
AUDIT COMMISSION FRAUD BRIEFING 2012/13

Committee: Corporate Governance & Finance Committee

Date: 21st July 2014

Author: Trevor Bowd – Principal Auditor

[P49]

1.0 **ISSUE**

1.1 To present the Audit Commission's Fraud Briefing for the financial year 2012/13.

2.0 **RECOMMENDATION(S)**

2.1 That the report be noted.

3.0 **BACKGROUND/OPTIONS**

3.1 The 2013 version of the annual Audit Commission report *Protecting the Public Purse* was published in November 2013. The report highlighted current and emerging fraud risks in local government and also provided summary information on fraud detection activities, based on the Commission's annual detected fraud and corruption survey.

3.2 The attached fraud briefing has been tailored for individual audited bodies and provides information to help councils inform and challenge their own fraud detection activities and priorities through comparison of fraud detection data. To minimise the risk of the information being used by fraudsters to target individual councils for fraud, the comparator local authorities are not identified, with councils only able to identify themselves, being highlighted in yellow in the results slides.

3.3 In summary the main findings of the report are as follows:-

- Nationally in 2012/13 there were 107,000 fraud cases detected with a value of £178 million
- The number of detected cases fell by 14% in comparison with 2011/12 but the value fell by less than 1%
- Councils who actively look for fraud, and look in the right way, will find fraud.

3.4 Looking at the local picture, the graphs included in the attached briefing show that detected fraud in East Cambridgeshire was well below the average for the councils in our area however the results are affected significantly by one high performing authority, and all our detected fraud related to Housing Benefit and Council Tax Benefit fraud.

3.5 The report shows those responsible for governance in local government bodies how they can fight fraud more effectively including focusing more effort on detecting non-benefit fraud, which directly affects revenue. In April 2012 the Home Office, via the National Fraud Authority, published the Local Government Fraud Strategy. The Strategy suggests that each Council should acknowledge that it is subject to fraudulent action and therefore opportunities exist for savings to be made if cost-effective anti-fraud measures are taken.

3.6 Joint working and sharing intelligence and evidence internally across departments and externally between organisations is one way that the aims and objectives of the Strategy can be met. Within Cambridgeshire, a Fraud Hub, one of the first in the country, is being developed. Once fully implemented the Fraud Hub will enable data to be shared across local authority boundaries, in real time, to identify potential cases of fraud and error.

4.0 ARGUMENTS/CONCLUSIONS

4.1 The attached briefing provides some basic information on the detection of fraud at both a local and national level and gives some indication as to where resources might be needed in the future to comply with the requirements of the Local Government fraud Strategy.

4.2 The full version of the report *Protecting the Public Purse 2013* is available at <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf>

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 There are no additional financial implications arising from this report.

5.2 Equality Impact Assessment (INRA) not required.

6.0 APPENDICES

6.1 Appendix 1 – Protecting the Public Purse Fraud Briefing 2013.

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Protecting the Public Purse 2013.	Room 207 The Grange, Ely	Trevor Bowd Principal Auditor (01353) 665555 E-mail: trevor.bowd@eastcambs.gov.uk

Protecting the Public Purse

Fraud Briefing 2013

East Cambridgeshire District Council



Agenda

- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013* report – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

And do not forget

- *Checklist for those charged with governance (Appendix 2 of PPP 2013)*
- *Questions councillors may want to ask/consider (Appendix 3 of PPP 2013)*

Introduction

- Fraud costs local government in England over £2 billion per year (*source: National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud

