



AUDIT COMMITTEE

1 March 2017

Subject Heading:

Annual Fraud Plan 2017/2018

Report Author and contact details:

Emma Vick: Deputy Head of Assurance
(Proactive Audit and Counter Fraud)

Emma Vick oneSource Fraud Manager
02033739793;
Email: emma.vick@newham.gov.uk

Policy context:

To advise the Committee of the proposed plan of Counter Fraud Activity by the Council's Corporate Fraud team

Financial summary:

This report details information on the Council's Annual Fraud Plan, designed to aid prevention and minimise loss through fraud

The subject matter of this report deals with the following Council Objectives:

Clean, safe and green borough	[X]
Excellence in education and learning	[X]
Opportunities for all through economic, social and cultural activity	[X]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[X]

SUMMARY

This report advises the Committee of the proposed Annual Fraud Plan of the Corporate Fraud Team for 2017/18.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of the officers where required with regards to the Annual Fraud Plan of the Corporate Fraud Team for 2017/18.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

By maintaining an annual fraud plan to serve the Council, management are supported in the effective identification and efficient management of fraud risks and ultimately good governance. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any investigations undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting recommendations, the managers are obliged to consider financial risks and costs associated with the implications of the recommendations. Failures to accept recommendations may result in financial losses for the Council.

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. The work of the fraud service often identifies losses which may be recouped by the Council.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

The report details fraud awareness training to be given to staff across the Council. This will be provided by the Assurance teams and will consist of online mandatory training and bespoke training provided as requested. There is an expectation that Managers will engage with the Assurance team regarding their staff completing the training and that if staff fail to complete any training they are asked to undertake that management will deal with it in the appropriate manner, in line with HR policies regarding management instructions.

Equalities implications and risks:

None arising directly from this report.

1. Introduction

The counter fraud section has a work plan annually which details the broad areas of work that will take place. The plan has to be responsive to demand as it is not possible to predict precisely the areas that will require investigation. In developing the plan consideration is given to the national fraud picture both in terms of estimated fraud losses, the areas of emerging fraud risks and the local control environment.

The counter fraud team carries out investigations to a criminal standard with the aim of applying a suitable sanction and enabling the council to recover any losses. The audit service also has a role to play in assisting in providing assurance over the control framework and may carry out specific pieces of work that support the counter fraud agenda.

2. Emerging fraud trends

Historically, the Audit Commission produced more detailed work covering local government in their publications around Protecting the Public Purse. Unfortunately the Audit Commission team has been disbanded and the survey used to populate Protecting the Public Purse is no more. However CIPFA has published a document called CIPFA Fraud and Corruption Tracker, based on survey responses from a large number of local authorities.

