

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 more than 13 per cent to £109.7 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.

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

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.

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

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 pro-actively targeted this type of fraud in 2014/15 yet there were still **444 cases** detected with a value more than £7 million.

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

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.

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

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.