

# Protecting the English Public Purse 2015

*Fighting fraud against English Councils*



## TABLE OF CONTENTS

|                                                                                                 |    |
|-------------------------------------------------------------------------------------------------|----|
| <b>Summary and Recommendations</b> .....                                                        | 2  |
| <b>Chapter 1: Introduction</b> .....                                                            | 7  |
| <b>Chapter 2: Interpreting fraud detection results</b> .....                                    | 13 |
| <b>Chapter 3: National fraud detection by councils</b> .....                                    | 15 |
| Loss and harm caused by fraud.....                                                              | 18 |
| Non-benefit (corporate) fraud.....                                                              | 20 |
| Housing tenancy fraud.....                                                                      | 22 |
| Continuing the shift in focus from benefit to non-benefit fraud .....                           | 24 |
| <b>Chapter 4; Regional trends, transparency and accountability</b> .....                        | 26 |
| The positive impact of transparency and accountability .....                                    | 27 |
| Regional fraud detection trends and commitment to tackle fraud.....                             | 27 |
| <b>Chapter 5: Local trends</b> .....                                                            | 32 |
| Local variations in fraud detection .....                                                       | 32 |
| County Councils .....                                                                           | 34 |
| Council tax discount fraud .....                                                                | 35 |
| <b>Chapter 6: Emerging Fraud Risks – RTB and NRPF</b> .....                                     | 37 |
| Right to Buy fraud.....                                                                         | 37 |
| No recourse to public funds .....                                                               | 38 |
| Conclusions.....                                                                                | 40 |
| <b>Chapter 7: Looking to the future – TEICCAF</b> .....                                         | 41 |
| The European Institute for Combatting Corruption And Fraud .....                                | 41 |
| Capacity, capability and risk .....                                                             | 42 |
| New approaches to tackling major fraud risks.....                                               | 43 |
| Contacting TEICCAF .....                                                                        | 44 |
| <b>Appendix 1: Checklist for those responsible for combatting fraud and corruption</b><br>..... | 45 |
| <b>Appendix 2: Data collection approach and extrapolation methodology</b> .....                 | 46 |

## SUMMARY AND RECOMMENDATIONS

This is the first Protecting the English Public Purse (*PEPP 2015*) report by The European Institute for Combatting Corruption And Fraud (TEICCAF). *PEPP 2015*:

- has been developed by the former counter fraud team of the Audit Commission, now part of TEICCAF;
- continues the national series of reports previously published by the Audit Commission; and
- reports on **national, regional and local** fraud detection by English councils.

**In total, English councils detected fewer cases of fraud in 2014/15 compared with previous year. However, their value increased by more than 11 per cent. In particular:**

- the number of detected cases fell by more than 18 per cent to over 84,000 while their value increased by more than 11 per cent to greater than **£207 million**;
- the number of detected cases of **housing benefit and council tax benefit** fraud fell by more than half to just over 27,000 while their value fell by almost 17 per cent to nearly £23.5 million. This decline was expected; and
- the number of detected cases of non-benefit (corporate) fraud decreased by greater than 8 per cent to more than 57,000, while their value increased by greater than 63 per cent to more than £97 million.

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**English Councils  
detected fewer cases of  
fraud in 2014/15, but the  
value increased**

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**Councils detected fewer housing tenancy frauds in 2014/15. In particular:**

- 2,993 tenancy frauds were detected, a more than 1 per cent decrease on the previous year; and
- London continues to detect more tenancy fraud than the rest of the country combined.

**Regional and local fraud detection results suggest an emerging divergence in the capacity, capability and commitment of some councils to play an effective part in the fight against fraud. Using a series of proxy indicators we found that:**

- London achieved the highest participation rate (93.9 per cent) in our voluntary detected fraud survey, the highest proportion of corporate fraud teams (93.5 per cent) and proportionately detected the most fraud relative to council spend;
- two regions where fewer than half of all councils had corporate fraud teams both detected proportionately fewer frauds than their expenditure levels would suggest; and
- evidence that neighbouring councils with similar socio-economic and demographic characteristics are detecting markedly different levels of corporate fraud.

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**London detected the most fraud... relative to council spend**

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**Right to Buy (RTB) and No Recourse to Public Funds (NRPF) have emerged as significant areas of fraud risk for councils. In particular:**

- RTB detected fraud cases more than **doubled** to 411, while their value increased by nearly 145 per cent to more than £30 million;
- we estimate that at least **3 per cent** of RTB applications in London are fraudulent, at least **1.5 per cent** in the rest of the country;
- legislative proposals to extend RTB to housing associations is likely to result in similar levels of RTB fraud to that encountered by councils. However, with a few notable exceptions, housing associations **do not** have the counter-fraud capacity or capability equivalent to councils to tackle such fraud; and
- NRPF is a new sub-category of fraud. Relatively few councils proactively targeted this type of fraud in 2014/15 yet there were still **444 cases** detected with a value more than £7 million.

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**RTB fraud detected was more than £30m, an increase of 145%**

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## Recommendations

### Councils should:

- use our checklist for councillors, senior officers and others responsible for audit and governance (Appendix 1) to review their counter-fraud arrangements;
- use our free, tailored benchmark comparative analysis (available from autumn 2015) to challenge poor performance;
- assess their own strategy in the context of the national *Fighting Fraud Locally 2015* strategy;
- give consideration to the social harm caused by fraud when determining their overall strategy to tackle corporate fraud;
- accelerate re-focusing of counter fraud activities towards non-benefit (corporate) frauds;
- record and report fraud as fraud;
- celebrate and promote their performance in detecting fraud and corruption; and
- assess their exposure to RTB and NRPF fraud risks.

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**Give consideration to  
the social harm caused  
by fraud**

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### Government should:

- work in partnership with TEICCAF to better understand the nature and scale of RTB and NRPF frauds; and
- acknowledge and address the fraud exposure of housing associations to proposed changes to RTB legislation.



## TEICCAF will:

- collate, assess and disseminate good practice in tackling fraud;
- highlight the innovative good practice in tackling fraud that councils develop as a result of the recent DCLG challenge funding;
- work with our partner organisation, the Institute of Revenues, Rating and Valuation (IRRV) and Local Authority Investigating Officers Group (LAIOG), to better understand the nature and scale of business rate fraud/avoidance;
- annually track changes in tenancy fraud detection by regions;
- work in partnership with councils across England to develop *PPP* style reports for all regions;
- work in partnership with national regulators and other key stakeholders to develop national *PPP* style reports for Scotland, Wales and Northern Ireland;
- work with metropolitan districts and unitary authorities to increase their participation rate in our annual detected fraud and corruption survey;
- work in partnership with councils to promote the importance of counter fraud activities in those regions where more can be done to strengthen fraud detection;
- work in partnership with key stakeholders to develop a greater understanding of the nature and scale of RTB and NRPF frauds;
- develop guidance and provide support to tackle fraud and corruption, drawing upon the knowledge of national experts;

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**Develop both regional and national PPP reports in partnership with key stakeholders**

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**Develop a greater understanding of the nature and scale of RTB and NRPF frauds**

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- work with partner organisations to develop new fraud prevention and deterrence tools;
- work with councils to support the development of corporate fraud teams;
- work with key stakeholders to develop a methodology to assess the financial impact of fraud prevention activities; and
- publish information and guidance to raise public awareness and understanding of good practice in tackling fraud.

## CHAPTER 1: INTRODUCTION

*This is the first Protecting the English Public Purse (PEPP) report by The European Institute for Combatting Corruption And Fraud (TEICCAF). The former counter-fraud team of the Audit Commission, the previous authors of the Protecting the Public Purse series of reports, have joined with TEICCAF to continue publishing information on fraud and corruption detection by English councils.*

1. National *Protecting the Public Purse (PPP)* reports have played an important role in the fight against local authority fraud over the last 25 years. Published by the Audit Commission, the last report was published in 2014. The Audit Commission was abolished in March 2015.
2. *PPP* reports identified trends in fraud detection, highlighted and disseminated good practice in tackling fraud and identified current and emerging fraud risks.
3. In November 2014 the Chartered Institute of Public Finance and Accountancy (CIPFA) withdrew from an agreement to continue the counter-fraud work of the Audit Commission, including *PPP*. This potentially left a gap in local authorities' knowledge of current and emerging fraud trends.
4. In response to this and other concerns, a number of stakeholder organisations came together to form, '*The European Institute for Combatting Corruption And Fraud*' (TEICCAF). This includes the former counter-fraud team of the Audit Commission. TEICCAF agreed to continue the *PPP* series of reports, now called *Protecting the English Public Purse (PEPP)*, and the annual detected fraud and corruption survey. Further information on TEICCAF can be found in Chapter 7.



