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BlackpoolCouncil

29 March 2016

To: Councillors Benson, Cox, Galley, Hobson, Hunter, Matthews, Maycock, O'Hara and Owen

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 7 April 2016 at 6.00 pm
in Committee Room A, Town Hall, Blackpool

A G E N D A

1   DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned; and

(2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2   MINUTES OF THE LAST MEETING HELD ON 10 MARCH 2016   (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit Committee held on 10 March 2016 as a true and correct record.

3   STRATEGIC RISK REGISTER - REPUTATIONAL DAMAGE   (Pages 7 - 10)

To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

4   UNITED UTILITIES CRYPTOSPORIDIUM INCIDENT - DEBRIEF RECOMMENDATIONS
                                                                (Pages 11 - 14)

To consider the findings and recommendations of the structured internal debrief that took place relating to the incident of traces of Cryptosporidium being found in the water supply to areas of Lancashire including Blackpool.

5   CIPFA FRAUD AND CORRUPTION TRACKER (2015)   (Pages 15 - 36)

To provide the Audit Committee with the outcomes of the national survey undertaken by the Chartered Institute for Public Finance and Accountancy (CIPFA) in relation to fraud and corruption.

6   DATE OF NEXT MEETING

To note the date and time of the next meeting of the Committee as Thursday, 26 May 2016, commencing at 6pm, subject to approval at Annual Council.

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

Other information:

For queries regarding this agenda please contact Chris Kelly, Senior Democratic Governance Adviser, Tel: 01253 477164, e-mail chris.kelly@blackpool.gov.uk

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at www.blackpool.gov.uk.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 10 MARCH 2016

Present:

Councillor Galley (in the Chair)

Councillors

Benson   Hunter   O'Hara   Roberts
Cox   Matthews   Owen

In Attendance:

Mr Neil Jack, Chief Executive
Ms Tracy Greenhalgh, Chief Internal Auditor
Mr Iain Leviston, Manager, KPMG
Mr Phil Redmond, Chief Accountant
Ms Amy Robinson, Audit Assistant
Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 28 JANUARY 2016

The Committee agreed that the minutes of the last meeting held on 28 January 2016 be signed by the Chairman as a true and correct record.

3 RISK SERVICES QUARTER THREE REPORT 2015/2016

Ms Greenhalgh, Chief Internal Auditor, presented the Committee with an overview of the Risk Services Report for the third quarter of 2015-2016.

Ms Greenhalgh reported on the benchmarking exercise with other local authorities in Lancashire that had recently been undertaken and summarised the findings to Members. Members raised questions relating to the indicators and challenged the reason for Blackpool Council having fewer audit days per million turnover than other local authorities in Lancashire. Ms Greenhalgh advised that it highlighted the efficiency of the audit service and that many of the other authorities were district authorities with a reduced number of responsibilities. She noted that she would have expected Blackpool's figure to be slightly higher, but that she did not currently have concerns regarding the level of resources available.

Members also raised questions relating to the distributions of costs for the audit service for Blackpool, compared to the Lancashire average. Mr Jack, Chief Executive, noted that the main cost (80%) was in relation to staffing costs, which was considered to be appropriate.

He explained that Blackpool had traditionally had high accommodation costs, but as a result of the programme of property rationalisation, accommodation costs would reduce in future as the Council would have fewer buildings.

The Committee was provided with details of service developments with regards to Corporate Fraud and Risk and Resilience. Ms Greenhalgh also reported on the key performance indicators for the service, advising that most indicators were on course to meet targets. However, it was considered that the percentage for Risk Services staff holding a professional or technical qualification was below target. Ms Greenhalgh explained that this was as a result of a staff member with professional qualifications leaving. She assured Members that training would be provided to staff still in post where required.

Members raised questions relating to the percentage of the audit plan completed, which was currently 64% against the target of 90%. Ms Greenhalgh advised that the target was an annual target and that she expected the percentage of the plan completed to be approximately 89% by the end of the 2015/2016 year.

Ms Greenhalgh advised Members that 95 percent of risk registers had been revised and were up to date at the end of the quarter. However, Ms Greenhalgh reported that the risk registers for Central Support Services and Community and Environment required further updating. She advised that she would be working with service managers in order to complete the updates of all risk registers.

Members requested further information in relation to the risk management review of the Highways Service. In response, Ms Greenhalgh advised that the review had been undertaken by the Council's claim handlers and had suggested a number of recommendations for improvement. She added that most were best practice recommendations and the Highways department had agreed to al recommendations. Ms Greenhalgh also advised that an audit of the Highways service had just been completed, details of which would be presented to a future meeting of the Committee.

The Committee also raised questions in relation to the i-pool training course relating to risk management and business continuity planning. Members were advised that the course would not initially be mandatory, however the take up levels of the course would form the basis of a 2016/2017 performance indicator and if take up proved to be low, the course could potentially become mandatory for some tiers of staff.

The Committee noted the improvements made by departments in relation to ensuring business continuity plans were up to date and expressed its satisfaction with the improved performance.

The Committee also considered the Internal Audit reports issued during the third quarter and Ms Greenhalgh informed Members of the outcome of the audit into Anchorsholme Coastal Protection Work. She advised that the project was found to have effective processes in place to manage contract performance. However, an area of concern had been found relating to payments being authorised by project assurance without sight of all relevant information. Ms Greenhalgh advised that the issue had been resolved since the publication

of the audit review.

Ms Greenhalgh advised Members that a review into Compliance with Corporate Procedures had found the controls currently in place to be inadequate, with a number of material risks identified and significant improvements required within some departments in a number of areas. It was explained to Members that in response to the inadequate assurance statement, the Monitoring Officer would be providing a training session at the next Senior Leadership Team meeting relating to the audit review and the importance of adherence to corporate procedures. Members requested that further details of the work being undertaken to improve controls in this area be provided for a future meeting of the Committee.

The Committee was also advised that an inadequate assurance statement had been issued in relation to the audit of Purchase Cards, with testing revealing a number of lapses in compliance.

The Committee agreed:

1) To note the report;
2) To request that details of the work being undertaken to improve controls in Compliance with Corporate Procedures be provided at a future meeting.

Background papers: None.

4 INTERNAL AUDIT PLAN 2016/2017

Ms Greenhalgh presented to the Committee the Internal Audit Plan 2016/2017, which included the Anti-Fraud and Corruption Statement and the Internal Audit Charter. Members were advised that the plan principally covered internal control review and anti-fraud and corruption work.

It was explained to Members by Ms Greenhalgh that the work of the Audit service was split between undertaking reviews of Council systems and processes on a risk assessed basis to ensure controls were adequate; and compliance testing to ensure significant financial systems remained 'fit for purpose', adequate financial procedures were in place in schools, appropriate controls over capital contracts and larger revenue contracts were in place, and procurement activity was effective.

Ms Greenhalgh provided Members with details of the planned Risk Based and Compliance Reviews for the year and noted that outcomes of the audit reviews would be reported to the Committee. Members were also provided with the proactive Anti-Fraud Workplan 2016/2017.

