

fraud and corruption tracker

Summary Report 2015



**CIPFA COUNTER
FRAUD CENTRE**

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Foreword

Various reports and publications have been written over the years aiming to help local councils and other organisations in the fight against fraud. These reports promoted awareness of similar frauds happening in other organisations and assisted local authorities in comparing themselves and their responsiveness to other organisations facing the same fraud threats and risks.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has been commended by the National Audit Office (NAO), National Crime Agency (NCA) and Local Government Association (LGA) for producing this report, incorporating all public sector regions to provide a truly national, up-to-date overview of all fraud, bribery and corruption activity throughout the public sector in the UK.

This fantastic achievement of the first voluntary survey run by the CIPFA Counter Fraud Centre in 2015 will appeal not only to local authorities and councils, but also to other areas of the public sector, including health and the emergency services.



The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the considerable gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP).

The CCFC leads and co-ordinates the fight against fraud and corruption across public services in providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.



Introduction

This report, based on the findings from the CIPFA Fraud and Corruption Tracker (CFaCT) survey, identifies and accurately focuses on the trends of well-defined frauds. CIPFA has applied care and diligence to create this picture of fraudulent activity across the UK's public sector, establishing the differences between similar frauds happening in the same categorisation.

Within the housing fraud category, for example there is a difference between 'right to buy' fraud and a tenant illegally subletting their property, additionally there are instances where cases in these areas could cross over. CIPFA has addressed fraud figures as a whole, instead of trying to break figures down into minutiae.

The CFaCT survey also assessed all authorities on the themes in Fighting Fraud Locally (FFL), England's counter fraud and corruption strategy. This aims to help local councils tackle fraud and corruption and ultimately prevent losses, although the strategy is also applicable across the wider sector. The FFL Board also encouraged specific questions to be included in the CFaCT survey to help measure the effectiveness of the initiatives in the strategy. The suggestions in this report, therefore, reflect, endorse and illustrate the long term agreement between the FFL Board and CIPFA.

Fraud is an ongoing problem. It is important to know the extent of the problem and also to praise local authorities whose activity to tackle fraud has resulted in particularly successful results.

This report covers a host of public sector organisations, including local authorities, fire authorities, waste disposal authorities and the police. It focuses on common fraud types for all organisations and also on specific areas for local authorities.

Fraud often knows no limit or boundary and thus it is CIPFA's intention to better equip public sector organisations in the future, through widening the scope of the survey to assist agencies locally and inform the national picture.

As recommended in the *UK Anti-Corruption Plan*, the CCFC has also developed close relationships with the National Crime Agency, the Home Office, and the City of London Police. The survey also contains questions pertinent in informing future work in this area.

The CFaCT survey had an even spread of results from across all regions, the lowest of which was in the East Midlands, while the tier responses, summarised below, show the highest response rate in London and the lowest in districts. Due to the wide group of respondents CIPFA has not extrapolated the data, in particular in areas where there may be geographical bias. For example, 'no resource to public funds' fraud had a high prevalence in the southern authority results returned, with a 100% return for London local authorities.

The highest results of fraud risks were in the generic areas pertinent to all organisations, in particular procurement fraud, abuse of position and debt fraud. There were also high figures for local authority specific areas in social care, business rates and housing tenancy fraud.

Below are the tier response rates for the CIPFA Fraud and Corruption Tracker survey

Tier	Response Rate
Counties	70.4%
London authorities	100%
Metropolitan unitaries	63.9%
Unitary (non-met) authorities	55.4%
Districts	23.4%
Other authorities	2.1%

Figure 1.1

Tier response rate

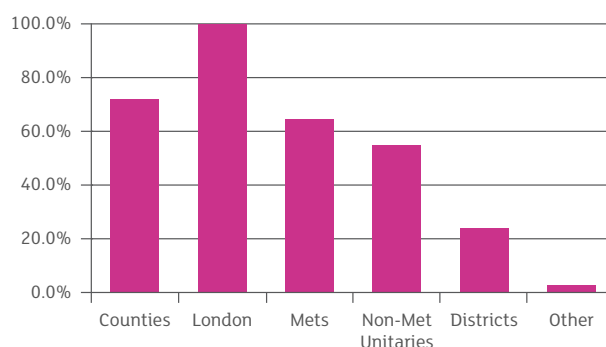


Figure 1.2

Reported types of fraud

The following indicate the types of fraud reported along with numbers of cases, values and percentages of the total reported. Where possible we have produced a national estimate.

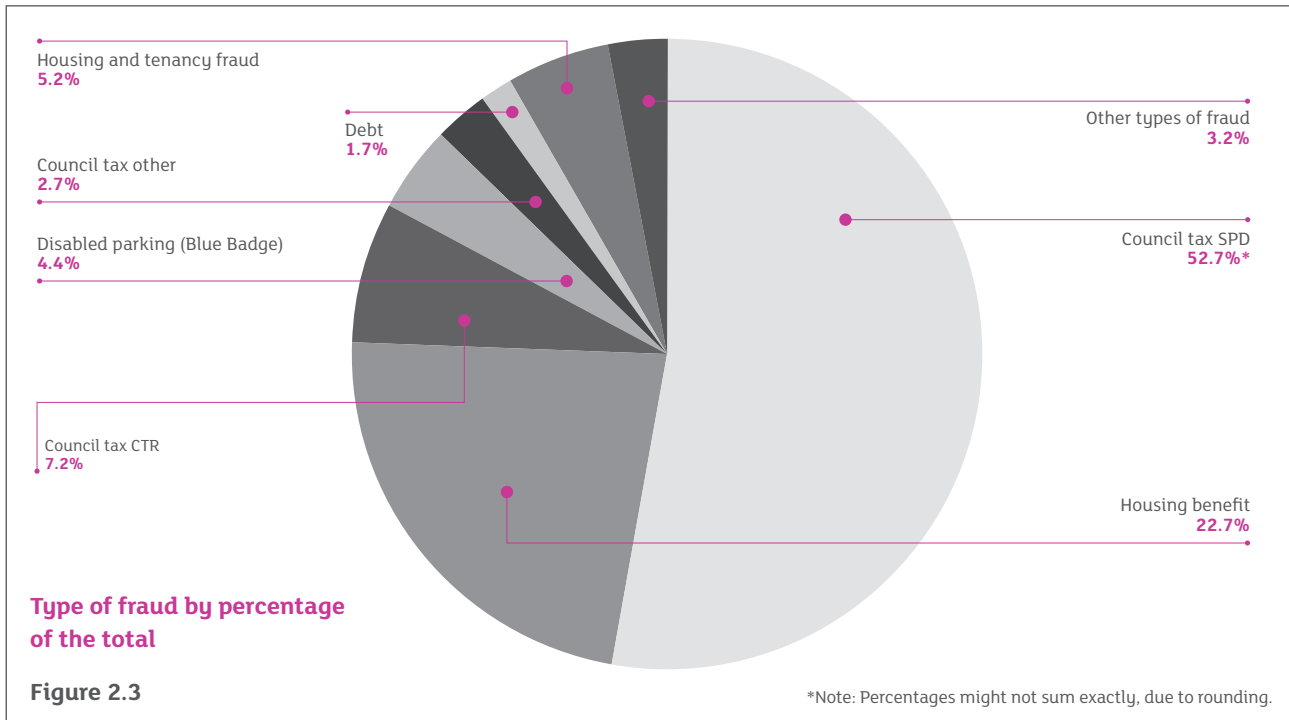
Types of fraud	Fraud cases	% of the total	Value £m
Council tax SPD	30,184	52.7%	£10.7m
Housing benefit	12,989	22.7%	£56.9m
Council tax CTR	4,142	7.2%	£2.0m
Housing and tenancy fraud	3,002	5.2%	£77.5m
Disabled parking concession (Blue Badge)	2,545	4.4%	£1.0m
Council tax other	1,556	2.7%	£1.4m
Debt	997	1.7%	£0.5m
Other types of fraud (see table below)	1,829	3.2%	£21.0m
Total	57,244	100%*	£171m

