

Protecting The Public Purse 2010.

SUMMARY

- 1.1 This report provides members with a synopsis of the Audit Commission's latest national report on fraud in local government. It updates the checklist for those responsible for governance to reflect the results of its annual fraud survey.

RECOMMENDATION

- 2.1 To note the report.

REASONS FOR RECOMMENDATION

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

SUPPORTING INFORMATION

- 4.1 On 27 October 2010, the Audit Commission published its latest national report on fraud, "Protecting the Public Purse 2010". The national report describes the latest developments in fraud detection and prevention since 2009 and publishes the findings of the Audit Commission's recent fraud survey. The report also identifies more fraud risks for councils to focus on.
- 4.2 The Audit Commission states that "Fraud continues to be a significant problem affecting the whole economy."
- Fraud causes annual losses of over £30 billion according to the National Fraud Authority. That means that £620 is lost to fraud for every adult in the country. This is more than double previous estimates.
 - In the public sector fraud diverts resources away from those who need them."
- 4.3 Last year, local authorities across the country detected around £99 million in benefit fraud, over £15 million in council tax fraud through wrongly claimed discounts and exemptions, and £21 million in other types of fraud including false insurance claims and abuse of the disabled parking "blue badge" scheme. In addition nearly 1,600

homes have been recovered by local authorities following the investigation of tenancy frauds.

4.4 The key fraud risk areas identified by the audit Commission's report are:

- *Housing Tenancy Fraud*

Housing tenancy fraud is the use of social housing by someone not entitled to occupy that home. It includes:

- when people submit false housing applications;
- tenancy succession fraud, where the property is no longer occupied by the original tenant; and
- the illegal sub-letting of a property for profit

- *Single Person Discount (SPD) Fraud*

In 2009/10 48,000 fraudulent discount claims were cancelled nationally, increasing the local tax base by almost £15million.

- *Personal Budgets for Adult Social Care*

This area is newly identified by the Audit Commission as a potential area where fraud may occur. The Commission believe that, for the full benefits of the new approach to be realised, safeguards will be needed to protect both vulnerable people and to prevent financial loss. The Audit Commission has also published a national report entitled "Financial management of personal budgets", which contains a section on the need for adequate governance arrangements.

- *Housing and Council tax benefit fraud*

The Commission continues to emphasise the need for Councils to maintain their focus on housing and council tax benefit payments where nationally 63,000 cases of fraud were uncovered in 2009/10.

- *Procurement frauds*

The Commission is aware of the high level of Council expenditure through the procurement process. In 2009/10 the national value of Council procurement was around £80 billion. The Commission considers that more prevention and detection of fraud and other illegal procurement activity is required.

Audit Commission Revised Checklist

4.5 The Audit Commission included in the report a "revised checklist for those responsible for governance" to help ensure that they have sound governance and counter-fraud arrangements that are working as intended. The checklist is an updated version of the checklist in the 2009 Publication, that was completed and reviewed by Committee at its meeting on 3 December 2009 and the updated version is attached at Appendix 2. Changes by the Audit Commission in the wording from the previous checklist are shown in italics. Where changes in assessment have occurred the 2009 assessment is shown as a tick with a strike through. There are

still a number of areas identified where improvements can be made. All of the areas identified will be addressed through the Corporate Anti-Fraud Group and reported back to members by the Head of Audit and Risk Management in the Governance Update reports.

Audit Commission Recommendations for Councils

4.6 The Commission recommends that councils:

- continue to focus on benefit fraud risks and use the NFI and other data-matching schemes to maintain and improve their good performance in detecting benefit fraud;
- work together in county areas to share the costs and benefits of tackling council tax single person discount (SPD) fraud;
- use the Audit Commission comparator tool to decide whether to take more action to tackle SPD fraud;
- check claims for other council tax discounts are not fraudulent;
- make sure recruitment processes for permanent and temporary staff are secure, follow good practice and are working effectively;
- for personal budgets in adult social care:
 - establish a clear policy which is communicated to budget-holders, on the appropriate use and unacceptable misuse of personal budgets, and
 - promote whistleblowing arrangements for staff, care providers and the public to encourage early identification of potential abuse;
- use recent advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office of Fair Trading (OFT) on procurement to ensure they are doing enough to prevent and detect procurement fraud and other illegal activities such as cartels;
- keep a comprehensive record of any frauds perpetrated against them; and
- use the checklist provided in the Protecting the Public Purse 2010 report to assess whether their counter-fraud plans and actions are effective in the light of the risks highlighted.

Audit Commission Recommendations for Registered Housing Providers

4.7 The Commission also recommends:

- undertake tenancy audits to ensure only properly authorized tenants occupy their properties;
- treat unlawful tenancy cases as fraud, record them as such and take immediate action when they identify them;
- work with other housing providers to develop joint incentives to tackle housing tenancy fraud, such as sharing specialist investigative staff;
- where appropriate, consider taking legal action to target fraudulent profits; and
- use the Department of Communities and Local Government (CLG) guidance to check arrangements are effective for raising awareness and encouraging people to report their suspicions about housing tenancy fraud.