5. This continuation of the Audit Commission's counter fraud work through TEICCAF has met with a significant amount of approval. For example:

*“As the last Controller of the Audit Commission, I can confirm that the Protecting the Public Purse report series and the annual detected fraud survey had a significant and beneficial impact for English councils in their fight against fraud. The Commission's counter-fraud work was award winning, and the counter-fraud team that led on it were rightly recognised as national authorities on the collection, analysis and dissemination of such information.*

*While it was unfortunate that the detected fraud survey and PPP reports finished with the Commission's closure in 2015, it is greatly encouraging that TEICCAF, which includes the former counter fraud team of the Audit Commission, have stepped in to continue this valuable work. I encourage all local authorities to support this initiative.”*

**- Marcine Waterman,**

Former Controller of the Audit Commission

6. In *PEPP 2015* our focus is to report year-on-year changes in cases and values of detected fraud, as well as highlighting longer term trends and regional developments. In future years we will focus on the identification and sharing of good practice.
7. *PEPP 2015* is for those with overall responsibility for tackling fraud and corruption at councils, including councillors. Above all, it aims to help local authorities understand the fraud risks they face and to assist the development of appropriate and proportionate counter-fraud arrangements at councils.

8. The National Policing Fraud Strategy<sup>i</sup> 2015 sets out a comprehensive framework through which fraud can be addressed. This strategy tackles the problem of fraud on a national, regional and local level. TEICCAF endorses this approach. *PEPP 2015* follows a similar structure. It provides:

- guidance on the interpretation of detected fraud and corruption data (Chapter 2);
- the amount of detected fraud reported **nationally** by local authorities in England in 2014/15 compared with 2013/14, including longer term trends (Chapter 3);
- data on **regional** trends in detected fraud (Chapter 4);
- data on **local** trends in fraud detection (Chapter 5);
- information on two significant emerging fraud threats, Right to Buy (RTB) and No Recourse to Public Funds (NRPF) (Chapter 6);
- outlines the support that TEICCAF will provide to assist the long-term development of robust and proportionate arrangements in the fight against fraud (Chapter 7); and
- contains a checklist for councils to assess their counter-fraud arrangements (Appendix 1).

9. Appendix 2 to this report summarises the fraud survey methodology and the information extrapolation approach we adopted to ensure comparability and continuity with Audit Commission trend data. Appendix 2 also provides information on our proxy indicator for RTB fraud.

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**The closure of NFA in March 2014 and the Audit Commission a year later created a significant gap...in the fight against fraud**

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### **A perfect storm for councils – the changing counter-fraud landscape**

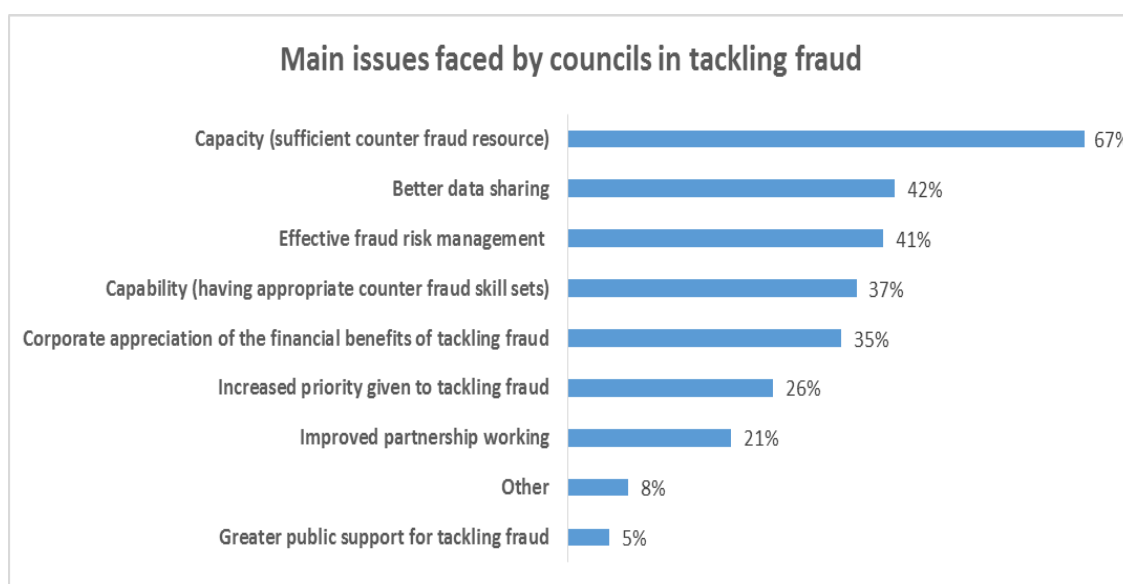
10. Recent years have witnessed significant changes in the counter-fraud landscape in local government. The closure of the National Fraud Authority in March 2014 and the Audit Commission a year later created a significant gap in the support, advice and leadership available to councils in the fight against fraud.

11. Local authorities have been subject to significant funding reductions since 2010, with more to come. *PPP 2014* reported a near 20 per cent reduction in counter-fraud investigators in councils in the four years up till March 2014.
12. Arguably the most important change for councils has been the transfer of most of their benefit fraud investigators to the Single Fraud Investigation Service (SFIS), which is managed by the Department for Works and Pensions. The transition to the SFIS began in July 2014 and will be complete in March 2016. In *PEPP 2015* we note the impact this change is beginning to have on local authority's fraud detection performance.
13. Longer term technological improvements in service delivery are also rapidly changing the fraud risk landscape, including the increasing adoption of digital technology by local authorities. The internet has transformed the ease with which fraudsters can operate across borders<sup>ii</sup>. TEICCAF will work with local authorities to better understand and mitigate the cyber related fraud risks that have arisen as a result.
14. There have also been positive developments. In November 2014 the Department for Communities and Local Government (DCLG) awarded £16 million to local authorities through a challenge fund. Councils that successfully bid received a share of this fund to support their efforts to re-focus their counter-fraud activities on non-benefit (corporate) frauds during the SFIS implementation. In future years we will highlight the innovative good practice that successful councils have developed using this fund.
15. In 2015, the new *Fighting Fraud Locally* strategy will be launched. This is a new three year national strategy to tackle local authority fraud. We encourage all councils to consider this strategy as part of their own arrangements to tackle fraud.

## The main issues councils face in tackling fraud

16. Our 2015 survey asked councils to identify the top three issues they face in tackling fraud. Two thirds of councils stated that the single most important factor is capacity (sufficient counter fraud resource) (Figure 1). Capacity was also the main issue last year. It is likely that the transfer of council counter fraud staff to SFIS is driving this continuing concern.

**Figure 1: Main issues faced by councils in tackling fraud**



17. However, SFIS also provides an opportunity for councils to focus resources away from housing benefit fraud and towards all the non-benefit (corporate) fraud risks they face.

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**Non-benefit (corporate) frauds have a far greater direct financial and harm impact on local people**

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18. Although tackling housing benefit fraud is important, non-benefit (corporate) frauds have a far greater direct financial and social harm impact on local people and local taxpayers. This re-focusing by councils towards frauds that have a significant and direct local impact is to be welcomed. Figure 2 provides more information on this long term trend.

19. Nationally, less than half (45.7%) of councils have a corporate counter fraud team tackling non-benefit fraud. However, this is not consistent across all regions. In London, 93.5 per cent of councils have a corporate fraud team. By comparison just 37.4 per cent of councils in the rest of the country have a corporate fraud team. We will continue to monitor this situation and work with councils to support development of corporate fraud teams.
20. Interpreted properly, detected fraud and corruption results can be instructive in identifying trends and emerging risks in fraud. Such data provide an important and robust evidence base for councils to inform their own proportionate and strategic response to fraud. However, there remains the risk that such information can be misunderstood and the wrong conclusions drawn. Chapter 2 provides a framework that councils can use to better understand and interpret detection trends.

## CHAPTER 2: INTERPRETING FRAUD DETECTION RESULTS

*Fraud detection results provide only part of the overall picture of how effective regions, and individual councils, are in tackling fraud. Detection results can be open to misinterpretation. Counter-intuitively, our experience shows that those councils that detect the most fraud are also often among the most effective at fraud prevention and deterrence. Generally, local authorities with particularly high levels of non-benefit fraud detection are typified by a strong corporate commitment to the fight against fraud.*

21. There are a number of factors that affect the level of fraud councils detect. These include:

- the level of fraud committed locally, often influenced by a number of socio-economic and demographic factors;
- the effectiveness of fraud prevention arrangements and deterrence strategies;
- correctly identifying fraud;
- capacity to fight fraud, measured by the resources devoted to identify and investigate it;
- the capability of the investigators employed, indicated by their levels of skills, knowledge and experience; and
- the effectiveness of methods of recording fraud.

22. As a result of these factors, care is needed when interpreting fraud detection results. They can be open to potential misinterpretation. Myths have developed over time which has acted as a barrier to effective counter-fraud activity. For example there is a myth that detecting little or no fraud provides assurance that little or no fraud is being committed. Some councils have used this 'myth' as justification to reduce their investigative capacity.



23. TEICCAF is uniquely positioned to challenge such myths. We are able to draw upon the knowledge and experience of the former counter-fraud team of the Audit Commission, now part of TEICCAF, and other expert partner organisations (see Chapter 7).

