

**Committee: Standards and General Purposes Committee****Date: 11<sup>th</sup> March 2021****Subject: Fraud Update**

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**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 2020/21 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 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.

## 2. Summary of Fraud Investigations and Performance Results

- 2.1 The Tables below summarise the fraud work undertaken, with Table 1 summarising progress, to the end of January 2021, against the key fraud performance targets. In total, 98 fraud cases have been worked on (41 new cases, with 57 cases c/f from 2019/20) as a result of either referrals received or concerns highlighted through pro-active fraud drives since April 2020.

**Table 1: Performance against key objectives and targets 2020/21**

Activity	Performance Indicator	Target	Actual (to 31/01/21)
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	4 (a further 4 cases are with legal for recovery action but due to Covid court action has been delayed)
Develop joint working with Housing teams to proactively identify housing fraud	Housing applications withdrawn as a result of fraud work	20 applications withdrawn	1 (NFI output received late January, pro-active review exercise is underway)
Delivery of the Fraud Plan	100% of the Fraud Plan	90% of the Fraud Plan by 31 March  * Adjusted to take account of additional resources provided in 2019/20, due to responsive work on internal fraud referrals.	62.63%

- 2.2 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**

	2020/21 to 31/01/20	2019/20	2018/19
Referral accepted in period for investigation by type:			
- Tenancy fraud/abuse	46	83	81
- Housing Applications	2	77	161
- Right to Buy	2	14	18
- Permit Fraud	4	7	12
- Internal- Employee	16	19	18
- External - CTR & SPD	5	4	12
- Other	23	21	13
Total referrals in period	98	225	315
Closed in period			
- Closed no fraud	36	65	56
- Closed with sanction	5	103	184
Referrals still under investigation	56	57	75

- 2.3 At the beginning of the year, Clarion the main social housing provider for Merton moved their offices and this combined with the effects of Covid resulted in a small breakdown in communication due to the fact that we were no longer attending their local office on a regular basis. Referrals from this social housing provider dropped off. Since October 2020 regular Microsoft Teams meetings have taken place in order to discuss cases, and recently we have seen a pick-up in referrals. Fraud awareness training has also been provided to teams within Clarion with a view to increasing quality referrals.
- 2.4 **Closed Investigations:** Appendix A provides a brief summary of the completed investigations into fraud and financial irregularity that have resulted in a sanctioned outcome. The variety of the type of referrals received reflects the effectiveness of the implementation of the Council's Anti-Fraud and Anti-Corruption Strategy and indicates a reasonable level of general fraud awareness by officers across all the Council's departments.
- 2.5 It should be noted that a number of investigations are currently ongoing or are awaiting prosecution. These will have a future impact on sanction and overpayment figures, in particular, the pace of work for recovering public sector housing has been effected by Covid 19 related measures that have resulted in a temporary stay on evictions whilst measures are in place that impact movement.

- 2.6 **Tenancy Fraud:** In addition to the 4 properties that have been recovered so far in 2020/21, Notices and legal action has commenced on a further 4 cases. However, evictions scheduled since the start of the Covid-19 pandemic have been cancelled and some Court cases deferred.
- 2.7 Discussion are being held legal to monitor and respond to the Covid 19 impact upon the on-going and future proposed possession action as the Civil and Criminal Court systems will have to address the backlog of cases and rationale for case prioritisation

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

(* notional savings figures as per Audit Commission estimates)	2020/21 To 31/01/21 £	2019/20 £	2018/19 £
Social Housing (notional @ £93k per property recovered from 2020 previously £18k*)	372,000 (4 props) 26,423	234,000 (13 prop)	162,000 (9 prop)
Housing Applications Rejected (notional £3,240 from 2020 previously £6k per application cancelled)	3,240 (1 app)	450,000 (75 apps)	936,000 (156 apps)
Right to buy (notional @ £100k discount)	Nil	500,000 (5 apps)	800,000 (8 apps)
Blue Badges & Parking Permit (including notional @ £575 per case from 2020 previously £500)	Nil	500	1,000
Internal – Employee (notional £6k per case)	6,000 1 case	42,000 (7 cases)	Nil
Council Tax (identified overpayments and administrative penalties)	Nil	134	4,782
Other	10,000	10,000	36,000
<b>Total actual and notional savings</b>	<b>417,663</b>	<b>1,236,634</b>	<b>1,939,782</b>

### 3. Developments in Fraud Detection and Prevention

- 3.1 The fundamental challenge that public bodies face with fraud is that it is often a hidden crime with those committing it actively try to conceal it so we must be proactive in our efforts to seek it out.

3.2 Business Support Grants: As part of the Covid-19 response, the Council has processed approximately 2,000 payments totalling £25m in Government grants to qualifying businesses. To help ensure that only genuine applicants received these payments, joint working is in place with front line services undertaken for pre and post payment validation checks on the grant claims in order to ensure that the monies are being paid to the correct business owners.

3.3 Post payment data-matching validation checks have been completed and this returned 11 accounts which required enhanced checks into the validity of the claim and subsequent payment. This response/challenge percentage was below the national average and provides some assurance that the pre-payment validation checks were effective. Additional checks have now been conducted and all payments have been verified and valid.

3.4 National Fraud Initiative (NFI): The 2020/21 NFI exercise is now underway with data match output received late January 2021. Data is requested in accordance with Part 6 of the Local Audit and Accountability Act 2014 and for Merton Council this means the provision of the following datasets:

- Blue Badge Parking Permits
- Creditors History
- Creditors Standing
- Concessionary Travel Passes
- Council Tax Reduction Scheme
- Right to Buy
- Deferred Pensions
- Pensions Gratuities
- Pensions
- Payroll
- Resident Parking Permits
- Waiting Lists

3.5 **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.

#### 4. Local Government Transparency Code.

4.1 Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Listed below are 2018/19 figures to 31<sup>st</sup> January 2021 (with 2019/20 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		
	20/21 (to 31/01)	(19/20)
Prevention of Social Housing Fraud (Power to		

Require Information) (England) Regulations 2014	0	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 (15)	14.5 (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	(19/20)
Fraud Investigation, awareness & prevention	£125.9k	£123.5k
Total number of fraud cases investigated.		
	(to 31/01)	
Housing/Tenancy related Investigations	48	160
Right to Buy	2	14
Permit Fraud Investigation	4	7
Other Investigations	<u>44</u>	<u>44</u>
TOTAL	98	225

- 4.2 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 2020/21 equates to 2.0 FTE Investigators.

## 5. Conclusion

- 5.1 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.

- 5.2 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.
- 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
NFI	National Fraud Initiative
PINS	Professionalism IN Security
SHIP	Social Housing Investigation Partnership
SPD	Single Person Discount
SWLFP	South West London Fraud Partnership

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