Members questioned whether the Chief Internal Auditor was satisfied with the level of risk that would be covered by the Internal Audit Plan and Ms Greenhalgh advised that she was satisfied with the areas covered by the Plan. She also reported to Members that the Plan allowed some degree of contingency for if significant risks were presented during the year.

The Committee questioned whether the internal control objectives considered by internal audit included value for money. Ms Greenhalgh advised that value for money was always a considerations in audit reviews and that the audit service consistently considered the structure of teams when reviewing a service and if the services were appropriately resourced.

The Committee agreed to:

1.   Approve the Internal Audit Plan for 2016/2017.
2.   Approve the Anti-Fraud and Corruption Statement and the Internal Audit Charter.

Background papers: None

5 CERTIFICATION OF GRANTS AND RETURNS 2014/2015

Mr Leviston, Manager, KPMG, presented the External Auditor's report in relation to the certification of grants and returns 2014/2015.

The Committee was informed that the report summarised the results of work undertaken on the Council's 2014/2015 grant claims and returns, which included the work completed under the Public Sector Audit Appointment certification arrangements, as well as the work completed on other grants/returns under separate engagement terms.

Mr Leviston advised that five claims had been certified by the External Auditor, with three certificates being issued without amendment or qualification. He advised that the Homes and Communities Agency compliance audit had received a qualification on three grounds but that the reasons for the qualifications were not unusual when completing work of that scale. Mr Leviston also advised that the work on the Housing Benefit Subsidy Claim was subject to a qualification letter and that additional testing had been required on the claim due to the incorrect classification of overpayments that had occurred in previous years. Mr Leviston reported that again, when undertaking work on such a scale, some small scale errors were always likely to be uncovered, so the Committee need not have any undue concerns.

Members raised questions regarding the fees charged by the External Auditor. In response, Mr Leviston advised that the fees were as expected and were set by Public Sector Audit Appointments.

The Committee agreed to note the report.

Background papers: None

6 SUBCONTRACTING ARRANGEMENTS

The Committee was presented with the External Auditor's report into the subcontracting arrangements of the Council in relation to the funding agreement in place with the Skills

Funding Agency.

Mr Leviston advised Members that the Council had a funding agreement in place with the Skills Funding Agency, which funded adult education courses, for the 2015/2016 financial year. In order to deliver the agreed level of funding, the Council had contracted with five subcontractors to deliver part of the provision in accordance with the Council's desire to engage with and support learners requiring pre-basic skills support. Mr Leviston explained that the Skills Funding Agency had introduced a new requirement for the 2015/2016 year in its guidance, which outlined the requirement for the Council to obtain a report on the arrangements that it had in place to manage and control its subcontractors and that the work should be undertaken by an independent accountant.

Mr Leviston summarised the work that had been undertaken and detailed where gaps in policies, procedures and their operating effectiveness had been identified as well as recommendations for improvement. The Committee's attention was drawn to the four areas that had been identified as Medium priority risks.

Members considered that the report provided important learning points regarding levels of risk and best practices that should be considered in other instances of the Council subcontracting to small organisations or volunteer groups.

Member sought clarity regarding the Management Committee referred to within the External Auditor's report and it was agreed that Ms Greenhalgh would investigate further and report back to Members.

The Committee agreed to note the report.

Background papers: None

7 DATE OF NEXT MEETING

The Committee noted the time and date of the next meeting as 6pm on Thursday 7 April 2016 at Town Hall, Blackpool.

Chairman

(The meeting ended at 6.45 pm)

Any queries regarding these minutes, please contact:
Chris Kelly, Senior Democratic Governance Adviser
Tel: 01253 477164
E-mail: chris.kelly@blackpool.gov.uk

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Report to:	**AUDIT COMMITTEE**
Relevant Officers:	Neil Jack, Chief Executive
	Alan Cavill, Director of Place
Date of Meeting	7 April 2016

STRATEGIC RISK REGISTER – REPUTATIONAL DAMAGE

1.0   Purpose of the report:

1.1   The Committee to consider a progress report on individual risks identified in the Council's Strategic Risk Register.

2.0   Recommendation(s):

2.1   To question the Chief Executive and Director of Place on identified risks on the Strategic Risk Register in relation to reputational damage.

3.0   Reasons for recommendation(s):

3.1   To enable the Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

3.2a   Is the recommendation contrary to a plan or strategy adopted or approved by the Council?   No

3.2b   Is the recommendation in accordance with the Council's approved budget?   Yes

3.3   Other alternative options to be considered:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owners in relation to significant risks identified on the Strategic Risk Register.

4.0   Council Priority:

4.1   The relevant Council Priorities are

- "The economy: Maximising growth and opportunity across Blackpool"
- "Communities: Creating stronger communities and increasing resilience"

5.0   Background Information

5.1   At its meeting in September 2015, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

Does the information submitted include any exempt information?   No

List of Appendices:

Appendix 3(a) - Excerpt from Strategic Risk Register

6.0   Legal considerations:

6.1   None

7.0   Human Resources considerations:

7.1   None

8.0   Equalities considerations:

8.1   None

9.0   Financial considerations:

9.1   None

10.0   Risk management considerations:

10.1   None

11.0   Internal/ External Consultation undertaken:

11.1   None

12.0   Background papers:

12.1   None

Risk	Sub No	Sub Risk	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			New Developing Controls	Risk Manager	CLT Risk Owner	Target Date	Corporate Priority
					I	L	GS		I	L	NS					
Reputational Damage	6a	Ineffective measurement of the reputation of the Council and Blackpool.	Perception of poor reputation is not quantified / supported.	Rebuilding reputation can suggest a high achieving organisation and generate momentum.	4	4	16	Daily summary of media interest in Blackpool circulated.	4	3	12	Undertake and feedback on the outcomes of resident satisfaction surveys to help inform the development of the Council plan.	Head of Corporate Development, Communication and Engagement	Deputy Chief Executive	Sept 2015	Deliver quality services
	6b	Residents negative image of Blackpool.	Lack of investment due to poor image of Blackpool. Lack of partner engagement. Loss of community support.	Potential to attract external investment to Blackpool. Generate local pride in Blackpool.	4	4	16	Different methods of engagement used such as the Council Couch. Increased use of new communication channels such as social media and newsletters. Increased commitment to one brand for the Blackpool resident.	4	3	12	Implement corporate framework for engagement supported by an engagement toolkit. Implementation of the Corporate Branding toolkit.	Head of Corporate Development, Communication and Engagement	Deputy Chief Executive	March 2016	Attracting suitable investment
	6c	Visitors negative image of Blackpool.	Local economy impacted due to reduced jobs. Inability to underwrite tourism initiatives due to reduced resources.		4	4	16	Identification of potential external funding streams to assist with the tourism offer for Blackpool.	4	3	12	Promote a positive image of Blackpool to encourage private sector investment in the tourism industry.	Head of Visitor Economy	Director of Place	Ongoing	Expanding and promoting tourism, arts, heritage and cultural offer

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Chief Internal Auditor
Date:	7 April 2016

UNITED UTILITIES CRYPTOSPORIDIUM INCIDENT – DEBRIEF RECOMMENDATIONS

1.0   Purpose of the report:

1.1   The report was requested by the Committee at its meeting of 26 November 2015 to provide information on the findings and recommendations of the structured internal debrief that took place relating to the incident of traces of Cryptosporidium being found in the water supply to areas of Lancashire including Blackpool.