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**TEICCAF in uniquely positioned to challenge such myths**

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24. Based on our experience, we believe that:

- councils that look for fraud, and look in the right way, will find fraud;
- fraud affects every council, although socio-economic and demographic factors will impact on the type and level of fraud in different local authorities and regions;
- fraud will always be committed, but that prevention and deterrence strategies can reduce the harm caused;
- councils that report little or no detected corporate fraud are generally higher risk than those that detect significant levels of fraud; and
- fraud detection levels provide a useful indicator as to the level of commitment of individual local authorities to tackle fraud.

25. These are important factors when interpreting fraud detection results. In addition, different types of fraud will also require different fraud prevention, detection and deterrence strategies. This will depend on whether they are high volume/ low value frauds (such as disabled parking fraud) or low volume/ high value frauds (such as procurement).

26. In the next chapter we summarise English councils national fraud detection results for 2014/15.

## CHAPTER 3: NATIONAL FRAUD DETECTION BY COUNCILS

*Local authorities detected fewer cases of fraud in 2014/15 compared with previous year, continuing a trend first noted in PPP 2013. However, the value of losses from detected fraud has increased significantly.*

27. Previous PPP reports drew upon data collected by the Audit Commission's annual detected fraud and corruption survey for local government bodies. This survey was mandatory. TEICCAF is a not-for-profit organisation and does not have equivalent powers, thus participation in our detected fraud survey 2014/15 was voluntary. We outline our survey collection and extrapolation methodology in Appendix 2.

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**Fewer cases of fraud detected, however the value of losses increased significantly**

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28. The survey results:

- map the volume and value of different types of detected fraud;
- provide information about emerging and changing fraud risks; and
- help to identify good practice in tackling fraud.

29. Nearly six in ten English councils (59.5 per cent) participated in our survey. As TEICCAF was only formed in early 2015, this is a remarkable and highly encouraging response rate by councils. We thank all those councils who voluntarily participated. By drawing upon our unique knowledge and understanding of over six years of survey and fraud intelligence submissions provided by every local government body in England, we have been able to extrapolate from the survey responses the total value amount of fraud detected by every council in England (see Appendix 2 to explain our methodology).

30. Local authorities detected fewer frauds in 2014/15 (nearly 85,000) compared to the previous year (just over 104,000) (Table 1). The value of fraud detected in 2014/15 increased over the previous year, rising from £188 million to £207 million. This is the highest annual value of detected fraud since the data collection process began in 1991.

**Table 1: Cases and values of detected fraud, excluding tenancy fraud –  
Changes between 2013/14 and 2014/15**

| Type of fraud                            | Detected fraud in 2014/15 (excluding tenancy fraud) | Detected fraud in 2013/14 (excluding tenancy fraud) | Change in detected fraud 2013/14 to 2014/15 (%) |
|------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|
| <b>Total Fraud</b>                       |                                                     |                                                     |                                                 |
| Total value                              | £207,078,000                                        | £186,382,000 <sup>1</sup>                           | 11.1                                            |
| Number of detected cases                 | 84,608                                              | 103,743                                             | -18.4                                           |
| Average value per case                   | £2,447                                              | £1,797                                              | 36.2                                            |
| <b>Housing and council tax benefit</b>   |                                                     |                                                     |                                                 |
| Total value                              | £109,707,000                                        | £126,736,000                                        | -13.4                                           |
| Number of detected cases                 | 27,323                                              | 41,369                                              | -33.0                                           |
| Average value per case                   | £4,015                                              | £3,064                                              | -31.0                                           |
| <b>Council tax discounts<sup>2</sup></b> |                                                     |                                                     |                                                 |
| Total value                              | £18,624,000                                         | £19,133,000                                         | -2.7                                            |
| Number of detected cases                 | 48,160                                              | 54,749                                              | -12.0                                           |
| Average value per case                   | £387                                                | £349                                                | 10.9                                            |
| <b>Other frauds</b>                      |                                                     |                                                     |                                                 |
| Total value                              | £78,746,000                                         | £40,513,000                                         | 94.4                                            |
| Number of detected cases                 | 9,125                                               | 7,625                                               | 19.7                                            |
| Average value per case                   | £8,630                                              | £5,313                                              | 62.4                                            |
| <b>Source: PPP 2014 and TEICCAF</b>      |                                                     |                                                     |                                                 |

31. The 18.4 per cent reduction in total overall detected fraud cases is driven by the one-third reduction in detected cases of housing benefit (HB) and

<sup>1</sup> Detected fraud and corruption values and cases for 2013/14 have been adjusted to omit organisations such as police, fire and emergency services data previously included in Audit Commission Protecting the Public Purse reports. This adjustments ensures like-for-like comparisons between years.

<sup>2</sup> In PPP 2014 detected cases and value of Council Tax Reduction (CTR), the scheme that replaced Council Tax Benefit, were included in Housing and council tax benefit figures. However, for PEPP 2015, and in future years, CTR is included in Council tax discounts. The 2013/14 figures for both Housing and council tax benefit and Council tax discount in Table 1 have been adjusted accordingly.

council tax benefit (CTB) fraud. This fall continues a trend first noted in *PPP 2014*, with many councils starting to re-focus resources towards non-benefit frauds. We expect this trend to accelerate as councils complete the transfer of benefit fraud investigators to SFIS by March 2016.

32. The 12 per cent reduction in detected cases of council tax discount fraud is at first sight worrying, as council tax discount fraud is a direct loss to council coffers. However, interpreting council tax discount fraud results can be problematic. As a high volume/low value type of fraud, councils sometimes adopt strategies that place greater emphasis on tackling such fraud in different years. This is a reasonable approach designed to maximise the value for money benefits to the council concerned.

33. Previous *PPP* reports encouraged councils to do more to tackle non-benefit (corporate) frauds. Councils have responded well. Cases of 'Other' frauds increased by 19.7 per cent, while their value increased by 94.4 per cent. TEICCAF will work with local authorities to support this trend towards greater focus on corporate frauds.

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**Councils have responded well. Cases of "Other" frauds increased by 19.7 % (Value increase 94.4%)**

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34. We consider regional trends in more detail in Chapter 4.

## Loss and harm caused by fraud

35. Table 2 shows the estimate of annual loss undertaken by the National Fraud Authority (NFA) before it was abolished in 2014. Although a useful starting point to understand the scale of financial loss to fraud against local government, it excludes the two most important areas of council spend - social care and education - and one of the main areas of income generation (business rates). Major areas of emerging fraud risk are also excluded from this analysis, such as RTB and NRPF frauds (see Chapter 6).

**Table 2: Estimated annual loss to fraud in local government**

| Category                     | Annual loss (million) | Fraud level (%)                                                                       |
|------------------------------|-----------------------|---------------------------------------------------------------------------------------|
| Procurement                  | £876                  | 1% of spend                                                                           |
| Housing tenancy              | £845                  | 4% of London housing stock, 2% non-London stock, multiplied by £18,000                |
| Housing benefit <sup>3</sup> | £350                  | 0.7% (in 2013 – see footnote). Subsequently updated by Department of Works & Pensions |
| Payroll                      | £154                  | Not disclosed by NFA                                                                  |
| Council tax discount         | £133                  | 4% on discounts and reliefs claimed                                                   |
| Blue badges                  | £46                   | 20% of badges misused                                                                 |
| Grants                       | £35                   | 1% of spend                                                                           |
| Pensions                     | £7.1                  | NFA – based on NFI detection levels                                                   |

*Source: NFA Annual Fraud Indicator 2013*

36. We believe, because of the omissions highlighted above, that this measure of the scale of loss represents a significant underestimate of the true loss incurred annually by councils to fraud.

<sup>3</sup> £350 million was the housing benefit fraud estimate at the date the 2013 Annual Fraud Indicator was published by the National Fraud Authority. We recognise that subsequent measurement exercises have resulted in adjustments to the 2013 housing benefit fraud estimate.

37. Table 2 also excludes the social harm caused by fraud. For example, the local family in temporary accommodation who cannot be allocated a council home because of fraudsters' illegally sub-letting council homes for profit. This has been shown to have a long term detrimental effect on health, education and socio-economic opportunities for the families concerned<sup>iii</sup>.

38. Fraud also diminishes public trust in local authorities.

The abuse of the blue badge (disabled parking) concessions by fraudsters is a good example of this. Not only does such fraud prevent those in genuine need and entitlement from accessing required parking facilities, but it also reduces the public's confidence in the blue badge system.

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**Fraud also diminishes  
public trust in local  
authorities**

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39. Councils should give consideration to the social harm caused by fraud when determining their overall strategy to tackle corporate fraud.



## Non- benefit (corporate) fraud

40. Table 3 highlights the main fraud types in the 'Other' group in Table 1. These account for almost £71.5 million of the more than £207 million detected by councils in 2014/15.

