

**Committee: Standards and General Purposes**

**Date: 7 November 2019**

Wards:

**Subject:** Fraud Update

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Peter McCabe Chair

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**Recommendation:**

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- 1. That members note the Fraud Progress report and comment on the matters arising from it**
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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

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.

**2 DETAILS**

2.1 For 2019/20 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.

2.2 Priority areas of coverage for individual partner Councils are agreed through consultation with the Shared Services Board and the Heads of Audit. The SWLFP continues to work closely with the Social Housing Providers in relation to concerns over tenancy fraud and abuse and facilitate 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.

### 3 Summary of Fraud Investigations and Performance Results

3.1 The Tables below summarise the fraud work undertaken for Merton Council, with Table1 summarising progress, to the end of August 2019, against the key fraud performance targets. In total, 187 fraud cases have been worked on (112 new cases, with 75 cases c/f from 2018/19) as a result of either referrals received or concerns highlighted through pro-active fraud drives since April 2019.

**Table 1: Performance against key objectives and targets 2019/20**

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	9 properties	6 (a further 10 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	20 applications withdrawn	75
Delivery of the Fraud Plan	100% of the Fraud Plan	100% of the Fraud Plan	49.4% to end Aug (significant time is been spent on a number of internal/ employee referrals which will impact upon the resource available for the remainder of the year)

3.2 Tables 2 and 3 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, with comparisons to previous years.

**Table 2: Summary of fraud referrals**

	2019/20 to 31/08/19	2018/19	2017/18
Referral accepted in period for investigation by type:			
- Tenancy fraud/abuse	60	81	79
- Housing Applications	77	161	20
- Right to Buy	9	18	72
- Permit Fraud	7	12	18
- Internal- Employee	14	18	16
- External - CTR & SPD	4	12	25
- Other, e.g. admissions	16	13	n/a
Total referrals in period	187	315	230
Closed in period			
- Closed no fraud	27	56	106
- Closed with sanction	89	184	54
Referrals still under investigation	71	75	70

3.3 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.

3.4 A summary of closed investigations into fraud and financial irregularity in 2019/20 up to 31 August is attached at Appendix A.

**Table 3: Summary of Overpayments and Notional savings**

(* notional savings figures as per Audit Commission estimates)	2019/20 To 31/08/19 £	2018/19 £	2017/18 £
Social Housing (notional @ £18k per property recovered* )	108,000 (4 prop)	162,000 (9 prop)	144,000 (8 prop)
Housing Applications Rejected (notional £6k per application cancelled)	450,000 (75 apps)	936,000 (156 apps)	108,000 (18 apps)
Right to buy (notional @ £100k discount)	400,000 (4 apps)	800,000 (8 apps)	1,400,000 (14 apps #)
Blue Badges & Parking Permit (notional @ £500 per case*)	500	1,000	2,500
Council Tax (identified overpayments and administrative penalties)	134	4,782	151
Other	10,000	36,000	12,133
<b>Total actual and notional savings</b>	<b>968,634</b>	<b>1,939,782</b>	<b>1,666,784</b>

# Increased sanctions achieved in 2017/18 as a result of a targeted pro-active fraud drive.

#### 4 Developments in Fraud Detection and Prevention

- 4.1 **Data Analytics LCFH:** The principles for maximising collaborative and smarter working through data sharing are behind the development of the LCFH. This hub is intended to provide a powerful fraud detection solution, combining advanced data matching with intelligent analytics and local government counter fraud expertise. Unlike the NFI it will not have a statutory basis that requires all authorities to provide their data so requires a decision from each Council.
- 4.2 Whilst having passed the initial proof of concept stage with the involvement of four pilot authorities, challenges have been raised over the cost and payment method resulting in a proposed change in payment method from a payment by results to a subscription-based model. Prior to any roll out to London Councils, the proposed change in payment model has required the lead authority to obtain further legal advice which is still awaited.