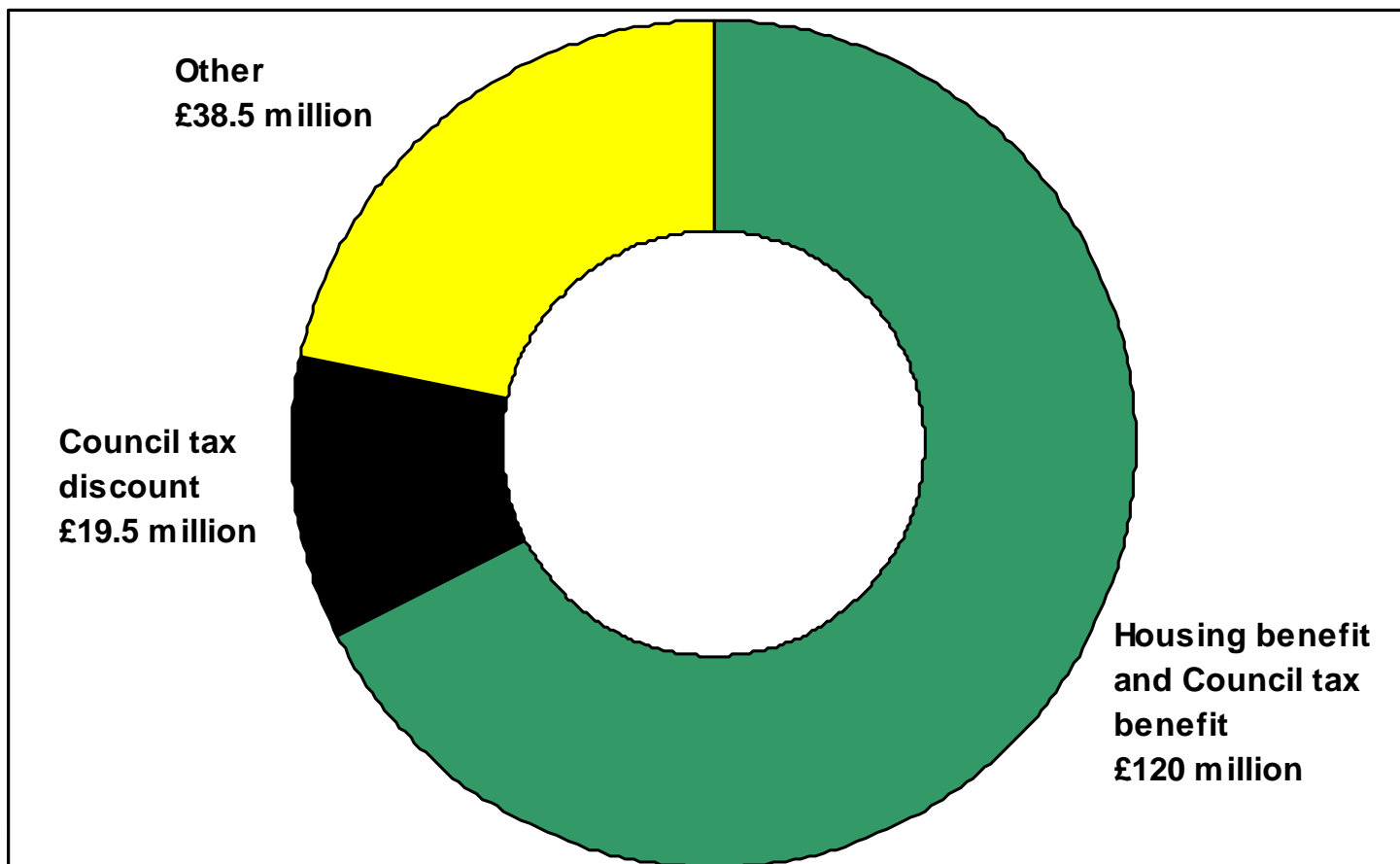


Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

National Picture 2012/13

Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%