2.0   Recommendation(s):

2.1   To consider the recommendations made in the internal debrief which are relevant to Blackpool Council.

3.0   Reasons for recommendation(s):

3.1   To ensure that the Council can effectively respond to a major incident.

3.2a   Is the recommendation contrary to a plan or strategy adopted or approved by the Council?   No

3.2b   Is the recommendation in accordance with the Council's approved budget?   Yes

3.3   Other alternative options to be considered:
        N/a

4.0   Council Priority:

4.1   The relevant Council Priorities are

    •   "The economy: Maximising growth and opportunity across Blackpool"
    •   "Communities: Creating stronger communities and increasing resilience"

5.0   Background Information

5.1   Between the 6 August and 6 September 2015 traces of Cryptosporidium were found
        in the water supply to areas of Lancashire including Blackpool.

5.2   In the main, the recommendations required escalation into the wider external
        Lancashire Resilience Forum multi-agency debrief which was held on 6 November
        2015.

5.3   The findings from the Lancashire Resilience Forum debrief have been submitted to
        the Lancashire Resilience Forum training and development sub-group who will
        consider how the areas for improvement and good practise will be actioned.

5.4   The Water Debrief Structured Report contained twenty-eight recommendations, the
        majority of which have been referred to the Lancashire Resilience Forum for a multi-
        agency response. There are however a number of recommendations specific to
        Blackpool Council which need to be addressed and these are detailed in the below
        table:

Issue	Owner	Actions
Improve knowledge of emergencies and call out arrangements at the 24/7 call centre.	Manager - Urgent Care, Rapid Response and Re-ablement	• Provision of additional training. • Review the templates that are used in emergency situations.
Improved Internal Communications	Risk and Resilience Officer	• Ensure that relevant Council staff can access Resilience Direct.
Internal Business Continuity Arrangements	Risk and Resilience Officer	• The need to review business continuity arrangements for prolonged incidents will be considered in the new business continuity plan template which is being developed. • This needs to ensure that staff involved in managing the incident have support from their management as there is likely to be an impact upon their normal day to day duties.
Loggist Arrangements	Corporate Leadership Team	• CLT to identify staff that could be called upon to be a loggist in a major incident and approve the provision of training for these.

Does the information submitted include any exempt information?   No

List of Appendices:
None.

6.0   Legal considerations:

6.1   This report relates to the Civil Contingencies Act.

7.0   Human Resources considerations:

7.1   To ensure that staff dealing with a major incident are skilled to do so.

8.0   Equalities considerations:

8.1   Not applicable.

9.0   Financial considerations:

9.1   There is a cost for the loggist training which will need to be met from existing budget.

10.0   Risk management considerations:

10.1   If an employee is asked to attend a debrief/enquiry/court proceeding they will be better placed, having received the appropriate training, in justifying the decisions they made at the time of an emergency and under pressure. This will also protect the reputation of the Council.

11.0   Ethical considerations:

11.1   Not applicable.

12.0   Internal/ External Consultation undertaken:

12.1   Employees who were involved in managing the incident participated in the debrief exercise.

13.0   Background papers:

13.1   None.

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Chief Internal Auditor
Date of Meeting	7 April 2016

CIPFA FRAUD AND CORRUPTION TRACKER (2015)

1.0   Purpose of the report:

1.1   To provide the Audit Committee with the outcomes of the national survey undertaken by the Chartered Institute for Public Finance and Accountancy (CIPFA) in relation to fraud and corruption.

2.0   Recommendation(s):

2.1   To consider the findings from the Chartered Institute for Public Finance and Accountancy (CIPFA) Fraud and Corruption Tracker (2015).

3.0   Reasons for recommendation(s):

3.1   To ensure that the Audit Committee are familiar with the latest information relating to fraud and corruption in local government.

3.2a   Is the recommendation contrary to a plan or strategy adopted or approved by the Council?   No

3.2b   Is the recommendation in accordance with the Council's approved budget?   Yes

3.3   Other alternative options to be considered:
       Not applicable.

4.0   Council Priority:

4.1   The relevant Council Priorities are

•   "The economy: Maximising growth and opportunity across Blackpool"
•   "Communities: Creating stronger communities and increasing resilience"

5.0   Background Information

5.1   The Chartered Institute for Public Finance and Accountancy (CIPFA) Fraud and Corruption Tracker provides the national picture of:

- Reported Types of Fraud.
- Whistleblowing.
- Prosecutions.
- Counter Fraud and Corruption Resources.
- Counter Fraud and Anti-Corruption Plans.
- Fighting Fraud Locally.
- Emerging Threats.

At Blackpool Council the information gathered as part of this survey will be used to inform future fraud risk assessments and anti-fraud and corruption work programmes.

Does the information submitted include any exempt information?   No

List of Appendices:
Appendix 5(a) - CIPFA Fraud and Corruption Tracker.

6.0   Legal considerations:

6.1   All work undertaken by Risk Services is in line with relevant legislation. This is particularly important when undertaking fraud investigations where a number of regulations need to be adhered to.

7.0   Human Resources considerations:

7.1   Not applicable

8.0   Equalities considerations:

8.1   Not applicable

9.0   Financial considerations:

9.1   All fraud prevention work will be delivered within the Risk Services budget.

10.0   Risk management considerations:

10.1   The primary role of Risk Services is to provide assurance that the Council is effectively managing its risks and provide support to all services in relation to risk and control. This includes fraud prevention, detection and investigatory work.

11.0   Ethical considerations:

11.1   Not applicable.

12.0   Internal/ External Consultation undertaken:

12.1   Not applicable.

13.0   Background papers:

13.1   None.

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fraud and corruption tracker

Summary Report 2015

CIPFA **COUNTER FRAUD** CENTRE

Contents

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

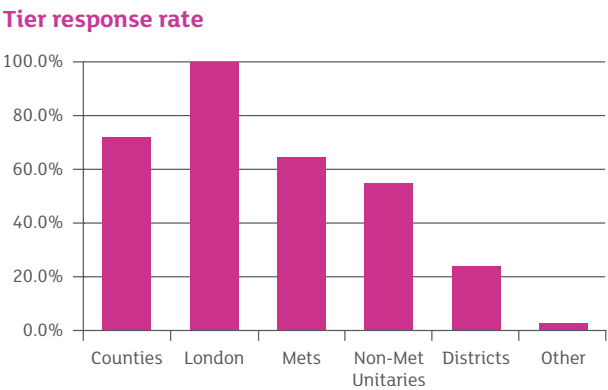| Tier	
Counties	70.4%
London authorities	100%
Metropolitan unitaries	63.9%
Unitary (non-met) authorities	55.4%
Districts	23.4%
Other authorities	2.1%

