

Report To: **AUDIT PANEL**

Date: 7 March 2017

Reporting Officer: Ian Duncan – Assistant Executive Director (Finance)
Wendy Poole – Head of Risk Management and Audit Services

Subject: **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY – FRAUD AND CORRUPTION TRACKER**

Report Summary: To advise Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre – Fraud and Corruption Tracker 2016.

Recommendations: Members note the report.

Links to Community Strategy: No direct links but supports the individual operations within the Community Strategy.

Policy Implications: Effective Counter Fraud arrangements demonstrate a commitment to high standards of corporate governance.

**Financial Implications:
(Authorised by the Section 151 Officer)** Fraud diverts money away from service delivery and therefore it is important that effective counter fraud arrangements are in place to minimise losses relating to fraud.

**Legal Implications:
(Authorised by the Borough Solicitor)** Demonstrates compliance with the Accounts and Audit Regulations 2015.

Risk Management: Fraud is a risk to all organisations and therefore it is important that a sound system of internal control is in place to mitigate the risk of fraud and that counter fraud resources are sufficient to ensure that cases identified are investigated and where appropriate prosecuted to recover assets which have been wrongfully diverted away from service delivery.

Access to Information: The background papers can be obtained from the author of the report, Wendy Poole, Risk & Internal Audit Manager by:

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1. BACKGROUND

- 1.1 The Chartered Institute of Public Finance and Accountancy Counter Fraud Centre was launched in July 2014 and was created to fill the considerable gap in the UK counter fraud arena following the closure of the National Fraud Authority and the Audit Commission and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service run by the Department for Work and Pensions.
- 1.2 The Counter Fraud Centre leads and coordinates the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.
- 1.3 The report is divided into several sections:-
- Summary;
 - Recommendations;
 - Introduction;
 - Main Types of Fraud;
 - Other Types of Fraud;
 - Whistleblowing;
 - Counter Fraud and Corruption Resources ;
 - Sanctions;
 - Fighting Fraud and Corruption Locally;
 - Emerging Areas; and
 - Financial Investigations.
- 1.4 In terms of Tameside the number of frauds dealt with is low and because of the nature of investigations and the definition of "Detected Fraud" very little was reported in the survey.

2. SUMMARY AND INTRODUCTION

- 2.1 The report is based on the findings from the Chartered Institute of Public Finance and Accountancy's Fraud and Corruption Tracker Survey and captured data for 2015/16. The report covers a host of public sector organisations, including local authorities, police and crime commissioners, transport authorities, fire and rescue authorities, waste authorities and public agencies. It focuses on common fraud types for all organisations and also on specific areas for local authorities. The Report is attached at **Appendix 1**.
- 2.2 The tier response rates are detailed in Table 1 below.

Table 1 – Tier Response Rates

Tier	Approximate Percentage
Counties	62
London authorities	93
Metropolitan Unitaries	75
Unitary (non-met) authorities	61
Districts	47
Other authorities	11

3. MAIN AND OTHER TYPES OF FRAUD

3.1 The table below details the type of fraud reported along with the number of cases, values and percentage of the total reported.

Table 2 – Main and Other Types of Fraud

Types of Fraud	Fraud Type By Volume	% of the Total	Estimated Value of Fraud Detected £m	% of the Total Value	Tameside Value
Council Tax	57,681	65.7	24.1	7.40	£300,000 (1,052)
Housing Benefit	11,902	13.5	40.5	12.5	
Disabled Parking Concession (Blue Badge)	6,578	7.50	3.0	0.90	
Housing	5,823	6.60	207.9	64.1	
Debt	1,053	1.20	0.2	0.10	
Business Rates	706	0.80	8.2	2.50	
Welfare Assistance	616	0.70	0.1	0.02	
Procurement	613	0.70	6.2	1.92	£102,000 (1)
Insurance	382	0.43	5.3	1.62	
Adult Social Care	323	0.37	2.9	0.90	£116,000 (4)
No Recourse to Public Funds	251	0.29	8.7	2.67	
Mandate	216	0.25	7.2	2.22	
School	182	0.21	0.9	0.26	
Payroll	163	0.19	0.3	0.10	
Recruitment	143	0.16	0.7	0.23	
Pensions	89	0.10	0.6	0.18	
Economic and Vol. Sector	61	0.07	1.5	0.47	£4,000 (1)
Expenses	50	0.06	0.5	0.15	
Children's Social Care	29	0.03	0.3	0.09	£25,000 (1)
Manipulation of Data	24	0.03	n/a	n/a	
Investments	1	0.00	0.2	0.07	
Other Fraud	983	1.12	5.3	1.65	£1,000 (2)
Total	87,869	100	324.6	100	£548,000 (1,061)

4. WHISTLEBLOWING

4.1 This section of the report provides feedback regarding whistleblowing policies, and in summary all respondents had a whistleblowing policy and just over half reviewed this policy on an annual basis.

5. COUNTER FRAUD AND CORRUPTION RESOURCES

5.1 This section provides an analysis of resources working on counter fraud. The introduction of the Single Fraud Investigation Service within the Department of Works and Pensions has had a significant impact on resources in some authorities.

6. SANCTIONS

- 6.1 Many organisations have the ability to undertake sanctions against those who commit fraud, whether via the police, the Crown Prosecution Service or in-house lawyers. The section then provides a summary of prosecutions undertaken and the outcomes.

7. FIGHTING FRAUD AND CORRUPTION LOCALLY

- 7.1 The section briefly provides some feedback as to how well local authorities are performing against the areas covered by Fighting Fraud and Corruption Locally Strategy.

8. EMERGING AREAS

- 8.1 The survey did not ask a question specifically about emerging trends for 2015/16. However, some areas were identified as growing:-

- Procurement Fraud;
- Right to Buy Fraud; and
- Business Rates.

- 8.2 Personal Budgets and Direct Payment frauds decreased in total from 287 cases in 2014/15 to 2015 in 2015/16. From the responses received it is clear that the fraud risk in social care is not diminishing, however, better controls in some aspects may be having an effect.

- 8.3 At the request of the Home Office respondents were asked to identify the highest risk to their organisation and the results are summarised below:-

- Council Tax;
- Housing;
- Procurement;
- Adult Social Care; and
- Housing Benefit.

9. FINANCIAL INVESTIGATION

- 9.1 Financial Investigators are those professionally accredited for the purpose of recovering assets in accordance with the Proceeds of Crime Act 2002 (POCA). Nearly half of respondents to the survey (44%) had no access to financial investigations resources, while 56% did have access.

- 9.2 Where used organisations had been awarded £27.5m by courts through the Proceeds of Crime Act (excluding housing and council tax benefit) over the last three years. Of this money a total of £18.4m had been recovered.

10. SURVEY RECOMMENDATIONS

- 10.1 As a result of the survey the Chartered Institute of Public Finance and Accountancy 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.

10.2 The recommendations from this report, together with the Fighting Fraud and Corruption Locally Strategy and the Code of Practice on Managing the Risk of Fraud and Corruption will be used to refresh all documentation in relation to Fraud, Corruption and Bribery.

11. RECOMMENDATIONS

11.1 Members note the report.

Source: Chartered Institute of Public Finance and Accounting – Fraud and Corruption Tracker – Summary Report 2016

<http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>