**Table 3: Ten main 'Other' frauds against councils in 2013/14 and 2014/15**

| Fraud type                                | Number of cases 2014/15 | Value 2014/15 | Number of cases 2013/14 | Value 2013/14 | Changes in case number 2013/14 to 2014/15 | Change in case value 2013/14 to 2014/15 |
|-------------------------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------------------------|-----------------------------------------|
| Right to Buy                              | 411                     | £30,247,573   | 193                     | £12,361,858   | 113.0                                     | 144.7                                   |
| Abuse of position                         | 221                     | £9,747,682    | 341                     | £4,020,580    | -35.2                                     | 142.4                                   |
| Insurance                                 | 473                     | £9,172,614    | 226                     | £4,776,300    | 109.3                                     | 92.0                                    |
| No Recourse to Public Funds               | 444                     | £7,115,446    | N/A                     | N/A           | N/A                                       | N/A                                     |
| Social Care                               | 291                     | £4,286,767    | 438                     | £6,261,930    | -33.6                                     | -31.5                                   |
| Debt fraud                                | 1,083                   | £2,890,638    | 1,061                   | £1,789,365    | 2.1                                       | 61.5                                    |
| Economic and third sector support         | 102                     | £2,392,773    | 36                      | £741,867      | 183.3                                     | 222.5                                   |
| Procurement                               | 86                      | £2,349,352    | 127                     | £4,437,965    | -32.3                                     | 47.1                                    |
| Disabled parking concessions (Blue Badge) | 4,371                   | £2,185,500    | 4,055                   | £2,027,500    | 7.8                                       | 7.8                                     |
| Business rates                            | 171                     | £1,089,780    | 84                      | £1,220,802    | 103.6                                     | -10.3                                   |

**Source: PPP2014<sup>4</sup> and TEICCAF**

41. Interpreting these results can be problematic, as annual percentage changes in results can be affected by a few costly frauds in either year. Procurement fraud is an example of this; detected cases decreased by 32.3 per cent, but detected value increase by 47.1 per cent.

<sup>4</sup> All prior year analysis and data published in this report is derived from publicly available information. This includes previous PPP reports as well as presentational material by the Audit Commission to national and regional conferences and forums.

42. In particular, we note:

- Right to Buy (RTB) fraud cases have more than doubled in the last year. This continues a trend first reported in *PPP 2013*. We will explore this in more detail in Chapter 6;
- insurance fraud continues to rise, with the value and number of cases nearly doubling. We suggest that this is probably as a result of greater attention given to such fraud in recent years by local authorities, rather than an increase in the amount of insurance fraud being committed;
- cases of economic and third sector fraud have increased by 183 per cent, with values increasing by over 220 per cent. Economic and third sector fraud involves the false payment of grants, loans or any financial support to any private individual or company, charity, or non-governmental organisation including, but not limited to: grants paid to landlords for property regeneration; donations to local sports clubs; and loans or grants made to a charity;
- business rate fraud cases have more than doubled, although the total value detected has dropped slightly. Fluctuations in value are to be expected, given some individual business rate frauds have been worth over £1 million. In part, the increase in cases may have resulted from greater national attention given to this risk in recent years. We will work with one of our partner organisation, the Institute of Revenues, Rating and Valuations - recognised national experts in business rates - to better understand such fraud; and
- emergence of 'No Recourse to Public Funds' (NRPF) as a major area of fraud detection. This is a relatively new fraud risk and 2014/15 is the first year it has been designated as a specific fraud type in our survey. Thus to already be the fifth largest of the 'Other' frauds detected is both remarkable and concerning. Most NRPF fraud has to date been detected by London boroughs<sup>iv</sup>. We will consider this in more detail in Chapter 6.

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**Right to Buy fraud cases  
have more than doubled in  
the last year**

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## Housing tenancy fraud

43. The number of social homes recovered from tenancy fraudsters decreased slightly, by 1.2 per cent in the last year (Table 4).

44. We define housing tenancy fraud as:

- subletting a property for profit to people not allowed to live there under the conditions of the tenancy;
- providing false information in the housing application to gain a tenancy;
- wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant; or
- failing to use a property as the principal home, abandoning the property, or selling the key to a third party.

**Table 4: detected tenancy frauds by region**

| Region                 | Number of properties in housing stock<br>(% of national housing stock) | Number of properties recovered in 2014/15<br>(% of total properties recovered) | Number of properties recovered in 2013/14<br>(% of total properties recovered) | % changes in number of properties recovered 2013/14 to 2014/15 |
|------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------|
| London                 | 426,307<br>(27)                                                        | 1,618<br>(54)                                                                  | 1,807<br>(60)                                                                  | -10.5                                                          |
| West Midlands          | 200,714<br>(13)                                                        | 475<br>(16)                                                                    | 425<br>(14)                                                                    | 11.8                                                           |
| Yorkshire & the Humber | 226,901<br>(14)                                                        | 208<br>(7)                                                                     | 140<br>(5)                                                                     | 48.6                                                           |
| East of England        | 132,918<br>(8)                                                         | 174<br>(6)                                                                     | 187<br>(6)                                                                     | -7.0                                                           |
| South East             | 159,248<br>(10)                                                        | 160<br>(5)                                                                     | 129<br>(4)                                                                     | 24.0                                                           |
| East Midlands          | 145,069<br>(9)                                                         | 115<br>(4)                                                                     | 136<br>(4)                                                                     | -15.4                                                          |
| South West             | 90,292<br>(6)                                                          | 106<br>(4)                                                                     | 111<br>(4)                                                                     | -4.5                                                           |
| North East             | 102,455<br>(6)                                                         | 99<br>(3)                                                                      | 59<br>(2)                                                                      | 67.8                                                           |
| North West             | 104,120<br>(7)                                                         | 39<br>(1)                                                                      | 37<br>(1)                                                                      | 5.4                                                            |
| <b>TOTAL</b>           | <b>1,588,023</b><br>(100)                                              | <b>2,993</b><br>(100)                                                          | <b>3,030</b><br>(100)                                                          | -1.2                                                           |

*Source: PPP 2014 and TEICCAF*

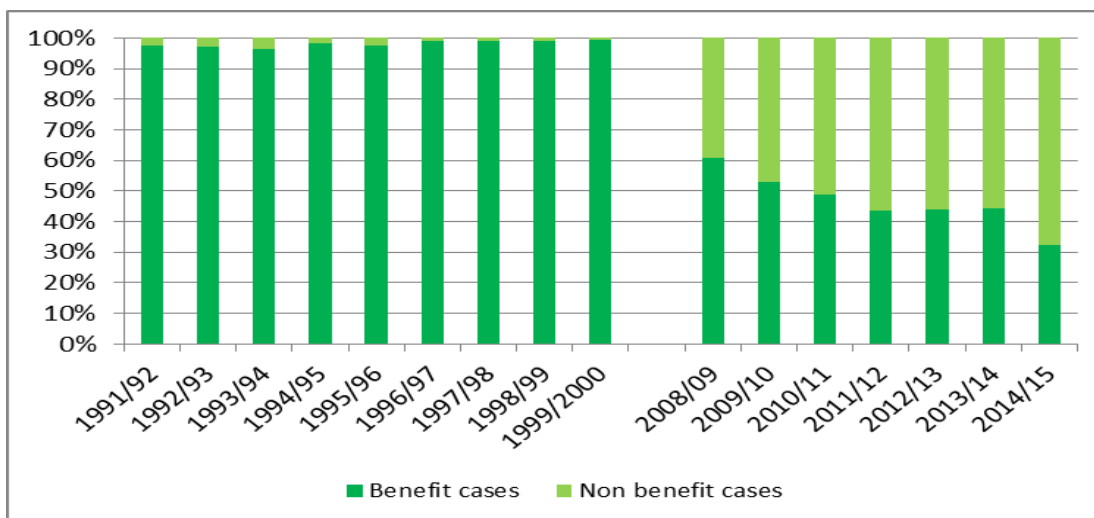
45. London, with 27 per cent of the nation's housing stock, continues to recover far more properties from fraudsters than the rest of the country (54%). However, in 2014/15 London detected 10.5 per cent fewer tenancy frauds than the previous year. This suggest tenancy fraud detection in the capital may have plateaued. We will track this development.

46. The North East (67.8%), Yorkshire and the Humber (48.6%), the South East (24.0%), the West Midlands (11.8) and the North West (5.4%) all recorded increases in the number of properties recovered. This is encouraging.
47. However, analysis of the data shows that these increases are, in the main, due to the performance of a few individual councils in each of those regions. There remain councils with housing stock that do not tackle tenancy fraud.
48. Of all councils with housing stock, nearly a third (31.3 per cent) did not recover a single property from a tenancy fraudster. However, the variation between council types is stark, with over half (54.5 per cent) of district councils recovering no properties, compared with a fifth (21.7 per cent) of metropolitan districts and unitary authorities, but only 3.4 per cent of London boroughs

### **Continuing the shift in focus from benefit to non-benefit (corporate) fraud**

49. *PPP 2014* noted the long term shift in councils' focus from benefit to non-benefit (corporate) fraud. Between 1991 and 2000, councils prioritised detecting benefit fraud. In 1991, only 2 per cent of cases of detected fraud related to non-benefit. When the *PPP* series re-started in 2009, that figure had increased to 39 per cent. By 2014/15, this has risen to 67.7% (Figure 2).