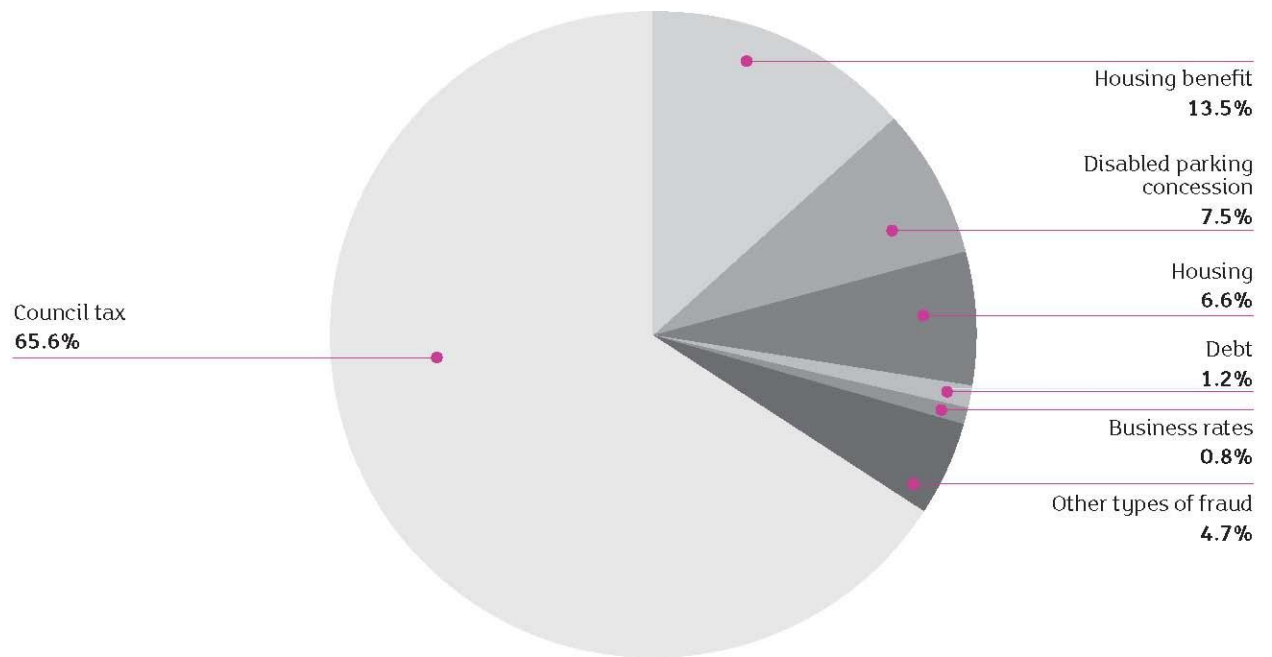
The largest type of fraud according to value is Housing related. This is evident with the Borough and the Housing Tenancy Counter Fraud project is delivering real results in this area.

The largest source of fraud in pure numbers of attempt relates to Council Tax discounts and Housing Benefits. As Members are aware in recent years, councils have shifted their focus from benefit fraud to non-benefit fraud due to the transfer of all benefit investigation from councils to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions.