Figure 2.1

Other types of fraud	Fraud cases	% of the total	Value £m
Social care	287	0.5%	£2.0m
Abuse of position	155	0.27%	£2.0m
Payroll	137	0.24%	£0.3m
Insurance	133	0.23%	£2.6m
Welfare assistance	104	0.18%	£1.6m
Business rates	102	0.18%	£0.8m
Procurement	60	0.10%	£2.2m
Recruitment	58	0.10%	£0.2m
Expenses	56	0.10%	£0.1m
Economic and voluntary sector	28	0.05%	£1.1m
Manipulation of data	24	0.04%	N/A
Pensions	20	0.03%	£0.2m
Investment	11	0.02%	£0.0m
Other fraud	654	1.14%	£7.8m

Figure 2.2

*Note: Percentages might not sum exactly, due to rounding.



Main types of fraud

Council tax

This includes council tax single person discount (SPD) fraud, council tax reduction (CTR) support and other types of council tax fraud. These represent the highest number of cases of fraud reported by councils, who detected 30,184 of SPD cases totalling £10.7m, 4,142 of CTR cases totalling £2.0m and 1,556 of other types of fraud totalling £1.4m.

Housing benefit

This includes all actions that have been done deliberately and dishonestly to obtain money and financial support, for example depreciation of capital, hidden income, or non-notification of a relevant change in circumstance which may result in a change of payment. The actual number of cases detected was 12,989 cases totalling £56.9m.

Housing and tenancy fraud

This includes subletting, abandonment, housing application fraud, succession and right to buy fraud. In this category the highest number of cases reported was in subletting, followed by a mixture of housing fraud types. 'Right to buy' was the lowest in this category but was listed as an emerging risk by many councils. There were 3,002 cases (estimated nationally at 3,670 cases) with a value of over £77.5m.

Disabled parking (Blue Badge)

This covers all types of parking fraud under the Blue Badge scheme. The number of cases reported here was 2,545 with a value of £1.0m.

Debt

This includes fraudulently avoiding a payment of a debit to an organisation, excluding council tax discount. There were 997 cases detected (34 of which involved employees) with a total value of £0.5m.

Other types of fraud*

*where possible we have provided national estimates.

Social care and welfare assistance

Social care and welfare assistance was one of the highest types of 'other frauds' reported. Social care amounted to 287 detected cases nationally. Welfare assistance totaled 104 cases.

Social care and direct payments are also included in the top three emerging risks listed by authorities.

Procurement, insurance, abuse of position, economic and voluntary sector and manipulation of data

The national estimate of cases in these areas was 1,050. However, it has been noted that a number of these fraud areas crossed over and thus fraudulent activities may have been classified in different categories by different organisations.

For example, procurement frauds have also been classified as 'abuse of position' where a member of staff had been involved in fraudulent activity made possible by their position.

Procurement fraud: This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or company in the 'purchase to pay' or post contract procedure. Procurement fraud often involves significant sums of money and is a frequently occurring fraud risk across all public sector organisations.

Insurance claims: This includes any insurance claim that is proved to be false, made against your organisation or your organisation's insurers. The estimated number of detected cases here was 237. The estimated national value was £4,732 per case; eight cases involved employees but none involved councillors.

Economic and voluntary sector: This includes frauds such as the false payment of grants or financial support to any person and any type of agency or organisation. The estimated amount of detected cases was 47, none of which involved employees; however, there was two cases reported involving a councillor. The estimated national value per case was £1,858.

Abuse of position: This includes individuals using their position to assist in a fraud, for example in helping an individual get a job in a certain position or in an individual using their position to give access permission to a family member or friend.

The actual amount of detected cases was 151. The estimated national value was £385,000.

Manipulation of data (financial or non-financial):

This includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

The actual amount of detected cases was 24 (23 of which involved employees). The estimated national figure was 108 for manipulation.

Pensions and investments funds

Pensions fraud: This includes all fraud relating to pension payments, including but not limited to failure to declare changes of circumstances, false documentation, or continued payment acceptance after the death of a pensioner.

The actual number of cases detected was 20. The estimated national value was £342,000; no cases involved employees or councillors.

Investments fraud: This includes all fraud associated with investments. The number of cases detected was 11. The estimated figure nationally was £214,000; no cases involved employees or councillors.

Payroll, expenses and recruitment

Payroll: This includes inputting 'ghost employees' and manipulating payroll data. The number of cases detected was 137. The estimated national value was £653,000.

Expenses fraud: This includes all types of expenses fraud. The number of cases detected was 56. The estimated national value amounts to £140,000. Of the estimated 143 cases, 14 involved employees and three cases involved councillors.

Recruitment fraud: This includes false CVs, job histories, qualifications, references or referees. The number of cases detected was 58. The estimated national value amounted to £255,000. Of the estimated cases 79 involved employees and none involved councillors.

