

Protecting The English Public Purse 2015

SUMMARY

- 1.1 This report provides members with a synopsis of The European Institute for Combatting Corruption And Fraud's (TEICCAF) latest national report on fraud in local government and the updated checklist for those responsible for governance, to reflect the results of its annual fraud survey.

RECOMMENDATION

- 2.1 Tonote the TEICCAF report.

REASONS FOR RECOMMENDATION

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

SUPPORTING INFORMATION

- 4.1 On 31 July 2015, TEICCAF published its first national report on fraud, "Protecting the English Public Purse 2015" (PEPP). An extract is contained in Appendix 2. The national report describes the latest developments in fraud detection and prevention since the last publication of Protecting the Public Purse by the Audit Commission in October 2014. PEPP includes the findings of the TEICCAF recent fraud survey. The Council's submission to the fraud survey was reported to Committee in July 2015 as part of the Governance Update report.

- 4.2 This is the first year in which TEICCAF will publish this report as it is a newly formed body, founded in response to the CIPFA withdrawal from an agreement to continue the counter-fraud work of the Audit Commission, including the annual Protecting the Public Purse report. Despite withdrawing from the agreement in November 2014, CIPFA subsequently issued an annual fraud survey and will report separately in the autumn of 2015. A further report will be submitted when this report is published.
- 4.3 There are significant differences between the new PEPP report and the previous reports issued by the Audit Commission. As TEICCAF is a voluntary body, the Audit Commission mandate was not available to require the submission of data, and the published report acknowledges that it did not achieve a 100% return rate. All results should therefore be read in the knowledge that only 54.5% of East Midlands Councils contributed data to the survey, compared with the lowest participation rate of 31.8% of Councils in the Yorkshire and Humberside region, and the highest of 93.9% of London authorities. Weighted extrapolation was undertaken to inform regional results and a proxy indicator methodology was used to estimate Right to Buy (RTB) frauds, with the caveat that these findings are only indicative in nature and omitted RTB applications which were unsuccessful for non-fraud reasons.
- 4.4 The report identifies the changing counter-fraud landscape as “a perfect storm for councils”, with contributing factors listed as:
- The closure of the National Fraud Authority in March 2014
 - The closure of the Audit Commission in March 2015
 - Significant funding reductions for Councils since 2010, including the loss of counter-fraud investigators
 - Transfer of benefit fraud investigators to the Single Fraud Investigation Services (SFIS) to be completed by March 2016
 - Longer term technological improvements leading to an increased adoption of digital technology increasing cyber related fraud risks
 - The Department for Communities and Local Government (DCLG) challenge fund award should introduce innovative good practice which can be shared
 - A new Fighting Fraud Locally strategy is being launched in autumn 2015 which should also share good practice. A report will be submitted when this document is published.

- 4.5 The new report refocused on those frauds which had a greater direct financial and social harm impact, classifying cases as being either high volume/ low value (blue badge fraud) or low volume / high value (procurement). It highlights the fact that in previous reports two significant areas of Council spend, social care and education, and business rates, an important area of income generation, were not included.

Changes between 2013/14 and 2014/15

Type of fraud	14/15 detected fraud (excluding tenancy fraud)	13/14 detected fraud (excluding tenancy fraud)	% change
TOTAL			
Total value	£207,078,000	£186,382,000	+11.1
Number of cases	84,608	103,743	-18.4
Average value per case	£2,447	£1,797	+36.2
Housing and CT benefit			
Total value	£109,707,000	£126,736,000	-13.4
Number of cases	27,323	41,369	-33.0
Average value per case	£4,015	£3,064	-31.0
Council Tax discounts (NB now includes Council Tax reduction – the replacement for Council Tax benefit)			
Total value	£18,624,000	£19,133,000	-2.7
Number of cases	48,160	54,749	-12.0
Average value per case	£384	£349	+10.9
Other frauds * (see below for the “top ten” identified frauds)			
Total value	£78,746,000	£40,513,000	+94.4
Number of cases	9,125	7,625	+19.7
Average value per case	£8,630	£5,313	+62.4

Fraud type	14/15 cases	14/15 value	13/14 cases	13/14 value	% Change in number	% Change in value
RTB	411	£30,247,573	193	£12,361,858	+113	+144.7
Abuse of position	221	£9,747,682	341	£4,020,580	-35.2	+142.4
Insurance	473	£9,172,614	226	£4,776,300	+109.3	+92.0
No Recourse to Public Funds	444	£7,115,446	n/a	n/a	n/a	n/a
Social Care	291	£4,586,767	438	£6,261,930	-33.6	-31.5
Debt fraud	1,083	£2,890,638	1,061	£1,789,365	+2.1	+61.5
Economic and third sector support	102	£2,392,773	36	£741,867	+183.3	+222.5
Procurement	86	£2,349,352	127	£4,437,965	-32.3	+47.1
Disabled parking concessions (Blue badges)	4,371	£2,185,500	4,055	£2,027,500	+7.8	+7.8
Business rates	171	£1,089,780	84	£1,220,802	+103.6	-10.3

- 4.6 Unlike the previous PPP reports, regional differences have been identified in fraud trends. This report highlights the fact that London results can distort the outcomes of any surveys. For example, when considering tenancy frauds, London holds 27% of the national housing stock but was responsible for 54% of the property recoveries during 2014/15. The East Midlands, by contrast, holds 9% of the stock and recovered 4% of properties found to be subject to tenancy fraud.
- 4.7 The report also recognised that anti-fraud activities can be cyclic, particularly in areas such as council tax discount. "Interpreting CTAX discount fraud results can be problematic. As a high volume / low value fraud, councils sometimes adopt strategies that place greater emphasis on tackling such fraud in different years. This is a reasonable approach designed to maximise the value for money benefits to the council concerned." A correlation between low levels of anti-fraud resources and detected frauds was drawn by the report.
- 4.8 The two main emerging fraud risks identified by the report are Right to Buy and No Recourse to Public Funds. Right to Buy frauds increased following the raising of the discount threshold in 2012. TEICCAF have developed a proxy indicator which provided two estimates. The estimated fraud level for London was 3% of all applications, and for the rest of the country this was 1.5%. No Recourse to Public Funds frauds are new to the recording regime and already constitute one of the larger value types detected. At least one London Borough has begun carrying out identity document scans and credit checks for all applicants, 10% of whom withdraw their application.
- 4.9 In line with the former Audit Commission's "Protecting the Public Purse" annual report, this report includes a checklist for those charged with governance. A completed checklist is attached at Appendix 3.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	n/a n/a n/a n/a n/a Chief Officer Group
For more information contact: Background papers: List of appendices:	Richard Boneham, Head of Governance and Assurance, 01332 643280 richard.boneham@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Extract of the Protecting the English Public Purse 2015 Appendix 3 - Checklist