



Agenda Item
No:

8

**Hertfordshire County Council
Shared Anti-Fraud Service
Report
July 2017**

Recommendation

Members are recommended to:

Note the Shared Anti-Fraud Service year-end report for 2016/17

Agree the Anti-Fraud Action Plan 2017/2018

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Introduction

This report provides the Committee with details of performance against the published 2016/17 Anti-Fraud Action Plan for the Council agreed by this Committee in March 2016. The report also provides details of the Council's Anti-Fraud Action Plan for 2017/2018.

Several reports issued by Government and public sector organisations have highlighted fraud as a significant risk for local government. These reports are used by SAFS to ensure that the Council is aware of its own fraud risks and finds 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 (this report is based in 2013 data).



CIPFA Fighting Fraud
Locally Strategy

- *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 schools or care services).



UK National Fraud
Indicator

1. Background

- 1.1 According to reports from the former Audit Commission National Fraud Intelligence Bureau, The National Audit Office (NAO), and the Cabinet Office, Public Sector fraud loss across local government in England exceeds £2billion each year with some reports indicating levels considerably above this.
- 1.2 The Cabinet Office, Department for Communities and Local Government, the NAO, have 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, the Chartered Institute of Public Finance and Accounting (CIPFA) have also produced a Code of Practice. This advice and guidance includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.



CIPFA Code for
Fraud & Corruption

- 1.3 It is therefore essential that 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). SAFS works across the whole Council dealing with all aspects of fraud from prevention to prosecution.

2. Year End Report 2016-2017

- 2.1 The following data breaks down the financial benefits to Hertfordshire County Council of the SAFS activity in 2016/17 and details the types of savings associated with the work of the Service and the related amounts. The 'value' of identified fraud falls broadly into three categories.

a) Fraud Loss

This is the value of actual fraud losses that Hertfordshire County Council can take action to recover; it includes:

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

b) Cashable Savings

This is the value/funds not paid out as a result of investigations or where fraud has been prevented at point of 'application'.

c) Non-Cashable Savings

This is the value of prevented loss where there may be notional rather than real savings. This could relate to a Procurement Fraud where an irregularity is discovered but a contract is subsequently awarded, to another party, at the same value. The risk of reputational damage in this area is not evaluated or recorded.

2016/2017 Fraud Identified by category

Fraud Loss (a) £,000	Cashable Savings (b) £,000	Non-Cash Savings (c) £,000	Total £,000
180	33	14.5	227.5

2.2 Hertfordshire County Council has also benefitted from the work that the SAFS provides to its district partners which includes investigations into Council Tax Discount fraud. In 2016/2017 the SAFS recorded fraud which resulted in re-billing of Council Tax totalling £165k. The Council receives approximately 80% of Council Tax levied so will receive approximately £132k in revenue from this activity.

2.3 In 2016/2017 Hertfordshire County Council's contribution to SAFS was £105k and this investment delivered:

- £180k in fraud losses that can be recovered
- £47.5k in savings to Hertfordshire County Council revenue
- £132k council tax revenue.

2.4 Across all SAFS Partners fraud losses and savings in excess of £1.4m were recorded in 2016/2017.

3. SAFS Activity 2016/2017

Staffing

3.1 The SAFS team was originally made up of nine staff this has expanded to fourteen from late 2016 when the Partnership was joined by Luton Borough Council, Aldwyck Housing Group and B3 Living Housing. The Service is based at the County Council offices in Stevenage although staff work at various locations across Hertfordshire and Bedfordshire.

3.2 Each SAFS Partner receives dedicated support and response from the SAFS Team. At present the most effective way to do this is by allocating officers to work exclusively for each Partner. These officers act 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.

Fraud Awareness and Reported Fraud

3.3 SAFS ensures that fraud can be reported by both staff and the public and the Council's website and intranet both have mechanisms for reporting suspected fraud which link to the SAFS webpage.

3.4 The SAFS webpage – www.hertfordshire.gov.uk/fraud 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@hertscg.gcsx.gov.uk. These contact details have been added to Hertfordshire County Council's own website. None of these functions replace the Council's own in-house Whistleblowing reporting procedures.

3.5 In 2016/17 842 allegations of fraud were received across all SAFS Partners, 144 of these related to County Council services. The service also carried forward 49 live cases from 2015/2016. The SAFS resolved 158 of these allegations in 2016/2017 and 35 cases were still under investigation at year end.

