

Report To: **AUDIT PANEL**

Date: 10 March 2020

Reporting Officer: Kathy Roe – Director of Finance
Wendy Poole – Head of Risk Management and Audit Services

Subject: **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY – FRAUD AND CORRUPTION TRACKER REPORT 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 2019 for Tameside.

Recommendations: Members note the report.

Links to Corporate Plan: 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: 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 Borough Treasurer)

Legal Implications: The Council is required to demonstrate compliance with the Accounts and Audit Regulations 2015 and recognised good financial practice. The Accounts and Audit Regulations 2015 require provision of internal controls and systems together with audit and review provision.
(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 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. Annually it undertakes a Fraud and Corruption Survey to measure fraud in the public sector, and the 2018/19 was the fifth survey completed.
- 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:-
- Introduction;
 - Analysis of Types of 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 2019 - TAMESIDE

- 2.1 The report is based on the findings from the survey which was completed in May/June 2019 and captured data for 2018/19. 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 the highest response rate came from the London and County authorities.
- 2.3 Respondents reported 3,022 fraud cases with a value of £21.2m. The highest perceived fraud risk from Metropolitan Unitaries was Housing.

3. ANALYSIS OF FRAUD CASES/TYPES

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

Types of Fraud	Tameside		Metropolitan Unitaries	
	Value £000	No. of Cases	Average Value £000	Average No. of Cases
Adult Social Care	89.6	1	9.5	1
Council Tax Frauds	7.7	6	40.0	57
Pensions	3.3	1	0.1	0
Other	31.5	5	754.2	38
Totals	132.1	13	803.7	95

Types of Fraud	Tameside		Metropolitan Unitaries	
	Value £000	No. of Cases	Average Value £000	Average No. of Cases
Expenses	0.5	1	0	0
School Frauds	-	-	-	1
Disabled Parking Concession	-	-	1.2	7
Debt	-	-	0.2	0
Housing and Tenancy Frauds	-	-	675.9	25
Payroll	-	-	7.8	1
Insurance Claims	-	-	48.	1
Welfare Assistance	-	-	-	0
Business Rates	-	-	9.9	0
Procurement	-	-	0.3	0
Recruitment	-	-	-	0
Economic and Vol. Sector	-	-	-	-
Investments	-	-	-	-
Mandate Fraud	-	-	2.5	0
No Recourse to Public Funds	-	-	-	-
Children Social Care	-	-	4.7	0
School Transport	-	-	0.1	0
Manipulation of Data	n/a	1	n/a	0
Other Fraud	31.0	3	3.7	1
Totals	31.5	5	754.2	38

(The figures are extracted from Page 3 of the Report attached at Appendix 1)
“0” indicates a figure too small to be shown and “-” indicates zero

4. TOP FOUR TYPES OF FRAUD

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

- Housing and Tenancy;
- Insurance Claims;
- Council Tax Frauds; and
- Business Rates

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. This section provides an analysis of the sanctions taken by Councils during 2018/19 which is summarised below in Table 3.

Table 3 – Sanctions Taken by Councils in 2018/19

Type of Sanction	Tameside		Metropolitan Unitaries Average	
	Number	%	Number	%
Prosecutions	0	-	3	30
Cautions	0	-	0	-
Disciplinary Outcomes	0	-	2	20
Other Sanctions	1	100	5	50

5.2 In terms of the Proceeds of Crime Act, Table 4 below details the information collated.

Table 4 - Proceeds of Crime Act (POCA)

Proceeds of Crime Act (POCA)	Tameside	Metropolitan Unitaries Average
Money awarded by the courts through POCA, excluding Housing Benefit and Council Tax Benefit over the last three financial years.	£136k	£20k
Money actually received through POCA excluding Housing Benefit and Council Tax Benefit over the last three financial years.	£0k	£9k

6. STRUCTURE OF THE COUNTER FRAUD AND CORRUPTION FUNCTION

- 6.1 The survey results show that the number of full-time equivalent (FTE) investigation staff has increased in the UK since 2017/18 and across the country organisations are expecting the number of counter fraud specialist to grow by around 9% in the next year, followed by a small increase in 2021.
- 6.2 Nationally, the number of organisations who have a shared services structure in place has increased since 2017/18.
- 6.3 At Tameside we have two dedicated Fraud Investigators/Counter Fraud Specialists and both have attended the CIPFA Accredited Counter Fraud Technician Course.

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.
- 7.2 This strategy is now managed and coordinated by the Local Government Association (LGA) and the Head of NAFN Data and Intelligence Services is a member of the Board responsible for reviewing and updated the strategy.

8. CIPFA FRAUD AND CORRUPTION TRACKER SUMMARY REPORT 2019

- 8.1 CIPFA estimates that for local authorities in the UK, that the total value of fraud detected or prevented in 2018/19 is approximately £253m, averaging roughly £3,600 per fraud case. In 2017/18 there was an estimated value £302m with a similar average of £3,600 per case detected or prevented.
- 8.2 The report identifies the highest perceived fraud risks areas for 2018/19 as:-
- Procurement;
 - Council Tax Single Person Discount; and
 - Adult Social Care.
- 8.3 In terms of actual fraud being tackled by local authorities, the major fraud areas are:-
- Council Tax;
 - Disabled Parking (Blue Badge);
 - Housing; and
 - Business Rates.

- 8.4 The report provides a summary page for each of the major fraud types above together with a summary of all fraud types detected.
- 8.5 The report recommends:
- The cumulative value of fraud prevented/detected by local authorities has declined year-on-year. Public sector organisations must remain vigilant and determined in identifying and preventing fraud throughout their procurement processes.
 - This year's findings show that shared services counter fraud structures are becoming more popular amongst authorities. Effective practices for detecting and preventing fraud should be shared and adopted across the sector. Fraud prevention should be embedded in 'business as usual' across an entire organisation to improve the effectiveness of preventative measures.
 - Although the number of qualified investigators has increased over the past year, the survey shows a decline in the number of authorities with a dedicated counter fraud team. All staff, across all public sector work functions, should receive fraud awareness training in order to better identify fraud risks, fraud attempts and implement effective controls.
 - According to respondents, a lack of adequate counter fraud resources is the main perceived issue that needs to be addressed to effectively tackle fraud. All organisations should ensure that they have strong counter fraud leadership at the heart of senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively.
 - The survey shows that the overwhelming majority of authorities share data externally; however, vast discrepancies exist among the organisations that receive that shared data. Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement bodies and third party experts.
 - In the past year, 89% of local authorities shared fraud-related data internally. Where counter fraud functions are decentralised within an authority, counter fraud leads should ensure effective inter-departmental collaboration (i.e. between housing, IT (cyber security), revenues, etc.). For some authorities, necessary collaboration could be achieved through the formation of a counter-fraud working group. In-line with the FFCL Strategy 2016-2019, the importance of the fraud team's work should be built into both internal and external communication plans. Publicly highlighting a zero tolerance approach can work to improve the reputation and budget position of authorities.
- 8.6 The report can be viewed using the following link <https://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>
- 8.7 Both reports will be used to inform the work plan of the Risk Management and Audit Team for 2020/21 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.