



Agenda Item
No:

11

Hertfordshire County Council
Shared Anti-Fraud Service
Report
September 2016

Recommendation

Members are recommended to:

Note the Shared Anti-Fraud Service year-end data for 2015/16

Note the progress of the Shared Anti-Fraud Service in delivering the Council Anti-Fraud Action Plan 2016/17.

Note the anti-fraud activity undertaken to protect the Council

Introduction

This is the first report for the Council's Audit Committee providing progress against the Council's published Anti-Fraud Action plan adopted by this Committee in March 2016. The Committee are asked to note and comment on the progress against Plan for 2016/17.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its own fraud risks and finding ways to mitigate or manage these effectively wherever possible.

These reports include:

Fighting Fraud and Corruption Locally 2016–2019 Strategy produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn.

UK Annual Fraud Indicator produced by PKF, Portsmouth University and Experian in May 2016 which estimates the risk of fraud losses for local government in excess of £7bn per annum (this does not include fraud in local taxation or care services).

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1. SAFS/HCC Anti-Fraud Action Plan 2016/17-
Appendix 1



2. Summary of Progress against Plan 2016/17-
Appendix 2



1. Background

- 1.1 According to reports from the former Audit Commission National Fraud Intelligence Bureau, The National Audit Office (NAO), Cabinet Office, and the Private Sector fraud loss across local government in England exceeds £2.billion each year with some reports indicating levels considerably above this .
- 1.2 The Cabinet Office, Department for Communities and Local Government, NAO, and CIPFA have also issued advice, and best practice guidance to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.
- 1.3 It is essential that to support this service the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 1.4 Hertfordshire County Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and the Host Authority for the service. Members received a detailed report in September 2015 about the creation of SAFS and how this service would work closely with the Shared Internal Audit Service (SIAS) in a two year pilot. SAFS works across the whole Council dealing with all aspects of fraud from prevention to prosecution working with staff at all levels.

2. Year End Position 15-16

- 2.1 The following data breaks down the financial benefits to HCC of the SAFS activity in 2015/16 and details the types of savings associated with the work of the Service and the related amounts:

a) Fraud Loss

This is the actual value of identified fraud losses that HCC can recover if it chooses to; It includes:

- Staff fraud/theft (this includes pension fraud)
- Financial fraud committed by third parties (this includes 'payment scams')
- Contract/Procurement Fraud

For 2015/16 fraud loss totalled **£370k** and is broken down as follows:

- Staff - £42k
- Financial - £18k
- Contract/ Procurement- £310k

b) Cashable Savings

This is the sum of money not paid out as a result of investigations or fraud prevented at source.

For 2015/16 cashable savings were **£395k**.

This is broken down as follows:

- Staff - £144k
- Financial - £3.5k
- Contract/ Procurement- £247.5k

c) Non-Cashable Savings

This is the value of prevention where the loss itself is not recoverable and is based on reputational or the loss that may have occurred as a result of a deliberate act of fraud.

For 2015/16 non-cashable savings were estimated at just over £3m, made up of a single £3m contract fraud, and 18 separate Blue Badge frauds each valued at £500.

2.2 HCC has also benefitted from a County wide provision to identify fraud and error in council tax discounts in 2015/16 through the use of data-matching tools. In all approx. 3,300 discounts were removed from Hertfordshire residents who were no longer entitled to these discounts raising additional revenue to HCC of £774k.

2.3 In 2015/16 HCC's contribution to SAFS was £60k and this investment delivered:

- £370k in fraud loss that can be recovered
- £395k in direct future savings
- £774k council tax revenue raised through removals of discounts.

3. SAFS Activity

Staffing

3.1 The SAFS team is composed of nine staff based at the County Council offices in Stevenage.

3.2 Each SAFS Partner receives dedicated support and response from the Team. At present the most effective way to do this is by allocating one officer to work exclusively for each Partner. This officer acts as the first point of contact for that partner's services, and will assist in developing relationships at a service level, delivering training, and working on local pilot projects.

3.3 For Hertfordshire County Council, Paula Hornsby (SAFS Assistant Manager) is the Counter Fraud Officer working with the Council. Paula is a fully accredited criminal investigator with more than 10 years' experience working in the public sector. Paula is supported by intelligence officers working for SAFS, a financial investigator working for Trading Standards, service specialists working for the Council, local policing staff, and legal staff from the County Council.