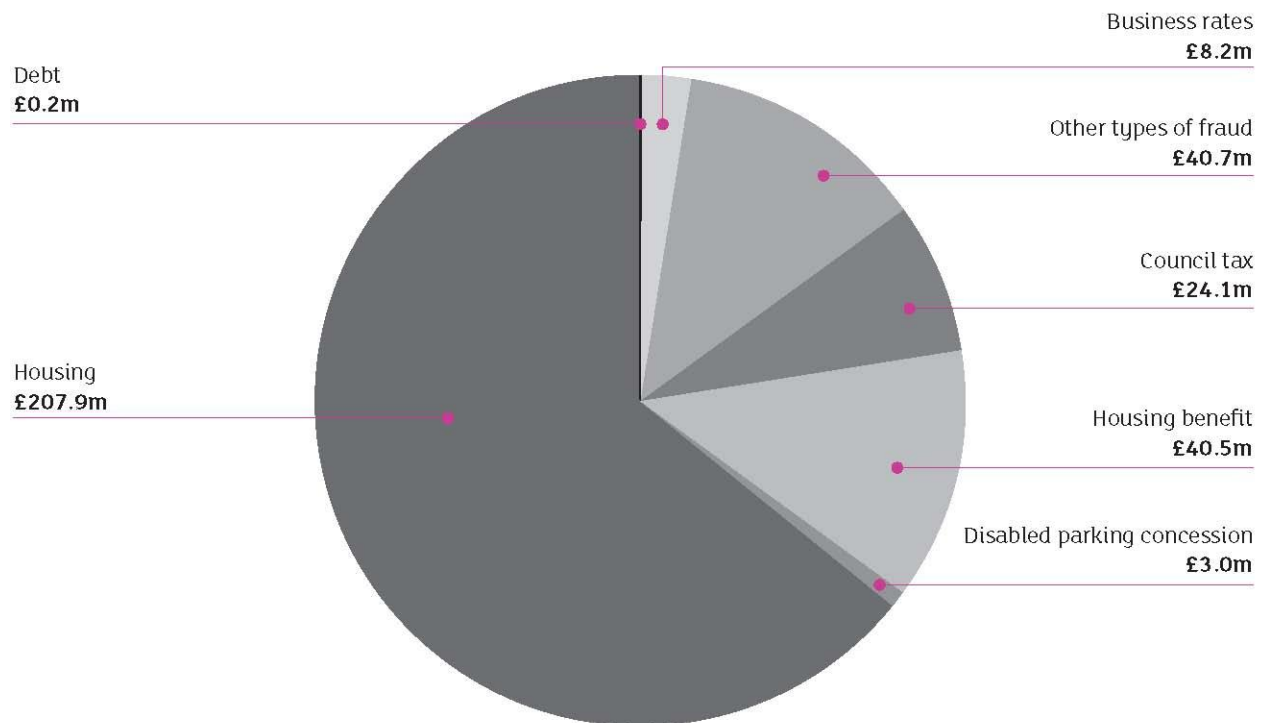
3. CIPFA Recommendations and Findings

Based on responses to the 2016 survey the tables below show CIPFA's findings and advice to Local Authorities in combating and preventing Fraud.

Detected fraud type by volume



Estimated value of fraud detected



The table below lists the types of fraud reported in the survey, and extrapolated figure estimating the number of cases across the UK based on the cases reported in the survey and an estimate of the cost incurred in 2015/16. They give an estimated value per case.

Types of fraud	Fraud cases	% of the total	Value £m	% of the total value	Average £'000
Council Tax	57,681	65.70	24.1	7.40	0.42
Housing Benefit	11,902	13.50	40.5	12.5	3.41
Disabled Parking Concession	6,578	7.50	3.0	0.90	0.45
Housing	5,823	6.60	207.9	64.1	35.71
Debt	1,053	1.20	0.2	0.10	0.23
Business Rates	706	0.80	8.2	2.50	11.55
Welfare Assistance	616	0.70	0.1	0.02	0.12
Procurement	613	0.70	6.2	1.92	10.19
Insurance Claim	382	0.43	5.3	1.62	13.76
Adult Social Care	323	0.37	2.9	0.90	9.09
No Recourse to Public Funds	251	0.29	8.7	2.67	34.51
Mandate	216	0.25	7.2	2.22	33.31
School	182	0.21	0.9	0.26	4.71
Payroll	163	0.19	0.3	0.10	1.98
Recruitment	143	0.16	0.7	0.23	5.21
Pensions	89	0.10	0.6	0.18	6.42
Economic and Voluntary Sector	61	0.07	1.5	0.47	25.10
Expenses	50	0.06	0.5	0.15	9.78
Children's Social Care	29	0.03	0.3	0.09	9.86
Manipulation of Data	24	0.03	na	na	na
Investments	1	0.00	0.2	0.07	221.00
Other	983	1.12	5.3	1.65	5.44

Source: CIPFA 2016

CIPFA recommends the following:

Public sector organisations should carry out fraud assessments regularly and have access to appropriately qualified counter fraud resources to help mitigate the risks and effectively counter any fraud activity.

All organisations should undertake an assessment of their current counter fraud arrangements.

In line with the Fighting Fraud and Corruption Locally Board suggestion, local authorities should examine and devise a standard and common methodology for measuring fraud and corruption. Once it has been agreed, local authorities should use the measure to estimate levels of fraud and corruption.

It is as important to prevent fraud that has no direct financial interest, such as data manipulation and recruitment, as it is high value fraud

Organisations should develop joint working arrangements where they can with other counter fraud professionals and organisations.

Public bodies should continue to raise fraud awareness in the procurement process, not only in the tendering process but also in the contract monitoring element

Authorities should ensure that anti-fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigations into alleged frauds to be undertaken.

A copy of the CIPFA document is attached at Appendix 2 for reference

4. The 2017/18 plan

We are now in year 3 of the Fraud Team being a oneSource shared service and the Fraud Plan for 2016/17 saw a new partner join the team in the form of London Borough of Bexley.

