

Audit, Governance and Standards Committee

4 May 2021

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 2020/21 by the South West London Fraud Partnership (SWLFP).

Recommendation

To RESOLVE that :

1. The fraud work undertaken and performance results for 2020/21 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’s investigative resource is provided through a shared service, known as the South West London Fraud Partnership (SWLFP), with Merton, Richmond, Sutton & Wandsworth Councils.
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 2020/21 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 and Directors via the Shared Services Board. 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.

SUMMARY OF FRAUD INVESTIGATION AND PERFORMANCE RESULTS

6. The Tables below summarise the fraud work undertaken for Kingston Council during 2020/21. Table 1 below provides a breakdown of the 254 fraud/abuse (184 new cases, with 70 cases c/f from 2019/20 referrals that have been worked on since April 2020).

Table 1: Investigation Caseloads

2020/21	Open Cases b/fwd	New Cases in Year	Total Cases (19/20 in bracket)	Closed No Sanction	Closed With Sanction	Open Cases c/fwd
Tenancy Fraud	22	47	69 (64)	36	7	26
Housing Applications	3	38	41 (36)	4	27	10
Right to Buy	3	25	28 (24)	7	13	8
Permit Fraud	7	8	15 (18)	12	1	2
Internal/Employee	2	3	5 (4)	2	1	2
External – CTR/SPD	28	20	48 (64)	22	15	11
External - Other	5	43	48 (13)	39	20	7
Totals	70	184	254 (223)	122	66	66

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 2020/21:** 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 2020/21

Activity	Performance Indicator	Target	Actual for 20/21
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	7 (+ 7 properties where recovery is ongoing, and cases are with legal)
Develop joint working with Housing teams to proactively identify housing fraud	Housing applications withdrawn as a result of fraud work	20 applications	27 applications cancelled
Delivery of the Fraud Plan	% delivery	100% delivery by 31 st March 2020	88.51%

Table 3: Summary of savings (comparison with 2018/19 & 2019/20)

* notional savings figures as per Audit Commission estimates	2020/21 £	2019/20 £	2018/19 £
Social Housing (notional @ £93k, from 2020, per property recovered, previously £18k*)	651,000 (7 prop) 50,885	144,000 (8 props)	180,000 (10 props)
Housing applications cancelled (notional £3,240, from 2020, per application cancelled, previously £6k*)	87,480 (27 apps)	174,000 (29 apps)	150,000 (25 apps)
Right to buy (notional @ £100k discount*)	1,300,000 (13 app)	1,100,000 (11 apps)	900,000 (9 apps)
Outstanding debts recovered			2,941
Permit Fraud e.g. Blue Badges (incl. notional @ £575 per case, from 2020, previously £500*)	575	2,930 29,900	1,000 n/a
School Admissions (£6,000 per placement)	6,000	0	12,000
Internal (incl notional £10k per case*)	10,000	109,890	10,000
Corporate – CTRs & NFI Revenues SPD Review	44,737 tba	137,803 238,000	112,341 162,000
Total Savings	2,150,677	1,936,523	1,548,919

Table 4: Summary of Sanctions (comparison with 2018/19 & 2019/20)

	2020/21	2019/20	2018/19
Total number of social housing properties recovered	7	8	10
Housing Applications cancelled	27	29	25
RTB Applications withdrawn	13	11	9
Corporate Sanctions			
- Council Tax	15	8	16
- Parking Permit Fraud	1	3	2
- Employee/Disciplinary	1	3	4
- Other	2	3	3
Total Sanctions	66	65	69

9. **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 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, in particular, the pace of work for recovering public sector housing has been effected by Covid 19 related measures that have resulted in a temporary stay on evictions whilst measures are in place that impact movement.
11. **Tenancy Fraud:** In addition to the 7 property that have been recovered so far in 2020/21, Notices have been issued on a further 2 cases and 5 cases are being progressed by the SLLP for recovery. However, evictions scheduled since the start of the Covid-19 pandemic have been delayed or cancelled and Court hearings deferred.
12. Discussion are being held with SLLP and within SHP to monitor and respond to the Covid 19 impact upon the on-going and future proposed possession action as the Civil and Criminal Court systems will have to address the backlog of cases and rationale for case prioritisation.

