

Fraud in Local Government

Purpose of report

For discussion and direction.

Summary

Fraud is prevalent across both the public and private sectors. The National Fraud Authority (NFA) estimates a total of £38.4 billion was lost to fraud in 2010. They estimate local government accounts for around 5.5 per cent of this. Whilst the most recent fraud survey of local government indicated that councils detected 119,000 frauds in 2009/10, an increase on previous years.

The NFA plans to publish a Local Government Fraud Strategy in December 2011 and will give a presentation on the proposed Strategy to this Board.

This paper presents background information on fraud in local government.

Recommendation

The Board is asked to:

1. Receive the presentation from the NFA on the Local Government Fraud Strategy and provide comment and direction.
2. Consider endorsing the NFA's a *Local Government Fraud Strategy – Fighting Fraud Locally* at the November meeting.

Action

Officers to progress with NFA as appropriate.

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Fraud in Local Government

Background

1. Fraud occurs across the public and private sectors; no sector and very few organisations are spared. Local government is no exception.
2. The National Fraud Authority (NFA) is an executive agency of the Home Office and came into being as a result of the Government's 2006 Fraud Review. The review concluded that fraud was a significantly under-reported crime and that greater co-operation was essential to achieve a real impact. The NFA works with stakeholders from across government, law enforcement, industry and voluntary /charity sectors to focus and coordinate the fight against fraud in the UK. The NFA published the *National Fraud Strategy*¹ in 2009.
3. The NFA estimates that £38.4 billion² was lost to fraud in 2010. Fraud against the public sector is estimated to account for 55 per cent of all fraud loss – around £21.2 billion. It is estimated that central government lost £17.6 billion (46.6 per cent) to fraud with tax fraud being the highest individual public sector fraud loss with at £15 billion (40 per cent). Local government is estimated to lose £2.1 billion (5.5 per cent).

Tackling fraud in local government

4. The NFA undertakes research and produces an annual estimate of fraud by sector and type. The estimated £2.1 billion lost to fraud by local government represents 1.25 per cent of the £168 billion annual spend.³
5. Councils have done much over the last few years to combat fraud and many are managing the risks well by:
 - 5.1 developing a zero-tolerance approach towards fraud;
 - 5.2 improving governance arrangements, including establishing audit committees;
 - 5.3 adopting good practice in managing the risk of fraud;
 - 5.4 creating a strong counter-fraud culture and implementing counter-fraud policies and procedures; and
 - 5.5 training and supporting specialist staff to prevent and detect fraud.

¹ National Fraud Authority, *National Fraud Strategy – A new approach to combating fraud, 2009*
<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/national-fraud-strategy>

² National Fraud Authority, *Annual Fraud Indicator, January 2011*

³ Communities and Local Government, *Local Government Financial Statistics, May 2011*

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6. The NFA plans to launch a *Local Government Fraud Strategy – Fighting Fraud Locally* in December 2011. The Chief Executives of Hackney & Ealing have been working with the NFA on the development of the strategy. The strategy will be based on the principles of:

Acknowledge – understand and acknowledge the fraud risks

Prevent – prevent and detect more fraud

Enforce – take strong enforcement and sanctioning action.

It develops these principles across five themes:

Culture – taking a zero tolerance

Collaboration – working better together

Consistency – standardising fraud practices

Accountability – taking responsibility for fraud

Transparency – being honest about fraud

7. The draft strategy will be available at the end of September. It is proposed to follow the launch of the strategy with the dissemination of good practice documents and tool kits in 2012. The NFA is seeking LG Group endorsement of the strategy.
8. The NFA will give a presentation on the strategy at this meeting.

Financial Implications

9. There are no financial implications for endorsing the NFA's strategy. However, the Board may wish to consider what other actions the Group should take to tackle fraud and promote counter fraud work; these may have financial implications.