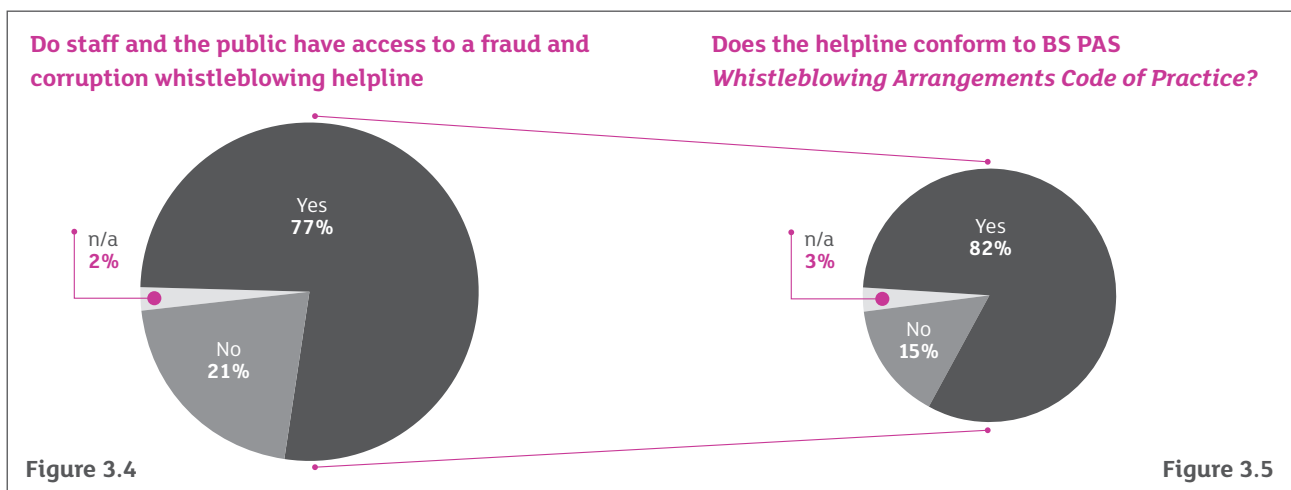
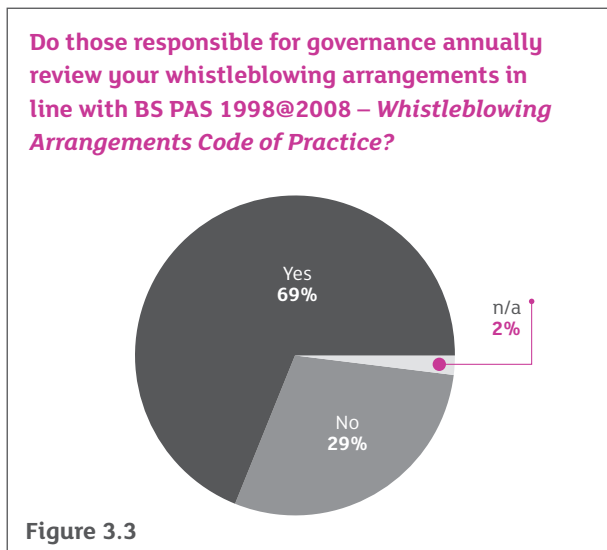
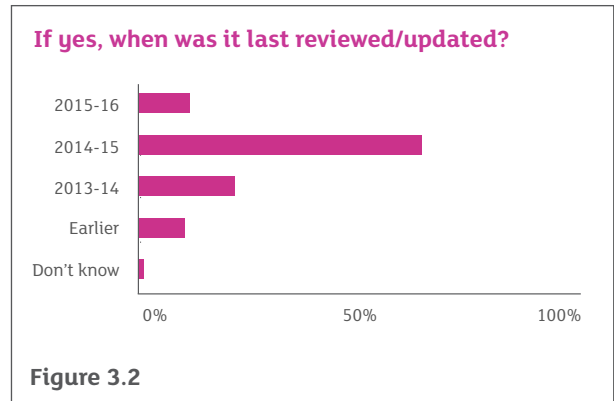
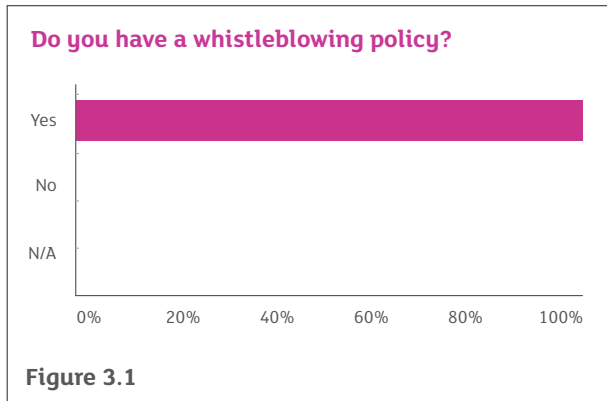
Business rates and no recourse to public funds

Business rates: Business rates appeared as an emerging risk and also a financial risk, with detections totalling £0.8m in 2014-15.

No recourse to public funds: While councils reported this as an emerging risk, the figures were low outside of London and therefore no national extrapolation took place. Some councils in London reported finding up to 400 cases where individuals were claiming public funds but were not entitled to the money.

