

Report Title	Fraud Referrals and Investigations Update		
Committee	Audit and Governance Committee		
Meeting Date	27 April 2023		
Chair	Councillor Colin Stears		
Report From	Richard Simpson, Strategic Director of Resources		
Report Author(s)	Kevin Holland, Head of South West London Fraud Partnership 020 8871 6451		
Ward(s) Affected	All Wards		
Ambitious for Sutton priorities	An efficient and well run Council		
Open/Exempt	Open		
Signed		Date	13/04/2023

1 Summary

1.1 This report summarises the results of the Council’s Counter-Fraud and investigations work undertaken during the year 2022/23.

2 Recommendation(s)

2.1 To note the Fraud Referrals and Investigations Update.

3 Background and Key Information

- 3.1 One of the responsibilities of the Audit and Governance 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.
- 3.2 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.
 - Prioritise 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 the Council, 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.
- 3.3 This report seeks to provide the Committee with assurance over the arrangements for protecting the Council, its residents and service users against fraud and corruption.
- 3.4 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 investigative and prevention service would be maintained.
- 3.5 This pooling of resources 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, whilst having a call upon a larger fraud resource when needed, enhancing both capacity and capability. 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.
- 3.6 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 there are 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.

- 3.7 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.
- 3.8 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. The use of technology and ongoing improvements to accessing key systems, intelligence sources and records for fraud detection and prevention means that the fraud response capability has been able to manage and address the volume of fraud referrals received and to deliver and promote fraud awareness training.

4 Benefits to Sutton and its Residents

- 4.1 Sutton Council is committed to the highest possible standards of openness, probity and accountability in order to ensure the proper use of public funds. Fraud, irregularity and misuse of public resources has an adverse impact upon the delivery of services to Sutton service users and residents.
- 4.2 The Council seeks to minimise fraud and corruption and support its corporate objectives of delivering high quality, value for money services in line with the Council's key objectives, its Strategy is designed to:
 - (a) help maximise the application of approved resources to meet genuine service needs by rejecting bogus claims and by deterring fraud and minimising irrecoverable losses;
 - (b) raise awareness of the risk of fraud and corruption, promoting detection and enhance public confidence through engaging with stakeholders and staff to report crime, and to minimise the reputational risk to the Council from adverse publicity;
 - (c) pursue a zero-tolerance policy and take action against persons who commit acts of fraud or corruption against the Council;
 - (d) protect residents and businesses from fraud committed by non-corporate traders, and bring to justice those who commit acts of fraud, using relevant legislation as appropriate; and
 - (e) support the Council in defending itself against prosecution under The Bribery Act 2010.

5 Fraud Risk Threat and 2023/24 Indicative Fraud Plan

- 5.1 The Fraud Risk Threat has changed significantly in recent years with a substantial rise at a national level in the volume of reported fraud, up 18% year on year, to a level where fraud is the largest reported crime type, at 39% when last measured.
- 5.2 Recent National Surveys, by the Finance and Insurance sector, are suggesting a worrying increase in the public's acceptance of fraud and the misconception that fraud is a victimless crime being purely financial which can be offset through insurance. The surveys also report on changes in the drivers behind those who commit fraud with; 61% for Personal gain, 30% greed and a growing 27% for because I can.
- 5.3 The current financial climate has also had an impact on those who commit fraud with a noticeable increase in those who commit fraud because of a need rather than pure greed and this will likely reflect upon those who are willing to commit fraud again.
- 5.4 The rise in the level of fraud risk threat, combined with new methods being used within the fraudsters community means that it is increasingly more difficult to recover losses highlighted through detected fraud, so the need to ensure that prevention measures are even more valuable.
- 5.5 This increase in the fraud risk threat does not mean that there will be an automatic increase in fraud occurrences for the Council but will likely be reflected in the volume of attempts.
- 5.6 This has been reflected within the indicative fraud plan with an increased level of resource being set aside for fraud prevention work and the need to continue with close working alongside Internal Audit who provide assurance over the effectiveness of the Councils control environment.
- 5.7 Priority areas of coverage for individual partner Councils are agreed through consultation with the Shared Services Board and the Heads of Audit.
- 5.8 Tables 1 & 2 provide an indicative breakdown of how the fraud resource for 2023/24 will be applied in terms of reactive and proactive work, with a split by fraud type, and the key performance targets.

Table 1: 2023/24 Indicative Fraud Response Plan

	Estimated Days	%		Resource Allocation by fraud type	%
Referral Triage & Review	38	7.9		Internal (e.g. employee)	25.0
Proactive Fraud Drives	117	24.3		CTR/SPD/Support Grant	7.9
Fraud Investigations	285	59.1		Parking Permit	10.8
Fraud Awareness/prevention	23	4.8		Corporate – Other	12.5
Contingency	19	3.9		Tenancy	37.5
				Housing applications	2.1
TOTAL	482	100.0		Right to Buy/Acquire	4.2

- 5.9 The SWLFP continues to work closely with the Social Housing Providers in relation to concerns over tenancy fraud and abuse and facilitate 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. Every property recovered frees up a place for a family on the Council’s waiting list therefore reducing the impact of the temporary housing costs on the General Fund.
- 5.10 Partnership working provides a sound framework to help identify and respond to tenancy fraud and abuse resulting 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.