**Figure 2: Long term trend in benefit and non-benefit (corporate) frauds detected**



50. This trend is not unexpected. From the early 1990s financial incentives were introduced by the government encouraging councils to tackle benefit fraud. However, these financial incentives were gradually reduced and later phased out leaving councils with only administration grants<sup>5</sup>. Councils still committed significant, although reducing, proportions of their counter-fraud resources to tackle benefit fraud.

51. In this chapter we have considered national trends in fraud detection. In Chapter 4 we consider regional trends in more detail and explore the potential capacity, capability and commitment of some parts of the country to tackle fraud.

<sup>5</sup> The administration grant is paid to councils by central government to administer housing and council tax benefits. An element of this funding is intended to fund HB counter fraud activities.



## CHAPTER 4: REGIONAL TRENDS, TRANSPARENCY AND ACCOUNTABILITY

*English councils are more transparent and accountable in the fight against fraud than any part of the UK public, private or voluntary sectors. By turning an appropriate spotlight on the issue, local authorities have been able to better understand and challenge their own performance. However, indicators suggest an emerging divergence in the capacity, capability and commitment of some regions and councils to tackle fraud*

52. English councils were, until relatively recently, more transparent and accountable in the fight against fraud than any other part of the UK public, private and voluntary sectors. No other sector collected and published information for the entire sectors' national, regional and local levels of detected fraud.

53. This year we note in particular the commitment of London Boroughs in the fight against fraud. In 2015, as the result of a collaboration between London Borough Fraud Investigators Group (LBFIG) and TEICCAF, the first ever *PPP* style report highlighting the fraud detection benchmarking performance of just one region (London) was published.

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**English councils are more transparent and accountable in the fight against fraud than any part of the UK public, private or voluntary sectors**

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54. This report is called *Protecting the London Public Purse 2015 (PLPP 2015)*. We encourage all English regions to work in partnership with TEICCAF to publish similar regionally focused *PPP* style reports in the future. We believe similar reports would benefit other nations such as Scotland, Wales and Northern Ireland.

55. By publicising the success some councils have had in tackling fraud, other councils have sought to emulate them and in so doing raised the standard of counter fraud throughout the sector. TEICCAF is committed to working with councils to continue a high degree of transparency and accountability, through *PEPP* and similar public reports.

## The positive impact of transparency and accountability

56. Turning the spotlight on fraud in local government has had some spectacular results. For example, a three-fold increase in tenancy fraud detection in the four years after *PPP* first highlighted the issue in 2010<sup>v</sup>.

57. *PPP 2013* reported that 88 districts, London Boroughs metropolitan district and unitary authorities had not detected a single non-benefit fraud in 2012/13. However, by utilising comparative benchmark information supplied by the Audit Commission in 2013, councillors were able to challenge local detection performance. One year later and *PPP 2014* reported that those councils that reported detecting no non-benefit fraud had more than halved to just 39. This is a remarkable improvement and an encouraging trend.

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**Turning the spotlight on tenancy fraud in local government has led to a three-fold increase in detection.**

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## Regional fraud detection trends - capacity, capability and commitment to tackle fraud

58. In this chapter we will now consider whether regional capacity, capability and commitment to tackle fraud is consistent across the country.

59. To make this assessment we have used three proxy indicators of a region's (or council's) capacity, capability and commitment to effectively tackling fraud. They are:

- regional fraud detection levels compare to each regions percentage of total national spend;
- regional participation levels in our 2015 voluntary detected fraud and corruption survey; and
- proportion of councils in each region with a corporate fraud team.

60. We acknowledge that there are justifiable reasons why some regions and councils may not have addressed all, or some, of the indicators (Table 5). However, taken in totality we believe the balance of the argument suggests some form of association between the proxy indicators chosen and overall corporate capacity, capability and commitment to tackling fraud.

**Table 5: Detected frauds and losses 2014/15 by region compared to regional spend, survey participation levels and corporate fraud teams**

| Region                 | Council spending by region as % of total spending | Regional % of total value of all fraud detected in 2014/15 | Regional % of number of cases of all detected fraud 2014/15 | % of councils in each region that participated in the voluntary survey | % of participating councils in each region with a corporate fraud team |
|------------------------|---------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------|
| East of England        | 10.3                                              | 10.6                                                       | 12.1                                                        | 67.9                                                                   | 65.7                                                                   |
| East Midlands          | 7.7                                               | 5.1                                                        | 7.0                                                         | 54.5                                                                   | 29.2                                                                   |
| London                 | 18.2                                              | 35.3                                                       | 23.1                                                        | 93.9                                                                   | 93.5                                                                   |
| North East             | 5.4                                               | 4.3                                                        | 5.4                                                         | 50.0                                                                   | 83.3                                                                   |
| North West             | 13.6                                              | 10.3                                                       | 8.1                                                         | 56.1                                                                   | 34.8                                                                   |
| South East             | 15.0                                              | 13.0                                                       | 15.5                                                        | 57.3                                                                   | 68.3                                                                   |
| South West             | 9.1                                               | 6.5                                                        | 7.9                                                         | 61.0                                                                   | 52.0                                                                   |
| West Midlands          | 10.8                                              | 8.0                                                        | 9.9                                                         | 51.5                                                                   | 29.4                                                                   |
| Yorkshire & the Humber | 10.1                                              | 6.9                                                        | 10.9                                                        | 31.8                                                                   | 57.1                                                                   |

**Source PPP 2014 and TEICCAF**

61. We caveat our interpretation by recognising that:

- our detected fraud and corruption survey was voluntary and councils in some regions would have justifiable local reasons not to participate. However, we would argue that response rate are effected by several factors, one of which is corporate commitment to tackling fraud;
- councils may be of such a relatively small size that it is not operationally efficient to have a corporate fraud team. However, it is the view of TEICCAF that such councils should be seeking to form local partnerships that act as a corporate counter-fraud resource. Encouragingly, some councils have already started to develop such partnerships; and
- there will always be some variation in the volume and value of frauds detected depending on the scope of activity of individual councils. However, within certain parameters, reasonable inferences between the proportions of council spend, detection results and corporate commitment to tackling fraud, remain valid.

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**The two regions with the highest survey participation level both detected more fraud by value and cases than their regional expenditure would have suggested likely**

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62. From our analysis we note that:

- London boroughs achieved the highest participation rate in the voluntary survey, have the highest proportion of councils with a corporate fraud team and disproportionately detect significantly more frauds (both by case and total value) than any other part of the country;
- the two regions with the highest survey participation level (London and East of England) both detected more fraud by value and cases than their regional expenditure would have suggested likely;
- the two regions where fewer than half of councils had corporate fraud teams (East Midlands and West Midlands) both detected proportionately fewer frauds (by both cases and total value) than their expenditure would suggest likely;

- the three regions with the lowest level of corporate fraud teams (East Midlands, West Midlands and North West) all detected proportionately fewer frauds (cases and total value) than their expenditure would suggest was likely; and
- Yorkshire and the Humber had the lowest survey participation rate of any region, detected proportionately fewer cases of fraud than overall regional expenditure would have suggested was likely, but by value detected more frauds than would have been proportionately expected.

63. Further research is needed to understand better the relationship between these three indicators.

64. Voluntary survey submissions rates analysed by authority type is also quite revealing (see Table 6).

**Table 6: Detected survey submission rates by authority type 2014/15**

| Authority type                                 | % participating in the voluntary fraud detection survey |
|------------------------------------------------|---------------------------------------------------------|
| London Boroughs                                | 93.9                                                    |
| County Councils                                | 66.7                                                    |
| District Councils                              | 59.7                                                    |
| Metropolitan Districts and Unitary Authorities | 44.6                                                    |
| <b>Total</b>                                   | <b>59.5</b>                                             |

65. London boroughs achieved a near 94 per cent response rate. Using survey participation rates as a proxy indicator, this suggest that not only is London as a region arguably the most committed to tackling fraud but also as an authority type. We commend London Boroughs for this commitment, as we also do for County Councils (66.7 per cent) and District Councils (59.7 per cent). These authority types participated in the survey at a level above the national average (59.5 per cent).

66. Less than half of Metropolitan Districts and Unitary Authorities participated in the survey. We will work in partnership with these authorities to increase their participation rate in future surveys. It is

through a high participation rate that meaningful benchmark analysis is possible.

67. It is good practice for councils to maintain accurate information and data on its counter-fraud activity, including levels of detected fraud. Without this information:

- meaningful local fraud risk analysis and detection performance benchmarking is not possible;
- internal and external audit assurance is more limited; and
- councillors ability to provide strategic vision is impaired.

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**It is good practice for councils to maintain accurate information and data on counter-fraud activity**

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68. We do not advocate that information on fraud detection at individual councils is made public, as this only aids fraudsters. Even making public the number of fraud investigators a council employs speaks volumes to a fraudster about the likelihood of success and getting caught.

69. Rather we advocate as best practice that audit committees are kept fully informed of counter-fraud activity and take a strategic lead on tackling fraud.

70. Our analysis in this chapter suggests an emerging divergence in the capacity, capability and commitment of some regions to fight fraud. In the next chapter we will examine local trends in more detail.

