

Protecting the Public Purse – Summary and Recommendations

Fraud continues to be a significant problem affecting the whole economy.

- Fraud causes annual losses of over £30 billion according to the National Fraud Authority (NFA). That means that more than £620 is lost to fraud for each adult in the country. This is more than double previous estimates.
- In the public sector, fraud diverts resources away from those who need them.

For local government, our surveys show that, although detected fraud losses are low, compared with total council spending of around £160 billion, significant amounts of money are involved with:

- Detected fraud in 2009/10 amounting to £135 million; and
- 119,000 individual fraud cases.

In *Protecting the Public Purse 2009*, we commented on specific fraud risks. In this report, we cover the progress that councils and others have made in tackling:

- Housing and tenancy fraud. Sixty councils reported that, in 2009/10, nearly 1,600 properties with a replacement value of around £240 million were recovered from unlawful tenants; and
- Fraudulent claims for council tax discounts. More councils are taking this seriously and 48,000 fraudulent claims were stopped in 2009/10, increasing the local tax base by almost £15 million.

This report also shows how tackling fraud can help councils to get more value from taxpayers' money. Councils need to address fraud risks in significant areas of expenditure.

- One area of major change is the expansion of personal budgets for adult social care. If the full benefits of the new approach are to be realised, safeguards will be needed to protect vulnerable people and to prevent financial loss.
- Councils should maintain their focus on housing and council tax benefit payments where they uncovered around 63,000 frauds and £99 million of fraudulent payments in 2009/10.
- Procurement is the single largest area of councils' expenditure, worth around £80 billion each year. More needs to be done to prevent and detect fraud and other illegal procurement activity that waste large sums of money.

As councils make significant cuts in budgets, it is essential they continue to maintain strong defences against fraud. In the report we include tools councils can use and examples of good practice including:

- Adopting a zero-tolerance policy towards fraud and doing more to deter it;

- Working with partners in the public and private sectors to overcome barriers to effective fraud fighting
- Making best use of information and intelligence; and
- Taking legal action to recover fraud losses.

Recommendations

We recommend councils:

- Continue to focus on benefit fraud risks and use the National Fraud Initiative (NFI) and other data-matching schemes to maintain and improve their good performance in detecting benefit fraud;
- Work together in county areas to share the costs and benefits of tackling council single person discount (SPD) fraud;
- Use our comparator tool to decide whether to take more action to tackle SPD fraud;
- Check claims for other council tax discounts are not fraudulent;
- For personal budgets in adult social care:
 - Establish a clear policy, which is communicated to budget holders, on the appropriate use and unacceptable misuse of personal budgets; and
 - Promote whistle-blowing arrangements for staff, care providers and the public to encourage early identification of potential abuse;
- Use recent advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office of Fair Trading (OFT) on procurement to ensure they are doing enough to prevent and detect procurement fraud and other illegal activities such as cartels;
- Keep a comprehensive record of any frauds perpetrated against them; and
- Use the checklist provided in the report to assess whether their counter-fraud plans are effective in the light of the risks highlighted.

The full report can be downloaded from:

<http://www.audit-commission.gov.uk/nationalstudies/localgov/protectingpublicpurse/Pages/Default.aspx>