Table 2: Key Performance Targets 2023/24

Activity	Performance Indicator	Target
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
Develop joint working with Housing teams to proactively identify housing fraud	Housing applications withdrawn as a result of fraud work	20 applications withdrawn
Delivery of the Fraud Plan	% of the Fraud Plan delivered	95% of the Fraud Plan by 31 March

6 Summary of Fraud Investigations And Performance Results

- 6.1 The Tables below summarise the fraud work undertaken for Sutton Council. Table 3 provides a breakdown of the 272 fraud cases that have been worked on in-year (214 new cases, 58 cases b/f from 2021/22) as a result of either referrals received, or concerns highlighted through proactive fraud drives since April 2022.
- 6.2 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 of the Council’s services.

Table 3: Investigation Caseloads

2022/23	Open Cases b/fwd	New Cases in Year	Total Cases <i>(21/22 full year in bracket)</i>	Closed No Sanction	Closed With Sanction	Open Cases c/fwd
Tenancy Fraud	35	105	140 (86)	96	11	33
Housing Applications	3	44	47 (9)	8	35	4
Right to Buy	0	26	26 (6)	17	2	7
Permit Fraud	0	4	4 (3)	4	0	0
Employee – Internal	3	3	6 (7)	4	2	0
CTR/SPD	16	26	42 (78)	32	4	6
Other - e.g. Education, Social Care, etc	1	6	7 (26)	2	2	3
Totals	58	214	272 (215)	163	56	53

6.3 **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 4 to 6 below.

Table 4: Performance against Service Plan targets 2022/23

Activity	Performance Indicator	Target (Full Year)	Actual (full year)
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	11 (+ 9 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	35
Delivery of the Fraud Plan Resource	% delivery	100% delivery by 31 st March 2023	104.06%

Table 5: Summary of fraud referrals

	2022/23 (full year)	2021/22 (full year)	2020/21 (full year)
Referral worked on in period for investigation by type:			
- Tenancy fraud/abuse	140	86	90
- Housing Application	47	9	8
- Right to Buy	26	7	10
- Parking Permit Fraud	4	3	12
- Internal, Employee	6	6	1
- Other e.g. Business Support Grants	7	26	64
- External i.e. CTR & SPD	42	78	53
Total referrals in period	272	215	238
Closed in period			
- Closed no fraud	163	130	149
- Closed with sanction	56	27	23
Referrals c/f, still under investigation	53	57	66
National Fraud Initiative (NFI)			
- Fraud	n/a	n/a	n/a
- Error	n/a	187	n/a

Table 4: Summary of Overpayments and Notional savings

(* notional savings figures as per Audit Commission estimates)	2022/23 (full year) £	2021/22 (full year) £	2020/21 (full year) £
Social Housing (notional @ £93k per property recovered from 2020 previously £18k*)	1,023,000 (11 props)	837,000 (9 props)	930,000 (10 props)
Housing Applications Rejected (notional £3,240 from 2020 previously £6k per application cancelled)	113,400 (35 apps)	3,240 (1 app)	3,240 (1 app)
Right to buy (notional @ £100k discount/ application withdrawn)	200,000	100,000	200,000
Blue Badges & Parking Permit (including notional @ £575 per case from 2020 previously £500 *)	0	575	2,300

Internal (E.g. Employment Related - notional £10k per case, School Admissions - notional @ £6k per case)	20,000	18,000	0
Education Support Funding	n/a	n/a	40,000
Council Tax (identified overpayments and administrative penalties)	18,925	741	248
Business Support Grants	0	10,000	75,000
National Fraud Initiative (NFI)	0	138,300	104,359
Total savings	1,375,325	1,107,856	1,155,147

- 6.4 **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.
- 6.5 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, in particular, the pace of work for recovering public sector housing has been affected by COVID-19 related measures that have resulted in a temporary stay on evictions whilst measures are in place that impact movement.
- 6.6 Although we have not had as regular direct contact with Council teams, contact has been maintained through use of Microsoft Teams meetings which has supplemented some activities previously undertaken in person.
- 6.7 **Tenancy Fraud:** In addition to the 8 properties that have been recovered so far in 2021/22, Notices have been issued on 2 further cases and 10 cases are being progressed by legal service, SLLP, for recovery. The majority of these cases have been impacted by extended delays following the COVID-19 pandemic and the backlog of cases awaiting further Court action.
- 6.8 Regular discussions are held with SHP and SLLP to monitor and respond to any developments that measures introduced to address COVID-19 concerns may impact upon the on-going and future proposed possession actions through the courts, and to address the backlog of cases by agreeing a rationale for case prioritisation.

