Committee: Standards and General Purposes Committee

Date: 9ᵗʰ November 2023

Subject: Fraud Update

Lead officer: Polly Cziok - Executive Director of Innovation and Change
Lead member: Martin Whelton Chair of Standards and GP Committee
Contact officer: Kevin Holland – Head of Shared Fraud Partnership
                        Tel.–020 8871 6451
                        kevin.holland@richmondandwandsworth.gov.uk

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Recommendation:

That members note this Fraud Update report on the activity completed during 2023/24 to 30ᵗʰ September 2023, 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 maintain an overview of the effectiveness of the Council's arrangements for corporate governance, particularly those concerned with risk management, internal control, financial governance, treasury management, and counter fraud and corruption; obtaining assurance that appropriate action is being taken on any issues raised.

1.2   Members recognise that the funds the Council administers and services it provides are targeted by fraudsters, and support the fight against Fraud and Corruption through an anti-fraud strategy and culture that seeks to:

- Have robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.
- Acknowledges and understands fraud risks and commits to support and resource tackling fraud through maintaining a robust anti-fraud response.
- Prevent and detect more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- Prioritises fraud recovery and the use of civil sanctions. Developing capability and capacity to punish fraudsters. Supports collaborative work across geographical sector boundaries. Learning lessons and reducing fraud risks where possible.

- Protect ourselves, residents and service users from becoming disadvantaged by those seeking to commit fraud through recognising the harm that fraud can cause in the community and seeking to minimise this.

1.3 This report seeks to provide the Committee with assurance over the arrangements for protecting the Council, it's residents and service users against fraud and corruption.

1.4 Merton Council entered into a shared fraud investigation service, known as the South West London Fraud Partnership (SWLFP), with Kingston, Richmond, Sutton & Wandsworth Councils, in April 2015. This pooling of resource under a single team helps strengthen resilience for individual authorities, enhances collaborative approach to fraud investigations and introduces the ability to undertake regional proactive counter fraud exercises, and have call upon a larger fraud resource when needed, enhancing both capacity and capability.

1.5 For 2023/24 the SWLFP investigation team comprises 14.5 posts, with a mixture of expertise from both within and outside local government. All Investigation Officers are members of the Government Counter Fraud Profession (GCFP) and in addition we have three officers who are completing the GCFP Counter Fraud Investigator Apprenticeship. The professionalisation of the team will help ensure investigative techniques are both current and legally compliant, helping to sustain capability.

1.6 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.

1.7 Members can be reasonably assured that there are suitable systems in place for the identification and investigation of allegations of fraud. Most 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.

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

2. **Fraud Risk Threat and 2023/24 Indicative Fraud Plan**

2.1 The Fraud Risk Threat has changed significantly in recent years with a substantial rise at a national level in the volume of reported fraud to a level where fraud is the largest reported crime type.

2.2 The current financial climate has also had an impact on those who commit fraud. The rise in the level of fraud risk threat combined with new methods being used within the fraudsters community means that it is increasingly more difficult to recover losses highlighted through detected fraud, so the need to ensure that prevention measures is even more valuable.

2.3   This increase in the fraud risk threat does not mean that there will be an automatic increase in fraud occurrences for the council but will likely be reflected in the volume of attempts. This need to ensure that fraud prevention is considered at the earliest stage of any new initiative is an important step to reducing the likelihood of successful fraud attacks against council funds.

2.4   This has been reflected within the indicative fraud plan with an increased level of resource been set aside for fraud prevention work and the need to continue with close working alongside Internal Audit who provide assurance over the effectiveness of the Council's control environment and should ensure that the Council is well placed to meet the challenge of the new Corporate Offence on 'Failure to prevent Fraud' that is included within the new Economic Crime and Transparency Bill.

2.5   Priority areas of coverage for individual partner Councils are agreed through consultation with the Shared Services Board and the Heads of Audit.

3.   **Summary of Fraud Investigations and Performance Results**

3.1   The Tables below summarise the fraud work undertaken, with Table 1 summarising progress against the key fraud performance targets. In total, 66 fraud cases have been worked on since 1st April 2023 (34 new cases, with 32 cases c/f from 2022/23) because of either referral received, or concerns highlighted through pro-active fraud drives.

Table 1: Performance against key objectives and targets for 2023/24

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	1 (6 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 application reviews	20 applications withdrawn	3 applications withdrawn
Delivery of the Fraud Plan	100% of the Fraud Plan	95% of the Fraud Plan by 31 March	43.2%

3.2   Tables 2 and 3 provide a breakdown of the fraud/abuse referrals that have been accepted for investigation 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 & data cleansing matches

	2021/22	2022/23	2023/24
Referral worked on in period for investigation by type:			
- Tenancy fraud/abuse	40	33	26
- Right to Buy	5	2	0
- Permit Fraud	3	9	6
- Internal - Employee	10	11	6
- External - CTR & SPD	12	23	13
- Other	11	18	10
Other Data Cleansing Matches			
- Housing application records	66	83	5
Total referrals in period	147	179	66
Closed in period			
- Closed no fraud	33	43	17
- Closed with sanction	78	104	11
Referrals still under investigation	36	32	38