Interpreting fraud detection results

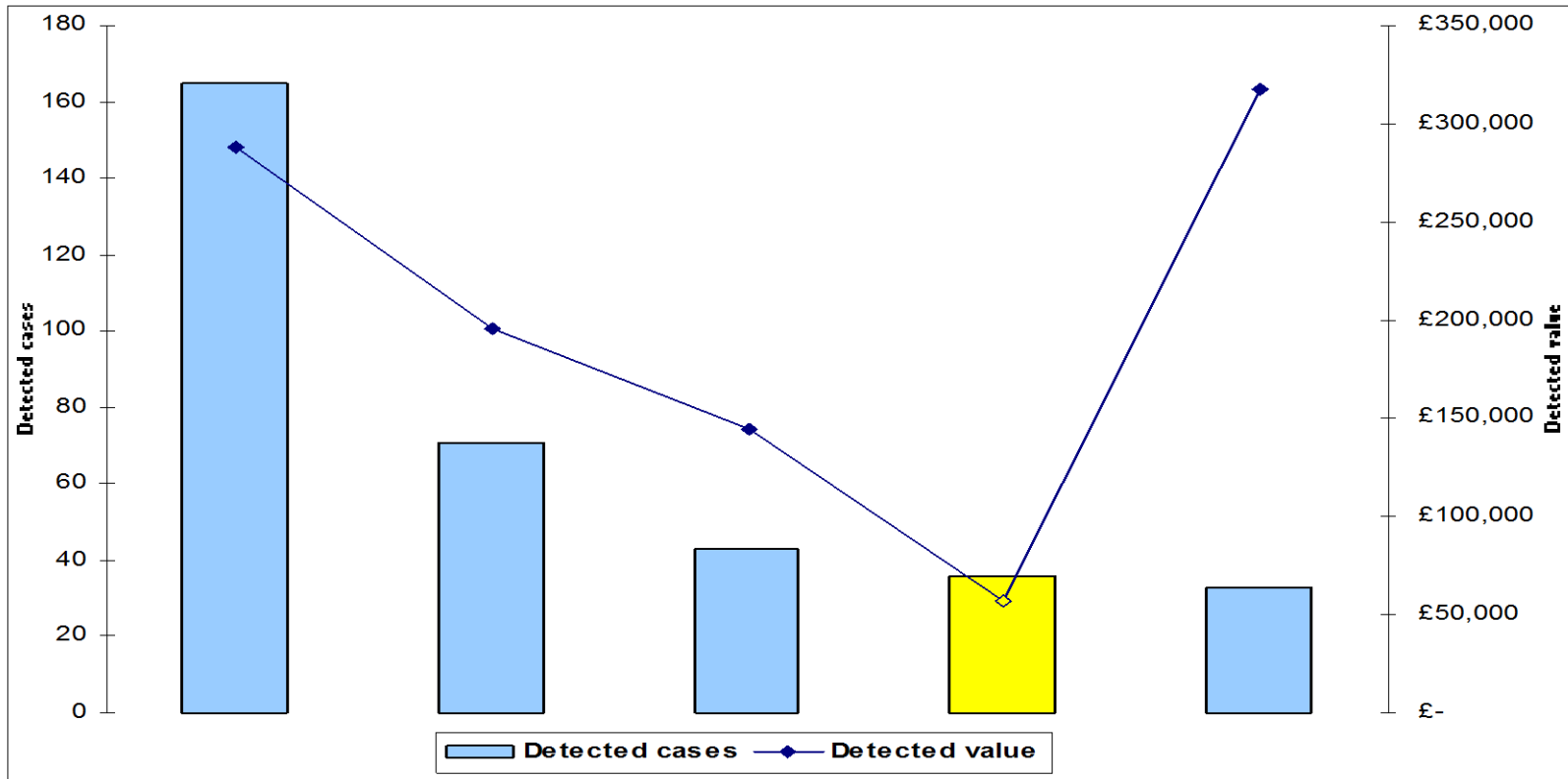
- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in yellow in the graphs that follow

