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## Report of the Director of Resources

### Corporate Governance and Audit Committee

Date: 14<sup>th</sup> December 2010

Subject: Protecting the Public Purse 2010

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

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### 1.0 Purpose Of This Report

- 1.1 To present to the Corporate Governance and Audit Committee a self assessment of the authority's position against the recommended best practice in the Audit Commission's 'Protecting the Public Purse 2010' report and proposed actions to address areas where further work could be done to address the risk of fraud and corruption.

### 2.0 Background Information

- 2.1 'Protecting the Public Purse' is an annual Audit Commission report that was published on 27<sup>th</sup> October 2010. The report primarily detailed the findings from their 2009/10 fraud and corruption survey that was completed by more than 450 public sector organisations to measure the extent of fraud and corruption against local government and tax payers, and identify emerging fraud risks and best practice for addressing it.
- 2.2 The 2010 Protecting the Public Purse report states that although detected fraud losses are low compared with total council spending nationally there were 119,000 individual fraud cases reported to them in 2009/10, which resulted in losses of £135 million.
- 2.3 The 2009 Audit Commission report stated that a conservative estimate of 0.5% of spending is lost to fraud each year by every Local Authority, such is our vulnerability to fraud from so many sources. If this figure is accurate it would equate to £4.72 million a year for Leeds City Council, based on the total expenditure budget approved by the Council for 2010/11.

- 2.4 Leeds City Council reported a total of 3,285 cases of referred fraud valued at £2,265,906 in the Fraud and Corruption Survey 2009/10. It should however be noted that a value was not included for 1,580 of these cases, amounting to 48% of the total, as the value was either not assessed or recorded by the responsible section, or the Audit Commission was to provide their own valuation. If the value of fraud loss was consistent the extrapolated total value of fraud identified would be £4.37 million for 2009/10.
- 2.5 Emphasis is placed in the Protecting the Public Purse report on the importance of a zero tolerance policy towards fraud and doing more to deter it, partnership working (including sharing information and intelligence), and ensuring legal action is taken to recover fraud losses. It is vital the authority is proactive in this area to prevent the loss of resources to fraudsters, however the support of those charged with governance and ensuring the fraud risk is managed is essential.

### **3.0 Main Issues**

- 3.1 Fraud diverts resources away from those who need them and must be tackled effectively to reduce losses at a time when budgets need to be reduced but service levels are expected to be maintained.
- 3.2 It sets out findings in three main sections as follows:

- The first section (Chapter 3) updates the reader on the progress made by authorities in response to the three key fraud risks identified in the 2009 Protecting the Public Purse report, namely housing tenancy, council tax single person discount and recruitment fraud.

*Leeds City Council is mentioned as an example of good practice in this section by carrying out tenancy audits and encouraging whistle-blowing by the public as a means of identifying suspected tenancy frauds. This resulted in the recovery of 20 properties in the year (page 18 paragraph 26).*

- The second section of the report (Chapter 4) states that further work is necessary to address the fraud risk in significant areas of expenditure such as personal budgets for Adult Social Care, Housing Benefit and Council Tax Benefit payments and procurement.
  - The third major section (Chapter 5) details best practice in managing the risk of fraud, including the need for top management to be committed to fighting it after adopting a zero tolerance approach and the need for counter fraud teams to be able to demonstrate their effectiveness, consider joined up working with other councils and agencies and utilise specialist resources where necessary.
- 3.3 Also mentioned in the main body of the report are other areas which are susceptible to fraud namely payroll and expenses, insurance, recruitment and Blue Badge fraud and cases of where an abuse of position has occurred.
- 3.4 Internal Audit has carried out a self assessment of the arrangements currently in place at Leeds City Council against the recommendations made in Protecting the Public Purse 2010 and developed an action plan to manage our response to the report. Coordinated action needs to be taken to address the areas identified as national fraud risks, for example:

- Checking claims for non single person discount (SPD)council tax discounts are not fraudulent, and improve our recording of the value and classification of potential SPD fraud cases to enable us to assess fraud losses in this area more effectively.
- Ensuring recruitment practices for all staff are secure, follow good practice and work efficiently.
- Ensuring appropriate action is taken to safeguard clients and address the risk of the misuse of personal budgets allocated by Adult Social Care.
- Ensuring effective action is taken where social housing is allocated to those who are not eligible for it, targeting the profits of tenancy and sub-letting fraud and prosecuting cases.
- Raising awareness of fraud risks with all stakeholders.
- Ensuring procurement controls are working as intended.

3.5 We have already introduced many key areas of best practice detailed in the report, for example:

- Our zero tolerance stance on fraud and corruption, the use of an appropriate approach, counter-fraud strategies, policies and plans and allocation of dedicated counter fraud resources.
- Review of the Council's arrangements against the best practice detailed within CIPFA's 'Managing the Risk of Fraud'.
- Work undertaken to address council tax single person discount (SPD) fraud.
- Action being taken to address housing tenancy fraud.
- Participation in the National Fraud Initiative (NFI) data matching exercise
- Partnership working with the Department for Work and Pensions (DWP) on benefit fraud investigations.

#### **4.0 Implications For Council Policy And Governance**

4.1 It is vital the council has a clear strategy on combating Fraud and Corruption, that is endorsed at the most senior level to demonstrate we are committed to preventing losses of resources at a time when every penny counts. This strategy should spearhead a coordinated approach to tackling fraud led by an effective counter fraud team, adequately supported by specialist resources who have clear targets and desired outcomes reporting regularly to those charged with governance.

#### **5.0 Legal And Resource Implications**

5.1 The legal implications of increased partnership working, in particular regarding the sharing of data to identify fraud and corruption, will have to be considered.

## **6.0 Conclusions**

- 6.1 Following the review undertaken against the Protecting the Public Purse 2010 report Internal Audit give a good assurance opinion on the overall arrangements in place to manage the risks of fraud. Further work is needed across the organisation to ensure we demonstrate our compliance with best practice and an action plan has subsequently been developed to set out further proactive work in this area.
- 6.2 It should be noted that serious fraud could occur anywhere within the control environment of the council whether that be internally or through partner organisations. The risk of a significant fraud occurring is an ongoing risk to the Council, included in our corporate risk register as LCC29 (Fraud).

## **7.0 Recommendations**

- 7.1 The Corporate Governance and Audit Committee is asked to note the assurance provided by Internal Audit regarding our arrangements to meet the best practice detailed in Protecting the Public Purse 2010, and support our continued efforts to develop the anti- fraud culture at the authority.

### Background Documents

Audit Commission Report – Protecting the Public Purse 2010