

Audit, Governance and Standards Committee

2 May 2019

UPDATE ON FRAUD WORK UNDERTAKEN

Report by the Head of the South West London Audit Partnership

Purpose

To provide the Audit, Governance and Standards Committee with an update on the fraud work undertaken in 2018/19 by the South West London Fraud Partnership (SWLFP).

Recommendation

To RESOLVE that :

1. The fraud work undertaken and performance results for 2018/19 are noted.

BACKGROUND

1. One of the responsibilities of the Audit, Governance and Standards Committee is to “Maintain an overview of the effectiveness of the Council’s arrangements for corporate governance, particularly those concerned with risk management, internal control, financial governance, treasury management, and counter fraud and corruption; obtaining assurance that appropriate action is being taken on any issues raised;”.
2. This report is intended to provide the Committee with assurance over the arrangements for protecting the Council against fraud and corruption. Kingston Council entered into a shared fraud investigation service, known as the South West London Fraud Partnership (SWLFP), with Merton, 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).

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.
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.
5. Priority areas of coverage for individual partner Councils are agreed through consultation with the Heads of Audit. SWLFP continues to work with social landlords via 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. This has resulted 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.

SUMMARY OF FRAUD INVESTIGATION AND PERFORMANCE RESULTS

6. The Tables below summarise the fraud work undertaken for Kingston Council during 2018/19. Table 1 below provides a breakdown of the 244 fraud/abuse (148 new cases, with 96 cases c/f from 2017/18) referrals that have been worked on since April 2018.

Table 1: Investigation Caseloads

2018/19 - to 30/09/18	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	18	34	52 (76)	31	10	11
Housing Applications	0	27	27 (44)	1	25	1
Right to Buy	17	16	33 (38)	14	9	10
Permit Fraud	0	15	15 (15)	8	2	5
Internal/Employee	5	1	6 (10)	3	1	2
External – CTR/SPD	52	48	100 (121)	63	16	21
External - Other	4	7	11 (n/a)	2	3	6
Totals	96	148	244 (276)	67	19	78

7. 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.
8. **Objectives and Key Performance Indicators 2018/19:** 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 for 2018/19

Activity	Performance Indicator	Target	Actual @ end of September 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	14 properties	10 (+ 2 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	25 applications cancelled
Delivery of the Fraud Plan	% delivery	100% delivery by 31 st March 2018	89.66% (Two vacant posts being held for the Fraud Apprenticeship Scheme. Expected in 2019/20)

Table 3: Summary of savings (comparison with 2017/18 & 2016/17)

* notional savings figures as per Audit Commission estimates	2018/19 to Sept '18 £	2017/18 £	2016/17 £
Social Housing (notional @ £18k per property recovered*)	180,000 (10 props)	180,000 (10 prop)	180,000 (10 prop)
Housing applications cancelled (notional £6k per application cancelled)	150,000 (25 apps)	258,000 (43 apps)	90,000 (15 apps)
Right to buy (notional @ £100k discount)	900,000 (9 apps)	1,200,000 (12 apps)	1,700,000 (17 apps)
Outstanding debts recovered	2,941	n/a	17,000
Permit Fraud e.g. Blue Badges (incl. notional @ £500 per case)	1,000	1,830	1,500
School Admissions (£6,000 per placement)	12,000	0	6,000
Internal (notional £10k per case*)	10,000	20,000	10,000
Corporate Sanctions – CTRs	20,637	74,735	34,954
Revenues SPD Review	193,000	257,000	194,000
Total Savings	1,469,578	1,991,565	2,214,454

Table 4: Summary of Sanctions

	2018/19 To Sept'18	2017/18	2016/17
Total number of social housing properties recovered	10	10	10
Housing Applications cancelled	25	44 #	15
RTB Applications withdrawn	9	12	17
Corporate Sanctions			
- Council Tax	16	15	10
- Parking Permit Fraud	2	3	3
- Employee/Disciplinary	1	2	4
- Other	3		
Total Sanctions	69	79	59

Results achieved following a one-off pro-active fraud drive involving data-matching

9. **Closed Investigations:** Annex 1 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.
10. 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.

REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

11. The Regulation of Investigatory Powers Act 2000 (RIPA) sets out the circumstances in which councils may instigate covert surveillance activity in order to obtain private information about an individual. The ability to use surveillance is an essential investigation tool and can be the only pragmatic method for securing sufficient evidence of suspected offences to enable sanctions or prosecution, where necessary.
12. Where offences do not attract the potential sentence of 6 months or more of imprisonment, surveillance can still be undertaken but it is no longer possible to obtain the full RIPA shield. This includes the investigation of offences such as the misuse of a disabled person's Blue Badge (an offence under Section 117 of the Road Traffic Regulations Act 1984). In such instances the full RIPA process is followed to demonstrate full consideration of the necessity and proportionality for the need to deploy surveillance but without the final approval stage from a justice of the peace. These are classified as Non RIPA applications.
13. Oversight and authorisation of full RIPA applications is undertaken by a designated RIPA authorisation officer from Kingston and oversight and authorisation of a Non RIPA application is undertaken by the Head of the SWLFP. A summary of RIPA and Non RIPA applications made since 1st April 2016 is shown in Table 7 below.

Table 7: Summary RIPA and Non RIPA applications

	2018/19	2017/18	2016/17
Full RIPA applications	1	Nil	Nil
Non RIPA applications	1	4*	2*

* All Non RIPA applications were in relation to suspected Blue Badge misuse under Section 117 of the Road Traffic Regulations Act 1984

FRAUD PREVENTION AND DETECTION

14. **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.
15. 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. 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.
16. The hub's development has passed the initial proof of concept stage, and further functionality testing is being undertaken by four pilot authorities. Once completed it will be offered 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.
17. **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.
18. 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.
19. **On-line Fraud Awareness Training:** An on-line fraud awareness training package, aligned to Kingston's policies and procedures, has been made available to all officers to increase awareness and understanding of fraud 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.

LOCAL GOVERNMENT TRANSPARENCY CODE

20. 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 (17/18)

Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	12	(8)
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The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	3	(14)
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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 investigation and fraud prevention

	18/19	(17/18)
Fraud Partnership	£143.8k	£140.9k

- Total number of fraud cases investigated.

Housing/Tenancy related Investigations	79	123
Right to Buy	33	38
Permit Fraud Investigation	15	15
Other Investigations	117	131
TOTAL	244	276

21. To ensure that sufficient knowledge and capability for fraud investigation was maintained Kingston 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 # that

can be called upon although Kingston's funding contribution equates to 2.375FTE investigators.

CONCLUSION

22. 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 reported fraud referrals. As most referrals are received from in-house teams, this 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.
23. The Council has made suitable provision for the investigation and prevention of fraud and corruption.

Background papers – held by the Authors of this report:

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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	RIPA	Regulatory of Investigators Powers Act
RTB	Right to Buy	SHIP	Social Housing Investigative Partnership
SPD	Single Person Discount	SWLFP	South West London Fraud Partnership