


Report to:	Audit & Governance Committee	Date:	16 May 2019
Report title:	AG/2018/33 - SWLFP Fraud Referrals and Investigations Update		
Report from:	Richard Simpson, Interim Strategic Director - Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Richard Clifton Councillor David Hicks		
Author(s)/Contact Number(s):	Kevin Holland, Deputy Head, Fraud & Risk - Head of SWLFP 020 8871 6451		
Corporate Plan Priorities:	<ul style="list-style-type: none"> Smarter Ways of Working 		
Open/Exempt:	Open		
Signed:		Date:	02 May 2019

1. Summary

- 1.1 This report summarises the results of the Council's Counter-Fraud and investigations work undertaken since 1 April 2018 compared with the indicative resource allocation plan for 2018/19.

2. Recommendations

The Audit and Governance Committee is recommended to:

- 2.1 Note the report.

3. Background

- 3.1 One of the responsibilities of the Audit and Governance 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.

- 3.2 This report is intended to provide the Audit and Governance Committee with assurance over the arrangements for protecting the Council against fraud and corruption. Sutton Council entered into a shared fraud investigation service, known as the South West London Fraud Partnership (SWLFP), with Kingston, Merton, Richmond & 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).
- 3.3 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.
- 3.4 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 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.
- 3.5 Priority areas of coverage are agreed through consultation with the Heads of Audit and the Shared Services Board. The SWLFP continues to work closely with the Sutton Housing Partnership, 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 identify tenancy fraud and abuse results in the recovery of misused tenancies which can be assigned to those in genuine need thus reducing the call upon temporary housing provided by local authorities.

4. Issues

Summary of Fraud Investigations and Performance Results

- 4.1 The Tables below summarise the fraud work undertaken for Sutton Council. Table 1 provides a breakdown of the 434 fraud cases have been worked on (323 new cases, 111 cases b/f from 2017/18) as a result of either referrals received or concerns highlighted through pro-active fraud drives since 1st April 2018.

Table 1: Investigation Caseloads

2018/19	Open Cases b/fwd	New Cases in Year	Total Cases (17/18 in bracket)	Closed No Sanction	Closed With Sanction	Open Cases c/fwd
Tenancy Fraud	30	52	82 (84)	45	10	27
Housing Applications	1 1	30	31 (31)	5	21	5
Right to Buy	15	17	32 (39)	20	9	3
Permit Fraud	4	24	28 (12)	10	13	5
Internal/Employee	1	2	3 (3)	1	1	1
Council Tax Reduction /Single Person Discount	50	192	242 (251)	187	42	13
Other	10	6	16 (n/a)	13	3	0
Totals	111	323	434 (420)	281	99	54

- 4.2 The number of referrals received is 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.

Objectives and Key Performance Indicators 2018/19

- 4.3 Details of performance against key objectives and performance targets in relation to fraud are shown in the tables 2 to 4 below.

Table 2: Performance against Service Plan 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	14 properties	10 (+ 8 properties where recovery is pending, with notices issued and/or cases with legal)
Develop joint working with Housing teams to proactively identify housing fraud	Housing applications withdrawn as a result of fraud work	20 applications	21 applications cancelled following a pro-active exercise to verify validity of a sample of current applications
Delivery of the Fraud Plan	% delivery	100% delivery by 31 st March 2019	86.68% (Two vacant posts being held for the Fraud Apprenticeship Scheme, expected in 2019/20)

Table 3: Summary of fraud referrals

	2018/19	2017/18	2016/17
Referral accepted in period for investigation by type:			
- Tenancy fraud/abuse	82	84	218
- Housing Application	31	31	11
- Right to Buy	32	39	24
- Parking Permit Fraud	15	12	10
- Internal BB Parking Enforcement	13	26	34
- Internal/Employee	3	3	3
- Other	16		
- Council Tax Reduction & Single Person Discount	242	251	197
Total referrals in period	434	446	497
Closed in period			
- Closed no fraud	281	233	342
- Closed with sanction	99	102	61
Referrals c/f, still under investigation	54	111	94
National Fraud Initiative (NFI)			
- Fraud	n/a	192	137
- Error	n/a	122	100

Table 4: Summary of Overpayments and Notional savings

(* notional savings figures as per Audit Commission estimates)	2018/19 £	2017/18 £	2016/17 £
Social Housing (notional @ £18k per property recovered*)	180,000 (10 props)	144,000 (8 props)	162,000 (9 prop)
Housing Applications Rejected (notional £6k per application cancelled)	126,000 (21 app)	116,000 (19 apps)	18,000 (3 apps)
Right to buy (notional @ £100k discount) - Housing Benefit Overpayment identified	900,000	800,000	500,000 8,251
Blue Badges & Parking Permit (including notional @ £500 per case*)	11,119	33,347	16,997
School Admissions (notional @ £6k per place)	6,000	24,000	0
Other External	110,903	0	0
Council Tax & Single Person Discount (identified overpayments and administrative penalties)	425,635	218,661	33,175
National Fraud Initiative (NFI) – Review work largely undertaken by LBS Officers	n/a	106,850	75,879
Total savings	1,648,754	1,432,858	806,051

Closed Investigations

- 4.4 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 are a reflection of 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.
- 4.5 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.

