Purposes Committee
Contact officer: Kevin Holland – Head of Shared Fraud Partnership
Tel. 020 8871 6451 kholland@wandsworth.gov.uk

Recommendations:

- A. That members note the Fraud Progress report and comment on the matters arising from it.**

1. Introduction

- 1.1 One of the responsibilities of the Committee is to monitor the Council's arrangements to protect the Council from fraud and corruption, including the Anti-Fraud & Anti-Corruption Policy and the Whistle Blowing Policy.
- 1.2 This report is provided to the Committee to provide assurance over the arrangements for protecting the Council against fraud and corruption. 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 1 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).
- 1.3 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.
- 1.4 For 2017/18 the SWLFP investigation team comprises 14.5 posts, with a mixture of expertise from both within and outside local government. 12 officers hold relevant Accredited Counter Fraud Specialist qualifications. The SWLFP has the ability to deploy flexible resources with knowledge and experience to provide coverage across a range of counter-fraud activities.

- 1.5 Priority areas of coverage for individual partner Councils are agreed through consultation with the Heads of Audit. The SWLFP continues to work closely with the Merton Priory Circle Housing Partnership (now part of the Clarion Group) in relation to concerns over tenancy fraud and abuse.
- 1.6 SWLFP also continues to work with all social landlords, hosting the Social Housing Investigation Partnership (SHIP), a forum that is accessible to social housing providers who have property within at least one of the fraud partnership authorities. Partnership working provides a sound framework to help identify and respond to tenancy fraud and abuse resulting in the recovery of misused tenancies which can be assigned to those in genuine eligible need thus reducing the call upon temporary housing provided by local authorities.

2. Summary of Fraud Investigations and Performance Results

- 2.1 The Tables below summarise the fraud work undertaken for Merton Council, with Table1 summarising progress to the end of September 2017 against the key fraud performance targets. In total, 168 fraud cases have been worked on (95 new cases, with 73 cases c/f from 2016/17) as a result of either referrals received or concerns highlighted through pro-active fraud drives since April 2017.

Table 1: Performance against key objectives and targets 2017/18

| Activity | Performance Indicator | Target | Actual |
|--|--|---------------------------|--|
| Work with Housing Associations and Housing teams to establish and deliver a programme of proactive fraud checks including illegal subletting | Properties brought back into Housing Associations/ Council control following identification of fraud | 8 properties | 4 (a further 2 cases where possession order has been obtained and 7 cases are with legal for recovery action) |
| Develop joint working with Housing teams to proactively identify housing fraud | Housing applications withdrawn as a result of fraud work | 10 applications withdrawn | 14 (A further exercise involving data matching will be undertaken in early 2018) |
| Delivery of the Fraud Plan | 100% of the Fraud Plan | 100% of the Fraud Plan | 59.5% to end Sept (On Target) |

- 2.2 Tables 2 provides an estimate of how the funding resource will and has been used in terms of investigator days. Due to the volume of referrals resources have been directed from pro-active fraud drives towards accepted fraud cases.

Table 2: Fraud Resourcing Plan (includes actuals for 2017/18)

| | Estimated Days | % | Actual (to 30/9/17) | % |
|----------------------------|-----------------------|--------------|----------------------------|--------------|
| Referral Review | 34 | 8.6 | 15.3 | 6.5 |
| Pro Active Fraud Drives | 62 | 15.7 | 18.1 | 7.7 |
| Fraud Investigation | 268 | 67.9 | 195.1 | 83.1 |
| Fraud Awareness/prevention | 16 | 4.0 | 6.4 | 2.7 |
| Contingency | 15 | 3.8 | 0.0 | 0.0 |
| Total | 395 | 100.0 | 234.9 | 100.0 |

2.3 Tables 3 and 4 provide a breakdown of the fraud/abuse referrals that have been investigated and a summary of the value of fraud/overpayments and notional savings identified as a result of the fraud work undertaken.