Whistleblowing

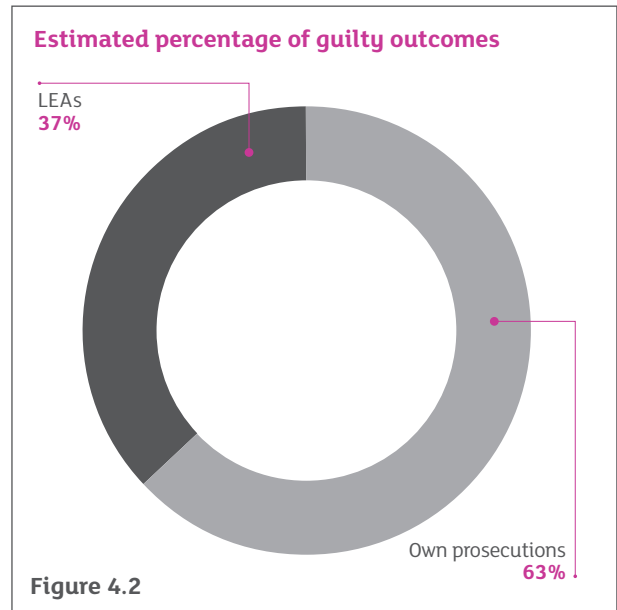
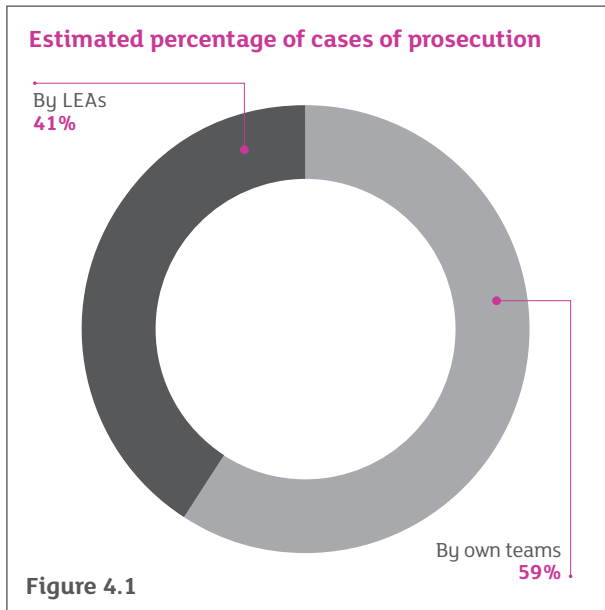
An integral part of creating an anti-fraud culture is ensuring that an organisation has robust reporting procedures in place for concerns to be raised. Our survey asked authorities about whether they had a policy, and if so whether the policy conformed to the British Standard.



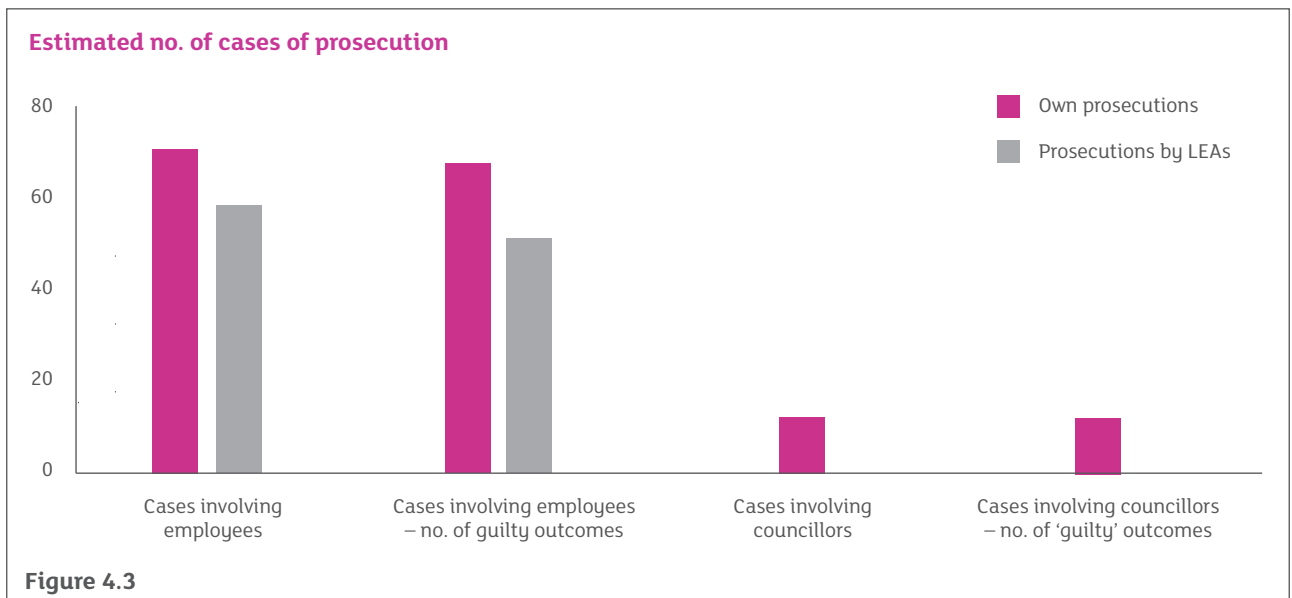
Prosecutions

Many organisations have the ability to undertake sanctions against those who commit fraud. This can be done in a variety of ways including via the police, the Crown Prosecution Service or in-house lawyers.

The figures below show how many prosecutions were carried out by local enforcement agencies (LEAs) or teams, and also how many guilty outcomes there were split by the prosecuting body.