The local picture

How your council compares to other district councils in your county area

Total detected cases and value 2012/13



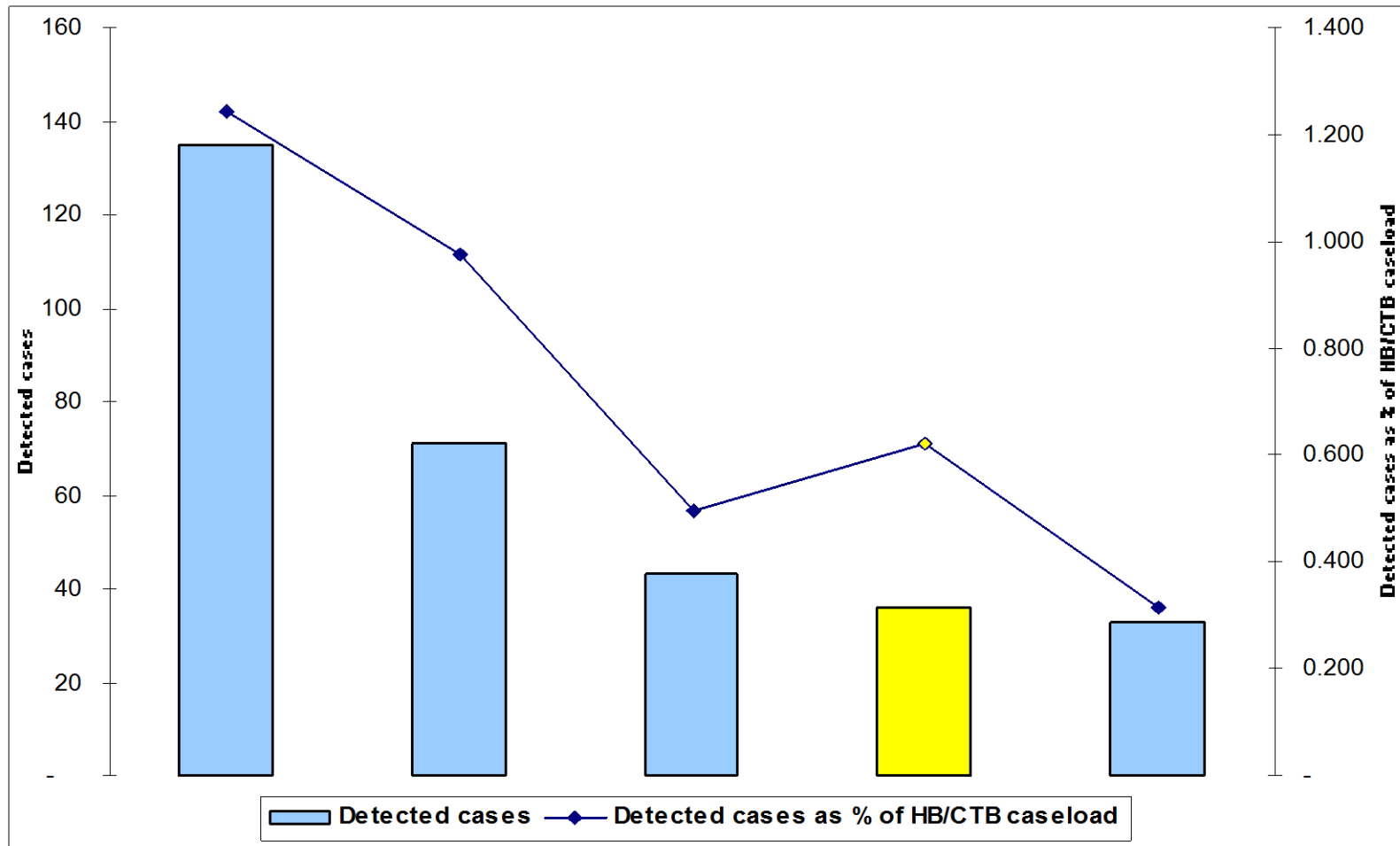
East Cambridgeshire detected: 36 cases, valued at £56,799