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.
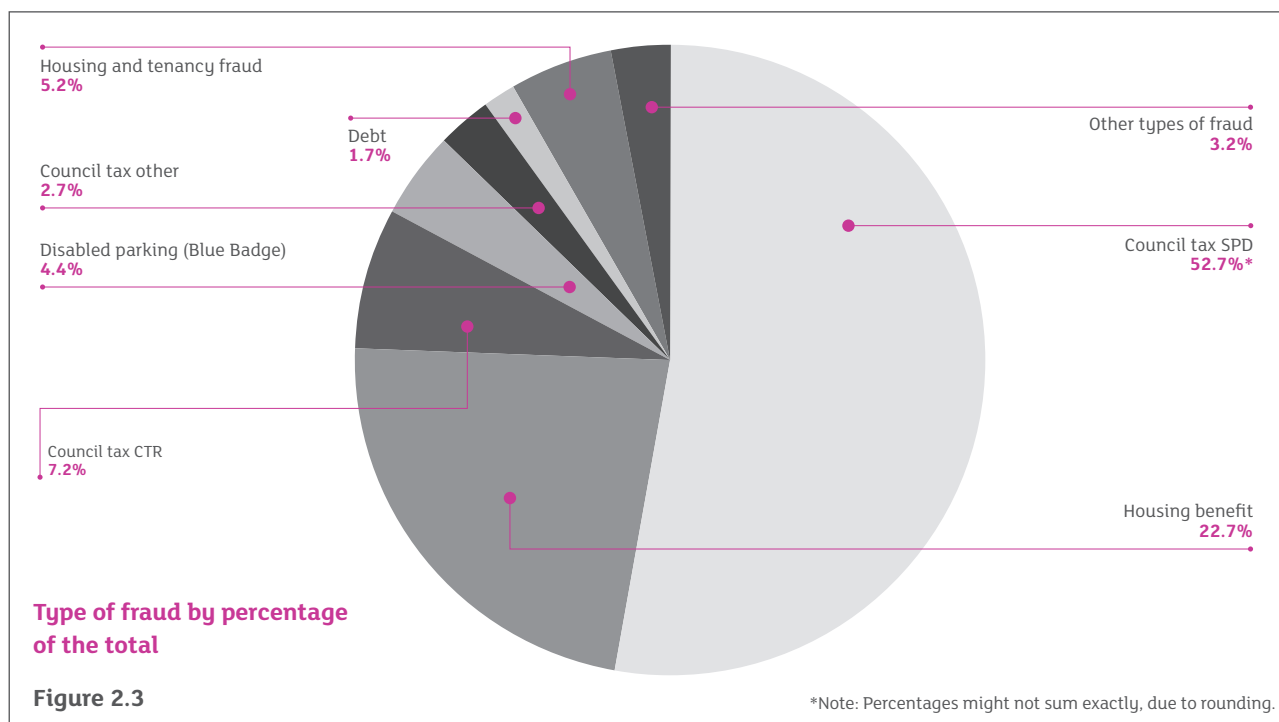
Types of fraud	Fraud cases	% of the total	Value £m
Council tax SPD	30,184	52.7%	£10.7m
Housing benefit	12,989	22.7%	£56.9m
Council tax CTR	4,142	7.2%	£2.0m
Housing and tenancy fraud	3,002	5.2%	£77.5m
Disabled parking concession (Blue Badge)	2,545	4.4%	£1.0m
Council tax other	1,556	2.7%	£1.4m
Debt	997	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.

Housing and tenancy fraud
5.2%

Debt
1.7%

Council tax other
2.7%

Disabled parking (Blue Badge)
4.4%

Council tax CTR
7.2%

Other types of fraud
3.2%

Council tax SPD
52.7%*

Housing benefit
22.7%

Type of fraud by percentage of the total

Figure 2.3

*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.
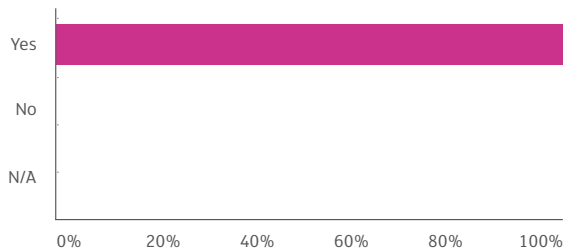
Do you have a whistleblowing policy?

Figure 3.1
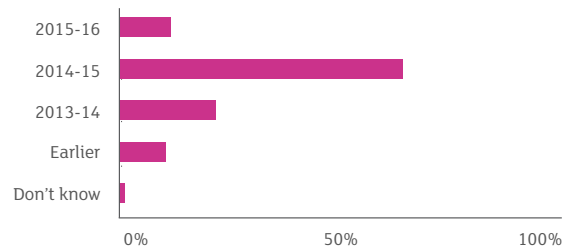
If yes, when was it last reviewed/updated?

Figure 3.2

Do those responsible for governance annually review your whistleblowing arrangements in line with BS PAS 1998@2008 – *Whistleblowing Arrangements Code of Practice?*
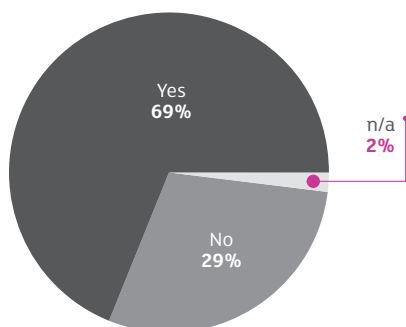

Yes
69%

n/a
2%

No
29%

Figure 3.3

Do staff and the public have access to a fraud and corruption whistleblowing helpline
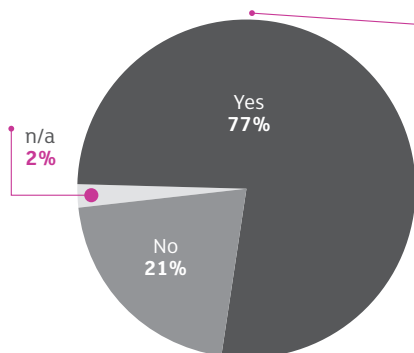