## CHAPTER 5: LOCAL TRENDS

*National and regional trends can conceal significant variations in performance by similar, and often neighbouring, councils within individual regions. Councillors have a role to play to challenge where individual local performance is weak.*

71. Virtually every council in England has a counter-fraud policy that in general terms states:

- responsibility to prevent and detect fraud and corruption lies with all staff and councillors of the organisation; and
- the council has adopted a zero-tolerance approach to fraud and corruption.

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**Councillors have an increasingly important role to play in challenging their own authority's counter-fraud performance**

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72. Councillors have an increasingly important role to play in challenging their own authority's counter-fraud performance. However, from a statutory perspective the ultimate duty to prevent and detect fraud and corruption at individual English local authorities lies with the 'Section 151' officer. That duty is set out in Section 151 of the Local Government Act 1972<sup>vi</sup>.

73. TEICCAF is committed to supporting local councillors and 'Section 151' officers, traditionally the Director of Finance, in these important roles. Thus later this year we will provide free to every council that participated in our 2015 detected fraud and corruption survey, a benchmarked summary analysis of their own councils' individual performance. This is critical information to help inform local priorities.

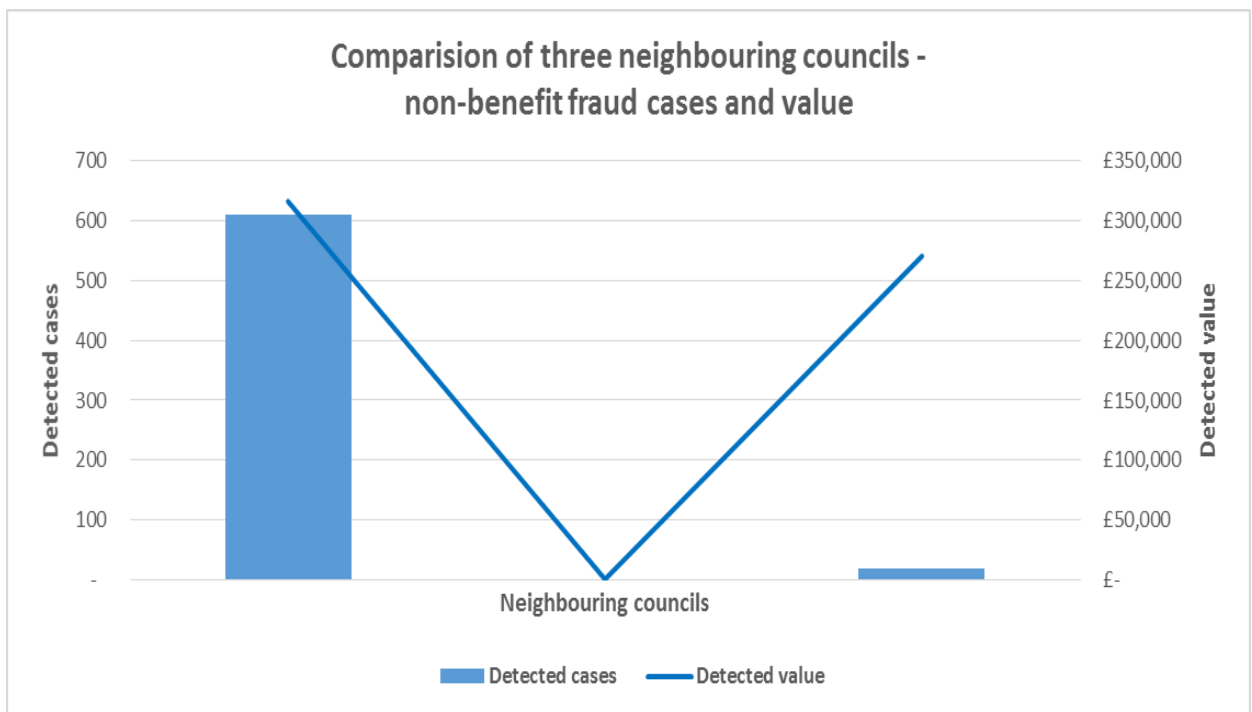
### Local variations in fraud detection

74. Our analysis indicates there are sometimes significant variations in the number of cases and values of fraud that councils across the country detect. This can be explained, in part, by several factors including the counter fraud priorities and plan of individual councils in specific years.

75. However, we have found that neighbouring councils similar in size, demographic make-up and activity can report markedly different levels of corporate fraud detection.

76. As an example, Figure 3 shows the analysis of total non-benefit (corporate) frauds detected by three neighbouring councils in 2014/15 with similar socio-economic and demographic characteristics.

**Figure 3: Comparison of three neighbouring councils' non-benefit fraud cases and total values**



77. The difference is quite marked. One council has detected over 600 cases of corporate fraud with a total value in excess of £300,000. That council is to be commended. One neighbouring council reported 19 corporate frauds detected with a value of £270,000. Of concern is that the third council reported no detected corporate frauds.

78. Based on our experience, it is highly unlikely that no fraud has been committed at this third council. More likely, that council has limited capacity or capability to tackle corporate fraud. Local councillors have a



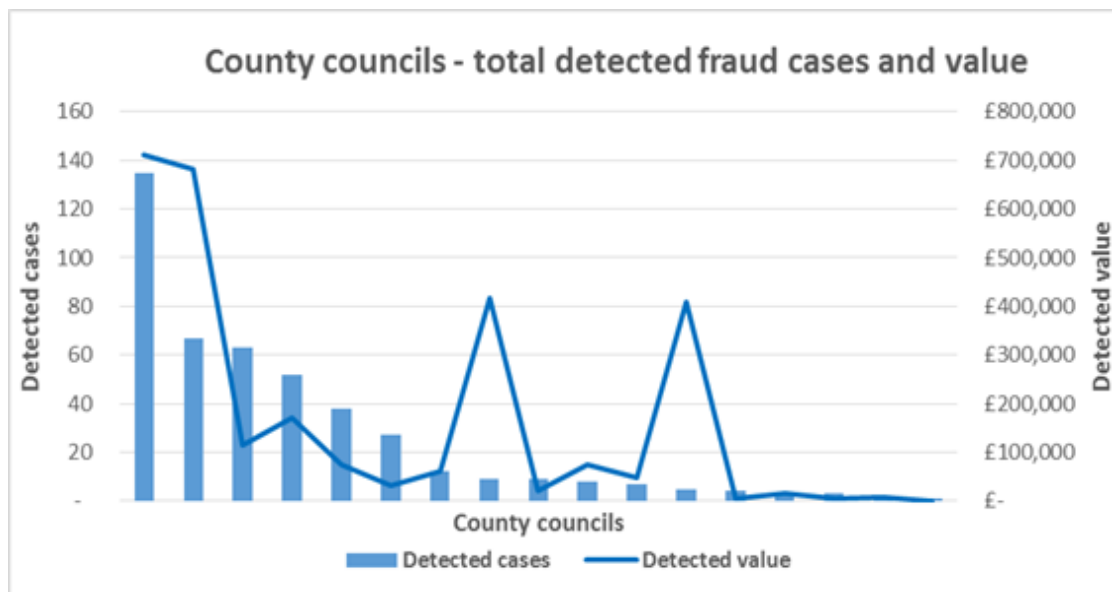
role to challenge local commitment and priorities at councils that are detecting little or no corporate fraud.

79. An analysis of the data nationally demonstrates that this is far from an isolated incident. TEICCAF will work with councils and regions to support local initiatives to address these issues.

## County Councils

80. Figure 4 shows county councils total detected fraud cases and their value.

**Figure 4: County councils - total detected fraud cases and value**



81. In Figure 4, one county detected 135 cases of fraud with a total value of £711,000. By contrast, we note that five county councils detected fewer than five cases of fraud in 2014/15. On average, those five counties detected £6,400 of fraud.

82. The variation observed in Figure 4 is not unexpected. Early identification of fraud can often result in smaller total values. This reflects the widely accepted view that, all other things being equal, the longer a fraud is in operation the greater the amount defrauded is likely to be. This is an important consideration when interpreting detected fraud results. Thus low total value of detected fraud may reflect early identification of the fraud rather than any lack of capacity, capability or commitment by the council.

83. We will now consider fraud detection performance in relation to just one type of corporate fraud, namely council tax discount fraud.

### Council tax discount fraud

84. Nationally a third of households claim single person discount on council tax, although this varies significantly between individual councils. Figure 5 shows levels of actual detected council tax (CTAX) discount fraud in just one English region in 2014/15, including single person discount. We provide this as an example of the variation in council tax discount fraud detection that occurs in some part of the country. Every bar in Figure 5 represents a district council in the region concerned.