DC average for your county area: 70 cases, valued at £200,336

District councils in your county area 2012/13

Housing benefit (HB) and Council tax benefit (CTB) fraud

Detected cases and detected cases as a percentage of HB/CTB caseload



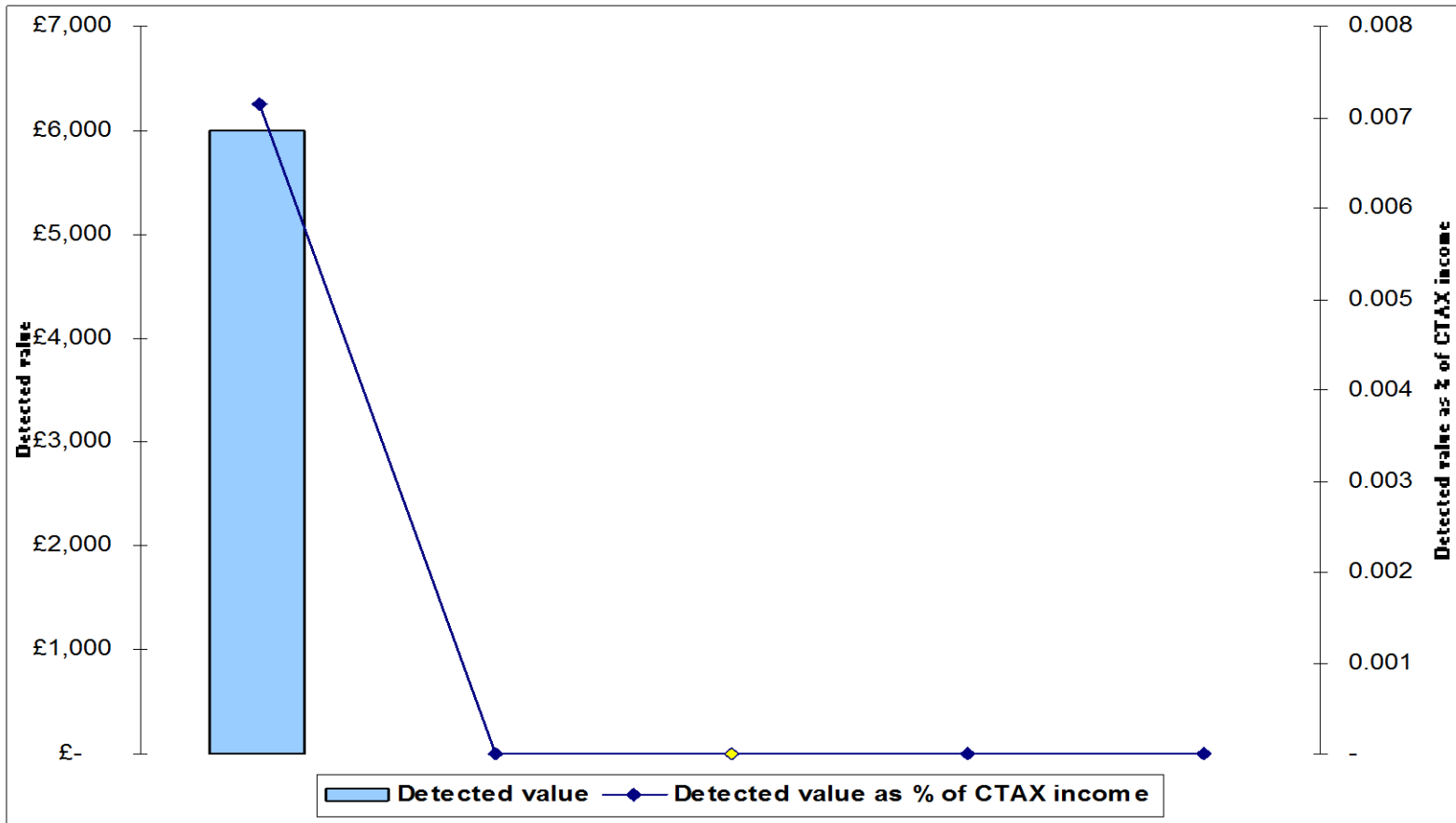
East Cambridgeshire detected: 36 cases, valued at £56,799

