



**National Fraud
Authority**

Fighting Fraud Locally

CIPFA

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Overview

- Fraud is a cross-cutting crime that affects all areas of the public, private and voluntary sectors
 - **£38 billion** lost by UK each year to fraud
 - **£21 billion** (55%) cost to the whole public sector
 - **£2.1 billion** suffered by local authorities
- Takes resources away from the delivery of services – fraud and error can not be tolerated when cuts in funding are being made
- Savings can be made but a more collaborative approach between central and local government is needed



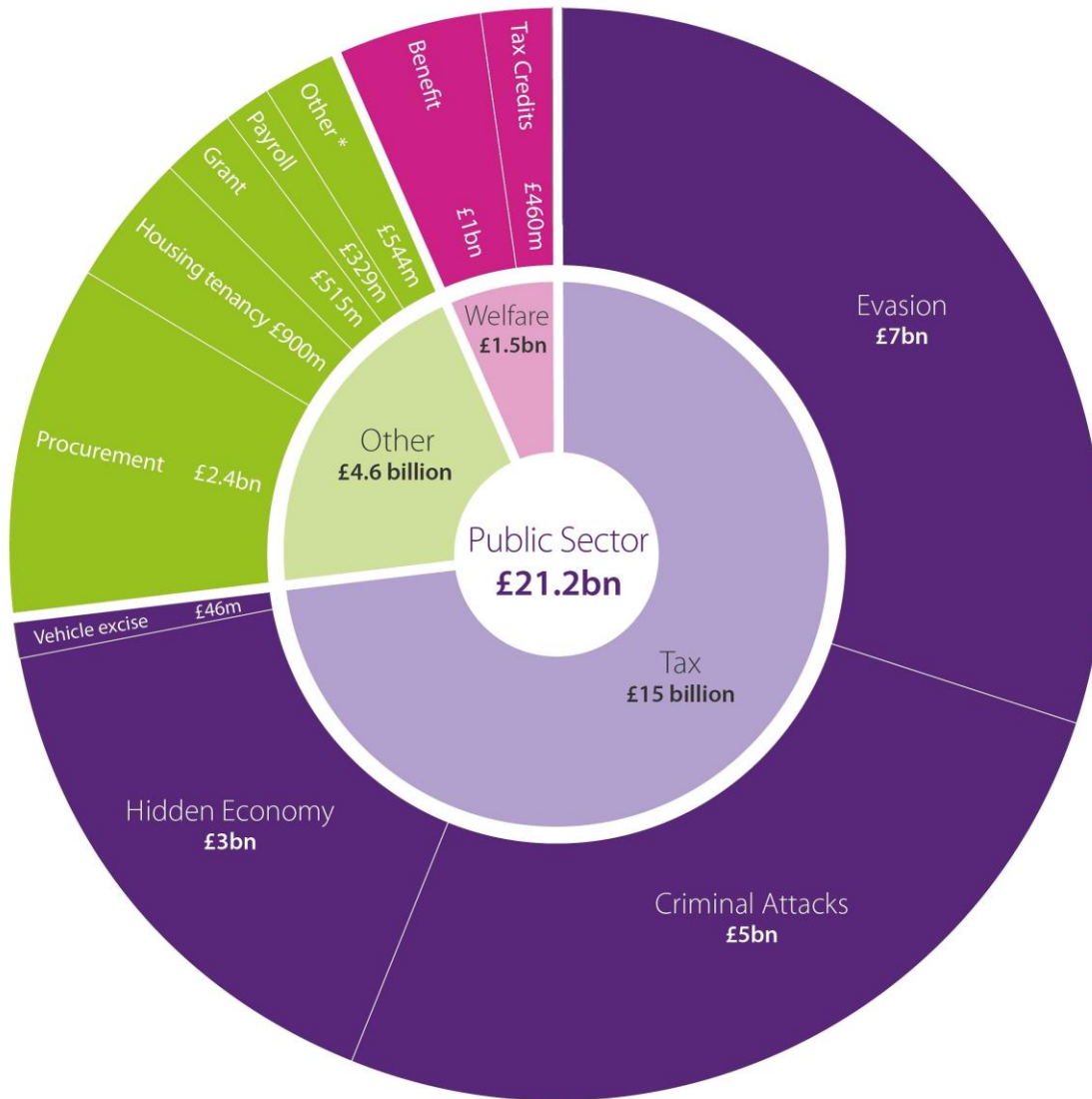
Scale of Fraud in the UK

Annual Fraud Indicator 2011

- Knowing the extent and reach of the problem is crucial in fight against fraud
- The Annual Fraud Indicator is our blueprint. It enables us to gain a perspective and judge the scale of the problem and target our actions accordingly
- Fraud costs the UK £38.4 billion a year
- On average £760 per adult
- Public Sector fraud is 55% of the total at £21.2 billion
- Mainly tax and benefit fraud but also fraud in procurement, council tax and housing tenancy
- **Local Government Fraud is estimated at £2.1bn**



Public Sector Fraud



- Tax **£15 billion**
- Welfare **£1.5 billion**
- Procurement **£2.4 billion**
- Housing Tenancy **£900 million**
- Grants **£515 million**
- Payroll **£329 million**



The Response to Public Sector Fraud

- Cabinet Office Counter Fraud Taskforce - October 2010
- Lessons being learned from private sector best practice
- Pilots using data analytics, behavioural economics show some phenomenal results
- Counter Fraud Champions established in every Central Government department:
 - Promote counter fraud culture
 - Measure and report
 - Assess risks and fraud proof new policies
 - Share good practice
 - Support new alert system



Eliminating Public Sector Fraud

Four Priorities to Combat Public Sector Fraud

- **Collaborating** across government
- Properly assessing **risk** and quantifying **losses**
- Focusing on **prevention**
- Establishing a **zero tolerance** culture



Why not tackle fraud and error in local government?