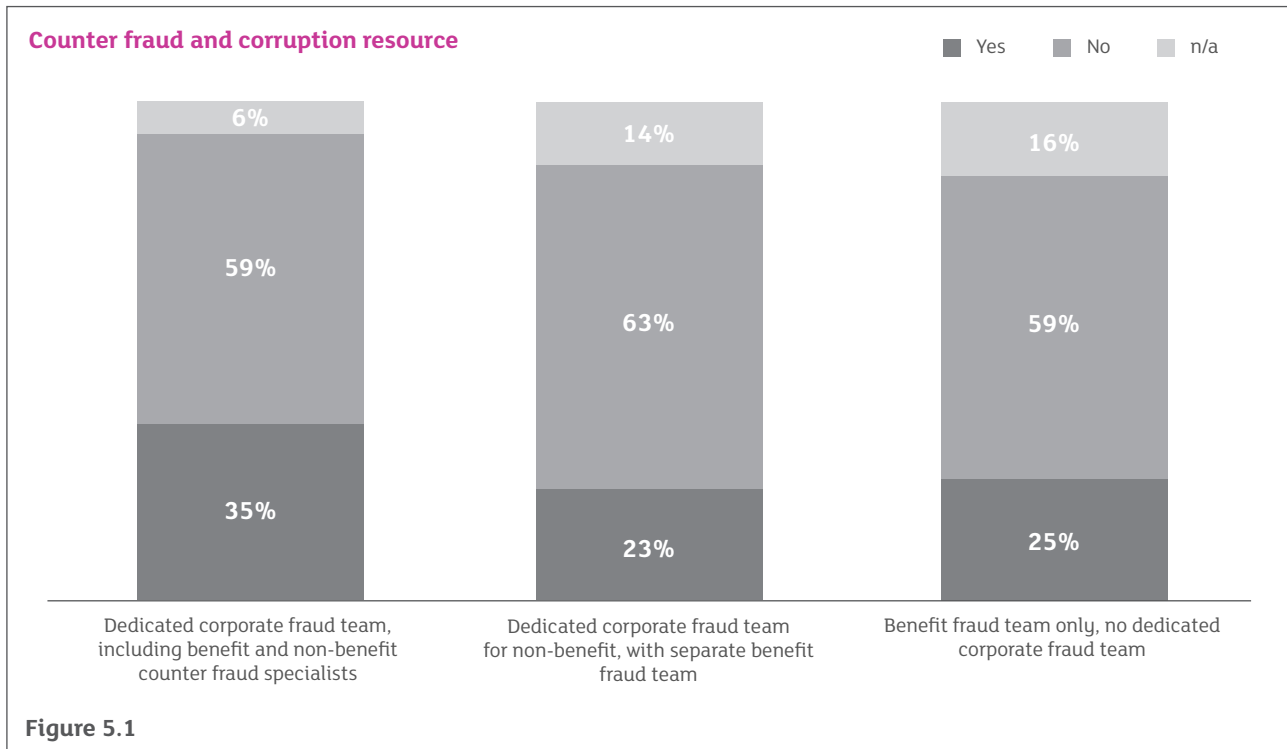


The following graphs apply only to local authorities and show how many prosecutions have been carried out involving staff and local elected members and how many of these resulted in a 'guilty' outcome.

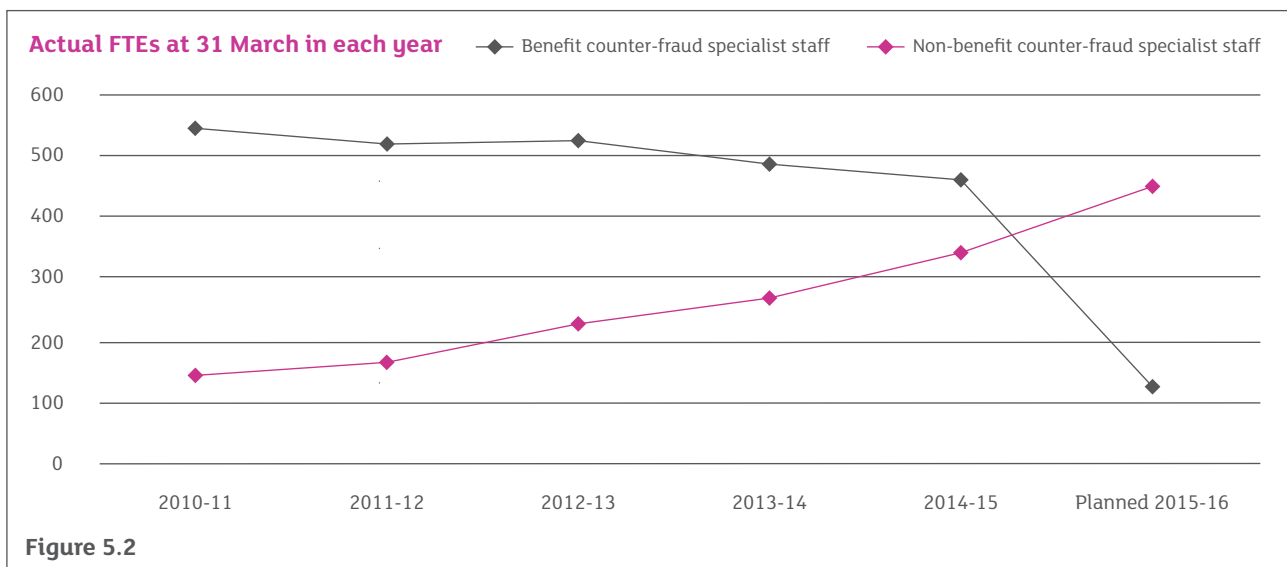


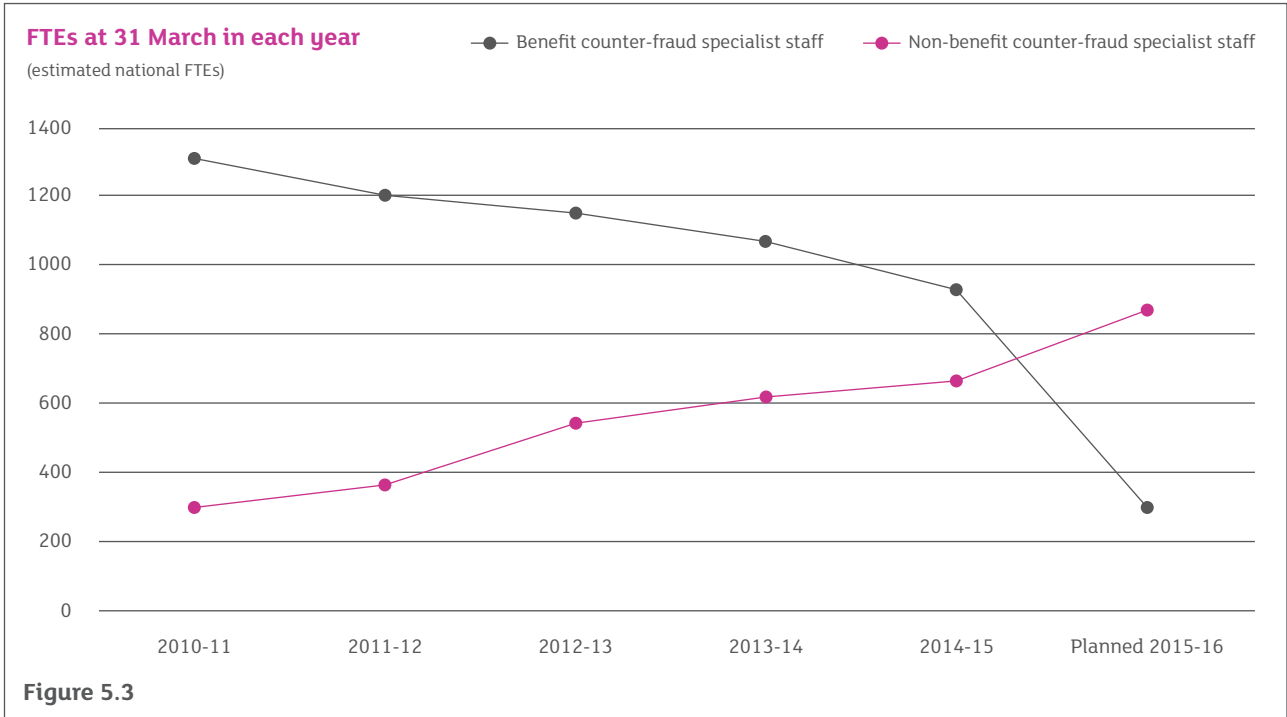
Counter fraud and corruption resources

Our survey asked a number of questions about those involved in the process of counter fraud. For local authorities the introduction of the Single Fraud Investigation Service (SFIS) is expected to have an effect on staff numbers and for other organisations it is reported that there is a reduction in resources.

