

## **Audit, Governance and Standards Committee**

13 October 2022

### **UPDATE ON FRAUD WORK UNDERTAKEN**

Report by the Head of the South West London Audit Partnership

#### **Purpose of Report**

To provide the Audit, Governance and Standards Committee with an update on the fraud work undertaken in 2022/23 by the South West London Fraud Partnership (SWLFP).

#### **Recommendation**

**The Committee is asked to NOTE:**

1. The fraud work undertaken and performance results for 2022/23

### **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. Members recognise that the funds the Council administers and services it provides are targeted by fraudsters, and support the fight against Fraud and Corruption through an anti-fraud strategy and culture that seeks to:
  - Have robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.
  - Acknowledges and understands fraud risks and commits to support and resource tackling fraud through maintaining a robust anti-fraud response.
  - Prevent and detect more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
  - Prioritises fraud recovery and the use of civil sanctions. Developing capability and capacity to punish fraudsters. Supports collaborative work across geographical sector boundaries. Learning lessons and reducing fraud risks where possible.

- Protect ourselves, residents and service users from becoming disadvantaged by those seeking to commit fraud through recognising the harm that fraud can cause in the community and seeking to minimise this
3. 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.
  4. This pooling of resource under a single team helps strengthen resilience for individual authorities, enhances collaborative approach to fraud investigations and introduces the ability to undertake regional proactive counter fraud exercises, and have call upon a larger fraud resource when needed, enhancing both capacity and capability.
  5. For 2022/23 the SWLFP investigation team comprises 14.5 posts, with a mixture of expertise from both within and outside local government. All Investigation Officers are members of the Government Counter Fraud Profession (GCFP) and in addition we have three officers who are completing the GCFP Counter Fraud Investigator Apprenticeship. The professionalisation of the team will help ensure investigative techniques are both current and legally compliant, helping to sustain capability.
  6. 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

7. The Tables below summarise the fraud work undertaken for Kingston Council during 2022/23. Table 1 below provides a breakdown of the 226 fraud/abuse (169 new cases, with 57 cases c/f from 2021/22) referrals that have been worked on since April 2022.

Table 1: Investigation Caseloads

| 2022/23 (to 31 August) | Open Cases b/fwd | New Cases in Year | Total Cases (21/22 in bracket) | Closed No Sanction | Closed With Sanction | Open Cases c/fwd |
|------------------------|------------------|-------------------|--------------------------------|--------------------|----------------------|------------------|
| Tenancy Fraud          | 30               | 3                 | 33 (63)                        | 9                  | 7                    | 15               |
| Housing Applications   | 6                | 99                | 105 (50)                       | 1                  | 97                   | 8                |
| Right to Buy           | 6                | 11                | 17 (42)                        | 12                 | 1                    | 3                |
| Permit Fraud           | 2                | 22                | 24 (23)                        | 5                  | 7                    | 11               |
| Internal/Employee      | 2                | 1                 | 3 ( 5)                         | 1                  | 0                    | 2                |
| External – CTR/SPD     | 2                | 30                | 32 ( 25)                       | 11                 | 1                    | 15               |
| External - Other       | 9                | 3                 | 12 (17)                        | 0                  | 0                    | 11               |
| <b>Totals</b>          | 57               | 169               | 226 (225)                      | 39                 | 113                  | 77               |

8. 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.
9. **Objectives and Key Performance Indicators 2022/23:** 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 2022/23

| Activity   | Performance Indicator  | Target                                      | Actual for 22/23 to 31 August  |
|--|--|---|--|
| 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 (+ 6 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                             | 97 applications cancelled  |
| Delivery of the Fraud Plan   | % delivery   | 95% delivery by 31 <sup>st</sup> March 2024 | 40.7%  |

Table 3: Summary of savings (comparison with 2020/21 &amp; 2021/22)

| * notional savings figures as per Audit Commission estimates   | 2020/21<br>£                  | 2021/22<br>£         | 2022/23<br>£<br>to 31 August |
|--|-------------------------------|----------------------|------------------------------|
| Social Housing (notional @ £93k, from 2020, per property recovered)  | 651,000<br>(7 prop)<br>50,885 | 279,000<br>(3 props) | 651,000<br>(7 props)         |
| Housing applications cancelled (notional £3,240, from 2020, per application cancelled)   | 87,480<br>(27 apps)           | 110,160<br>(34 apps) | 314,280<br>(97 apps)         |
| Right to buy (notional @ £100k discount*)<br>Outstanding debts recovered   | 1,300,000<br>(13 app)         | 700,000<br>(7 apps)  | 100,000<br>(1 apps)          |
| Permit Fraud e.g. Blue Badges (incl. notional @ £575 per case, from 2020, previously £500*)<br>School Admissions (£6,000 per placement), Business Grants | 575<br>6,000                  | 2,875<br>105,000     | 4,025<br>12,000              |
| Internal (incl notional £10k per case*)  | 10,000                        | 10,000               | 0                            |
| Corporate – CTRs & NFI<br>Revenues SPD Review  | 44,737<br>tba                 | 193,096<br>75,300    | 280<br>200,000*              |
| <b>Total Savings</b>   | <b>2,150,677</b>              | <b>1,475,430</b>     | <b>1,281,585</b>             |

\*work completed previously by commissioning a third party to complete the review, this will be commissioned in Q3 and savings are estimated

Table 4: Summary of Sanctions (comparison with 2020/21 & 2021/22)

|   | 2020/21   | 2021/22   | 2022/23<br>to 31 August |
|---|-----------|-----------|-------------------------|
| Total number of social housing properties recovered | 7         | 3         | 7                       |
| Housing Applications cancelled                      | 27        | 34        | 97                      |
| RTB Applications withdrawn                          | 13        | 7         | 1                       |
| Corporate Sanctions                                 |           |           |                         |
| - Council Tax                                       | 15        | 10        | 2                       |
| - Parking Permit Fraud                              | 1         | 5         | 7                       |
| - Employee/Disciplinary                             | 1         | 1         | 0                       |
| - Other   | 2         | 4         | 0                       |
| <b>Total Sanctions</b>                              | <b>66</b> | <b>64</b> | <b>114</b>              |