(1) Local government could be suffering over £2 billion fraud annually:

- Over £900 million from housing tenancy fraud – enough to build 6000 council homes
- In context its around one third of the £6 billion savings that councils need to find

(2) Local government can save money by tackling fraud and error:

- Ealing Council project savings of £7 million from SPD fraud work
- West Berkshire yielded £4m over four years by reviewing discounts and penalties for Council Tax
- NFI matching saved £215 million in the 2008-09 exercise

(3) Government has a responsibility to tackle fraud and error to:

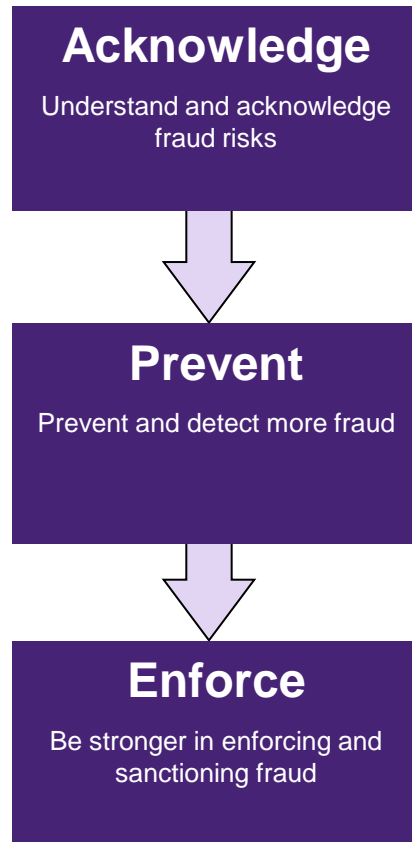
- Increase public confidence that taxpayers money is protected
- Protect from reputational damage



Local Government Fraud Initiatives

- Over thirty pilots and pathfinders now running across local government
 - Covering a range of fraud types including fraudulent claims for council tax benefit and housing tenancy fraud
- First local government fraud strategy being developed with LG Board oversight with buy-in from CEs and LA Treasurers
- Supporting tools being developed including:
 - The development with CIPFA of a best practice bank with an on-line technical discussion forum
 - The updating of the Audit Commission 'Fraud and Corruption Manual'
 - Guides on tackling Housing fraud and Council Tax fraud
 - A Compendium of Powers and Penalties

Principles



Themes

- **Culture** - Zero tolerance approach to fraud
- **Collaboration** - Working better together
- **Consistency** – Standardising fraud practices
- **Accountability** – Taking responsibility for fraud
- **Transparency** – Honesty about fraud



Acknowledge

Local government must acknowledge and understand its fraud risks if it is to tackle fraud effectively.

- Assess current and future risks
- Needs to be cultural change
- An increase in fraud awareness
- Annual fraud report and central collection of fraud data
- Improved sharing of fraud threats, information and intelligence

Prevent

Preventing fraud is the most efficient way to reduce fraud loss. Local government can do more to stop fraud happening.

- Fraud proofing of policy and processes
- Prevention on application and verification of circumstances
- Staff and supplier vetting
- Sharing knowledge of known fraud
- Better use of data and technology to prevent and detect fraud

Enforce

Not all fraud can be prevented. Where fraud does occur, local government must be better equipped to punish fraud and recover losses.

- Need a more consistent and supportive police response
- Local Authorities must have the capacity and capability to investigate and prosecute fraud
- Need a consistent and more effective response for dealing with fraud cases
- Stronger powers for investigating and sanctioning fraud



Emerging issues

(1) Information sharing barriers

- Barriers to efficient and effective information sharing reduce effectiveness
- May propose a new power for local authorities to share information for the purpose of countering fraud

(2) Incentives

- There are perverse incentives which mean some frauds are not worth investigating
- May propose a set of principles which incentivise local authority counter fraud work

(3) Powers

- There is a lack of powers to investigate non-benefit fraud
- May propose a general power for accredited local authority staff to be able to investigate fraud across all local government services with powers of entry, access, inspection and ability to demand information from third parties

(4) National Fraud Initiative (NFI)

- The abolition of the Audit Commission has led to uncertainty over the future of the NFI
- Local Authorities need to be involved in the management and governance of the NFI

(5) Single Fraud Investigations Service (SFIS) - options

- The introduction of SFIS may mean that fraud teams in local authorities may be down-sized or completely abolished
- Local authorities have called upon the government to consider the scope for local delivery of SFIS

Bringing central and local government together...

- Good work is happening across local and central government to counter the threat of fraud and to make cash savings
- **BUT** there are missed opportunities for central and local government to work together to improve the overall effectiveness of the public sector counter fraud response

There needs to be:

- Greater sharing of good practice – between central and local govt.
- Greater sharing of information and intelligence to tackle fraud and error
- Creation of the right conditions to tackle fraud and error