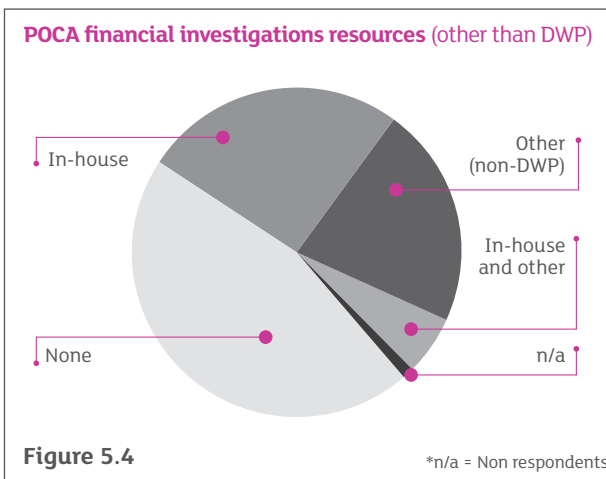


These two graphs show an actual figure and an estimated national figure across all organisations.





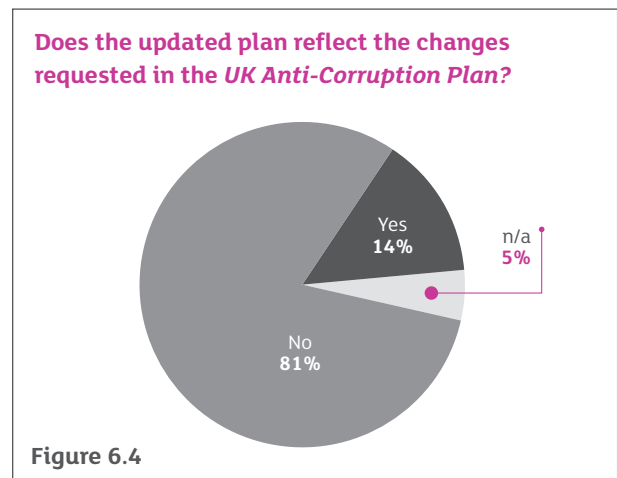
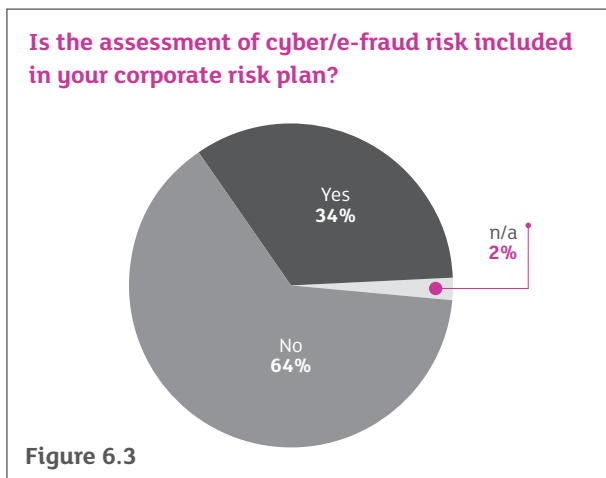
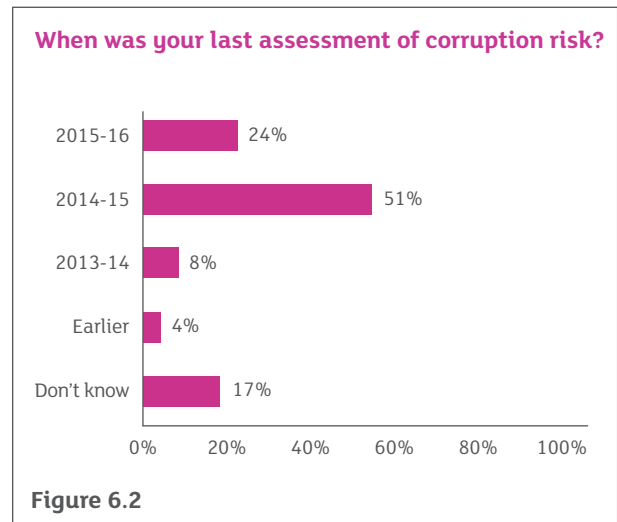
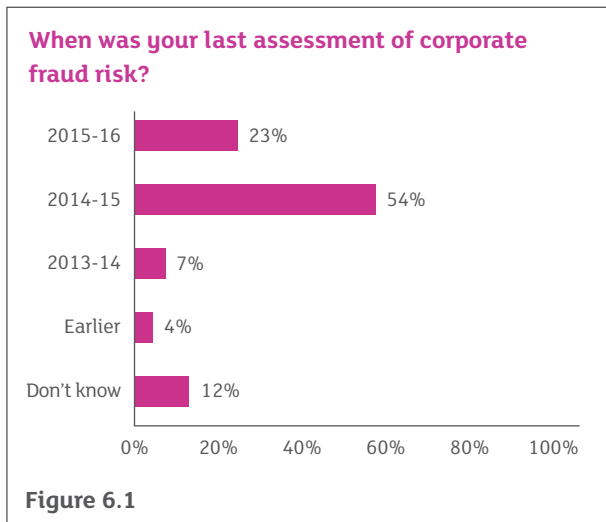
Under the Proceeds of Crime Act (PoCA) 2002, organisations are able to recoup the financial gains gotten as a result of the crime. The tables below show the resources that are invested in this activity and the money received as a result of this activity.



Money awarded by court through POCA, excluding housing benefit/council tax benefit (over the last three financial years)	Respondents: £29.5m	Estimated national figure: £49.8m
Money actually received through POCA, excluding housing benefit/council tax benefit (over the last three years)	Respondents: £17.6m	Estimated national figure: £33.9m

Counter fraud and anti-corruption plan

We asked about the type of plan that organisations have in place, whether it covered all types of fraud risk and how often it was re-assessed. In particular we asked about cyber risk (which was listed by respondees as emerging) and also the government's new anti-corruption plan.



