

Report of	Meeting	Date
Head of Governance	Governance Council	16 January 2014

AUDIT COMMISSION REPORT: PROTECTING THE PUBLIC PURSE 2013

PURPOSE OF REPORT

1. To inform members of a recent report from the Audit Commission addressing issues of fraud against local authorities and making recommendations as to improvements that Councils can make and to confirm to members the actions Chorley Council take to address fraud.

RECOMMENDATION(S)

2. That Members note the report.

EXECUTIVE SUMMARY OF REPORT

3. In November of this year, the Audit Commission issued their report Protecting the Public Purse 2013 – Fighting fraud against local government.
4. The Report highlights that fraud costs the UK public sector more than £20 billion per annum with a cost of local government of £2 billion. Clearly, in times of austerity preventing fraud is even more important in order to protect the public purse.
5. The key findings of the report are:-
 - a. Local government bodies detected fewer frauds in 12/13, excluding housing tenancy frauds, compared with the previous year;
 - b. London Boroughs detected more fraud than in 2011/12;
 - c. The pace of local authority activity to tackle housing fraud is accelerating
 - d. There is significant variability in detected non-benefit fraud levels between similar councils;
 - e. Some councils' capacity to investigate fraud is reducing. All Councils need to consider how they prioritise resources;
 - f. Some councils are starting to focus more attention on those fraud risks that are growing;
 - g. Councils face reduced funding and new national counter-fraud arrangements. They need to assess fraud risks effectively to target resources where they will produce most benefit;
 - h. Councillors have a crucial role in supporting the right approach to deter and detect frauds. They can draw on a wide range of assistance to help them to do so.
6. The Report also makes a number of recommendations:-
 - a. All local government bodies should review their counter-fraud arrangements and actively pursue potential frauds identified through their participation in the National Fraud Initiative.
 - b. Councils in particular should
 - i. Actively promote a vigorous counter fraud culture
 - ii. Develop a clear strategy to tackle fraud
 - iii. Work in partnership with other councils to reduce fraud

- iv. Prepare for the introduction of the Single Fraud Investigation Service
- v. Allocate sufficient resources to tackle fraud
- vi. Improve their use of data to measure their performance in tackling fraud.

7. This report advises members of the actions the Council are taking to address fraud.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

8. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	X
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

- 9. The role of the Audit Commission is to protect the public purse. They deliver this protection by appointing auditors to local public bodies. Using the data provided by these audits they are able to produce authoritative evidence based analysis. In November, they issued Protecting the Public Purse 2013: Fighting fraud against local government.
- 10. The Report seeks to address the issue of fraud against local government, both in terms of embedding a culture of counter fraud and ensuring local authorities adequately resource and have appropriate procedures in place to detect fraud. It also provides the role that members can play in contributing to combatting fraud.

THE REPORT

- 11. The Report in full can be found using the following link <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf>. Members are invited to read the Report in full. Whilst some aspects are not an issue for this Council they are still of interest.
- 12. Whilst the premise of the report, that Councils should actively take steps to detect fraud, is not in issue Members are asked to note that in the view of the Head of Governance some of the analysis is too high level to be properly indicative for all Councils. The comment “76% of all non-benefit frauds found, were detected by 25% of the councils” on the face of it is quite damning, but does not take into account there is no distinction drawn between County Councils, Unitarys (including Metropolitan Councils) and Districts and London Boroughs. It is clear that you are not comparing like for like, although it is accepted again that this oversimplifies the position.
- 13. The Report is structured in a way that each chapter builds on the previous.
- 14. Chapter 2: Detected fraud against councils and related bodies, draws together the evidence obtained from Local Authorities and provides a more detailed and useful breakdown of the frauds identified. Whilst not providing some of the hard hitting figures contained in the summary and recommendations which as stated in paragraph 12 are perhaps distorted, it is still worth noting the disparity between different council’s as to detection rates for fraud in different areas.
- 15. Chapter 3: Is fraud declining? Takes the data collected and compares it to previous years. Whilst there is a fall in the level of fraud detected, the Report quite properly states
 - i. “It is not possible to say whether the decline in detected fraud represents lower levels of fraud committed or less detection by councils. In some council. It may signal the effect of reduced investigatory resources.”

Members are invited to review this chapter themselves. It is correct to recognise with the substantial cuts to local authorities central government grants in recent years, this is likely to have an impact on the ability, generally, to resource investigatory services. But the report does not conclude this is a sole contributory factor to the recorded fall.

16. Chapters 4 and 5 of the Report address specific areas and trends in those areas. Again the evidence obtained is provided in tables and the Report uses case studies taken from different authorities approach to detecting fraud. Again the content of the report is necessarily brief, but the principles are sound. Council's should actively take steps to identify fraud and procedures to facilitate this.
17. Chapter 6: National and local developments in fraud detection and deterrence, is perhaps the most important chapter for members. This outlines the role that Councillors have in supporting an organisational culture that seeks to deter and detect fraud. It recommends a top down lead on counter-fraud which includes the promotion of counter-fraud policies, the allocation of responsibility for monitoring the councils counter-fraud activities to an elected member, an increased focus on pro-active deterrence, the participation in national anti-fraud initiatives and whistle-blowing.

