

Legal update

Protecting the Public Purse: Local Government Fighting Fraud

The Audit Commission's latest report (15th September 2009) addressing the issues of fraud faced in local government comes at an opportune time as the insurance industry begins to accept that organised criminal gangs are moving away from the traditional road traffic accident arena and into what they perceive more fertile areas, including local government.

In this its most recent study the Audit Commission, responsible for auditing the £200 billion spent by 11,000 local public bodies, provides a clear message that while financial constraints on local authority resources tighten, and demand for public services increase, there is no room for complacency by local government in maintaining and implementing an effective counter fraud strategy.

The report recognises the recessionary effect driving an increase in the incidence of fraud as greater numbers of individuals suffering "economic distress" view the option of committing fraud as a viable way of improving their situation, and proposes that in view of the emerging increase in risk existing counter fraud strategies are reviewed, and improved where necessary, to maintain their effectiveness.

Key tools in the armoury remain the preservation of a clear commitment to fraud prevention and detection at all levels, maintaining a high level of awareness both within and outside of the organisation (for example in publicising a clear counter fraud policy and the outcomes of successful fraud enquiries, including the prosecution of offenders), data matching and sharing through strategic partnerships and the National Fraud Initiative and the ongoing review and use of indicators as the fraudsters develop and evolve their own methods of attack.

By identifying three target areas (housing tenancy fraud, single person discount fraud – council tax and recruitment fraud) where their research demonstrated the risk of fraud had not been adequately addressed the Commission's report provides reasoned guidance, using examples of successful strategies adopted by several authorities and case studies, to appreciate the extent of the issues involved and cost-effective means of dealing with them.

The report acknowledges the improvements and progress already made as Councils adopt a "zero-tolerance" approach to fraud operating within a strong, widely publicised, counter fraud culture but warns that:

"The question we all have to answer is not whether we are doing something, but that we are doing enough" (Mr Ian O'Donnell, Director of Corporate Resources in the London Borough of Ealing)

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Although the total figure for the sums of money involved in fraud cases, across all sectors of the UK economy, brought before the Courts in 2008 exceeded £1 billion there remains a substantial element that passes undetected with the proceeds reaching unscrupulous individuals for personal gain or, of far greater concern, organised criminal gangs for use in drug, firearms and human trafficking operations and bank rolling serious criminal activity.

However the report goes beyond addressing the potential financial savings that may be made through improvements (for example £90 million for single person discount fraud on council tax) and notes the very “personal impact it can have on victims” particularly those reliant upon “essential services such as social care, housing and education” when already stretched resources are diverted from those services and into the pockets of the fraudsters.

As housing waiting lists continue to rise (up by over 50% in the last 6 years) the potential for returning 50,000 properties to meet the need for social housing provides a real and tangible benefit to an increasing sector of society, there are currently 64,000 families in temporary accommodation, in addition to reducing the cost of temporary accommodation estimated to cost local government on average £11,000 per year for a single family.

Notwithstanding the weight the report attaches to the three target areas identified it also emphasises that focus and vigilance should be maintained in continuing to address fraud in other areas for example benefit and insurance claims, procurement, direct payments for social care, abuses of position in public office and disabled parking concessions again providing essential guidance and advice to the practitioner to improve prevention and detection.

Among its conclusions the Commission outlines its own objectives and its interaction with the National Fraud Authority, and recommends fifteen steps that Councils should adopt in continuing the “fight against fraud” while also providing a handy check list against which local public bodies can measure the effectiveness of their existing counter fraud strategy and determine and subsequently implement opportunities for improvement.

The full text of report, an executive summary and overview can be obtained from the Audit Commission web site at: http://www.audit-commission.gov.uk/localgov/nationalstudies/Pages/20090915protectingthepublicpurse_copy.aspx

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22 June 09
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