DC average for your county area: 64 cases, valued at £199,136

District councils in your county area 2012/13

Council tax (CTAX) discount fraud

Detected value and detected value as a percentage of council tax income



East Cambridgeshire detected: no cases

DC average for your county area: 6 cases, valued at £1,200

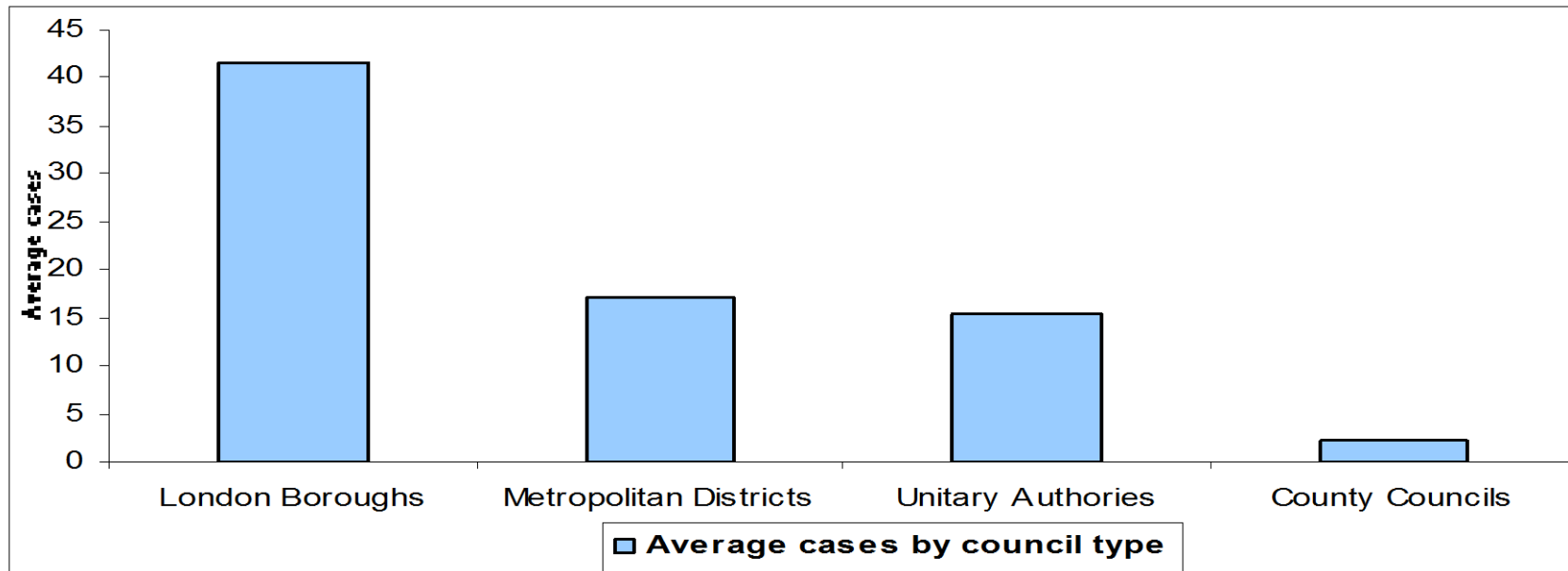
East Cambridgeshire District Council

Other frauds

- **Procurement:** no cases
*(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 6 cases, valued at £364,870)*
- **Insurance:** no cases
*(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 1 case, valued at £48,000)*
- **Economic & Third sector:** no cases
*(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 1 case, valued at £30,000)*
- **Internal fraud:** no cases
*(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 58 cases, valued at £405,311)*

Correctly recording fraud levels is a central element in assessing fraud risk
It is best practice to record the financial value of each detected case

Disabled parking (Blue Badge) fraud Detected cases by issuing council type



In two-tier areas:

- county councils have administrative responsibility for issuing blue badges
- district councils face reduced car parking income as a result of the fraudulent abuse of blue badges.

District councils without housing stock 2012/13

Social housing fraud

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation to work in partnership with local housing associations?

Any questions?