**Figure 5: One region – council tax discount fraud detected cases and values**

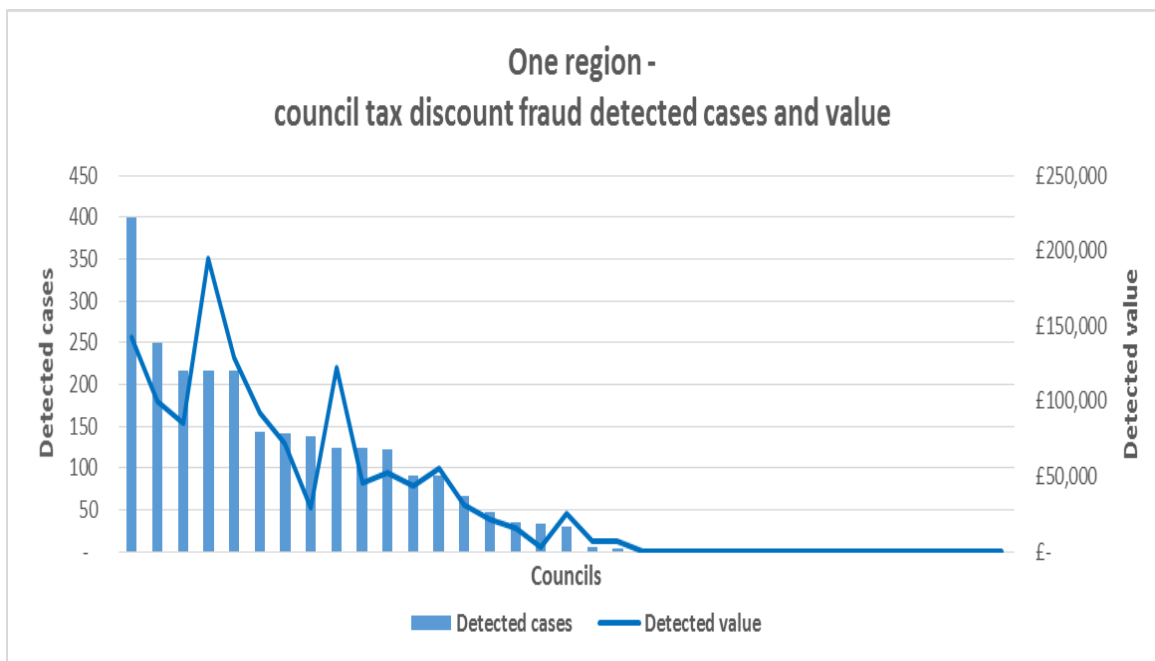


Figure 5 shows that some councils are effectively detecting CTAX discount fraud. One council in this region detected approximately 400 cases of such fraud in 2014/15. By comparison over a third of councils in this region report detecting no CTAX discount fraud. This pattern is replicated across the country.

85. It may be that the councils that reported no detected fraud cases instead incorrectly recorded them as something other than fraud, such as error. This is not good practice. Fraud should always be recorded as fraud.

86. Interpreting CTAX discount fraud results can be problematic. As a high volume/low value fraud, councils sometimes adopt strategies that place greater emphasis on tackling such fraud in different years. This is a reasonable approach designed to maximise the value for money benefits to the council concerned. This may explain why some councils did not detect many, if any, cases in 2014/15.

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**One council in this region detected approximately 400 cases of such fraud in 2014/15. By comparison over a third of councils in this region report detecting no CTAX discount fraud**

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87. This chapters provides just a few examples of the variation in fraud detection levels at individual councils across the country. Some of this variation can be explained by different local priorities in different years. However, our experience suggests that where little or no corporate fraud is being detected, then counter fraud capacity, capability and the commitment of the local authorities concerned may require greater scrutiny.

88. In the next chapter we focus on two emerging frauds that our survey indicates are likely to be increasingly significant in future years.

## CHAPTER 6: EMERGING FRAUD RISKS – RTB AND NRPF

*RTB and NRPF frauds account for much of the increase in the total value of fraud detected in 2014/15. However, these are relatively little known frauds. Our proxy indicator suggests at least 3 per cent of RTB applications in London, 1.5 per cent in the rest of the country, may be subject to such fraud. NRPF has emerged this year as a new area of risk, especially in London. Further research is needed to better understand these emerging risks.*

89. In Chapter 3 we identified RTB and NRPF as two emerging fraud risk categories deserving of further consideration.

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**RTB and NRPF frauds account for much of the increase in total value of fraud detected in 2014/15**

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### **Right to Buy (RTB) fraud**

90. In 2012, the government relaxed the qualifying rules and raised the discount threshold for Right to Buy (RTB) in relation to council homes. This encouraged greater opportunity for council house tenants to own their own home.
91. In *PPP 2014*, the Audit Commission highlighted the unintended consequences of these changes. The significant sums involved, and the relentless increases in property values, especially in London, had made RTB discount fraud highly attractive to fraudsters. In the three years immediately after the discount increase was implemented, there has been a near ten-fold increase in the number of RTB frauds detected.
92. There is no nationally accepted estimate of the scale of RTB fraud. This is a significant barrier to the development of a proportionate response by councils to this fraud risk.
93. To help social housing providers better understand the scale of the fraud risk, we have undertaken an analysis of existing publicly available information, matched to detected RTB frauds. We have used this to develop a proxy indicator of the likely scale of RTB fraud. We separately calculated the results for London and non-London councils. Further information on our data sources, caveats and methodology can be found in Appendix 2.

94. We have prudently interpreted the results and triangulated those findings with previous housing tenancy fraud research. On that basis we believe the evidence suggests that at least 3 per cent of London RTB council house applications may be subject to fraud<sup>vii</sup>. In the rest of the country RTB fraud may be at least 1.5 per cent of RTB applications.

95. These results are intended only to be indicative of the likely scale of RTB fraud. More detailed research is required to better estimate the scale of RTB fraud. We encourage authoritative stakeholders to work with TEICCAF in the future to better understand the nature and scale of RTB fraud.

96. In the 2015 Queen's Speech, the government announced that, *"Legislation will be introduced to support home ownership and give housing association tenants the chance to own their own home"*.

97. We draw to the government's attention the significant levels of fraud that councils have detected within the current RTB scheme for council housing stock. Housing associations, with a few notable exceptions, do not have either an equivalent capacity or capability to tackle RTB fraud.

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**We encourage the government to incorporate within the proposed legislative extension sufficient measures to protect housing associations against RTB fraud**

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98. We encourage the government to incorporate within the proposed legislative extension sufficient measures to protect housing associations against RTB fraud.

### **No Recourse to Public Funds (NRPF) fraud**

99. In recent months a number of councils, mainly London boroughs, approached TEICCAF to highlight an emerging fraud risk, namely, 'No Recourse to Public Funds' (NRPF). This fraud involves persons from abroad who are subject to certain immigration controls which prevents them from gaining access to specific welfare benefits or public housing.

100. However, families who have NRPF may still be able to seek assistance, housing and subsistence from their local authority whilst they are awaiting for or appealing a Home Office decision on their status<sup>viii</sup>. In some instances councils have been deceived into providing welfare and other state assistance where NRPF has been claimed fraudulently.

101. In some of these frauds this appears to have been achieved by fraudulently claiming family status with children who, on further investigation, may not be their own. NRPF is a locally administered scheme, thus creating the potential for multiple claims at different councils using the same alleged 'family'.
102. In London, applications for financial assistance from families with NRPF have started to rise quite dramatically in recent times<sup>ix</sup>. Leading commentators suggest that the average cost to the local taxpayer to support one NRPF family is approximately £25,000 per family per year.
103. In the first year of separately recording this category of fraud, councils detected in total 444 cases valued at more than £7 million. This already constitutes one of the larger value fraud types detected. Our analysis indicates many councils have yet to look for such fraud, suggesting that far more NRPF fraud could be detected.
104. London Boroughs<sup>x</sup> have been among the first to identify this emerging threat. However, councils across other regions of England have also started to report detecting NRPF fraud.
105. Pro-active preventative work in London suggests the scale of the problem that councils may be facing. At one London Borough, all new NRPF applicants are now subject to both identity document scans and credit checks. The Borough reports that on being informed that such checks will be undertaken, approximately 10 per cent of new claimants now withdraw their application. Not all of these will be fraudulent, but this does suggest the potential scale of such fraud.
106. TEICCAF urges the government to give greater priority to the fight against NRPF fraud. Further research is needed to better understand the nature and scale of this emerging fraud threat.

## Conclusions

107. Councils have to be ever vigilant to identify trends and emerging fraud threats. The fraud risk associated with RTB is only now starting to be better understood. NRPF fraud is less well known. Pro-active action by some councils suggest this is a growing threat that requires further consideration.
108. Appendix 1 provides a checklist for councils to self-assess their high level counter-fraud arrangements. We also encourage councils to use our benchmark summary analysis of individual fraud detection results for 2014/15 to satisfy themselves that they are playing their part in the fight against fraud (free to all councils who participated in our detected fraud survey, available autumn 2015).

