

Committee: Standards and General Purposes Committee

Date: 9th November 2017

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 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