4.8 Anti-fraud measures have been a priority for the Council for a number of years. This is reflected in the actions it has already taken to reduce the risk of fraud.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer	n/a
Financial officer	n/a
Human Resources officer	n/a
Service Director(s)	n/a
Other(s)	n/a

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Checklist for those responsible for governance

IMPLICATIONS

Financial

- 1.1 None directly arising

Legal

- 2.1 None directly arising

Personnel

- 3.1 None directly arising

Equalities Impact

- 4.1 None directly arising.

Health and Safety

- 5.1 None directly arising.

Carbon commitment

- 6.1 None directly arising.

Value for money

- 7.1 None directly arising.

Corporate objectives and priorities for change

- 8.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

Checklist for those responsible for governance

	Yes	No	2009 Actions	2010 Update
General				
1. Have we committed ourselves to zero tolerance against fraud?	✓			
2. Do we have appropriate strategies, policies and plans?	✓			
3. Do we have dedicated counter-fraud resources?		✓	There is no one overall dedicated team for Counter Fraud – but we do have resources spread across the Council	Still applies
4. Do the resources cover all of the activities of our organisation?			Not Applicable	
5. Do we receive regular reports on fraud risks, plans and outcomes?		✓	Will be an outcome of the Anti-Fraud working group	This is a regular agenda item for the Anti-Fraud Group.
6. Have we assessed our management of counter-fraud resources against good practice?	✓	✓	Will be an outcome of the Anti-Fraud working group	We are comparing against the CIPFA's Red Book 2.
7. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • new staff (including agency staff) • existing staff • members; and • <i>Contractors?</i> 		✓ ✓ ✓	Will be agenda items for Anti-Fraud Working group	The Head of Audit will be carrying out awareness sessions in early 2011.
8. Do we join in appropriately with national, regional and local networks and partnerships to ensure we are up to date with current fraud risks and issues?	✓			
9. Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud?	✓			
10. Do we identify areas where internal controls may not be performing as intended?	✓			
11. Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on outcomes?	✓			
General				
12. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓			
13. Do we have effective whistleblowing arrangements?	✓			
14. Do we have effective fidelity insurance arrangements?	✓			

Fighting fraud in the post recession environment				
15. Have we reassessed our fraud risks in light of the current financial climate? (Replaces - because of the recession?)		✓	Changing patterns of fraud are recorded so that Internal Audit staff are aware (updated at team meeting) and will form a regular agenda item at the Anti-Fraud working group	This work is still on-going.
16. Have we amended our counter-fraud action plan as a result?		✓	The fraud action plan is to be reviewed regularly by the Anti-Fraud Working Group	The action plan is being drafted.
17. Have we reallocated staffing as a result?			Not Applicable as we do not have a dedicated resource	
Current risks and issues				
Housing Tenancy				
18. Do we take effective action to ensure that social housing is allocated only to those in need?		✓	This is an area that the Anti-Fraud Working Group will be investigating.	In the process of implementing a number of initiatives with RSLs. Housing strategy & Development Team is leading on this.
19. Do we ensure that social housing is occupied by those to whom it is allocated?	✓		Derby Homes are actively participating in a workshop on combating tenancy fraud in November '09.	
Procurement				
20. Are we satisfied <i>procurement</i> controls are working as intended?	✓			
21. Have we reviewed our contract letting <i>procedures since the investigations by the OFT into cartels and compared them with best practice?</i>	✓			
Recruitment				
22. Are we satisfied that our recruitment procedures: <ul style="list-style-type: none"> prevent the employment of people working under false identities; validate employment references effectively; ensure applicants are eligible to work in the UK;and <i>ensure that agencies supplying us with staff undertake the checks that we require?</i> 	✓ ✓ ✓ ✓	≠ ≠	<ul style="list-style-type: none"> This is currently the subject of an internal audit review. The audit has not found any evidence to verify this is happening. The procedure has recently been changed and there is no evidence to make a judgement on it 	Changes have been made to the whole recruitment process in the last 12 months.
Personal Budgets				
23. <i>Where we are expanding the use of personal budgets for social care, particularly direct payments, have we introduced appropriate safeguarding</i>		✓	This is an area that the Anti-Fraud Working Group will be	This is currently the subject of an audit review.

<i>arrangements proportionate to the risk and in line with recommended good practice?</i>			investigating.	
Council Tax				
24. Are we effectively controlling the discounts and allowances we give to council taxpayers?	✓		In addition to the NFI exercises (next cycle due March 2010) CT is subject to the ongoing data matching activities.	
25. In tackling housing and council tax benefit fraud do we make full use of: <ul style="list-style-type: none"> • the NFI; • Department for Work and Pensions Housing Benefit Matching Service; • Internal data matching; and • Private sector data matching? 	✓		BIU are actively seeking additional cases and are involved with the data matching exercise where benefit cases are being checked.	