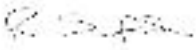


Report to:	Audit & Governance Committee	Date:	18 June 2020
Report title:	Fraud Referrals and Investigations Update		
Report from:	Richard Simpson, Strategic Director - Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Sam Weatherlake		
Author(s)/Contact Number(s):	Kevin Holland, Head of SWLFP, 020 8871 6451		
Corporate Plan Priorities:	<ul style="list-style-type: none"> Smarter Ways of Working 		
Open/Exempt:	Open		
Signed:		Date:	2 June 2020

1. Summary

- 1.1 This report summarises the results of the Council's Counter-Fraud and investigations work undertaken since 1 April 2019 across the financial year 2019/20.

2. Recommendation

- 2.1 To note and comment on this report.

3. Background

- 3.1 One of the responsibilities of the Audit 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 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 2019/20 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 Social Housing Providers, 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. Summary of Fraud Investigations and Performance Results

- 4.1 The Tables below summarise the fraud work undertaken for Sutton Council. Table 3 provides a breakdown of the 246 fraud cases have been worked on (193 new cases, 53 cases b/f from 2018/19) as a result of either referrals received, or concerns highlighted through pro-active fraud drives since April 2019.

Table 3: Investigation Caseloads

2019/20	Open Cases b/fwd	New Cases in Year	Total Cases (18/19 in bracket)	Closed No Sanction	Closed With Sanction	Open Cases c/fwd
Tenancy Fraud	25	97	122 (83)	62	13	47
Housing Applications	6	2	8 (31)	5	0	3
Right to Buy	4	17	21 (32)	17	4	0
Permit Fraud	5	21	26 (28)	7	9	10
Employee – Internal	0	2	2 (1)	2	0	0
CTR/SPD	13	44	57 (242)	46	1	10
Corporate -other	0	10	10 (16)	7	2	1
Totals	53	193	246 (434)	146	29	71

- 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 2019/20

- 4.3 Details of performance against key objectives and performance targets in relation to fraud are shown in the tables 4 to 6 below.

Table 4: Performance against Service Plan targets 2019/20

Activity	Performance Indicator	Target	Actual @ end of January 2018
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	12 properties	13 (+ 7 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	0 – Resources focused upon Tenancy Fraud cases in year
Delivery of the Fraud Plan	% delivery	100% delivery by 31 st March 2020	89.42%

Table 5: Summary of fraud referrals

	2019/20	2018/19	2017/18
Referral accepted in period for investigation by type:			
- Tenancy fraud/abuse	122	82	84
- Housing Application	21	31	31
- Right to Buy	8	32	39
- Parking Permit Fraud	11	23	12
- Internal BB Parking Enforcement	12	13	26
- Internal, Employee	2	3	3
- Other e.g. school admissions	10	16	
- External i.e. CTR & SPD	57	242 #	251 #
Total referrals in period	246	434	446
Closed in period			
- Closed no fraud	146	282	233
- Closed with sanction	29	99	102
Referrals c/f, still under investigation	71	53	111
National Fraud Initiative (NFI)			
- Fraud	195	n/a	192
- Error	198	n/a	122

(# This includes targeted work on SPD reviews completed across these years)

Table 6: Summary of Overpayments and Notional savings

(* notional savings figures as per Audit Commission estimates)	2019/20	2018/19	2017/18
Social Housing (notional @ £18k per property recovered*)	234,000 (13 props)	180,000 (10 props)	144,000 (8 props)
Housing Applications Rejected (notional £6k per application cancelled)	0	126,000 (21 apps)	116,000 (19 apps)
Right to buy (notional @ £100k discount) - Housing Benefit Overpayment identified	400,000	900,000	800,000
Blue Badges & Parking Permit (including notional @ £500 per case*)	6,241	11,119	33,347
Employee (notional @ £5k per case*) School Admissions (notional @ £6k per place)	0 12,000	0 6,000	0 24,000
Council Tax (identified overpayments and administrative penalties)	1,740	425,635 #	218,661 #
National Fraud Initiative (NFI) – Review work largely undertaken by LBS Officers	327,804 #	n/a	106,850
Total savings	981,785	1,648,754	1,432,858

NB # Outcomes derived as a result of a specific targeted data matching exercise that was not repeated in 2019/20 as awaiting development of the London Counter Fraud Hub (LCFH). For 2019/20 the LCFH did not progress so in-house resource focused on NFI resulting in increased outcomes

- 4.4 **Closed Investigations:** 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 reflects 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.
- 5. Proactive Fraud Drives and Ongoing Investigations.**
- 5.1 **Blue Badge Abuse:** Joint sessions have been conducted with Parking into "one-off" misuse of blue badges across Sutton and to investigate a number of suspected falsified claims that

challenged to issue of Penalty Charge Notices. Further joint working sessions with Sutton's Parking Services are being discussed.

- 5.2 Tenancy Fraud: In addition to the 13 properties that have been recovered so far in 2019/20, Notices have been issued on a further case and 6 cases are being progressed by the SLLP via the courts for recovery, following expiry of notices served.
- 5.3 School Admissions: Following a meeting with the School Admissions Team, a process has been established where the Admissions Team can refer suspicious applications for further scrutiny and investigation. 8 cases have been referred, resulting in evidence being provided to support the refusal of 2 applications.
- 5.4 Sutton officers within the assessments team are particularly effective in highlighting potential concerns with applications for CTR and officers from the SWLFP work closely with colleagues in the assessments team.

Local Government Transparency Code

- 5.5 Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Details for 2019/20 (with 2018/19 full year comparative figures shown within brackets) are shown below.

<ul style="list-style-type: none"> Accredited number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers 		
	19/20	(18/19)
Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	12	14
The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	3	7
<ul style="list-style-type: none"> 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)
<ul style="list-style-type: none"> 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)
<ul style="list-style-type: none"> Total amount spent by the authority on the investigation and prosecution of fraud 		
	19/20	(18/19)
Other Fraud Investigation	£154.4k	£151.4k
<ul style="list-style-type: none"> Total number of fraud cases investigated. 		
SPD/Council Tax Reduction	57	242
Housing/Tenancy related Investigations	130	113
Right to Buy	21	32

Permit Fraud Investigation	23	28
Other Investigations	12	19
Total	246	434

For 2019/20, 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.

- 5.6 To ensure that sufficient knowledge and capability for fraud investigation was maintained Sutton entered into a partnership with four neighbouring boroughs, the SWLFP.

6. Conclusion

- 6.1 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.
- 6.2 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 and to provide fraud awareness and prevention training and advice.
- 6.3 The Council has made suitable provision for the investigation and prevention of fraud and corruption.

7. Issues

- 7.1 None.

8. Options Considered

- 8.1 No other options applicable.

9. Impacts and Implications

Financial

- 9.1 There are no direct financial implications arising from this report.

Legal

- 9.2 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.



10. Appendices and Background Documents

Appendix letter	Title
A	Closed Fraud Cases

Background documents
None

Audit Trail		
Version	Final	Date: 2 June 2020
Consultation with other officers		
Finance	Yes	Michael Mackie
Legal	No	N/A
Equality Impact Assessment required?	No	N/A

GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
CTR	Council Tax Reduction
DWP	Department for Work and Pensions
FTE	Full Time Equivalent
LCFH	London Counter Fraud Hub
NFI	National Fraud Initiative
PINS	Professional in Security
SHP	Sutton Housing Partnership
SHiP	Social Housing Investigative Partnership
SLLP	South London Legal Partnership
SPD	Single Person Discount
SWLFP	South West London Fraud Partnership

This page is intentionally left blank