This will bring extra resources into the team and the added benefit of sharing best practice across all the partners building on the experience of sharing across Newham and Havering we have built up over the past year

The plan for 2017/18 at Appendix 1 encompasses the three themes taken from the government's fraud strategy Fighting Fraud Locally and takes account of the estimated fraud losses and emerging fraud trend. The three themes are:

- *Acknowledge - Assessing and understanding fraud risks, committing support and resource to tackling fraud, maintain a robust anti-fraud response.*
- *Prevent - Making better use of information technology, enhancing fraud controls and process, developing a more effective anti-fraud culture.*
- *Pursue - Prioritising fraud recovery and the use of civil sanctions, collaborating across local authorities and with local law enforcement agencies.*

Counter fraud resources will be stretched again in 2017/18 although we have now recruited to the agreed establishment and have been utilising temporary workers where necessary. The sections resources are organised to enable data matching and data analysis to take place to try to detect frauds at the earliest stage possible. This year will see us uploading data sets from Havering's data warehouse onto a system known as IDIS and performing matching exercises from this data to offer a level of assurance as well as an investigative pool of work.

Most of the resources are devoted to carrying out investigations to a criminal standard. The team also has capacity for financial investigations which are undertaken in accordance with the Proceeds of Crime Act and can enable the council to claw back funds from criminals in certain circumstances.

As well as the table at Appendix A the Authority will also be embarking on some work directed from the Government on Procurement Risk

The Home Secretary has written to Councils and Police forces to share conclusions from a recent pilot programme to explore the threat from Serious and Organised Crime to publicly procured services in Local Government. This work has clearly highlighted just how attractive public procurement can be to organised criminals and the need for action to address this.

They have shared resources that can help to reduce the vulnerabilities identified in the pilot:

- A Serious and Organised Crime Checklist - this enables local authorities to quickly assess their serious and organised crime risks within their organisation;
- A Serious and Organised Crime Audit - a more developed methodology that allows local authority internal audit teams to scrutinise business operations to establish where there may be vulnerabilities; and
- Non-involvement with Serious and Organised Crime Statement – for use in Invitation to Tenders and Official Journal notices, in which bids are sought for public contracts as part of the public procurement process.

Work will be carried out to assess vulnerabilities in the system and make recommendations where necessary.

Fraud risk	Counter fraud plan 2017/18	Theme
All fraud risks	<ul style="list-style-type: none"> • Robust anti fraud and corruptions policies that are reviewed annually 	Acknowledge/ Prevent/Pursue
	<ul style="list-style-type: none"> • Provide support to HR and the whistle blowing policy reviews 	Acknowledge
	<ul style="list-style-type: none"> • Regular staff updates to remind them of the policies 	Acknowledge
	<ul style="list-style-type: none"> • Publicity of successful cases to act as a deterrent 	Acknowledge/ Prevent
	<ul style="list-style-type: none"> • Fraud awareness training is available to all staff via breeze. 	Acknowledge/ Prevent
	<ul style="list-style-type: none"> • Additional fraud awareness modules are available for benefits staff. 	Acknowledge/ Prevent
	<ul style="list-style-type: none"> • Face to face training can be provided which includes document authentication training. 	Acknowledge/ Prevent
	<ul style="list-style-type: none"> • Governance training covering topics such as declarations of interest, gifts and hospitality and IT security are available and reviewed annually. 	Acknowledge/ Prevent
	<ul style="list-style-type: none"> • The intranet is regularly updated and contains policies, hints and tips and details of fraud loss estimates to help managers deal with the risk of fraud. 	Acknowledge/ Prevent/Pursue
	<ul style="list-style-type: none"> • Investment in the fraud hub to help prevent and detect fraud. 	Prevent/Pursue
	<ul style="list-style-type: none"> • Investment in additional investigative tools to improve efficiency in some areas such as bank account analysis. 	Pursue
	<ul style="list-style-type: none"> • Employee vetting / identity checking. 	Prevent
	<ul style="list-style-type: none"> • Consider the use of POCA for all suitable cases 	Pursue