## CHAPTER 7: LOOKING TO THE FUTURE - TEICCAF

*Fraud and corruption risks are constantly evolving. Local authorities need to remain vigilant to new fraud risks and respond quickly to the changing ways in which fraudsters target existing areas of vulnerability. Fraud prevention will become an increasingly important part of the overall strategic response by councils to fraud. TEICCAF is well placed to support this shift in focus.*

### The European Institute for Combatting Corruption And Fraud (TEICCAF)

109. TEICCAF is an independent, not-for-profit organisation. Founded in April 2015, TEICCAF is committed to working in partnership to help tackle public and voluntary sector fraud and corruption.
110. TEICCAF was established, in part, as a response to concerns from key stakeholders about the emerging gap in counter-fraud leadership that had developed by early 2015. The need for an independent, authoritative, not-for-profit voice able to influence national, regional and local responses to fraud is increasingly viewed as a priority by the wider counter-fraud community.
111. TEICCAF is committed to providing choice, innovation and value for money in the support and guidance we will provide. We will focus on those areas where we have acknowledged expertise, such as social housing fraud.
112. We will also focus on fraud risks where we are uniquely able to draw upon specialist knowledge from TEICCAF member organisations such as the Institute of Revenue, Rating and Valuations (IRRV) or the Local Authority Investigating Officers Group (LAIOG).
113. In *PEPP 2015* we have highlighted areas in which TEICCAF will work in partnership to help tackle fraud. This chapter expands on the priority issues to be addressed.

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**TEICCAF is committed to providing choice, innovation and value for money in the support and guidance we will provide**

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## Capacity, capability and risk

114. Local authorities have traditionally been quick to respond to emerging fraud risks. However, as capacity to tackle fraud continues to reduce across English local government, innovative new approaches are required to address both the main fraud risks as well as new, emerging frauds.

115. The National Crime Agency<sup>xi</sup> (NCA) and City of London Police<sup>xii</sup> have highlighted the increasing importance of technology, in particular internet and digital, on economic crime. Fraudsters have been quick to adapt and innovative. Councils must also continue to do so.

116. TEICCAF is able to draw upon the expertise of a wide variety of fraud fighters to assist and support the sector to stay one step ahead of the fraudsters. In particular we will seek to work in partnership to identify and promote good practice in tackling cyber enabled fraud.

117. The National Policing Fraud Strategy 2015 highlights the importance of prevention activities. Local authority counter-fraud specialists tell us the absence of a financial means to assess fraud prevention activities is a major hindrance to a national re-balancing of counter-fraud resources towards greater fraud prevention activities.

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**TEICCAF will work with partners and stakeholders to promote an agreed understanding of the financial benefits of prevention activity**

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118. We will work with partners and stakeholders to promote an agreed understanding of the financial benefits of prevention activity. We will work in partnership with local authorities to develop an approach that allows prevention work to be accurately reported nationally, regionally and locally.

119. To support this approach, TEICCAF will collect, analyse, and promote good practice in tackling all types of public and voluntary sector fraud. This database of good practice will be available to all TEICCAF members.

## **New approaches to tackling major fraud risks**

120. Our analysis of social housing fraud detection shows that sub-letting for profit remains one of the most common types of social housing fraud, especially in London<sup>xiii</sup>. New approaches to prevent and deter such fraud are required. TEICCAF will work with concerned stakeholders to develop new preventative tools to deter such fraud.
121. Managing the risk of fraud was one of the top priority areas councils highlighted to us this year (Chapter 1). Fraud detection data is a vital component of effective fraud risk management. While we recognise there may be justifiable local reason why approximately 40 per cent of councils did not participate in our voluntary fraud detection survey, one possible explanation is the absence of robust and complete detection data at some of those councils. We will work with councils to improve the recording of fraud detection results.
122. We noted that even among participating councils in the survey, there is sometimes a delay in providing the data. This suggest fraud detection data collection arrangements in some councils may require to be strengthened. We will work with partner organisations to improve the recording, collection, analysis and future dissemination of fraud detection information.
123. TEICCAF believes that the general public can make a significant contribution to the fight against fraud. We are committed to raising fraud awareness and wider public understanding of good practice in fighting fraud.
124. Chapters 5 and 6 highlighted an increasing divergence amongst some councils and regions in their capacity, capability and commitment to tackling fraud. We will work with individual councils and regions to address this.

## Contacting TEICCAF

125. You can learn more about TEICCAF from our web site and contact us through social media. Details are below

- [www.teiccaf.com](http://www.teiccaf.com)
- <https://www.facebook.com/pages/T-E-I-C-C-A-F-The-European-Institute-for-Combatting-Corruption-And-Fraud/372191179638143>
- <https://www.linkedin.com/groups/TEICCAF-8293282/about>
- <https://twitter.com/teiccaf>

## APPENDIX 1: CHECKLIST FOR THOSE RESPONSIBLE FOR COMBATting FRAUD AND CORRUPTION

|                                                                                                                                                                                                                            | Yes | No | Comments |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|----------|
| 1. A) Do we have a zero tolerance policy towards fraud?                                                                                                                                                                    |     |    |          |
| 1. B) Does our fraud and corruption detection results demonstrate that commitment to zero tolerance?                                                                                                                       |     |    |          |
| 2. Do we have a corporate fraud team?                                                                                                                                                                                      |     |    |          |
| 3. Does a councillor have portfolio responsibility for fighting fraud across the council?                                                                                                                                  |     |    |          |
| 4. A) Have we assessed our council against the TEICCAF fraud detection benchmark analysis (available autumn 2015)                                                                                                          |     |    |          |
| 4. B) Does that benchmark analysis of fraud detection identify any fraud types which we should give greater attention to?                                                                                                  |     |    |          |
| 5. Are we confident we have sufficient counter-fraud capacity and capability to detect and prevent non-benefit (corporate) fraud, once SFIS has been fully implemented?                                                    |     |    |          |
| 6. Do we have appropriate and proportionate defences against the emerging fraud risks, in particular: <ul style="list-style-type: none"> <li>• Right to Buy fraud</li> <li>• No Recourse to Public Funds fraud.</li> </ul> |     |    |          |

## APPENDIX 2: DATA COLLECTION APPROACH AND EXTRAPOLATION METHODOLOGY

### Survey methodology

1. In previous years the Audit Commission used its powers to mandate all local government bodies in England to annually submit information and data on detected fraud and corruption (the survey). As a result the survey achieved a 100 per cent submission rate.
2. TEICCAF do not have similar powers. The 2014/15 detected fraud and corruption survey was voluntary. However, we are able to draw upon the extensive knowledge and experience of the (former) Audit Commission counter fraud team that had created and delivered the original national detected fraud survey and *PPP* reports.
3. This team are able to draw upon a unique understanding of over six years of survey and fraud intelligence submissions by every local government body in England. This has been used to put in place arrangements that ensures quality, validity, accuracy and robustness of the data submitted.
4. Information sources used include previous *PPP* reports, Audit Commission national publications and conference, seminar and fraud forum presentations and supporting analysis by the former counter-fraud team of the Audit Commission. These have all been placed in the public domain. We have extensively this information to inform longer term trends in the report as well as to assess the accuracy and completeness of individual data submissions.
5. In addition weighted extrapolation was undertaken to inform regional results where appropriate. Where a council has not participated in the survey, we have used weighted trend data to calculate their results.

### RTB fraud – proxy indicator methodology

6. We have used detected RTB frauds as a proportion of all successful RTB applications (combined with detected frauds) as an indicator of the likely scale of RTB fraud. Our information sources are:

- detected RTB frauds 2013/14 (source PPP 2014)
  - detected RTB frauds 2014/15 (source: TEICCAF)
  - successful RTB applications 2013/14 and 2014/15 (source: Department for Communities and Local Government, Housing Statistical Release June 2015).
7. Our approach analysed both London and non-London RTB activity. We triangulated those findings with housing tenancy fraud research, including London (Ref PPP 2012).
  8. On that basis we believe the evidence suggests that at least 3 per cent of London RTB council house applications are subject to fraud. In the rest of the country the evidence suggest RTB fraud to be at least 1.5 per cent.
  9. Our approach adopts a prudent interpretation of the results, to address acknowledge limitations in the methodology.
  10. We caveat our estimate by acknowledging that:
    - the findings are only indicative in nature; and
    - our analysis omits RTB applications which were unsuccessful for non-fraud reasons.

## REFERENCES

- <sup>i</sup> National Policing Fraud Strategy 2015, City of London Police.
- <sup>ii</sup> Serious and Organised Crime Strategy 2013, National Crime Agency
- <sup>iii</sup> Protecting the Public purse 2010, Audit Commission.
- <sup>iv</sup> Protecting the London Public Purse 2015, LBFIFG and TEICCAF
- <sup>v</sup> Protecting the Public Purse 2014, Audit Commission
- <sup>vi</sup> <http://www.legislation.gov.uk/ukpga/1972/70/section/151>
- <sup>vii</sup> Protecting the London Public Purse 2015, LBFIFG and TEICCAF
- <sup>viii</sup> Legislation includes Children's Act 1989, Children Leaving Care Act 2000 and National Assistance Act 1948.
- <sup>ix</sup> Protecting the London Public Purse 2015, LBFIFG and TEICCAF
- <sup>x</sup> Protecting the London Public Purse 2015, LBFIFG and TEICCAF
- <sup>xi</sup> Serious and Organised Crime Strategy 2013, National Crime Agency.
- <sup>xii</sup> National Policing Fraud Strategy 2015, City of London Police.
- <sup>xiii</sup> Protecting the London Public Purse 2015, LBFIFG and TEICCAF