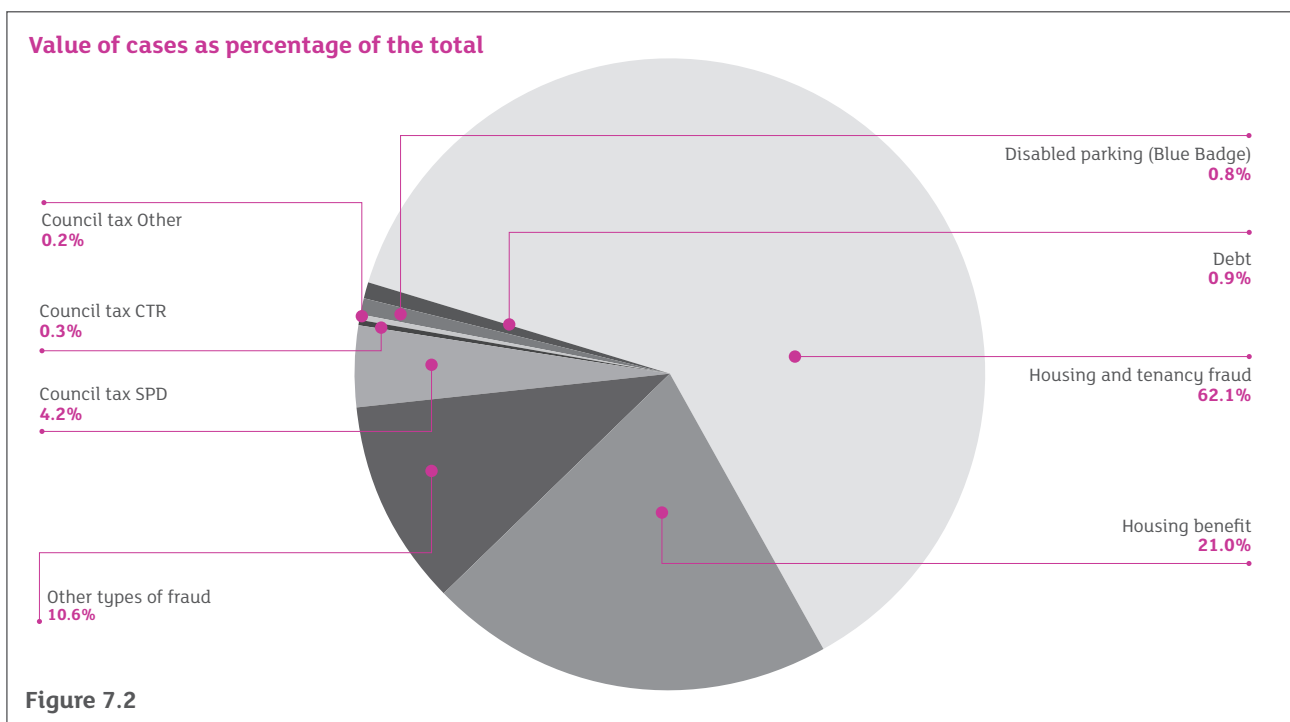
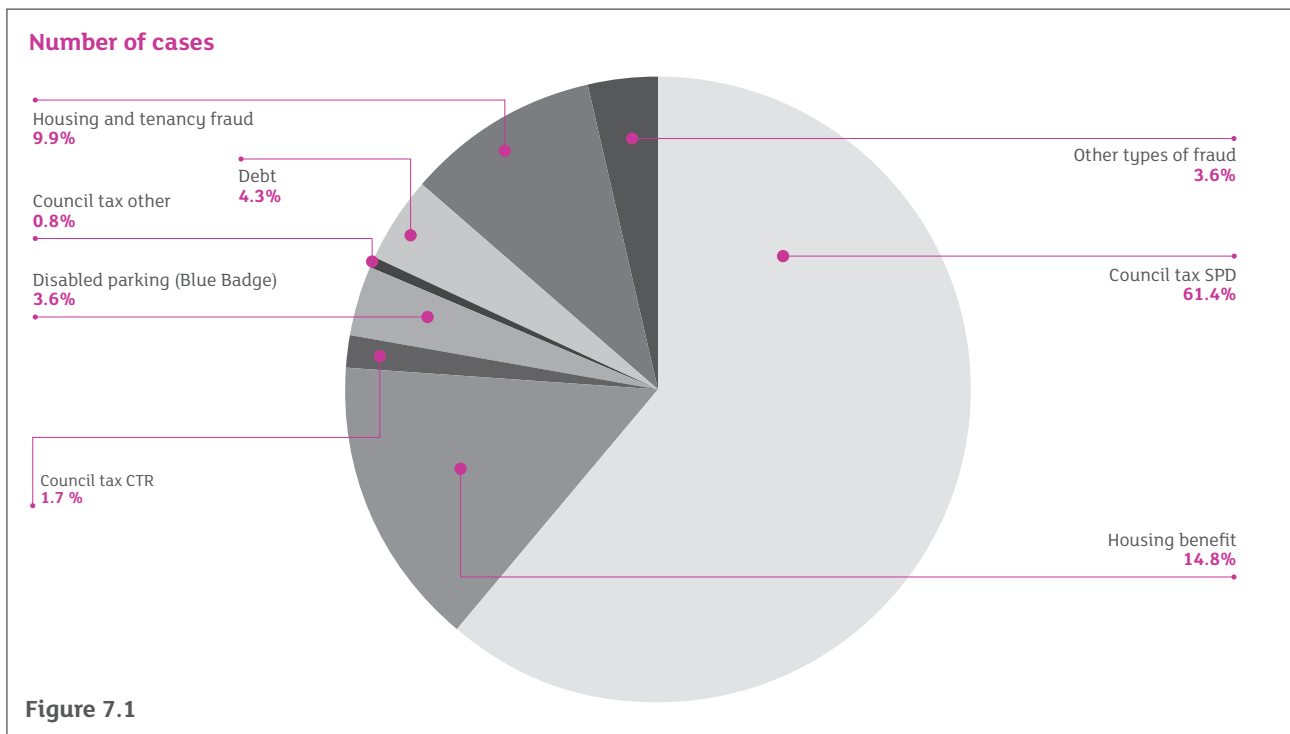
Enhancing counter fraud development

We asked organisations to briefly name the three most significant issues that need to be addressed to effectively tackle the risk of fraud and corruption.

1. Capacity (sufficient counter fraud resource)
2. Effective fraud risk management
3. Better data sharing

Fraud cases in London local authorities

There was a 100% return rate from London local authorities and a selection of the results is included here. Further detailed figures are available, in particular on individual performance against the questions in FFL or on anti-corruption. To obtain this information please contact the CIPFA Counter Fraud Centre on counterfraudcentre@cipfa.org



It should be stressed that council tax was the highest figure in this group, and that many of these cases may not have been proven fraud but cases where overpayments were recovered without a prosecution or a sanction.