Council tax discounts	<ul style="list-style-type: none"> • Work with the service to investigate cases generated from their data matching. • Data matching as part of NFI • Data matching using IDIS • Investigate any good quality referrals 	<p>Pursue</p> <p>Pursue</p>
Business rates	<ul style="list-style-type: none"> • Data matching as part of NFI • Data matching using IDIS • Investigate any cases that come out of Audit • Investigate any good quality referrals 	<p>Pursue</p> <p>Acknowledge/ Prevent/Pursue</p>
Right to buy	<ul style="list-style-type: none"> • Investigate cases referred by RTB team and the public • Use POCA if appropriate. • Generate publicity to act as a deterrent. • Continue to assist the front line in deterring and refusing applications 	<p>Acknowledge / Prevent</p> <p>Pursue</p> <p>Pursue</p> <p>Pursue</p> <p>Acknowledge/ Prevent/Pursue</p>
Abuse of position	<ul style="list-style-type: none"> • Fraud awareness training • Investigate cases • Regular publicity of successful cases • Promote whistle blowing alongside HR. • Ensure adequate governance training is provided. 	<p>Acknowledge/ Prevent</p> <p>Acknowledge/ Prevent/Pursue</p> <p>Acknowledge/ Prevent</p> <p>Acknowledge/ Prevent</p>
Social care fraud - Direct Payments	<ul style="list-style-type: none"> • Encourage the use of ID3 Global and the Hub to verify who is controlling service user's funds. • Data matching as part of NFI. • Data matching using IDIS • Identify and promote opportunities for using the fraud hub to prevent and detect fraud. • Provide advice and investigation of cases. 	<p>Acknowledge/ Prevent</p> <p>Pursue Prevent/Pursue</p> <p>Prevent/Pursue</p>
Social Care Fraud – No recourse to public funds	<ul style="list-style-type: none"> • To support the service in undertaking Hub and ID3 Global checks on current claims and investigate any cases found • To provide fraud awareness training to staff • To oversee an awareness campaign in conjunction with 	<p>Acknowledge/ Prevent</p> <p>Acknowledge/ Prevent</p> <p>Acknowledge/ Prevent</p>

	<p>Internal Communications</p> <ul style="list-style-type: none"> • To provide advice on and investigate any new claims that appear fraudulent • To work with the service by offering to have a dedicated officer available on site on specified days 	<p>Prevent/Pursue</p> <p>Prevent/Pursue</p>
Payroll, pensions and expenses	<ul style="list-style-type: none"> • Data matching as part of NFI. • Investigating cases. • Joint working with the Asylum and Immigration service. • Supporting the service to use ID3 Global to maximum benefit. • Document authentication training for staff handling documents. • Developing a Chip Scan verification programme for all existing staff 	<p>Pursue</p> <p>Pursue</p> <p>Pursue</p>
Employee Applications	<ul style="list-style-type: none"> • Document authentication training for staff handling documents • Investigating cases. • Supporting the service to use ID3 Global to maximum benefit. • Providing a Chip Scan to both internal HR and the agencies and providing guidance on how to use it 	<p>Acknowledge/Prevent</p> <p>Pursue</p> <p>Prevent/Pursue</p>
Disabled parking blue badges	<ul style="list-style-type: none"> • Data matching as part of NFI 	<p>Pursue</p>
Housing tenancy fraud	<ul style="list-style-type: none"> • Data matching as part of NFI and locally commissioned exercises. • Investigating cases. • Using POCA as appropriate. • Working with the Tenancy audit team to recover properties. • Generating publicity as a deterrent. • Work with the service to continue the use of the fraud hub • Develop an SLA and work with registered social landlords to assist with tenancy fraud 	<p>Pursue</p> <p>Pursue</p> <p>Pursue</p> <p>Pursue</p> <p>Acknowledge/Prevent/Pursue</p> <p>Prevent/Pursue</p> <p>Acknowledge/Pursue</p>

False insurance claims	<ul style="list-style-type: none"> • Fraud awareness training • Investigate cases identified in conjunction with the relevant insurers and claims handlers • Regular publicity of successful cases • Encourage the use of ID3 Global and The Hub within the insurance team to help identify an individual's true circumstances 	Prevent Pursue
Debt Avoidance	<ul style="list-style-type: none"> • Investigate cases that may be as a result of any fraud linked to the avoidance of a debt to the organisation including, but not limited to: council tax liabilities rent arrears; false declarations; false instruments of payment or documentation 	Acknowledge /Pursue