3.6 The details of reported fraud and outcomes at Hertfordshire County Council are shown in the tables below:

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

Payroll /Pension Fraud	Blue Badge Fraud	Financial Fraud*	Schools Fraud	Other Fraud **	Total
11/3	98	9	12	11	144

* This includes cyber-enabled fraud

** Includes contract/procurement fraud/Insurance

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

Fraud Reported by Staff	Reports from Public*	SAFS Team/ Data Matching	Other	Total
46	64	22/5	7	144

*includes reports following 'Cheater' Campaign

Table 3. Outcomes of cases closed (*in Year*):

Closed No Action Required/ Passed to another Agency	Closed Not Fraud Proved	Closed Fraud Proved/ Advice Provided	Closed 'No Fraud' but a Warning Letter issued	Total
51/10	3	27/27	40	158

- 3.7 Of those cases closed with a positive outcome, seven included Hertfordshire County Council employees who were dismissed or disciplined following investigation. Seven people were prosecuted for Blue Badge abuse across the County. Cases closed with a Warning Letter often relate to allegations of Blue Badge which cannot be substantiated and are sent to remind the 'keepers' of the rules of use.

SAFS Projects at Hertfordshire County Council

- 3.8 The SAFS has developed excellent working relationships with the Council's HR-Business Partners, Legal and Education Services. The relationship with the Blue Badge Team, part of Customer Services, has been particularly beneficial with the SAFS helping to deliver a more robust service at point of application to prevent fraudulent applications. This in turn has been supported by SAFS activity with our District Partners.
- 3.9 The National Fraud Initiative data upload and submission to the Cabinet Office was completed by the SAFS for the Council in October 2016. The Service is now reviewing all matches (30,000 across the Council) with relevant services including Concessionary Bus Passes, Blue Badge, Operation 'Amberhill', Payroll & Pensions and others, to ensure the Council's requirements to complete this exercise in 2017 is complied with.
- 3.10 SAFS have completed the procurement of a contract, to provide a county-wide data matching exercise, to identify Council Tax fraud, particularly around discounts and exemptions, empty homes, and council tax support schemes. This has now been introduced for all districts, and will be funded by Hertfordshire County Council, the Police and Crime Commissioner and participating districts. This exercise is predicted to deliver between £250k and £500k additional revenue to Hertfordshire County Council each year over the 4 years of the contract.
- 3.11 SAFS have arranged for the delivery of specialist free training to partners on matters including Anti-Money Laundering and service specific activities such as Direct Payment, Schools SAFE-Recruiting and School Transport. SAFS work very closely with Hertfordshire County Council's HR Service providing

assistance in disciplinary matters. SAFS have also worked with HR Recruiting to enhance anti-fraud measures as part of the Councils recruiting process.

4. Progress against the 2016/2017 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 the formation of the SAFS and will be reviewed in 2017; at present it complies with best practice guidance from CIPFA/NAO/CLG.

4.2 In March 2016 this Committee approved an Anti-Fraud Action Plan for 2016/2017. This Plan covered 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 a requirement that the Council receive a positive return on its investment in the SAFS Partnership.

4.3 Progress against the plan to the end of March 2017 is shown at **Appendix 1** to the report.

Proposed Anti-Fraud Action Plan 2017/2018

4.4 Although the format and delivery of the 2016/2017 plan worked well the plan for 2017/2018 uses an improved format which is focussed on SAFS providing a more business as usual service. See **Appendix 2** to the report for a copy of the plan.

4.5 Adherence to the proposed plan for 2017/2018 will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the Government, NAO, and CIPFA.

SAFS Reports 2017/2018

4.6 SAFS will provide a full report to this Committee in late summer 2017 on performance against the 2017/2018 plan. This will include the numbers of, and types of, cases investigated with outcomes and the financial savings identified from all anti-fraud activity. In March 2018 SAFS will provide a revised Anti-Fraud Action Plan for 2018/2019.

4.7 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council.

Appendices.

1. Summary of performance against Plan 2016/2017



SAFS Performance
2016 2017

2. SAFS/HCC Anti-Fraud Action Plan 2017/2018



HCC Anti-Fraud
Action Plan 2017 2018