CHORLEY COUNCIL

18. As part of the Annual Governance Statement the Head of Internal Audit and Head of Governance have been tasked with reviewing Chorley Council's probity policies and their profile within the organisation. A more detailed report on embedding the Council's approach to probity and fraud will be brought to the Committee after the conclusion of that review.
19. However to confirm the Council have the following policies which address the issues of fraud
 - a. Anti-Fraud and Corruption Policy
 - b. Anti-Fraud Response Plan
 - c. Whistle-Blowing Policy.

In addition, the Council have detailed Contract Procedure Rules concerning the processes to be followed in the award of contracts; a scheme of delegation to ensure transparency in decision making; and an online system of controls to ensure there is an audit trail where the rules have been departed from. More detail is provided below.

20. This Committee may wish to seek to have the AGS work brought back to them at the March meeting with consideration of a recommendation to the Executive Cabinet that a lead member is appointed with specific responsibilities concerning counter-fraud.

Procurement

21. The Council has numerous controls in place to minimise the potential for procurement fraud. These include:
 - a. Contracts Procedure Rules which are the council's internal rules for purchasing goods, works and services and include strict procedures and controls as to how , when and by whom quotations and tenders may be invited, received, evaluated and accepted and the approval processes for this.
 - b. A Requirement that anyone involved in a procurement process must declare any conflict of interest or potential conflict of interest and take no further part in the award of a contract
 - c. Manual invitation, receipt and opening of all tenders and quotes above £10,000, has been replaced entirely by a secure e-tendering process through "the Chest. E -tendering has significantly improved transparency and control with a permanent and more effective e-audit trail.
 - d. The above is supported and underpinned by a professional procurement team (shared with SRBC as part of the SFS arrangement), who support and manage procurement activity through the Chest, and provide professional advice, support and training to officers across the authority who are involved in procurement activities. Additionally the procurement team have published various guidance

and template documents covering the full procurement cycle including risk and contract management.

Housing

22. The Committee are reminded that the Council do not hold any social housing stock and we work together with Chorley Community Housing in this regard. Chorley Council are advised that tenancy fraud is not a major issue in the Borough but that is not to say steps have not been taken to detect it. In 2011 with Adactus (CCH's parent company) we undertook a project mainly involving training for housing management officers and a publicity campaign. The key points of the project can be summarised as:
 - a. The 7 largest RPs of Social Housing in Chorley signed up as partners in the Tenancy Fraud Initiative
 - b. The project was operated in close partnership with Chorley Council
 - c. 27 representatives from Partners received comprehensive training in addressing tenancy fraud
 - d. The number of partners now satisfied with their approach to addressing tenancy fraud has increased
 - e. Partners have seen an improvement in their approach to tackling fraud as an organisation
 - f. 300% increase in reports made by the public of potential fraud using the hotline and online form.
23. Publicity included 'Catch a Cheat Week' which made the local press in late 2011 as well as a stall on Chorley Market. There were two phases with materials created, tenants contacted via newsletters, a reporting hot line and web form also. Soft Launch was June 2011 and Hard Launch October 2011.
24. Any reports we receive about possible subletting are reported directly to the landlord who investigate, we would have little involvement, however it would have been our responsibility if we had remained a landlord. For example one case that came to our knowledge via a Cllr was then reported on to CCH who already knew about it and dealt with it.

Eligibility for Housing Register

25. Most UK and Irish citizens and Commonwealth Citizens with the right of abode (plus the rest common travel area of Isle of Man and the Channel Islands) would be Eligible for the Housing Register as long as they are Habitually Resident. This will be most cases, and NI numbers, ID (passport, driving license or birth certificate), and 5 years address history are needed.
26. As eligibility rules can be complex the scope for fraud is minimal as they are not widely understood. Checks are generally carried out by exception flagged up by someone not being from the common travel area or indicating in their five year address history live or have lived outside the area. Any checks would be on a case by case basis depending on what information was given e.g. employment checks to show an EEA national from abroad is eligible could include wage slips as proof, or checking a person's refugee status could be done with UKBA if documentation was in any doubt.
27. Eligibility applies to homelessness applications the same way it does to housing register applications, however eligibility is just the first test for homeless applications and several other checks are carried out (homeless, unintentional, priority need and local connection) would also be carried out before a duty to house a household was accepted.

Benefit Fraud

28. The Council have a Benefit Enquiry Unit who undertake investigations into allegations of fraud against the Council and facilitate the prosecution of perpetrators. The Unit undertakes information sharing exercises with other agencies through processes such as the National Fraud Initiative and actively investigate complaints. Prosecutions are undertaken on the

Council's behalf by the Department For Works and Pensions and successful prosecutions are reported in the local paper which serves as a deterrent.

IMPLICATIONS OF REPORT

29. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	X
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

30. The Report of the Audit Commission properly highlights that counter-fraud is a valid means of protecting the public purse. Any recommendations that will improve prevention and detection are to be welcomed.

COMMENTS OF THE MONITORING OFFICER

31. None

CHRIS MOISTER
HEAD OF GOVERNANCE

Background Papers			
Document	Date	File	Place of Inspection
AUDIT COMMISSION REPORT: PROTECTING THE PUBLIC PURSE 2013	***	***	http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf

Report Author	Ext	Date	Doc ID
Chris Moister	5160	20 December 2013	