- 4.3 **National Fraud Initiative (NFI) 2018:** The NFI, which started in 1996, continues to prove an effective tool for detecting and preventing fraud and error across the UK. Analysis of the financial outcomes from the most recent NFI 2016/17 data matching exercise shows that the NFI exceeded its highest level of fraud, error and overpayments achieved in any two-year reporting period since it began in 1996. Cumulatively the NFI has now enabled participants to prevent and detect fraud and overpayments totalling £1.69 billion.
- 4.4 Participation is mandatory with all local authorities providing datasets for the NFI, Part 6 of the Local Audit and Accountability Act (LAAA) 2014. The SWLFP coordinate the submission of the required datasets, during October and November, and distributing matches to front line service teams. Where fraud is suspected cases are referred back to the SWLFP for investigation.
- 4.5 **On-line Fraud Awareness Training:** An on-line fraud awareness training package, aligned to Merton's policies and procedures, has been made available for all officers to increase awareness and understanding of how and to who suspicions of fraud or irregularity should be reported. With continual changes in staffing and staff roles regular reminders on fraud awareness helps support and robustly maintain the Council's Anti-Fraud and Anti-Corruption Strategy and Culture.

## 5 Local Government Transparency Code.

- 5.1 Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Listed below are 2018/19 figures to 30 September (with 2017/18 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	19/20 [to 31/08/19]	(18/19)
Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	3	14
The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	0	3
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	Absolute	FTE
Fraud Investigation - SWLFP #	15	14.5
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists		
PINS trained Fraud Specialist	7 ( 6)	7.0 ( 6.0)
CIPFA Certificate in Investigative Practices	1 ( 2)	1.0 ( 2.0)

CIPFA Accredited Counter Fraud Specialist	4 ( 4)	4.0 ( 4.0)
Total amount spent by the authority on the investigation and prosecution of fraud	19/20 [forecast as at 31/08/19]	(18/19)
Other Fraud Investigation	£123.3k	£121.4k
Total number of fraud cases investigated.	[to 31/08/19]	18/19
Housing/Tenancy related Investigations	60	81
Housing Applications	77	161
Right to Buy	9	18
Permit Fraud Investigation	7	12
Other Investigations	34	43
TOTAL	187	315

5.2 To ensure that sufficient knowledge and capability for fraud investigation Merton Council entered into a partnership with four neighbouring boroughs, the SWLFP. The Council has access to the pool of trained fraud investigation officers dependent upon the demands of any individual fraud referral. # Merton's funding contribution for 2019/20 equates to 2.0 FTE Investigators.

## 6 Conclusion

6.1 The use of technology and ongoing improvements to accessing key systems, intelligence sources and records for fraud detection and prevention means that the fraud response capability has been able to manage and address the number of fraud referrals and promote fraud awareness.

6.2 Members should be assured that the systems are in place for the identification and investigation of allegations of fraud. The majority of referrals are received from in-house teams which is a good indication that a reasonable level of fraud awareness exists across all Council staff supported by the Council's Anti-Fraud and Anti-Corruption Strategy and culture.

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

## **6.4 ALTERNATIVE OPTIONS**

6.4.1 None for the purposes of this report.

## **6.5 CONSULTATION UNDERTAKEN OR PROPOSED**

6.5.1 None for the purposes of this report.

## **6.6 TIMETABLE**

6.6.1 Fraud Plan update 2019/20

## **6.7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

6.7.1 The investigation work is undertaken within the budget allocated

## **6.8 LEGAL AND STATUTORY IMPLICATIONS**

6.8.1 NFI participation -Local Audit and Accountability Act (LAAA) 2014

## **6.9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

6.9.1 Human Rights implications are considered in the conduct of all investigations. For example if directed surveillance is felt necessary this will be carried out in accordance with the Regulation of Investigatory Powers Act 2000.

6.9.2 Investigations will take into consideration Equality and Diversity implications. Investigations may reveal weaknesses in financial management and other monitoring systems, e.g. ethnic monitoring. Ensuring action is then taken in respect of these weaknesses plays a role in ensuring that Council Resources are used to enable fair access to quality services.

## **6.10 CRIME AND DISORDER IMPLICATIONS**

6.10.1 Not applicable

## **6.11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

6.11.1 Each allegation is considered on a risk basis as to the amount of resources that should be employed in the investigation.

6.11.2. Some allegations involve Health and Safety matters and these are referred to the appropriate Council Section for investigation

## **6.11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

- Appendix A closed cases

## **6.12 BACKGROUND PAPERS**

6.12.1 Held by the South West London Fraud Partnership.

### GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
CTR	Council Tax Reduction
DWP	Department for Work and Pensions
FTE	Full Time Equivalent
LAAA	Local Audit and Accountability Act
LCFH	London Counter Fraud Hub
NFI	National Fraud Initiative
PINS	Professionalism IN Security
SHIP	Social Housing Investigation Partnership
SPD	Single Person Discount
SWLFP	South West London Fraud Partnership