Table 3: Summary of fraud referrals

| | 2017/18 to Sept '17 | 2016/17 | 2015/16 |
|--|----------------------------|----------------|----------------|
| Referral accepted in period for investigation by type: | | | |
| - Tenancy fraud/abuse | 56 | 187 | 103 |
| - Housing Applications | 19 | Incl in above | |
| - Right to Buy | 58 | 30 | 3 |
| - Permit Fraud | 15 | 7 | 1 |
| - Corporate (Internal) | 10 | 14 | 6 |
| - Corporate (External) i.e. CTR & SPD | 10 | 19 | 6 |
| Total referrals in period | 168 | 257 | 119 |
| Closed in period | | | |
| - Closed no fraud | 58 | 147 | 45 |
| - Closed with sanction | 30 | 38 | 11 |
| Referrals still under investigation | 80 | 73 | 63 |

2.4 The number of 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.

2.5 A summary of closed investigations into fraud and financial irregularity in 2017/18, up to 30th September is attached at [Appendix A](#).

Table 4: Summary of Overpayments and Notional savings

| (* notional savings figures as per Audit Commission estimates) | 2017/18 (to Sept '17) £ | 2016/17 £ | 2015/16 £ |
|--|-------------------------------|----------------------|---------------------|
| Social Housing (notional @ £18k per property recovered*) | 72,000 (4 prop) | 216,000 (12 prop) | 126,000 (7 prop) |
| Housing Applications Rejected (notional £6k per application cancelled) | 84,000 (14 apps) | 96,000 (16 apps) | n/a |
| Right to buy (notional @ £100k discount) | 1,100,000 (11 apps) | 100,000 (1 app) | 200,000 (2 apps) |
| Blue Badges & Parking Permit (notional @ £500 per case*) | 0 | 0 | 0 |
| Council Tax (identified overpayments and administrative penalties) | 151 | 132,782 | 10,753 |
| Other | 12,133 | 800 | 0 |
| Total actual and notional savings | 1,268,284 | 545,582 | 336,753 |

3. Local Government Transparency Code.

3.1 Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Listed below are 2017/18 figures to 30 September (with 2016/17 comparative figures shown within brackets)

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

Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014 7 (18)

Council Tax Reductions Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013 0 (5)

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

| | Absolute | FTE |
|-------------------------------|----------|-------------|
| Fraud Investigation - SWLFP # | 15 (17) | 14.5 (16.5) |

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

| | Absolute | FTE |
|--|----------|------------|
| PINS trained Fraud Specialist | 6 (10) | 6.0 (10.0) |
| CIPFA Certificate in Investigative Practices | 2 (2) | 2.0 (1.8) |
| CIPFA Accredited Counter Fraud Specialist | 4 (6) | 4.0 (6.0) |

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

| | 17/18 | 16/17 |
|---------------------------|---------|---------|
| Other Fraud Investigation | £118.7k | £172.8k |

- Total number of fraud cases investigated.

| | 17/18 (to 30/9/17) | 16/17 |
|--|-----------------------|-------|
| Benefit Fraud Investigations | n/a | 1 |
| Housing/Tenancy related Investigations | 75 | 187 |
| Right to Buy | 58 | 30 |
| Permit Fraud Investigation | 15 | 7 |
| Other Investigations | 20 | 33 |

3.2 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.

3.3 To ensure that sufficient knowledge and capability for fraud investigation was maintained Merton entered into a partnership with four neighbouring boroughs, the SWLFP. 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 during 2016/17 and reduced to 2 FTE for 2017/18.

5. CONCLUSION

5.1 The increase in recorded fraud referrals since 2015 in is not an indication of any increase in the incidence fraud but more likely to be the result of improved reporting on areas of concern and irregularity. The majority of referrals are received from in-house teams, which is a good indication that a responsible level of fraud awareness exists across all Council staff supported by the Council's Anti-Fraud and Anti-Corruption Strategy and culture.

5.2 Although the fraud investigation resource has reduced, the use of technology and ongoing improvements to accessing key systems, intelligence sources and records, has meant that the fraud response capability has been able to manage and address the increase in the number of fraud referrals.

5.3 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 |
| DWP | Department for Work and Pensions |
| FTE | Full Time Equivalent |
| PINS | Professionalism IN Security |
| SFIS | Single Fraud Investigation Service |
| SPD | Single Person Discount |
| SWLFP | South West London Fraud Partnership |