Yes
77%

n/a
2%

No
21%

Figure 3.4

Does the helpline conform to BS PAS *Whistleblowing Arrangements Code of Practice?*
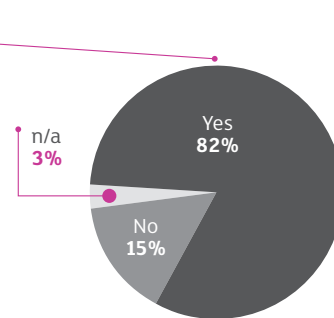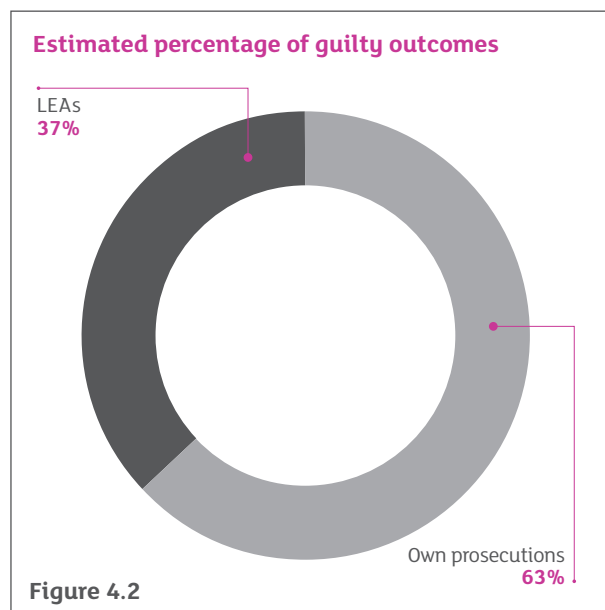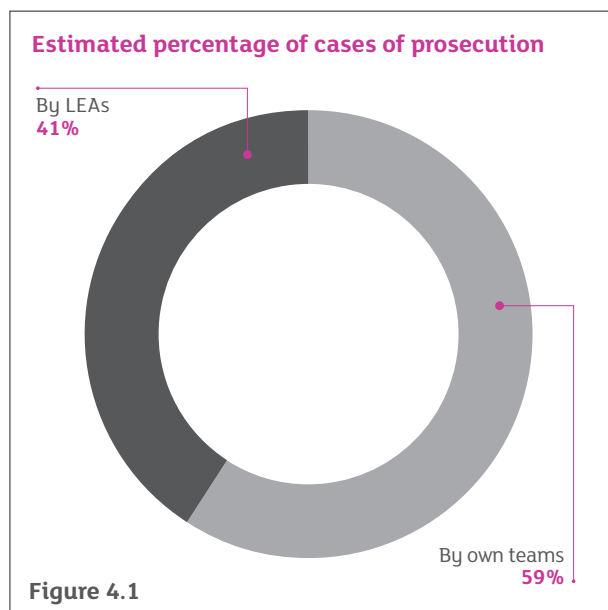

Yes
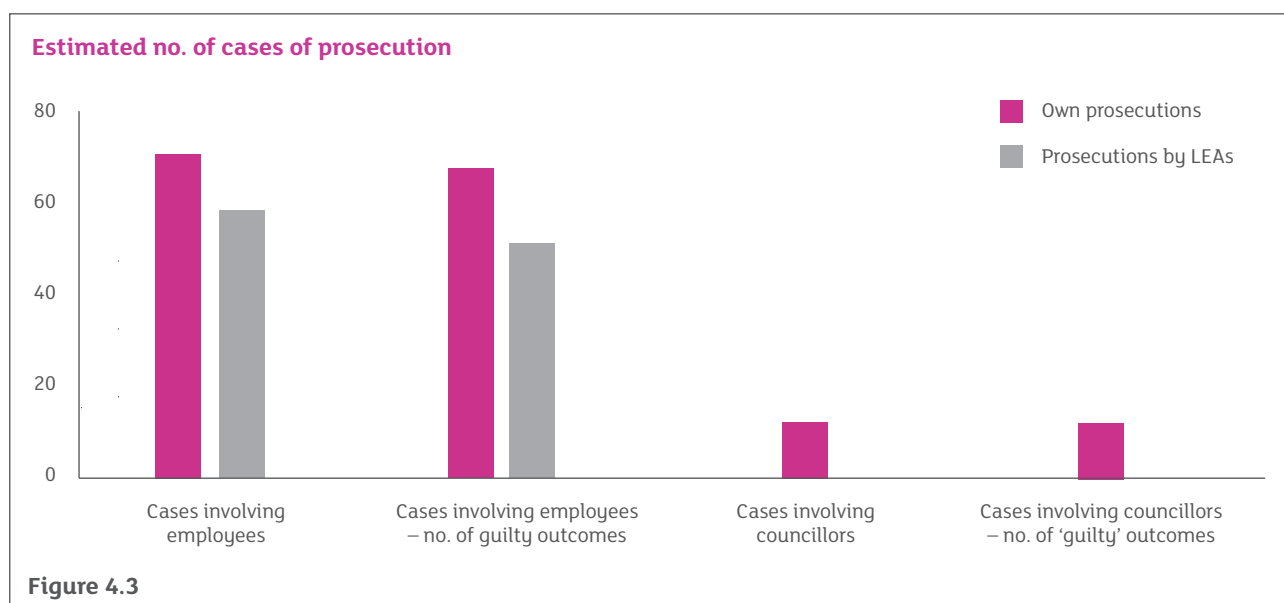82%

n/a
3%

No
15%

Figure 3.5

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.

Estimated percentage of cases of prosecution

By LEAs
41%

By own teams
59%

Figure 4.1

Estimated percentage of guilty outcomes

LEAs
37%

Own prosecutions
63%

Figure 4.2

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.

Estimated no. of cases of prosecution

■ Own prosecutions
■ Prosecutions by LEAs

Cases involving employees
Cases involving employees – no. of guilty outcomes
Cases involving councillors
Cases involving councillors – no. of 'guilty' outcomes
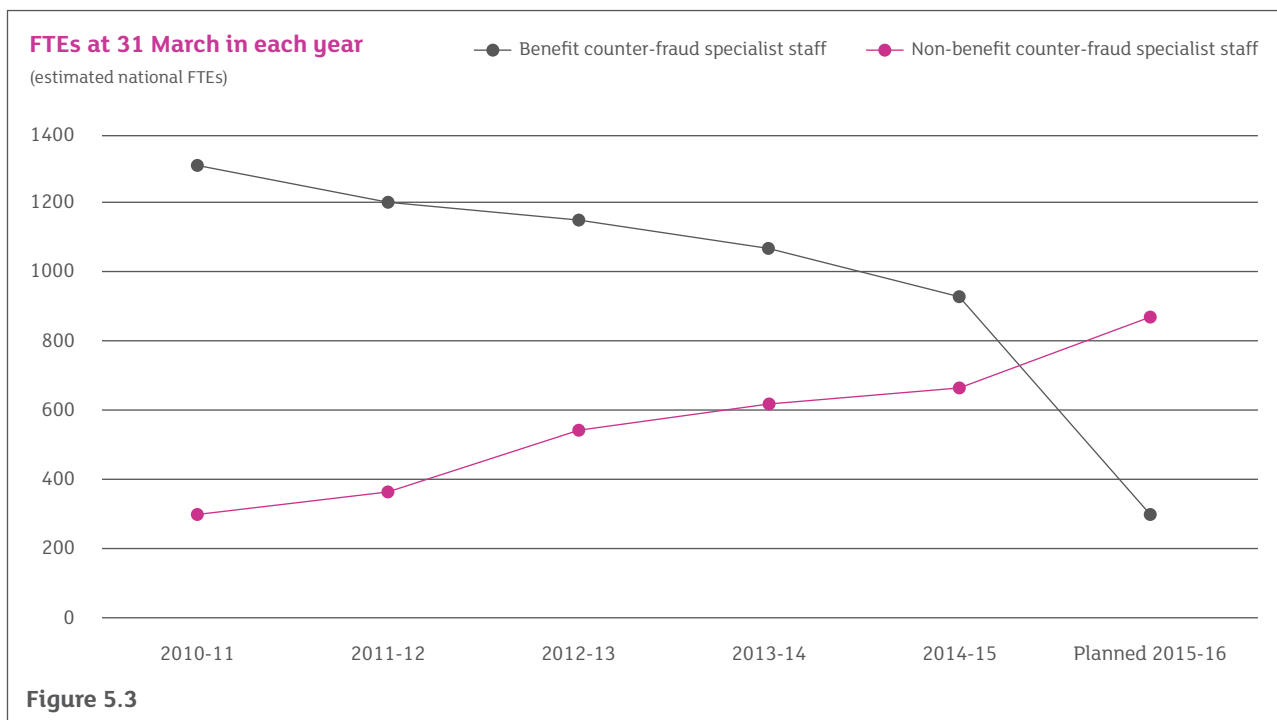
Figure 4.3