10. **Closed Investigations:** Annex 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.
11. 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.
12. Although movement restrictions were applicable to everyone during Covid, the extent of fraud remained at a similar level, as fraudsters changed their methods quickly moving onto to target the funding support arrangements that were put in place to support those in need. In response, significant resources have been applied to support services delivering Government Funded business support grants and this work continues with support of the ongoing post payments assurance work that is required.
13. **Tenancy Fraud:** In addition to the 7 property that have been recovered so far in 2022/23, Notices have been issued on a further 2 cases and 4 cases are being progressed by the SLLP for recovery. However, for the past two years progression on fraud cases has been affected by Covid and changed working practices, notably within the area of Tenancy Fraud where access to Courts was reduced and there were periods during which the use of eviction notices was suspended.

14. Discussions are being held with SLLP and Housing Services 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.

### **REGULATION OF INVESTIGATORY POWERS ACT (RIPA)**

15. 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.
16. 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.
17. 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 1<sup>st</sup> April 2020 is shown in Table 5 below

Table 5: Summary RIPA and Non RIPA applications

|                        | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> |
|------------------------|----------------|----------------|----------------|
| Full RIPA applications | Nil            | Nil            | 2              |
| Non RIPA applications* | Nil            | 2              | Nil            |

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

18. The use of RIPA is regulated by the Investigatory Powers Commissioner and the Council's approach and procedures for managing RIPA was last reviewed in March 2021, and the procedures in place were assessed as being effective. Within his letter the Inspector commented positively upon the Council's Governance and procedures in place for the effective use of RIPA, stating that:

## 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. **Data Analytics:** The principles for maximising collaborative and smarter working through data sharing are key to the successful operation of the National Fraud Initiative.
21. London Councils working with NFI have established a London centric fraud hub. This is intended to enhance localised data-matching, supplementing the statutory national fraud prevention and detection initiative with an opportunity for closer to real-time data-matching or areas of local concern. It can also provide an on-line repository that can be used to validate applications for certain Council provided services.
22. **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.
23. The Mandatory National 2022/24 NFI exercise is about to commence where data is requested in accordance with Part 6 of the Local Audit and Accountability Act 2014 and for Sutton Council this meant the provision of the following datasets
  - Blue Badge Parking Permits
  - Creditors History
  - Creditors Standing
  - Concessionary Travel Passes
  - Council Tax Reduction Scheme
  - Housing Tenants
  - Waiting Lists
  - Deferred Pensions
  - Pensions Gratuities
  - Pensions
  - Payroll
  - Resident Parking Permits
  - Right to Buy
24. 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.
25. Service Leads have been contacted to ensure that they will be in position to provide the required data by the due dates. System developments will always mean that there may changes in how data is held and made available and any concerns with to supply of the mandated data files will be reported to the Director.

26. **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.
27. **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

28. Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Listed below are 2022/23 figures (with 2021/22 comparative figures shown within brackets)

|  |                       |            |
|--|-----------------------|------------|
| <ul style="list-style-type: none"> <li>Accredited number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers</li> </ul> |                       |            |
|  | 22/23<br>to 31 August | (21/22)    |
| Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014   | 15                    | ( 2)       |
| The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013  | 6                     | ( 1)       |
| <ul style="list-style-type: none"> <li>Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud</li> </ul>   |                       |            |
|  | Absolute              | FTE        |
| Fraud Investigation - SWLFP #  | 15 (15)               | 14.5(14.5) |
| <ul style="list-style-type: none"> <li>Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists</li> </ul>  |                       |            |
| Government Counter Fraud Profession (GCFP)   | 11 (n/a)              | 11.0 (n/a) |
| GCFP Counter Fraud Investigator Apprentices  | 3 (n/a)               | 3.0 (n/a)  |
| PINS trained Fraud Specialist  | n/a ( 6)              | n/a ( 6.0) |
| CIPFA Certificate in Investigative Practices   | n/a ( 2)              | n/a ( 2.0) |
| CIPFA Accredited Counter Fraud Specialist  | n/a ( 4)              | n/a ( 4.0) |
| <ul style="list-style-type: none"> <li>Total amount spent by the authority on investigation and fraud prevention</li> </ul>  |                       |            |
|  | 22/23<br>to 31 August | (21/22)    |
| Fraud Partnership  | £155.6k               | £152.6k    |



|   |           |           |
|---|-----------|-----------|
|   |           |           |
| • Total number of fraud cases investigated. |           |           |
| Housing/Tenancy related Investigations      | 138       | 113       |
| Right to Buy                                | 17        | 42        |
| Permit Fraud Investigation                  | 24        | 23        |
| Other Investigations                        | <u>47</u> | <u>47</u> |
| TOTAL                                       | 226       | 225       |

29. 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

30. 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.
31. The Council has made suitable provision for the investigation and prevention of fraud and corruption.

### Background papers – held the Authors of this report:

Kevin Holland – Head of Fraud (SWLFP) – Tel: 020 8871 6451, e-mail:  
[kevin.holland@richmondandwandsworth.gov.uk](mailto:kevin.holland@richmondandwandsworth.gov.uk)

Andrew Hamilton – Head of the South West London Audit Partnership (SWLAP), e-mail:  
[andrew.hamilton@richmondandwandsworth.gov.uk](mailto:andrew.hamilton@richmondandwandsworth.gov.uk)

## 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