

## **Committee: Standards & General Purposes Committee**

**Date: 9 March 2017**

Wards: All

### **Subject:**

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Mark Allison, Cabinet Member for Finance and Deputy Leader

Contact officer: Kevin Holland – Head of Shared Fraud Partnership, Tel. 020 8871 6451 kholland@wandsworth.gov.uk

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

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## **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 The SWLFP investigation team comprises 14.5 permanent and 2 fixed term posts, with a mixture of expertise from both within and outside local government. 14 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 in relation to concerns over tenancy fraud and abuse. Working with social landlords via the Social Housing Investigation Partnership (a forum that is accessible to social housing providers who have property within at least one of the fraud partnership authorities) continues to provide a sound framework for partnership working to help identify and respond to tenancy fraud and abuse. Partnership working results 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. Governance Arrangements

2.1 The initial governance arrangement for the SWLFP involved the nomination of an officer by each partner to a Steering Group which would meet at least four times a year; the nominees being the Heads of Audit from each Authority. However, with the extension of the Shared Audit Partnership across the same five authorities and with the shared fraud partnership being part of the overall Audit, Risk and Fraud Service the governance arrangements needed amending.

2.2 The revised governance arrangements are that the SWLFP now reports to a Shared Service Board which meets at least four times a year. The Board is made up of the Directors of Finance (s.151 responsible officer) or their nominee. For Merton the nominee is Paul Evans, Assistant Director of Corporate Governance. In addition regular fraud update reports are provided to each Director.

## 3. Summary of Fraud Investigations and Performance Results

3.1 Tables 1 to 3 below summarise the fraud work undertaken for Merton Council. Table 1 provides a breakdown of how the funding resource will and has been used. The plan is on course for delivery by the year end with the actual resource used to 31 January 2017 equating to 79.5% of the total planned resource. There has been a need for the contingency\* to be used as one officer has been off long term sick.

Table1 Fraud Resource Plan

	<b>Planned Days</b>	<b>%</b>	<b>Actual (to 31/1/17)</b>	<b>%</b>
Referral Review	40	6.5	29.2	6.0
Pro Active Fraud Drives	67	11.0	43.7	9.0
Fraud Investigation	451	74.2	361.6	74.9
Fraud Awareness/prevention	14	2.3	5.9	1.2
Contingency	36	6.0	42.8	8.9
<b>Total</b>	<b>608</b>	<b>100</b>	<b>483.2</b>	<b>100.0</b>

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.

Table 2: Summary of fraud referrals

	2015/16	2016/17 to 31/01/17
Referral accepted in period for investigation by type:		
- Tenancy fraud/abuse	103	150
- Right to Buy	3	13
- Permit Fraud	1	4
- Corporate (Internal)	6	11
- Corporate (External) i.e. CTR & SPD	6	16
Total referrals in period	119	194
Closed in period		
- Closed no fraud	45	125
- Closed with sanction	11	13
Referrals still under investigation	63	56

Table 3: Summary of Overpayments and Notional savings

(* notional savings figures as per Audit Commission estimates)	2015/16 £	2016/17 to 31/01/17 £
Social Housing (notional @ £18k per property recovered* )	126,000 (7 prop)	144,000 (8 prop)
Right to buy (notional @ £100k discount)	200,000	100,000
Blue Badges & Parking Permit (notional @ £500 per case*)	0	0
Council Tax (identified overpayments and administrative penalties)	10,753	132,782
Other	0	800
<b>Total actual and notional savings</b>	<b>336,753</b>	<b>377,582</b>

3.3 Appendix A shows closed investigations into fraud and financial irregularity to date in 2016/17. 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.

#### 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 2016/17 figures to 31 January (with 2015/16 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	18 (19)
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Council Tax Reductions Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013	5 (0)
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- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud

	Absolute	FTE
Fraud Investigation - SWLFP #	17 (20)	16.5 (19.3)

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

	Absolute	FTE
PINS trained Fraud Specialist	7 (10)	7.0 (10.0)
CIPFA Certificate in Investigative Practices/ Accredited Counter Fraud Specialist	8 (2)	8.0 (1.8)

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

	16/17	15/16*	14/15*
Other Fraud Investigation (14/15* in year SFIS transfer, see 4.2) (15/16* includes DCLG Funding, see 4.3)	£172.8k	£170.9k	£223.4k

- Total number of fraud cases investigated.

	16/17 (to 31/1/17)	15/16	14/15
Benefit Fraud Investigations	1	0	31
Housing/Tenancy related Investigations	150	103	0
Right to Buy	13	3	0
Permit Fraud Investigation	4	1	0
Other Investigations	26	12	28

- 4.2 On 1<sup>st</sup> 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.
- 4.3 To ensure that sufficient knowledge and capability for fraud investigation was maintained Merton entered into a partnership with four neighbouring boroughs, the SWLFP. For 2016/17, 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.

## 5. CONCLUSION

- 5.1 A recent national public sector fraud report (Protecting the Public Purse) highlighted the three most significant items that local authorities needed to be addressed as: capacity; effective fraud risk management; and better data sharing. Partnership working helps maintain resilience and access to specialist investigative skills, resources and enables lawful and effective data sharing.
- 5.2 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
PINS	Professionalism IN Security
POSHFA	Prevention of Social Housing Fraud Act
RTB	Right to Buy
SFIS	Single Fraud Investigation Service
SPD	Single Person Discount
SWLFP	South West London Fraud Partnership

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