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.

Counter fraud and corruption resource

Legend: ■ Yes ■ No ▫ n/a

	Dedicated corporate fraud team, including benefit and non-benefit counter fraud specialists	Dedicated corporate fraud team for non-benefit, with separate benefit fraud team	Benefit fraud team only, no dedicated corporate fraud team
n/a	6%	14%	16%
No	59%	63%	59%
Yes	35%	23%	25%
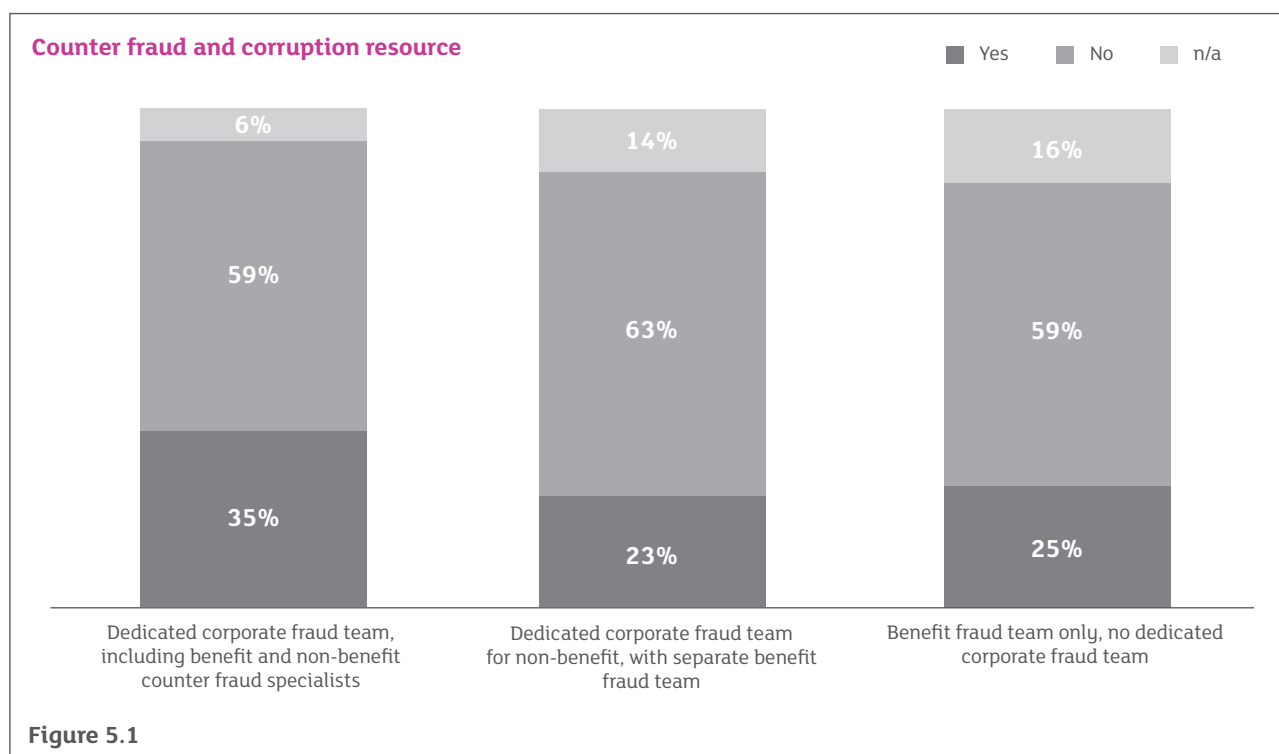
Figure 5.1

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

Actual FTEs at 31 March in each year ◆ Benefit counter-fraud specialist staff ◆ Non-benefit counter-fraud specialist staff

	2010-11	2011-12	2012-13	2013-14	2014-15	Planned 2015-16
Benefit counter-fraud specialist staff	545	520	525	485	460	130
Non-benefit counter-fraud specialist staff	148	168	228	268	340	448

Figure 5.2

Figure 5.3

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.

Figure 5.4
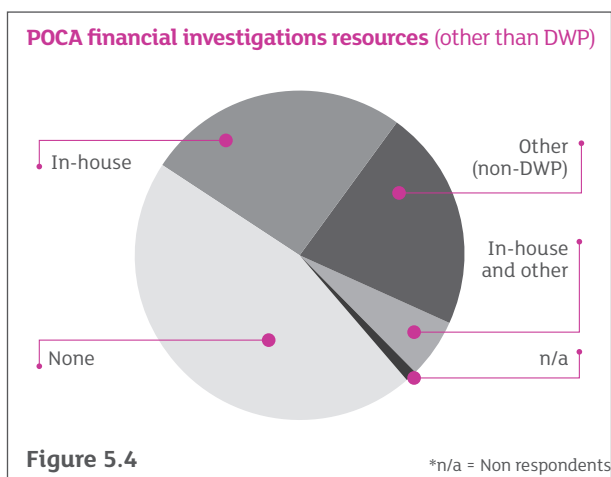
*n/a = Non respondents

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.
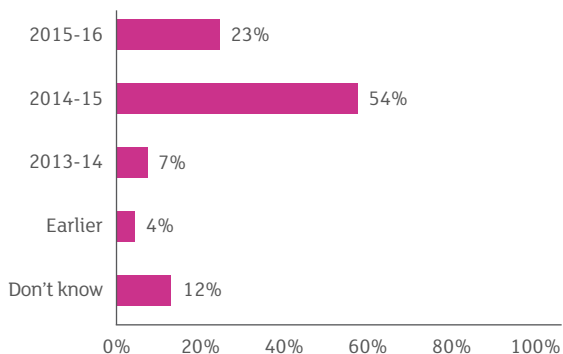
When was your last assessment of corporate fraud risk?

