

**Report to the Audit and Governance
Committee**



**Epping Forest
District Council**

Report Reference: AGC-020-2011/12

Date of meeting: 9 February 2012

Portfolio: Finance and Economic Development

Subject: Audit Commission National Local Government Study - Protecting the Public Purse 2011.

Responsible Officer: Brian Bassington (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) To note the recent publication by the Audit Commission of a national report relevant to the Council's areas of service provision, and any actions or implications for the Council arising from the report.

Executive Summary:

This report provides a summary of a national local government study recently published by the Audit Commission relevant to the Council's areas of service provision. Arrangements for the reporting of local government studies issued by the Commission were agreed by the Committee at its meeting on 24 September 2009.

Reasons for Proposed Decision:

At the meeting of the Committee held on 22 June 2009, members requested that details of all Audit Commission national reports and publications received by the Council be reported to the Committee for information. To meet the request of members, the publication of national local government studies by the Audit Commission are reported to the Committee on an ongoing basis, with each report having first been considered by the Corporate Governance Group. This report summarises the Commission's report 'Protecting the Public Purse 2011'. A full copy of the document is attached.

Other Options for Action:

None. This report is presented at the request of the Audit and Governance Committee.

Report:

Introduction

1. The Audit Commission Publication "Protecting the Public Purse 2011" published in November 2011 focuses on fighting fraud against local government and is written for Councillors and senior officers responsible for governance.

2. In 2011, the National Fraud Authority (NFA) estimated that public, private and third sector organisations as well as individuals lost over £38 billion to fraud, equating to £765 a year for every adult in the country. The NFA also estimated that fraud against public sector

organisations cost £21.2 billion, with fraud against councils costing more than £2 billion a year.

3. The Audit Commission's 2010/11 survey of fraud against councils and related bodies identified that councils detected more than £185 million worth of fraud, involving 121,000 cases. The total value of detected fraud losses for 2010/11 increased by 37% compared with 2009/10. Councils recovered nearly 1,800 homes from tenancy fraudsters which had a total replacement value of over £266 million.

4. Of the £185 million worth of fraud identified in the survey more than half (£110 million) was housing and council tax benefit related. Council tax discount fraud amounted to £22 million with the six largest fraud types in the remaining £53 million consisting of procurement, payroll and expenses, abuse of position, false insurance claims, social care and disabled parking concessions (in descending value).

Key Fraud Risks

5. **Housing Tenancy Fraud** - Housing tenancy fraud is the use of social housing by someone not entitled to occupy that home. This fraud includes unauthorised subletting for profit to people not allowed to live there under the conditions of the tenancy, using false information to gain a tenancy and wrongful tenancy assignment or succession where no longer occupied by the original tenant.

6. **Council Tax Fraud** - Council tax payers can claim various discounts, many of which may be fraudulent applications. The two main discounts where fraud has been identified are Single Persons Discount and Students Discount. In Protecting the Public Purse 2010 the Audit Commission identified that between 4 and 6 per cent of Single Persons Discount claims were fraudulent.

7. **Procurement Fraud** - Fraud may occur at any stage in the procurement cycle. The key areas include collusion among bidders, work not to specification and then falsely claimed, inferior goods or services provided and the presentation of false, inflated or duplicate invoices.

8. **Housing and Council Tax Benefit Fraud** - In 2010/11, there were 59,000 detected fraud cases with a total value of £110 million, which represents almost half of the total number of frauds detected by councils.

Emerging Fraud Risks

9. The Audit Commission surveys collect the opinions of counter-fraud and senior finance officers on emerging fraud risks and the following risks have been identified in 2010/11:

- (a) the expansion of personal budgets in Social Services;
- (b) the impact of the current economic climate putting pressure on individuals' finances and tempting people to commit fraud;
- (c) reduced staff numbers, which may weaken councils' internal controls; and
- (d) fraudsters abusing the expenditure information that councils are now asked to publish, in order to defraud councils, which have included change in bank details fraud.

Department for Communities and Local Government (DCLG)

10. Ten actions to tackle fraud against councils:

- (i) measure exposure to fraud risk;
- (ii) more aggressively pursue a preventative strategy;
- (iii) make better use of analytics and credit reference agency checks to prevent fraud;
- (iv) adopt tried and tested methods for tackling fraud in risk areas – such as blue badge scheme misuse;
- (v) follow best practice to drive down housing tenancy and single person discount fraud;
- (vi) pay particular attention to high risk areas such as procurement and grant awards;
- (vii) work in partnership with service providers to tackle organised fraud across local services;
- (viii) maintain specialist fraud investigative teams;
- (ix) vet staff to a high standard to stop organised criminals infiltrating key departments; and
- (x) implement national counter fraud standards developed by CIPFA.

Checklist for those Responsible for Governance

11. A 26 point checklist is included as an appendix to the document which has been reviewed against relevant council strategies, existing fraud prevention and detection controls and Internal Audit findings during 2011/12. Of the 26 questions, the Council meets the requirements of 19, partially meet 4, score a NO on 1 and 2 are not relevant to this Council as they relate to personal budgets for adult social care.

12. We score a NO on the question of whether we have aligned our strategy with the NFA publication “Fighting Fraud Locally”. This action will be taken when the document is published.

13. We partially meet the following requirements:

(a) The checklist asks if we have dedicated counter-fraud staff and if yes, do they review all the work of the organisation? We currently have dedicated fraud staff for housing benefits and housing lettings frauds but not for other fraud types.

(b) Do we have arrangements in place that encourage our staff to raise their concerns about money laundering? Our confidential reporting policy does not specifically mention money laundering but is shortly to be updated. Legal and revenues staff have received training and established reporting procedures are in place.

(c) Have we reallocated staff as a result of reassessing our fraud risks since the change in the financial climate? No, but we have created a post of Housing Officer (Fraud).

Conclusions

14. The Council currently has an effective benefits fraud team providing prevention and detection services relating to housing and council tax benefit fraud and assisting and advising on non benefit related fraud.

15. With the government proposal to set up a single fraud investigation service to combat

benefit fraud, resulting in the probable loss of the Council's benefit fraud investigation team to that service, it is important that the capability to investigate fraud unrelated to housing benefit is retained by the Council.

16. The Council is developing its capability to tackle housing tenancy fraud with the creation of a fraud officer post during last year and a fraud action plan. A report is being submitted to the Housing Scrutiny Standing Panel on 31 January and Cabinet on 12 March on the current position within housing, which it is understood will recommend altering the fraud officer post to a permanent full time position.

17. The following areas identified in this report are not specifically covered by dedicated fraud staff:

(a) Council tax discount fraud;

(b) Procurement Fraud;

(c) NFI data matching – currently carried out by audit staff plus staff in relevant directorates in addition to their normal duties as and when time allows (report on the current data matching position to follow); and

(d) the use of data analytics to prevent fraud in the specific areas identified in this report and combat emerging fraud risks due to the current economic climate.

Recommendations

18. Consideration should be given to the risk to the Council of the areas not covered by dedicated fraud staff. To address this, the Chief Internal Auditor is looking at a possible specialist post within internal audit.

19. The increased risk to the Council by the loss of trained fraud staff to the single fraud investigation service should be considered and an action plan drawn up to mitigate the risk. This will be monitored by the Corporate Governance Group.

Resource Implications:

Within the report.

Legal and Governance Implications:

There are governance implications should no further action be taken.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

Audit Commission report – Protecting the Public Purse 2011.

Impact Assessments:

Risk Management

The risks identified in the Audit Commission publication will be discussed at the next Risk Management Group for possible inclusion in the risk register.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
There are no specific equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.