Types of Fraud	Fraud cases	% of total	Value £m	% of Total	Average £'k *
Council tax SPD	13,495	61.4%	£4.6m	4.2%	£0.34k
Housing benefit	3,245	14.8%	£22.8m	21.1%	£7.02k
Council tax CTR	363	1.7%	£0.3m	0.3%	£0.87k
Disabled parking concession (Blue Badge)	794	3.6%	£0.8m	0.8%	£1.03k
Council tax other	178	0.8%	£0.2m	0.2%	£1.00k
Debt	951	4.3%	£0.1m	0.1%	£0.16k
Housing and tenancy fraud	2,179	9.9%	£67.3m	62.6%	£30.91k
Other types of fraud	790	3.6%	£11.5m	10.7%	£14.59k
Types of Fraud	21,995	100%	£108m	100%	£4.89k

Figure 7.3

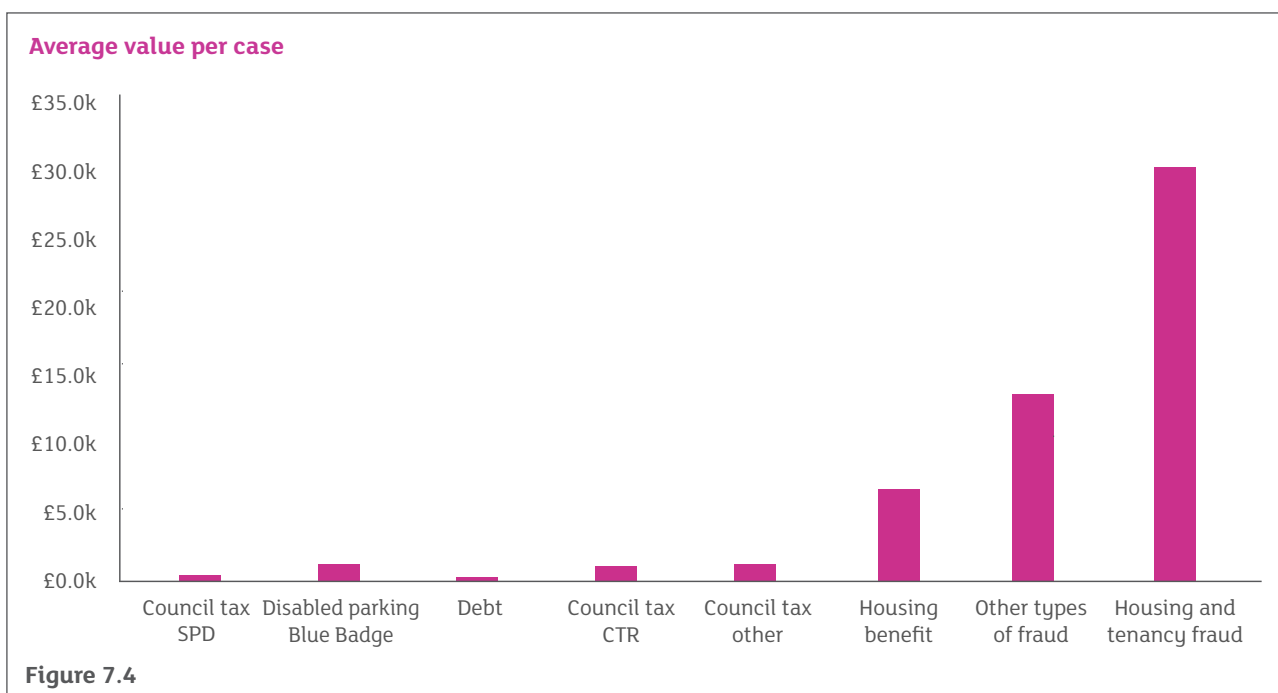


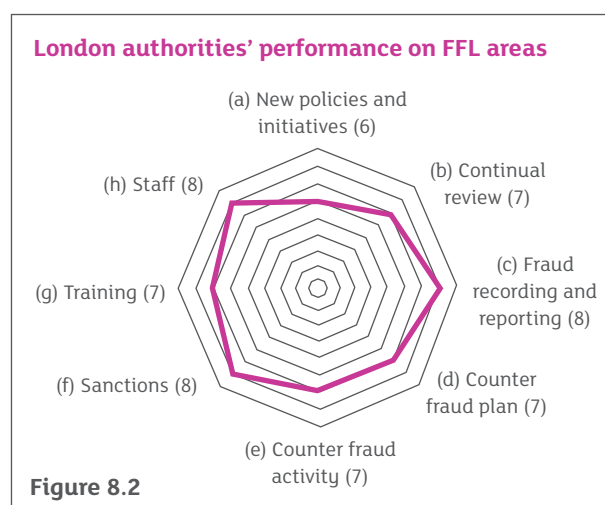
Figure 7.4

* Using these figures for London it has been possible to calculate an average value per case.

Fighting Fraud Locally

Fighting Fraud Locally (FFL) is the local government counter fraud strategy. Since 2012 CIPFA has been commissioned by the FFL Board to ask questions based on the strategy to give the Board assurance about how local authorities perform in certain areas.

In our survey we applied these questions to all respondees. The information is also supplied to the FFL Board for local authorities only. The diagrams below show how well organisations have applied the areas covered in FFL.



Emerging threats

We also asked for lists of emerging threats. If individual organisations or groups wish to have these by region we can supply them. There were over 110 different types of issues named, the most common recurring themes were as follows:

- Procurement frauds, ranging from the concept of a project through to contract management.
- Organisational change which leads to fraud risks.
- Personal budgets and direct payments.
- Housing tenancy fraud.
- Cyber and e-enabled fraud.

We would like to thank those that took part in this survey and look forward to working with you on the CIPFA Fraud and Corruption Tracker 2016. If organisations or regions wish us to undertake a survey for a particular region, please contact us at counterfraudcentre@cipfa.org. Individual profile reports are available for respondents to the 2015 survey at an introductory offer of £200 until the end of March 2016 and £250 thereafter.

For more information on the CIPFA Counter Fraud Centre, our training, products and services, please visit our website: www.cipfa.org/services/counter-fraud-centre



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Registered office:

77 Mansell Street, London E1 8AN

T: +44 (0)20 7543 5600 F: +44 (0)20 7543 5700

www.cipfa.org

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