

Committee: Standards and General Purposes**Date: 8 November 2018****Subject: Fraud Update**

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Recommendation:**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 2018/19 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 for Merton Council, with Table1 summarising progress, to the end of September 2018, against the key fraud performance targets. In total, 112 fraud cases have been worked on (42 new cases, with 70 cases c/f from 2017/18) as a result of either referrals received or concerns highlighted through pro-active fraud drives since April 2018.

Table 1: Performance against key objectives and targets 2018/19

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	10 properties	4 (a further 5 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	5 (A pro-active exercise to review a sample of applications received will be undertaken in early 2019)
Delivery of the Fraud Plan	100% of the Fraud Plan	100% of the Fraud Plan	45.74 to end Sept

- 2.2 Tables 2 provides an indicative allocation of how the funding resource will and has been used in terms of investigator days. Where the volume of fraud referrals is increased resources may have to be diverted from pro-active fraud drives to enable accepted fraud referral cases to be investigated.

Table 2: Fraud Resourcing Plan (includes actuals for 2018/19)

	Estimated Days	%	Actual (to 30/9/18)	%
Referral Review	34	8.5	17.5	9.6
Pro Active Fraud Drives	55	13.7	10.8	5.9
Fraud Investigation	273	68.3	148.6	81.2
Fraud Awareness/prevention	18	4.5	6.0	3.3
Contingency	20	5.0	0.0	0.0
Total	400	100.0	182.9	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, with comparisons to previous years.

Table 3: Summary of fraud referrals

	2018/19 to Sept '18	2017/18	2016/17
Referral accepted in period for investigation by type:			
- Tenancy fraud/abuse	55	79	187
- Housing Applications	9	20	Incl in above
- Right to Buy	17	72	30
- Permit Fraud	5	18	7
- Corporate (Internal)	6	16	14
- Corporate (External) i.e. CTR & SPD	20	25	19
Total referrals in period	112	230	257
Closed in period			
- Closed no fraud	15	106	147
- Closed with sanction	22	54	38
Referrals still under investigation	75	70	73

- 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 2018/19 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)	2018/19 (to Sept '18) £	2017/18 £	2016/17 £
Social Housing (18k per property recovered* as directly reduces call upon temporary accommodation costs)	72,000 (4 prop)	144,000 (8 prop)	216,000 (12 prop)
Housing Applications Rejected (notional £6k per application cancelled)	30,000 (5 apps)	108,000 (18 apps)	96,000 (16 apps)
Right to buy (notional @ £100k discount)	700,000 (7 apps)	1,400,000 (14 apps #)	100,000 (1 app)
Blue Badges & Parking Permit (notional @ £500 per case*)	500	2,500	0
Council Tax (identified overpayments and administrative penalties)	4,782	151	132,782
Other	36,000	12,133	800
Total savings - Cashable	112,782	156,284	349,582
- Notional	730,218	1,510,500	196,000

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

3. Developments in Fraud Detection and Prevention

- 3.1 **Data Analytics London Counter Fraud Hub (LCFH):** Whilst London Councils have a good record in investigating fraud and in collaboration to counter and prevent fraud there is always the need to respond to technological developments as innovation is as important in fighting fraud as any area of council activity to keep ahead of fraudsters and prevent resources being taken away from delivering services to those who need them.
- 3.2 The principles for maximising collaborative and smarter working through data sharing are behind the development of the London Counter Fraud Hub (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. As is common with most new initiatives there are some initial costs and resource implications to ensure that the Council can benefit from participation within the LCFH.

- 3.3 The hub’s development has passed an initial proof of concept stage, with further functionality testing being undertaken by four pilot authorities, and once completed it will be offered for roll out to all London Councils. Unlike the NFI it does not have a statutory basis that requires all authorities to provide their data so will require a decision from each Council. This will be an invest to save scheme, with Councils’ able to offset the initial additional resource input against future cashable savings.
- 3.4 **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.
- 3.5 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.
- 3.6 **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 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

	18/19 [to 30/09/18]	(17/18)
Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	6	9

The Council Tax Reduction Schemes

(Detection of Fraud and Enforcement) (England) Regulations 2013	0	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 #	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

	18/19	(17/18)
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Other Fraud Investigation	£121.1k	£118.7k
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- Total number of fraud cases investigated.

[to 30/09/18]

Housing/Tenancy related Investigations	64	99
Right to Buy	17	72
Permit Fraud Investigation	5	18
Other Investigations	<u>26</u>	<u>41</u>
TOTAL	112	230

- 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 2018/19 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
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

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