

AUDIT BOARD

15th December 2011

PROTECTING THE PUBLIC PURSE 2011: FIGHTING FRAUD AGAINST LOCAL GOVERNMENT

Relevant Portfolio Holder	Councillor Roger Hollingworth, Portfolio Holder for Finance, Partnerships and Economic Development.
Portfolio Holder Consulted	
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources.
Wards Affected	All Wards
Ward Councillor Consulted	
Non-Key Decision	

1. SUMMARY OF PROPOSALS

This document provides an overview of the recently published document by the Audit Commission, 'Protecting the Public Purse 2011: Fighting Fraud against Local Government'. It includes a self-assessment checklist for those responsible for governance so that counter fraud activity is monitored and actions taken appropriately. The self-assessment checklist has not yet been completed detailing the current situation (Appendix 1). **Please note** that the section on Personal Budgets in the Appendix is not relevant to a District Council.

2. RECOMMENDATIONS

- 2.1 That the Audit Board recommend the Council to undertake a commitment to fight possible fraud, bribery and corruption against the Council, initially using the self-assessment checklist in Appendix 1 and to consider potential risks to the Council by utilising the Corporate Anti-Fraud Team (CAFT) to identify and prevent such risks.

3. KEY ISSUES

Financial Implications

- 3.1 Councils are having to make reductions in spending. Significant savings can be made by reducing the impact of potential fraud against the Council. This can help to protect frontline jobs and services.
- 3.2 Central Government is recommending that Councils should ensure they keep the capability to investigate fraud that is not related to housing benefit, by maintaining a culture that supports action against fraud and has the facility to undertake such investigations. This can be achieved by developing focussed plans and strategies for tackling

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fraud and target resources on areas where prevention and detection can have the most impact.

Legal Implications

- 3.3 There were no legal implications identified.

Service/Operational Implications

Key Fraud Risks

- 3.4 **Housing Tenancy Fraud** – whilst Bromsgrove Council does not own housing stock anymore, there is scope for closer working with the Bromsgrove District Housing Trust to reduce the levels of Housing Tenancy Fraud. It is unknown what the precise levels of Housing Tenancy Fraud are for this district but joint working on two specific cases does indicate that there are issues. By assisting with Housing Tenancy Fraud there will be a direct impact on the number of properties available for Homeless Persons, thereby reducing the level of investment that the council currently has.
- 3.5 **Council Tax Fraud** – Council Tax Fraud has been well documented in recent years, yet it remains a focus of activity. The Corporate Anti-Fraud Team has been involved in a number of investigations on this topic and it is clear that the system is being abused. Single Person Discount cases have been investigated and rectified. A data-match is due from the Audit Commission in February 2012, which the Corporate Anti-Fraud Team will receive and action. Following this, a better understanding of the impact of this type of fraud will be known.
- 3.6 **Student Reductions in Council Tax** – this area has not been considered at all within the Bromsgrove area, until now. Nationally it is clear that this element of the system is also being abused with false college/university certificates being received within local authorities from bogus further education facilities. A report contained 205 cases has been produced and is currently being reviewed by the Corporate Anti-Fraud Team.
- 3.7 **Procurement Fraud** - Fraud can occur at any stage of the procurement cycle, from the first business case to the award and management of the contract. The key areas of external fraudulent abuse include:
- a) Collusion amongst bidders.

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- b) Applicants tendering but not in accordance with contract specifications, and then submitting false claims for extra costs under the contract.
 - c) Contractors providing inferior goods or services.
 - d) Contractors intentionally overriding minimum statutory pay and health and safety regulations for financial gain.
 - e) Contractors presenting false invoices
- 3.8 Procurement fraud is estimated to cost Councils about £855 million per year. It is imperative that local authorities treat procurement fraud as high risk, with significant potential financial impact. The number of cases identified between 2009/10 and 2010/11 increased by 400% nationally.
- 3.9 **Housing and Council Tax Benefit Fraud** – this continues to receive high levels of publicity. The value of housing benefit fraud (excluding council tax benefit) in the UK is about £260 million per year. Whilst there has been a national drop in the number of detected cases since 2009/10 (6%) there has been an 11% increase in the value of detected losses.
- 3.10 With the proposed major welfare reforms under Universal Credit, there will be major changes to the Benefit Services provided by Local Authorities. It is proposed that a Single Fraud Investigation Service is set up from 2013, involving investigation staff from Local Authorities, Department for Work and Pensions and HMRC. No final details have been issued regarding these changes.
- 3.11 DCLG have published in 2011 a ten point plan for local authorities countering fraud, as follows:
- a) Measure exposure to fraud risk.
 - b) More aggressively pursue a preventative strategy.
 - c) Make better use of data analytics and credit reference agency checks to prevent fraud.
 - d) Adopt tried and tested methods for tackling fraud in high risk areas.
 - e) Follow best practice to drive down Housing Tenancy Fraud and Single Person Discount Fraud.

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- f) Pay particular attention to high risk areas such as procurement and grant awards.
- g) Work in partnership with service providers to tackle organised fraud across local services.
- h) Maintain specialist fraud investigative teams.
- i) Vet staff to a high standard to stop organised criminals infiltrating key departments.
- j) Implement national counter fraud standards developed by CIPFA.

Customer / Equalities and Diversity Implications

- 3.12 Any fraud taking place that directly affects the Council will be investigated in line with nationally recognised investigative techniques, which are bound by relevant criminal legislation. Therefore there would be no implications on Equality and Diversity, as ALL customers (internal and external) are treated equally in accordance with the law.
- 3.13 Information is already held on the BDC website to inform external customers of the 'zero tolerance' stance taken by Bromsgrove Council. This information is replicated on the internal intranet for staff and on quarterly fraud newsletters for staff.

4. RISK MANAGEMENT

- 4.1 The prime risk of not preventing, and investigating where necessary, fraud related issues leave the Council exposed to attacks of fraud. Both low level fraud and organised fraud rely on the fact that organisations are weak in their approach to this topic. By having a team to educate both staff and the public alike, ensuring their presence is known whilst also ensuring that the knowledge and the professionalism of the team is made public, this reduces the risk of being targeted. This allows the team to continually monitor across the Council and investigate any allegations or referrals made to them. Prevention of fraud is far cheaper financially than investigating offences after the event. Corporate Fraud should be on the corporate risk register.
- 4.2 Other risks associated with not having a facility to prevent and detect any fraud affecting the Council are:
 - a) loss of income
 - b) loss of reputation

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c) protection of public funds

5. APPENDICES

Appendix 1 – Self-Assessment Checklist

6. BACKGROUND PAPERS

None.

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