

REPORT TO: Audit Committee	DATE 17th March 2015	CLASSIFICATION Unrestricted	REPORT NO..
REPORT OF: Corporate Director, Resources		<i>Protecting the Public Purse 2014 and Transparency Code</i>	
ORIGINATING OFFICER(S): Tony Qayum Corporate Anti-Fraud Manager		Ward(s) Affected: N/A	

1. Summary

- 1.1 This report updates the Audit Committee of the main findings of the Audit Commission's publication "Protecting the Public Purse" 2014 and informs the Audit Committee of the requirements of the Transparency Code 2014 in regard to Fraud investigation.

2. Recommendation

- 2.1 The Audit Committee is asked to note the matters raised in this report.

3. SUMMARY

- 3.1 The attached report summarises the work of the Audit Commission in its publication 'Protecting the Public Purse' which used the mandatory returns that each local authority is required to send on fraud cases valued in excess of £10,000 to compare the reported fraud identified in local authorities during 2013/14 and makes specific comments on trends going forward and examples of good investigation work in the form of case studies. The work of the Commission focused on five specific areas of fraud, highlighted as the most common from an earlier survey of all local authorities in England, these being; Benefit Fraud, Non-benefit fraud, Housing tenancy fraud, organised and opportunistic fraud and longer term trends in frauds detected by councils.
- 3.2 The report also highlights the changing counter-fraud landscape and the main issues councils face in tackling fraud going forward particularly with the reduction of resources introduction of the 'Single Fraud Investigation Service' to be managed by the DWP.

- 3.3 In 2013 the National Fraud Authority estimated that fraud cost local government £2.1billion, excluding benefit fraud, but this is generally considered to be an underestimate.
- 3.4 The report makes the point that each pound lost to fraud reduces the ability of local authorities to provide public services.
- 3.5 At the end of the report at Appendix 2 of the Audit Commission report, there is a checklist for councillors and those responsible for governance to assess how well positioned each council is in managing the risk of fraud in their authority.
- 3.6 Further, it was intended to report separately to CMT and the Audit Committee the local picture and to request the Audit Commission Counter Fraud lead who prepared the national report to benchmark the Council and provide a presentation of how well we fare against the national picture as well as the other authorities in London. This is something we have commissioned over the last few years. However the team was disbanded from 15 December 2014 and did not transfer to the Counter Fraud Service managed by CIPFA as was generally expected, thus the opportunity could not be taken up. It is therefore intended to report against the checklist at the next Audit Committee cycle in June 2015.

4. KEY MESSAGES FROM THE NATIONAL PICTURE

- 4.1 The report focuses on fighting fraud against local government and has been written for councillors and senior officers responsible for governance. In the report, the Audit Commission highlight the fact that reported fraud had increased in value to £188 million which is the highest amount ever recorded by the Commission in the 25 year period that the commission has gathered information on counter-fraud in Local Government.
- 4.2 The report states that the extent of fraud in local government is large, but that the ability to quantify with precision is an ongoing challenge.
- 4.3 It recognises that with the changing landscape and the reduction of resources brought about by the move of investigators to the DWP there is a greater pressure on those charged with governance to ensure that the risk of fraud is adequately resourced.
- 4.4 The report also notes that in the last 5 years councils have shifted their focus from benefit fraud investigation to non- benefit fraud and by 2016 local authorities will no longer deal with benefit fraud.

- 4.5 The move away from benefit investigation nationally is in part due to the ending of incentives which for example between 1991 and 2000 represented nearly all of the fraud detected.
- 4.6 Given this change the report suggests that councils will need to focus on non- benefit fraud work.
- 4.7 To this end the report shows that in the areas of Council Tax Discount Fraud, Right to Buy fraud, Social Care fraud and Insurance there have been significant increases in cases investigated and outcomes achieved.
- 4.8 Overall it notes that there has been an increase in detecting more non-benefit frauds but that detection rates for some types of fraud have fallen. In particular business rates declined from 149 cases worth £7.2 million in 2012/13 to 84 cases worth £1.2 million in 2013/14.
- 4.9 Similarly, Procurement cases fell in numbers from 203 in 2012/13 to 127 in 2013/14 however, in the same period the value increased from 1.9 million to 4.4 million.
- 4.10 The report does however, have some positives. The number of Social Housing Tenancy Fraud recoveries has increased by 18% in the last year to 1,807 in London and by 15 % across England to 3030 from 2642 the previous year.
- 4.11 There were also increases in detection around the areas of Right to Buy up by 110 % to 193 cases, Social Care up by 119% to 438, Insurance by 205% to 226, Blue Badge (Disabled Parking) up by 33% to 4,055 and Payroll abuse up 35% to 432 cases.
- 4.12 Of particular interest was the identification of an increase of 20% in Abuse of Position cases which stood at 341 compared to 283 in the previous report and representing £4 million in value.
- 4.13 The report finalises its submission with the suggestion that a more corporate approach to tackling fraud in all areas helps effectiveness and enables Local Authorities to discharge their duty to protect the public purse.
- 4.14 The core components of which include Prevention and Deterrence arrangements, Investigation and Detection which has dropped following the reduction in FTE numbers and the report makes the point that after 2016 when central government no longer contributes funds for counter-fraud activity, councils will need to recover more losses than they do currently. One tool

to aid this being the use of Proceeds of Crime Act legislation to address Recovery and Redress.

