

**Report to:** **AUDIT PANEL**

**Date:** 12 March 2019

**Reporting Officer:** Wendy Poole – Head of Risk Management and Audit

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

**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 2018 for Tameside.

**Recommendations:** That members note the report.

**Corporate Plan:** No direct links but supports the individual operations/objectives within the Community Plan.

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

**Financial Implications:** 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.  
**(Authorised by the statutory Section 151 Officer & Chief Finance Officer)**

**Legal Implications:** The report demonstrates Council compliance with the Accounts and Audit Regulations 2015.  
**(Authorised by the Borough Solicitor)**

**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.

**Background Information:** The background papers relating to this report can be inspected by contacting, Wendy Poole, Head of Risk Management and Audit Services.



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## 1. INTRODUCTION

- 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 supports 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 the following sections:-
- Introduction;
  - Analysis of Types Frauds;
  - Top Four Types of Frauds by Value;
  - Sanctions - excluding Housing Benefit Frauds;
  - Proceeds of Crime Act (POCA);
  - Structure of the Counter Fraud and Corruption Function Activity;
  - Counter Fraud Resources; and
  - Fighting Fraud and Corruption Locally.
- 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. CIPFA FRAUD AND CORRUPTION TRACKER REPORT 2018 - TAMESIDE

- 2.1 The report is based on the findings from the Chartered Institute of Public Finance and Accountancy's Fraud and Corruption Tracker Survey which was completed in May/June 2018 and captured data for 2017/18. The report compares Tameside to other Metropolitan Unitaries and it focuses on common fraud types specific to local authorities. The Report is attached at **Appendix 1**.
- 2.2 The response rate for Metropolitan Unitaries was 50% and respondents reported 7,418 fraud cases with a value of £31.6m.

## 3. ANALYSIS OF FRAUD CASES/TYPES

- 3.1 Table 1 below details the type of fraud reported together with the value and number of cases for Tameside compared to the average for Metropolitan Unitaries.

**Table 1 – Analysis of Fraud Cases**

Types of Fraud	Tameside		Metropolitan Unitaries	
	Value £000	No. of Cases	Avg. Value £000	Avg. No. of Cases
Procurement	19.6	1	15.3	1
Pensions	16.6	5	0.6	0
Adult Social Care	11.0	4	4.6	1
Other	10.9	55	1356.1	213
<b>Totals</b>	<b>58.1</b>	<b>65</b>	<b>1,376.6</b>	<b>216</b>

Types of Fraud	Tameside		Metropolitan Unitaries	
	Value £000	No. of Cases	Avg. Value £000	Avg. No. of Cases
Council Tax Frauds	10.9	54	87.1	163
School Funds	-	-	0.2	2
Blue Badge	-	-	6.8	18
Debt	-	-	0.5	1
Housing and Tenancy Fraud	-	-	1199.3	23
Payroll	-	-	7.2	1
Insurance Claims	-	-	13.1	1
Welfare Assistance	-	-	0.00	0
Business Rates	-	-	11.5	1
Recruitment	-	-	4.1	0
Expenses	-	-	0.1	0
Economic and Vol. Sector	-	-	2.3	0
Investments	-	-	-	-
Mandate Fraud	-	-	5.6	1
No Recourse to Public Funds	-	-	0.3	0
Child Social Care	-	-	0.1	0
School Transport	na	1	0.1	0
Manipulation of Data	na	-	na	0
Other Fraud	-	-	17.9	2
<b>Totals</b>	<b>10.9</b>	<b>55</b>	<b>1356.1</b>	<b>213</b>

"0" indicates a figure too small to be shown and "-" indicates zero  
Totals and averages may not sum exactly due to rounding.

#### 4. TOP FOUR TYPES OF FRAUD

4.1 The report summarises that the top four types of fraud as:

- Housing and Tenancy;
- Council Tax;
- Procurement; and
- Insurance Claims.

#### 5. SANCTIONS/PROCEEDS OF CRIME ACT (POCA)

5.1 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. Table 2 provides an analysis of the sanctions taken by Tameside and Metropolitan Unitary Councils during 2017/18.

**Table 2 – Analysis of Sanctions**

Type of Sanctions	Tameside	Metropolitan Unitaries Average	Tameside Cases
Prosecutions	1	4	Procurement Fraud – Police/CPS
Cautions	0	3	
Disciplinary Outcomes	4	3	Misappropriation of money Abuse of position Falsifying service user receipts
Other Sanctions	0	6	
<b>Totals</b>	<b>5</b>	<b>16</b>	

## **6. STRUCTURE OF THE COUNTER FRAUD AND CORRUPTION FUNCTION**

- 6.1 The public sector fraud landscape has changed significantly over recent years with leaner operations, and for local authorities the introduction of the DWP's Single Fraud Investigation Service (SFIS) has seen a workload shift.
- 6.2 The survey results show that the number of full-time equivalent (FTE) investigation staff has increased slightly in the UK since 2016/17 and across the country organisations are planning to maintain current levels in the next few years. Nationally, nine organisations have no dedicated counter fraud resource and thirteen consider it not applicable, which is an increase from 2016/17. While a dedicated counter fraud function is not essential, we recommend organisations have a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.
- 6.3 The survey results also indicate a variety of counter fraud and corruption resources being accessed. While organisations will define their resource requirements based on their specific needs, in our view it is essential that staff involved in the counter fraud function are professionally qualified.

## **7. FIGHTING FRAUD AND CORRUPTION LOCALLY**

- 7.1 The section briefly provides an update on how well local authorities are performing against the areas covered by Fighting Fraud and Corruption Locally (FFCL) which is the national counter fraud strategy and NAFN Data and Intelligence Services is a member of the Board.

## **8. CIPFA FRAUD AND CORRUPTION TRACKER OVERALL SUMMARY REPORT 2018**

- 8.1 CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2017/18 with a total value of £302m, which is less than the £336m estimated in 2016/17. The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18.
- 8.2 The survey also revealed the following:
- Council Tax, Housing, Disabled Parking (Blue Badge) and Business Rates are the four main types of fraud affecting local authorities;
  - Council Tax fraud represents the highest number of fraud cases reported at 70%, but only 8.7% of the detected value;
  - Housing fraud represents 71.4% of the detected value, but only 5.7% of the number of fraud cases reported.
- 8.3 The report provides a summary page for each fraud type detailing the value and number of cases involved with a brief description of the fraud and where applicable case studies are included.
- 8.4 The report recommends that organisations:
- Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Our survey showed this to be one of the prime risk areas and practitioners believe this fraud to be widely underreported;
  - Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results;
  - All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively;

- Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement; and
- The importance of the work of the fraud team should be built into both internal and external communication plans. Councils can improve their budget position and reputations by having a zero tolerance approach.

8.5 The report can be viewed using the following link <https://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>.

8.6 Both reports will be used to inform the work plan of the Risk Management and Audit Team for 2019/20 in terms of proactive fraud work and the Internal Audit Plan as it is important to learn how and why frauds occur in order to be able to ensure robust controls are in place within our systems to minimise the future occurrence of known frauds.

## **9. RECOMMENDATIONS**

9.1 As set out on the front of the report.