Fighting fraud

Undetected fraud is costing the UK around £2.1bn a year* – money that could be used for service provision at a time when the public sector faces significant financial challenges. In order to fight it, risk managers need to understand both the likely profile of perpetrators and the types of fraud that may be involved.

How is fraud defined?

Fraud is an act of deception committed with the intention of personal gain or causing loss to another party. The Fraud Act 2006 focuses on the perpetrator’s intent or behaviour regardless of whether they achieve their intention.

The Act specifies the three primary offences as:

1. **Fraud by abuse of position** (for example, employees facilitating fraudulent payments or stealing data)
2. **Fraud by false representation** (for example, signature forgery)
3. **Fraud by failing to disclose** (for example, withholding information as part of an application for benefits).

Types of fraudulent claims and red flags

Fraud is often associated with crimes such as bribery and corruption, false accounting, money laundering, etc. Specific examples could include:

**Employee fraud**

- Payments – falsely creating or diverting payments
- Procurement e.g. tendering irregularities or collusion to pay for goods that were never delivered
- False expenses e.g. claims for travel not undertaken
- Recruitment e.g. false references
- Inappropriate use of authority assets – using assets for personal gain.

**External fraud**

- Service provision – an individual using services they are not entitled e.g. blue badge scheme misuse
- Fraudulent claims for public funding and grants
- Tax and benefit fraud e.g. council tax discounts and exemptions
- Occupation of social housing to make profits e.g. unlawful subletting.

Look out for the following red flag signs when you receive a claim:

- Known financial problems of claimant
- Overly aggressive or too nice
- Undue knowledge of insurance procedure
- Refusal to provide substantiation
- Readily accepts reduced claim/ compromise
- History of similar claims or multiple claims history
- Cash settlement requested immediately
- Delayed submission of claim
- Keeps saying ‘to be honest’/declaring honesty
- Pressure to make early payment

Most common fraudulent claims in social housing

At Zurich Municipal, we see fraud in many guises and across all product types. We ensure that all of our claims areas have fraud controls in place and use cutting edge technology and techniques to identify suspicious claims and thoroughly investigate the merits of them.

We see many instances of fraud in social housing claims and the breakdown below gives a flavour of the reasons why cases were referred for investigation.

* Annual Fraud Indicator, June 2013 – National Fraud Authority
How can you help prevent fraud?

Delivering key services against challenging budgets is tough enough without the additional costs and distraction that fraud can bring, so what can you do to help prevent these sorts of claims?

Ask yourself the following questions:

• Are documented procedures in place covering the end to end process?
• Is there appropriate segregation of duties in the process?
• Are delegations of authority enforced by a system control?
• Can standing data in the system be amended and if so how is this reported and reviewed?
• Are you aware of the warning signs? e.g. missing documentation, missing approvals, photocopies instead of original documents, altered documents and/or a number of transactions just below the next level of approval.

Consider the following to combat fraud:

• Conduct a fraud risk assessment by looking at areas traditionally vulnerable to fraud and undertaking an assessment of risks and controls
• Ensure that the internal audit programme properly considers fraud risk
• Put in place mechanisms for employees and the public to raise any suspicions they may have. A whistle blowing policy will only be effective if all parties are assured that there will be no reprisals for them
• Work effectively with partners, other registered providers and the police to identify and prosecute fraud
• Publicise fraud cases and resultant actions as a deterrent to others

Create the right culture in your housing association

It is essential to create the right culture around fraud. The message should be that this is something that will not be tolerated and anyone attempting to defraud housing associations will be pursued to the limits of the law.

It's important to dispel the illusion that this is a victimless crime. Each pound lost to fraud represents a loss to your organisations purse and reduces your ability to provide services to your tenants.

Registered providers cannot directly influence motivation and rationalisation to fraud. However, you can reduce the opportunity for fraud by having well designed control frameworks which comprise both preventive and detective controls.

Timing is key to a successful investigation as early intervention can often ensure that crucial evidence such as CCTV and witness information is secured and acted upon quickly. The validation of documentation is also vital, particularly given how easy it is these days to mock up fake documents such as estimates and invoices. A quick phone call to the company providing the document can sometimes show that it is false or has been exaggerated.

How can we help you?

As a key insurer within the social housing sector we are committed to insuring and supporting your housing portfolios. We have dedicated fraud handlers in each of our claims handling sites to make sure awareness remains high and that all such claims are referred for investigation as early as possible.

For further information on the topic of fighting fraud please contact social.housing@zurichmunicipal.com

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