- 4.15 The need for openness and transparency remains integral to the way we do our business and the report suggests that authorities should look for fraud and record how many frauds they detect. In doing this it will show leadership, allow councils to compare their performance with other organisations and alert them to emerging fraud risks more effectively.
- 4.16 From April 2015 the Audit Commission's Counter Fraud activities will transfer to new organisations. The National Fraud Initiative will be managed by the Cabinet Office and the remaining counter fraud staff and functions including Protecting the Public Purse and Fraud Briefings will transfer to the Counter Fraud Centre, which is run by CIPFA.
- 4.17 Attached at Appendix 1 is the full report for consideration.

5. LOCAL GOVERNMENT TRANSPARENCY CODE

- 5.1 The Audit Committee will be aware of the Local Government Transparency Code which requires Local Authorities to publish data about various areas of their activities. The new transparency code was introduced in 2014 to meet the government's desire to place more power into citizens' hands enabling demonstrable democratic accountability and ease for local people to contribute and help shape public services.
- 5.2 The council shares in the principle that data held and managed by local authorities should be made available to local people and their partners subject to specific sensitivities (e.g protecting vulnerable people or commercial and operational considerations).
- 5.3 As part of the requirement to publish data, the Corporate Anti-Fraud team have the following key areas to be transparent with:
 - number of occasions Prevention of Social Housing Fraud (power to require information) (England) Regulations 2014 have been used
 - total number (full time equivalent) of employees undertaking investigations and prosecutions of fraud
 - total number (full time equivalent) of professionally accredited counter fraud specialists

- total amount spent by the authority on investigations and prosecutions of fraud
- total number of fraud cases investigated.

The following information for the period April 1 to December 31, 2014 determines the values.

The deadline for publication was 2 February 2015 and this was achieved. The information in the format above is contained in the transparency pages of the Councils Internet as well as within the Anti-Fraud page of the Risk Management pages and has been put on the Intranet.

Fraud	Totals
Prevention of social housing fraud powers	5
Total number FTE fraud officers	17
Total number FTE ACFS	14
Total amount spent on investigation	£646,998
Total amount spent on prosecution	£2,500
Total number of fraud cases investigated	900

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

6.1 These are contained within the body of this report.

7. LEGAL COMMENTS

7.1 The Local Audit and Accountability Act 2014 will abolish the Audit Commission from 1 April 2015 and introduce a new local audit framework. The Local Government Association will set up a new company to take on responsibility for management of the Audit Commission's contracts until the legal introduction of local appointment in 2017.

7.2 The Local Government (Transparency) (Descriptions of Information) (England) Order 2014 allows the Secretary of State to require information on all expenditure, all legally enforceable agreements entered into by an authority and invitations to tender to be published more frequently than annually. The Local

Government (Transparency Requirements) (England) Regulations 2014 make it a legal requirement for the Council to publish the data specified in Part 2 of the Local Government Transparency Code issued on 3 October 2014 (the Code).

- 7.3 The Code is a tool to embed transparency in local authorities and sets out the minimum data that the Council should be publishing, the frequency it should be published and how it should be published. Part 2 of the Code became mandatory when regulations, made under section 3 of the Local Government, Planning and Land Act 1980, came into force.
- 7.4 Quarterly data must first be published no later than 31 December 2014 and thereafter not less than quarterly, with the data being published no later than one month after the quarter to which it relates. The Council must publish two sets of quarterly data in 2014-15.
- 7.5 The first set of annual data must be published no later than 2 February 2015 and thereafter not less than annually, with the data being published no later than one month after the year to which it relates. Within these timescales, the Council may choose to publish at any point. However, local people have a right to see timely data about how their local authority spends money and delivers services.

8. ONE TOWER HAMLETS

- 8.1 There are no specific one Tower Hamlets considerations.
- 8.2 There are no specific Anti-Poverty issues arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 This report highlights the potential areas of fraud risks that any local authority is likely to be exposed to. A considered assessment of the nature and impact of the fraud risks will allow the authority to make better use of its resources.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT (SAGE)

- 10.1 There are no specific SAGE implications.