- 6.9 **Pro-active fraud drives and ongoing investigations.** The fundamental challenge that public bodies face with fraud is that it is often a hidden crime with those committing it actively trying to conceal it so we must be proactive in our efforts to seek it out.
- 6.10 **Data Analytics:** The principles for maximising collaborative and smarter working through data sharing are key to the successful operation of the National Fraud Initiative.
- 6.11 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.
- 6.12 **National Fraud Initiative (NFI):** 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
 - Business Support Grants
- 6.13 **On-line Fraud Awareness Training:** Fraud Awareness training, aligned to Sutton’s policies and procedures, has been provided for issue to all officers and service teams to increase awareness and understanding of fraud and to whom suspicions of fraud or irregularity should be reported to. 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.
- 6.14 All officers are required to complete mandatory on-line fraud awareness training package, this was revised for 2022/23 and is now separated into three modules covering: Anti-Bribery & Corruption, Whistleblowing and General Fraud Awareness. This was released to officers this Autumn by Sutton’s Human Resource Team on the new e-learning platform,
- 6.15 **Regulation of Investigatory Powers Act (RIPA):** The Regulation of Investigatory Powers Act 2000 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 often be the only pragmatic method for securing sufficient evidence of suspected offences to enable sanctions or prosecution, where necessary.

- 6.16 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.
- 6.17 Oversight and authorisation of full RIPA applications is undertaken by Mr Simpson as the designated Senior Responsible Officer (SRO) for Sutton and oversight and authorisation of a Non RIPA application is undertaken by the Head of SWLFP. There have been no RIPA requests since April 2018.
- 6.18 **IPCO Inspection:** The use of RIPA is regulated by the Investigatory Powers Commissioner and the Council's approach and procedures for managing RIPA was reviewed by one of his Inspectors in September 2020, and the procedures in place were assessed as being effective.

7 Local Government Transparency Code

- 7.1 Under the code the Council is required to publish the following data regarding its Fraud Investigation activity. Details for 2022/23, with 2021/22 full year comparative figures, 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 		
	21/22 Full Year	22/23 Full Year
Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014	3	4
The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013	5	1
<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 Pooled Resource	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 		
Government Counter Fraud Profession (GCFP)	12 (n/a)	11.5 (n/a)
GCFP Counter Fraud Investigator Apprenticeship	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"> Total amount spent by the authority on the investigation and prosecution of fraud 		
	21/22	22/23
Other Fraud Investigation	£142.6k	£145.5k
<ul style="list-style-type: none"> Total number of fraud cases investigated. 		
	Full year	Full Year
SPD/Council Tax Reduction	78	42
Housing/Tenancy related Investigations	95	166
Right to Buy	7	26
Permit Fraud Investigation	3	4
Other Investigations	<u>32</u>	<u>13</u>
TOTAL	215	272

7.2 To ensure that sufficient knowledge and capability for fraud investigation was maintained Sutton entered into a partnership with four neighbouring boroughs, the SWLFP. For 2022/23, 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 reduced funding contribution equates to 2.27 FTE investigators.

8 Conclusion

- 8.1 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.
- 8.2 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 volume of fraud referrals and to deliver fraud awareness and prevention training.
- 8.3 Members can be reasonably assured that there are suitable systems in place for the identification and investigation of allegations of fraud. Most 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.
- 8.4 The Council has made suitable provision for the investigation and prevention of fraud and corruption.

9 Implications

Equalities Implications

- 9.1 There are no equalities implications arising from the recommendation in this report.

Climate Implications

- 9.2 There are no climate implications resulting from the recommendation(s) of this report.

10 Finance and Legal Commentary

Finance Comment

- 10.1 There are no direct financial implications arising from this report. A strong counter fraud service helps the Council protect public monies and ensure appropriate use of Council resources.

Financial Risks

- 10.3 There are no financial risks arising from the recommendation in this report.

Legal Comment

- 10.4 The Internal Audit and Fraud functions support the statutory role of the responsible finance officer as defined in section 151 of the Local Government Act 1972 and the

implementation of the Council’s Anti-Fraud and Anti-Corruption Strategy. The contents of the report set out the measures taken in order to discharge the various statutory provisions covering the investigation of potential fraud and the general fiduciary duty placed on local authorities as stewards of public money.

Legal Risks

10.5 There are no legal risks arising from the recommendation in this report.

GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
CTR	Council Tax Reduction
FTE	Full Time Equivalent
GCFP	Government Counter Fraud Profession
IPCO	Investigatory Powers Commissioner’s Office
NFI	National Fraud Initiative
PINS	Professional in Security
RIPA	Regulation of Investigatory Powers Act
SHP	Sutton Housing Partnership
SHiP	Social Housing Investigative Partnership
SLLP	South London Legal Partnership
SPD	Single Person Discount
SRO	Senior Responsible Officer
SWLFP	South West London Fraud Partnership

11 Appendices and Background Documents

11.1 Appendices

Appendix Letter	Appendix Title
A	Fraud Closed Cases

11.2 Background Documents

Date of Expiry	Background Document
N/A	None

12 Consultations

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Victoria Goddard, Assistant Director of Finance	12/04/23
Legal	Yes	Tim Martin, Assistant Director of Law and Governance (Monitoring Officer)	13/04/23
Others	No	N/A	N/A
EQIA	No	N/A	N/A