13. **Government Counter Fraud Profession (GCFP):** There is a new Public Sector Fraud Profession, the GCFP, which provides a mechanism by which Investigation Officers skill sets can be assessed, and through supported continuing personal development, maintained. In November 2020, the investigators from the fraud partnership, together with investigator working for 20 other councils, became the first group of Local Government Investigator to be enrolled as members of the Government Counter Fraud Profession.

REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

14. The Regulation of Investigatory Powers Act 2000 (RIPA) sets out the circumstances in which councils may instigate covert surveillance activity. 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.
15. 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.
16. Oversight and authorisation of full RIPA applications is undertaken by Ms McCann the designated Senior Responsible Officer (SRO) 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 2018 is shown in Table 5 below.

Table 5: Summary RIPA and Non RIPA applications

	2020/21	2019/20	2018/19
Full RIPA applications	Nil	Nil	1
Non RIPA applications	Nil	Nil	1*

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

17. **IPCO Inspection:** The use of RIPA is regulated by the Investigatory Powers Commissioner and the Council's approach and procedures for managing RIPA was recently reviewed, 24th March 2021 by one of his Inspectors,
18. Within his letter the Inspector commented positively upon the Council's Governance and procedures in place for the effective use of RIPA, stating that:

"I note that significant effort has been made in relation to these (previous inspection) recommendations and that you have developed new guidance, Using Social Media, as well as introducing new processes to monitor and oversee the use of the internet and social media."

"The practice notes in place offer comprehensive overviews of the covert powers available to you, providing clear and well-articulated instructions and guidance to staff."

"The role of your SRO (Ms McCann) is central to the above issue and in maintaining a strong oversight regime, and my Inspector opines that both members of staff interviewed demonstrated a proactive and intrusive approach to governance and oversight of any potential use of the powers."

"I am pleased to report there being suitably strong governance processes in place within your Borough to ensure compliance with the legislation and Codes of Practice and that some good practice has been identified."

FRAUD PREVENTION AND DETECTION

19. The fundamental challenge that public bodies face with fraud is that it is often a hidden crime with those committing it actively try to conceal it so we must be proactive in our efforts to seek it out.
20. **National Fraud Initiative (NFI):** The NFI, which started in 1996, continues to prove an effective tool for detecting and preventing fraud and error across the UK. Cumulatively the NFI has now enabled participants to prevent and detect fraud and overpayments totalling £1.69 billion.
21. The 2020/21 NFI exercise is now underway with data matches now available for review. Data is requested in accordance with Part 6 of the Local Audit and Accountability Act 2014 and for Kingston Council this means the provision of the following datasets:
- | | |
|--------------------------------|--------------------------|
| - Blue Badge Parking Permits | Deferred Pensions |
| - Creditors History | Pensions Gratuities |
| - Creditors Standing | Pensions |
| - Concessionary Travel Passes | Payroll |
| - Council Tax Reduction Scheme | Resident Parking Permits |

- Housing Tenants Right to Buy
- Waiting Lists

22. Discussions are being held with Heads of Service to agree approaches to reviewing matched output based upon a risk assessment of likelihood for highlighting fraud or error for each data match type.
23. The SWLFP coordinate the submission and review, providing access to data matches via the NFI portal to front line service teams. Where fraud is suspected cases are referred back to the SWLFP for investigation.
24. **Business Support Grants:** Support work is ongoing, to help ensure that only genuine applicants receive these payments. Joint working with front line services have helped develop the pre and post payment validation checks undertaken across the various grant schemes in order to ensure that the monies are being paid to the correct business owners.
25. **On-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

26. Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Listed below are 2020/21 figures (with 2019/20 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

	20/21	(19/20)
Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	15	(14)
The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	11	(6)

- 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		
	20/21	(19/20)
Fraud Partnership	£149.6k	£146.7k
● Total number of fraud cases investigated.		
Housing/Tenancy related Investigations	110	100
Right to Buy	28	24
Permit Fraud Investigation	15	18
Other Investigations	<u>101</u>	<u>94</u>
TOTAL	254	223

27. To ensure that sufficient knowledge and capability for fraud investigation was maintained Kingston entered into a partnership with four neighbouring boroughs, the SWLFP. For 2019/20, 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

28. 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.
29. The Council has made suitable provision for the investigation and prevention of fraud and corruption.

Background papers – held 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
GCFP	Government Counter Fraud Profession
LAAA	Local Audit and Accountability Act
IPCO	Investigatory Powers Commissioner's Office
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