Table 3: Summary of Overpayments and Notional savings

(* notional savings figures as per Audit Commission estimates)	2021/22 £	2022/23 £	2023/24 £ To 30/09/23
Social Housing (notional @ £93k per property recovered from 2020)	465,000 (5 props)	93,000 (1 prop)	93,000 (1 prop)
Right to buy (notional @ £100k discount)	100,000 (1 app)	100,000 (1 app)	0 Nill
Blue Badges & Parking Permit (fines plus notional @ £575 per case from 2020)	1,150	4,257	575
Internal – Employee (notional £6k per case)	24,000 (4 cases)	24,000 (4 cases)	12,000 (2 cases)
Council Tax (identified overpayments and administrative penalties)	43,882	22,521	6,807
Other/NFI	188,700	34,000	214,947
Data Cleansing Matches Housing Applications Removed	191,160 (59 apps)	262,440 (81 apps)	9,720 (3 apps)
Total actual and notional savings	**1,013,892**	**540,218**	**337,059**

3.3 **Housing Fraud:** Whilst Merton Council do not directly manage any social housing, the cost of temporary accommodation does rest with the Council, so every property, that is being misused, recovered represents a nomination right for the Council and the opportunity to place a family in need into more secure accommodation and reduce to call upon Council funds.

3.4 The CIPFA Fraud and Corruption Tracker 2020 reported that the largest fraud area across the housing sector was 'other tenancy frauds' which includes false applications for housing and false tenancy succession applications.

3.5 We are working closely with housing services and housing providers to address the lower-than-expected volume of housing fraud referrals and have offered and provided fraud awareness sessions to housing teams.

4. Developments in Fraud Detection and Prevention

4.1 Public Sector Fraud Authority (PSFA): The establishment of the PSFA in August 2022 marked a step change in the Government's counter fraud strategy. With increased investment in counter fraud capability, the PSFA will increase the support services it can offer on fraud, including through advanced analytics.

4.2 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.

4.3 **Data Analytics:** The principles for maximising collaborative and smarter working through data sharing are key to the successful operation of the National Fraud Initiative.

4.4 London Councils working with NFI have established a London centric fraud hub. This is intended to enhance localised data-matching, supplementing the statutory national fraud prevention and detection initiative with an opportunity for closer to real-time data-matching or areas of local concern. It can also provide an on-line repository that can be used to validate applications for certain Council provided services.

4.5 **Data Cleansing:** In addition to fraud identification, data matching and analytics assist Council's with maintaining the accuracy of their data. Key decisions on resource allocations are influenced movements in core datasets and/or the identification of new or different trends.

4.6 The most recent Department for Levelling Up, Housing and Communities housing statistics show that as at the end of Manch 2021, there were 1.2 million households on social housing waiting lists across England. Removing applicants who are not eligible will help councils to allocate social housing to those in genuine need. As part of the current NFI exercise, nationally over 7,000 ineligible applications have been removed by 102 councils.

4.7 National Fraud Initiative (NFI): The Mandatory National 2022/24 NFI exercise is about to commence where data is requested in accordance with Part 6 of the Local Audit and Accountability Act 2014 and for Merton Council this meant the provision of the following datasets:

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

4.8 Service Leads have been contacted to ensure that they will be in position to provide the required data by the due dates. System developments will always mean that there may changes in how data is held and made available and any concerns with to supply of the mandated data files will be reported to the Director of Corporate Services.

4.9 **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.

4.10 The on-line fraud awareness training package for officers has been revised and is now separated into three modules covering: Anti-Bribery & Corruption, Whistleblowing and General Fraud Awareness. The modules have been provided to the Human Resource Team who will be making it available to all officers on the new training platform.

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 2023/24 figures to 30/09/2023 (with 2022/23 comparative figures).

Accredited number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers		
	22/23	23/24 To 30/09/23
Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	3	1
The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	0	1

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		
Government Counter Fraud Profession (GCFP)	12 (n/a)	11.5 (n/a)
GCFP Counter Fraud Investigator Apprentices	3 (n/a)	3.0 (n/a)

Total amount spent by the authority on the investigation and prosecution of fraud		
	22/23	23/24
Fraud Investigation, awareness & prevention	£131.1k	£136.1k

Total number of fraud cases investigated.		To 30/09/23
Housing/Tenancy related Investigations	116	31
Right to Buy/Acquire	2	0
Permit Fraud Investigation	9	6
Other Investigations	52	29
TOTAL	179	66

5.2 To ensure that sufficient knowledge and capability for fraud investigation Merton Council entered 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 resource contribution for 2023/24 equates to 2.0 FTE Investigators.

6.   Financial, Resource and Property Implications.

6.1   There are no specific financial, resource or property implications. completed within existing resources.

7.   Legal and Statutory Implications

7.1   This report provides details of fraud activity levels as requited under the Local Government Transparency Code.

8.   Human Rights, Equalities and Community Cohesion Implications

8.1 There are no specific human rights, equalities or community cohesion implications, except in so far as this report is wholly concerned with good governance.

9. Risk Management and Health and Safety Implications

9.1 There are no specific risk management or health and safety implications.

GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
CTR	Council Tax Reduction
GCFP	Government Counter Fraud Profession
FTE	Full Time Equivalent
NFI	National Fraud Initiative
PSFA	Public Sector Fraud Authority
SHIP	Social Housing Investigation Partnership
SPD	Dingle Person Discount
SWLFP	South West London Fraud Partnership