2015-16	23%
2014-15	54%
2013-14	7%
Earlier	4%
Don't know	12%

Figure 6.1

When was your last assessment of corruption risk?

2015-16	24%
2014-15	51%
2013-14	8%
Earlier	4%
Don't know	17%
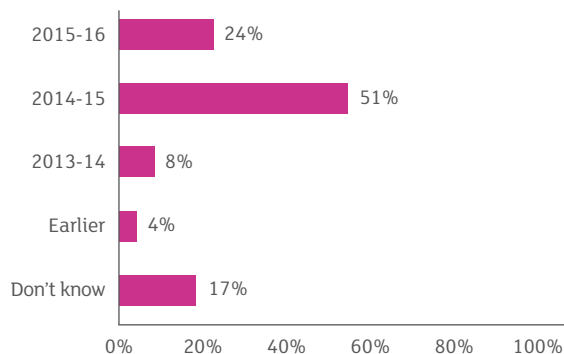
Figure 6.2

Is the assessment of cyber/e-fraud risk included in your corporate risk plan?
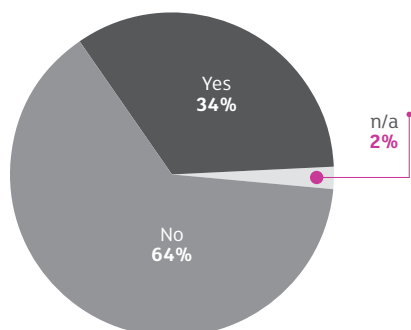
Yes 34%
n/a 2%
No 64%

Figure 6.3

Does the updated plan reflect the changes requested in the *UK Anti-Corruption Plan?*
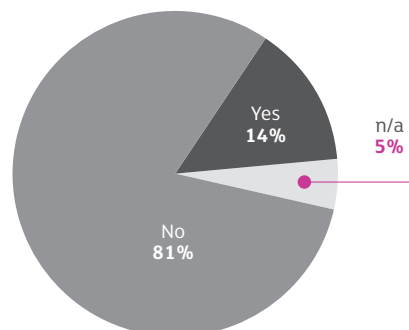
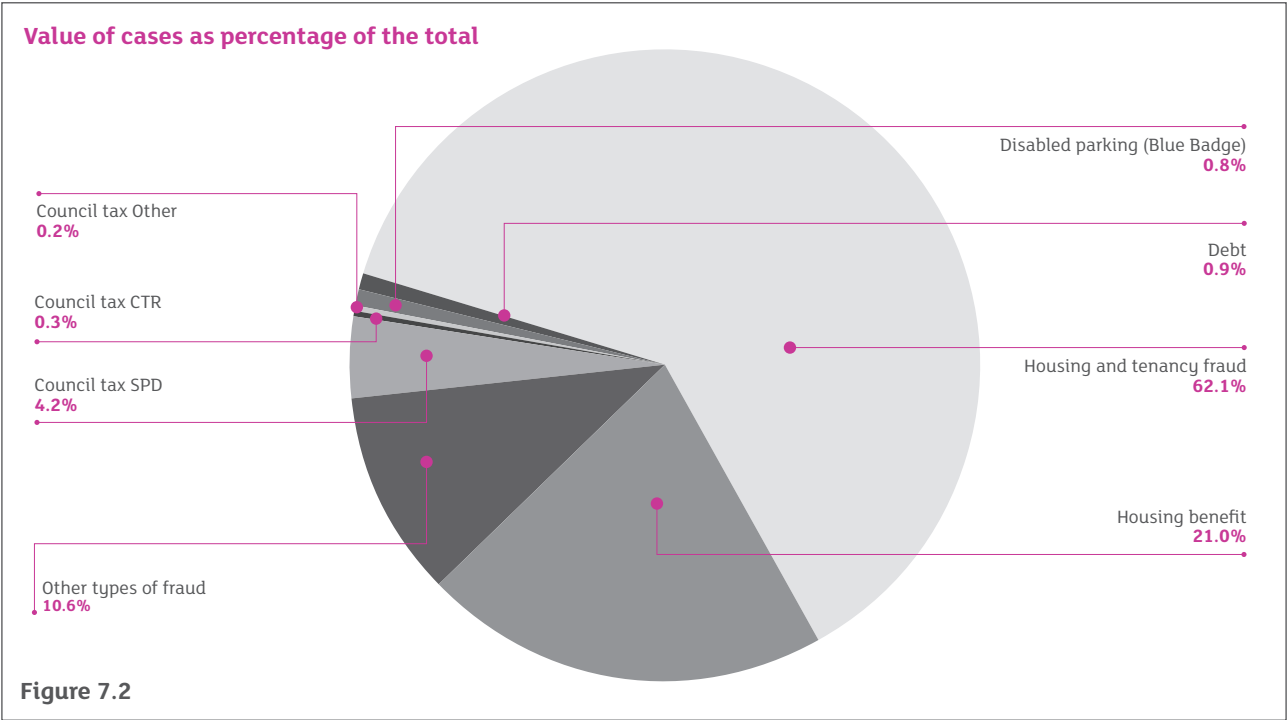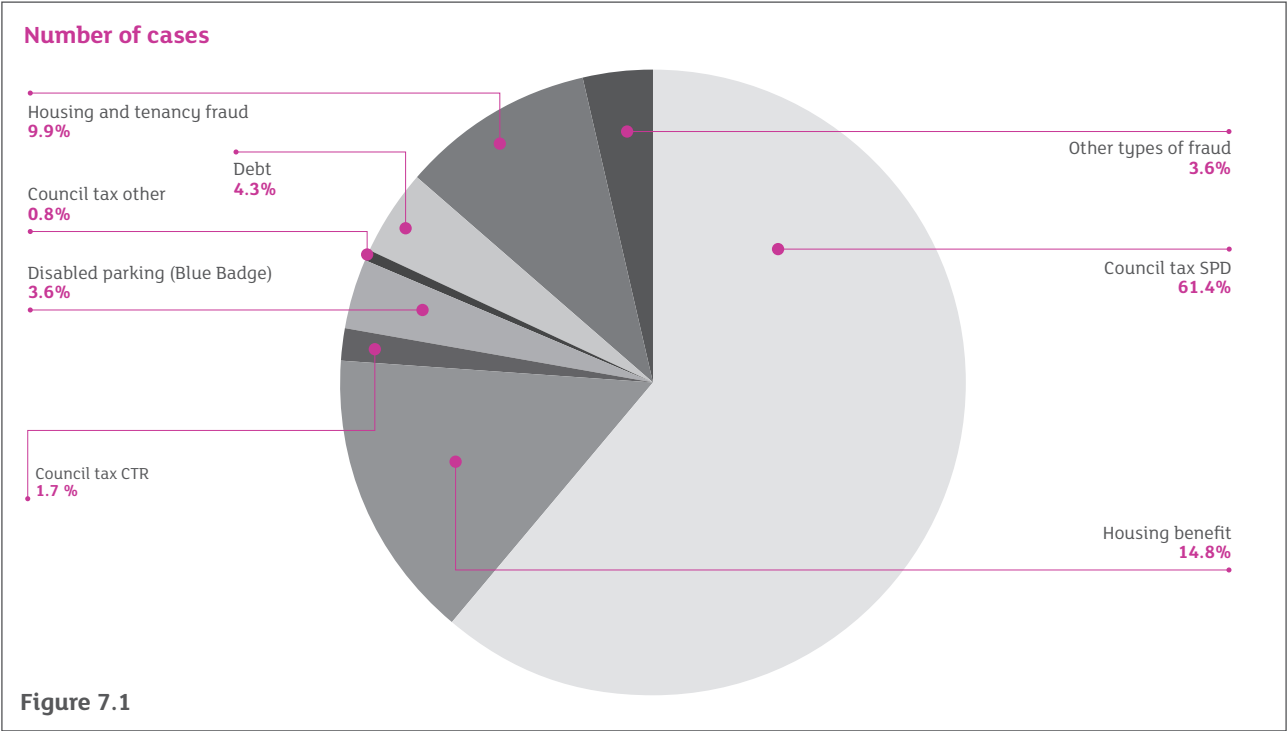Yes 14%
n/a 5%
No 81%