Pro-active fraud drives and ongoing investigations

- 4.6 Blue Badge Abuse: Two joint sessions have been conducted with Sutton's Parking Team seeking to identify "one-off" misuse of blue badges across Sutton. Five blue badges were confiscated and these cases will be prosecuted by Parking Services. Further joint working sessions with Sutton's Parking Services are being discussed.

- 4.7 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.
- 4.8 The principles for maximising collaborative and smarter working through data sharing are behind the development of the 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. There is a separate committee report on this agenda that details the potential benefits and cost involved with joining the LCFH.
- 4.9 The hub's development has passed the initial proof of concept stage, with the involvement of four pilot authorities, and is being prepared for roll out to all London Councils. Unlike the NFI it will not have a statutory basis that requires all authorities to provide their data so requires a decision from each Council. This will be an invest to save scheme, with Councils' able to offset the initial additional resource requirement and subscription cost for hub membership against future cashable savings.

National Fraud Initiative (NFI) 2018

- 4.10 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.
- 4.11 Participation is mandatory with all local authorities required to provide datasets for the NFI, Part 6 of the Local Audit and Accountability Act (LAAA) 2014. The SWLFP coordinate the submission of the required datasets in November and initial matches have been released. SWLFP are currently reviewing the reports to determine and agree with services the programme of work. These will be distributed to front line service teams to process but where fraud is identified cases can be referred back to the SWLFP for investigation.

Single Person Discount (SPD)

- 4.12 The SWLFP worked with Sutton's Council Tax Team and a specialist contractor to verify SPD applications. This initial review resulted in several residents acknowledging errors with their claims, so discounts were cancelled and with some back payments additional income of £372k was identified. Further investigation was undertaken where evidence of at least two adults in household occupation was identified but the occupant still claimed entitlement to a single person discount. The additional investigation work included home visits and formal interviews where necessary. This resulted in the removal of 40 applications for SPD and the issue of 27 penalty notices which generated a further £33k in income for the Council.

Tenancy Fraud

4.13 In addition to the ten properties that have been recovered so far in 2018/19, Notices (NTQ or NSP) have been issued on four tenancies and four cases are being progressed by the SLLP via the courts for recovery.

Local Government Transparency Code

4.14 Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Details for 2018/19 (with 2017/18 full year comparative figures show within brackets) are shown below.

- 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 (17/18)

Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	14	(32)
Council Tax Reduction Schemes (Detection of Fraud and Enforcement)(England) Regulations 2013	7	(20)

- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud

Absolute FTE

Fraud Investigation - SWLFP # (see note at paragraph 5.2)	15 (15)	14.5 (14.5)
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- Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists

Absolute FTE

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 (6)	4.0 (6.0)

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

18/19 17/18

Other Fraud Investigation	£151.4k	£148.4k
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- Total number of fraud cases investigated.

	18/19	17/18
Benefit/Council Tax Reduction	242	251
Housing/Tenancy related Investigations	113	115
Right to Buy	32	39
Permit Fraud Investigation	28	12
Other Investigations	19	3

4.15 To ensure that sufficient knowledge and capability for fraud investigation was maintained Sutton entered into a partnership with four neighbouring boroughs, the SWLFP. For 2018/19, the number of Fraud Investigation Officers and Officers with specialist fraud qualifications relates to the pool of officers within the SWLFP team that can be called upon, Sutton's funding contribution equates to 2.5 FTE investigators.

5. Conclusion

- 5.1 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.
- 5.2 Whilst the fraud investigation resource since 2015 has reduced, the use of technology and ongoing improvements with accessing key systems, intelligence sources and records, has meant that the fraud response capability has improved and is able to manage the current level of fraud referrals.
- 5.3 The Council has made suitable provision for the investigation and prevention of fraud and corruption.

6. Impacts and Implications

Financial

- 6.1 Sutton's share of the shared fraud service cost for 2018/19 was £151,361 and this was budgeted for within the Shared Finance Service. Through its work the Fraud service generates significant costs savings as set out in table 4.

Legal

- 6.2 The Internal Audit function supports the statutory role of the responsible finance officer as defined in section 151 of the Local Government Act 1972. The Accounts and Audit (England) Regulations 2015 set out the detailed statutory requirements for internal audit and internal control at local authorities. Internal Audit has operational procedures and practices that are designed to comply with all statutory obligations.

7. Appendices and Background Documents

Appendix letter	Title
A	Fraud Closed Cases

Background documents
None

Audit Trail		
Version	Final	Date: 02 May 2019
Consultation with other officers		
Finance	Yes	Michael Mackie
Legal	No	N/A
Equality Impact Assessment required?	No	N/A

GLOSSARY

BB	Blue Badge
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 2014
LCFH	London Counter Fraud Hub
NFI	National Fraud Initiative
NSP	Notice Seeking Possession
NTQ	Notice to Quit
PINS	Professional in Security
SHiP	Social Housing Investigators Partnership
SPD	Single Person Discount
SWLFP	South West London Fraud Partnership

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