3.4 Due to the success of SAFS in the use of data matching to identify fraud an additional temporary post has been created on the Team to look at ways to build on this early success.

Fraud Awareness and Reported Fraud

- 3.5 SAFS ensures that fraud can be reported by both staff and the public, and the Council's website and intranet both have options for reporting suspected fraud which link to the SAFS webpage.
- 3.6 The SAFS webpage – www.hertsdirect.org/reportfraud includes an online reporting tool and is being further developed as part of the County Council's new website. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertscc.gcsx.gov.uk. These contact details have been added to HCC's own website. None of these functions replace the Council's own in-house Whistleblowing reporting procedures.
- 3.7 Between April & August 2016, SAFS received 47 allegations of fraud relating to County Council services. The service also carried forward 64 live cases from 2015/16. The details of reported fraud at HCC are shown in the tables below.

Table 1. Types of fraud being reported (*in year*):

Staff/Pension Fraud	Blue Badge Fraud	Financial Fraud*	Schools Fraud	Other Fraud **	Total
8	25	6	8	0	47

* This includes cyber/spam attacks.

** Includes contract/procurement fraud

Table 2. Who is reporting Fraud (*in Year*)?

Fraud Reported by Staff	Reports from Public	SAFS Team	Other	Total
26	14	3	4	47

Table 3. Outcomes of cases closed (*includes cases carried fwd from 15/16*):

Closed No Action Required	Referred to Another Agency	Closed Fraud Proved/ Advice Provided	Closed Fraud 'Not Proved' but 'Warning Letter' issued	Total
23	0	33	23	79

Table 4. Status of cases still under investigation (*includes cases carried fwd*):

Pre-Investigation Checks	Pending Investigation	Live Investigations	Pending Decision	Total Live Cases
9	3	18	2	32

- 3.8 The number of cases closed as 'No Action' is high at present as SAFS are working with Council staff to ensure the quality of referrals passed for investigation results in high value matters being prioritised.

- 3.9 Of those cases closed with a positive outcome 3 included HCC employees who were dismissed following the SAFS investigation. The two cases pending decisions are both prosecution cases for Blue Badge Fraud.
- 3.10 In the first quarter of 2016/17 SAFS recorded fraud loss & savings across the Partnership of £605k. For HCC fraud losses of £7k and savings resulting from prevention totalling £52k were identified.

Pilot Projects

- 3.11 SAFS have worked with the Council's local taxation team to identify potential fraud around discounts and exemptions. The Council is now able to level civil and financial penalties for false claims for discounts and exemptions and has started to do so where appropriate and in line with the Prosecution and Sanctions Policy.
- 3.12 SAFS have arranged specialist free training events for staff, covering areas including Anti-Money Laundering, Business Rates Avoidance and Housing Fraud. SAFS work very closely with HCC's HR Service providing assistance in disciplinary matters, with reviews of HR policies and in promoting anti-fraud training. SAFS have also worked with the recruiting team in HR to deliver anti-fraud measures at the point of recruitment.
- 3.13 SAFS are leading on the procurement of a county-wide data matching exercise to identify Council Tax fraud, particularly around discounts and exemptions, empty homes, and council tax support schemes. This will be introduced in the late summer of 2016 for all districts, and will be funded by HCC and all participating districts.
- 3.14 SAFS are leading on the National Fraud Initiative submissions to the Cabinet Office for HCC this year and will be assisting with the data upload for this in October 2016 with results being produced in February 2017.

4. Progress against the 2016/17 Anti-Fraud Action Plan

- 4.1 The Council has in place an Anti-Fraud and Corruption Policy. This document lays out the Council's position, and includes advice to Members, senior officers and staff about how to deal with identified fraud. This document pre-dates SAFS and will be reviewed in 2016 but at present it meets the best practice guidance from CIPFA.
- 4.2 A copy of the 2016/17 Anti-Fraud Action Plan, approved by this Committee in March 2016, is attached at **Appendix 1**. The Action Plan covers all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its own responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud. The Plan also includes assurance that it benefits from a positive return on its investment from the SAFS Partnership.
- 4.3 Progress against the plan is shown at **Appendix 2**. At present all milestones and/or targets are being met or are on course for delivery and there are no significant issues outstanding or late.
- 4.4 SAFS will provide a final report to this Committee in March 2017 on the performance against the Anti-Fraud Action Plan for 2016/17 and a proposed Action Plan for 2017/2018. This will then form a rolling programme from 2017 onwards.