Figure 6.4

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**

Number of cases

Housing and tenancy fraud
9.9%

Debt
4.3%

Council tax other
0.8%

Disabled parking (Blue Badge)
3.6%

Council tax CTR
1.7 %

Other types of fraud
3.6%

Council tax SPD
61.4%

Housing benefit
14.8%

Figure 7.1

Value of cases as percentage of the total

Council tax Other
0.2%

Council tax CTR
0.3%

Council tax SPD
4.2%

Other types of fraud
10.6%

Disabled parking (Blue Badge)
0.8%

Debt
0.9%

Housing and tenancy fraud
62.1%

Housing benefit
21.0%

Figure 7.2

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**

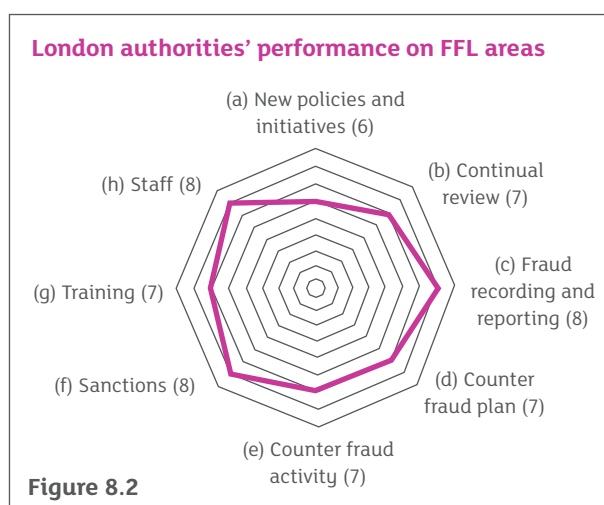**Figure 7.3**
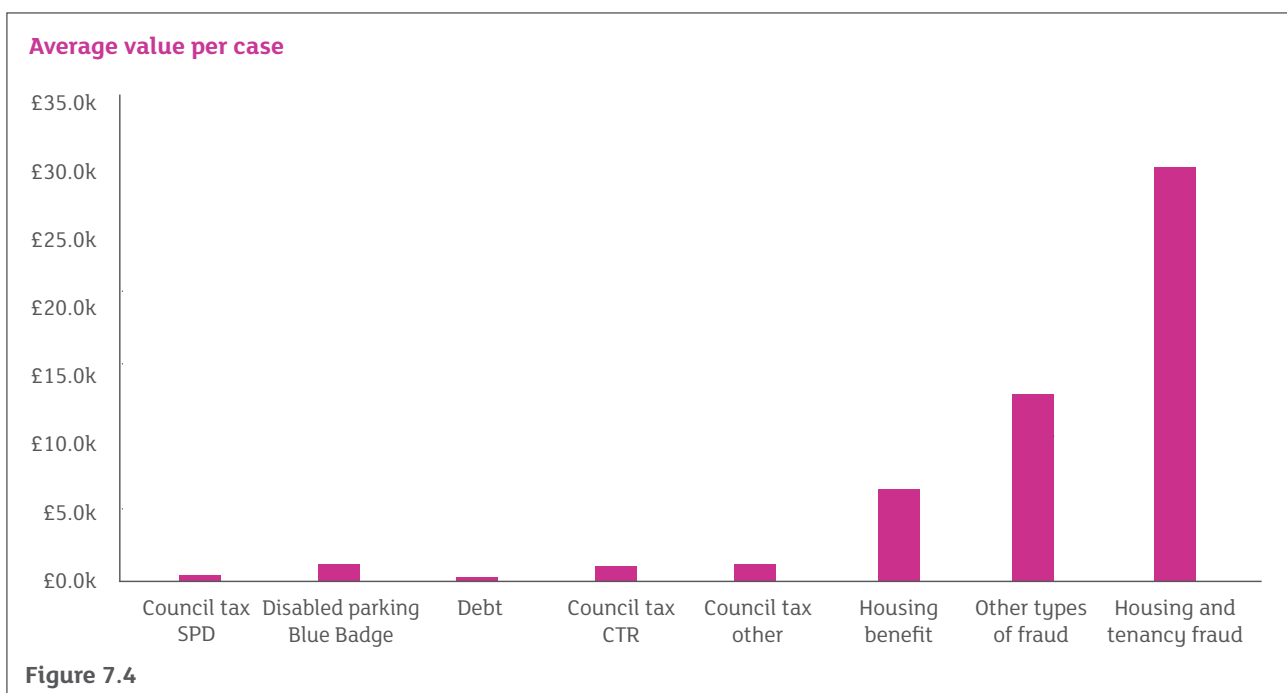
Figure 7.4

* 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.

Local authorities only

(a) New policies and initiatives (6)
(b) Continual review (7)
(c) Fraud recording and reporting (8)
(d) Counter fraud plan (6)
(e) Counter fraud activity (6)
(f) Sanctions (7)
(g) Training (7)
(h) Staff (8)

Figure 8.1

London authorities' performance on FFL areas

(a) New policies and initiatives (6)
(b) Continual review (7)
(c) Fraud recording and reporting (8)
(d) Counter fraud plan (7)
(e) Counter fraud activity (7)
(f) Sanctions (8)
(g) Training (7)
(h) Staff (8)

Figure 8.2

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**

CIPFA COUNTER FRAUD CENTRE

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To subscribe to the CIPFA Counter Fraud Centre, which gives you access to the tools, alerts and resources needed to combat fraud in the public services, please complete the application form on our website.

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www.cipfa.org/services/counter-fraud-centre/e-learning/whistleblowing-elearning

Anti-bribery and corruption e-learning

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www.cipfa.org/services/counter-fraud-centre/e-learning/bribery-and-corruption-elearning

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