

# Public Document Pack

# Blackpool Council

11 October 2016

To: Councillors Benson, Cox, Galley, Hobson, Hunter, Matthews, O'Hara, Owen and Roberts

The above members are requested to attend the:

## **AUDIT COMMITTEE**

Thursday, 20 October 2016 at 6.00 pm  
in Committee Room A, Town Hall, Blackpool

## **A G E N D A**

### **1 DECLARATIONS OF INTEREST**

Members are asked to declare any interests in the items under consideration and in doing so state:

- (1) the type of interest concerned; and
- (2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

### **2 MINUTES OF THE LAST MEETING HELD ON 22 SEPTEMBER 2016** (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit Committee held on 22 September 2016 as a true and correct record.

### **3 SELECTIVE LICENSING SCHEME - INTERNAL AUDIT** (Pages 7 - 14)

To update the Audit Committee on actions taken to address the recommendations of the Internal Audit review on the Selective Licensing Scheme.

### **4 STRATEGIC RISK REGISTER - SERVICE FAILURE** (Pages 15 - 18)

To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

**5 CIPFA FRAUD TRACKER 2016** (Pages 19 - 50)

To consider the Chartered Institute of Public Finance and Accountancy (CIPFA) Fraud and Corruption Tracker report for 2016 and the plans to implement the recommendations.

**6 LOCAL GOVERNMENT COUNTER FRAUD AND CORRUPTION STRATEGY 2016-2019**  
(Pages 51 - 82)

To consider the findings of the Local Government Counter Fraud and Corruption Strategy 2016-2019.

**7 DATE OF NEXT MEETING**

To note the date and time of the next meeting of the Committee as 24 November 2016, commencing at 6pm.

**Venue information:**

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

**Other information:**

For queries regarding this agenda please contact Chris Kelly, Senior Democratic Governance Adviser, Tel: 01253 477164, e-mail [chris.kelly@blackpool.gov.uk](mailto:chris.kelly@blackpool.gov.uk)

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at [www.blackpool.gov.uk](http://www.blackpool.gov.uk).

### **Present:**

Councillor Galley (in the Chair)

Councillors

Benson	Hobson	Maycock
Cox	Hunter	O'Hara

### **In Attendance:**

Mr Neil Jack, Chief Executive

Mr Steve Thompson, Director of Resources

Mrs Delyth Curtis, Director of People

Mr Gary Smith, Audit Manager

Mr Trevor Rees, Partner, KPMG

Mr Iain Leviston, Manager, KPMG

Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

### **1 DECLARATIONS OF INTEREST**

There were no declarations of interest on this occasion.

### **2 MINUTES OF THE LAST MEETING HELD ON 30 JUNE 2016**

The Committee agreed that the minutes of the last meeting held on 30 June 2016 be signed by the Chairman as a true and correct record.

### **3 STRATEGIC RISK REGISTER - LACK OF RESILIENCE**

The Committee considered a progress report in relation to the individual risks identified on the Strategic Risk Register, specifically in relation to risks regarding 'Lack of Resilience'. The Committee discussed plans to control and mitigate the risks with the strategic risk owners, Mr Jack, Chief Executive and Mrs Curtis, Director of People.

Mr Jack discussed the sub-risk of 'lack of individual resilience to work in a changing environment'. The Committee was advised of the staffing issues, noting that in 2011 there were 2,800 staff compared to 2,100 now, despite additional services now being provided. Mr Jack explained that the reduction in staffing levels inevitably resulted in an increased pressure on staff and he advised the Committee how the risks were being mitigated, which included promoting access to the Employee Assistance Programme and training courses to improve resilience skills.

With regards to the sub-risk of 'Lack of Capacity to deliver Council Services', Mr Jack advised the Committee of the development programmes that had been implemented, for instance

## **MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 SEPTEMBER 2016**

coaching and mentoring aspiring managers. He also explained the steps taken to improve employee commitment, which involved providing incentives for staff, for example offers on events being held at the Winter Gardens.

Mrs Curtis, Director of People, advised the Committee of the recruitment programmes for specific areas of service, such as social care and teaching, which were particularly problematic posts to fill. She noted that a recruitment tool had been developed in conjunction with schools and the Blackpool Teaching Hospitals NHS Foundation Trust and also provided details of the workplace development steps that were taken to train new employees so they were appropriately skilled for the future.

Mr Jack also advised the Committee that work was being undertaken to help support residents of the town to improve their resilience and reduce the dependency on Council services, noting that building resilience was a priority in the Council Plan. Mr Jack provided details of the additional resources that had been secured to support helping people to be better parents, to find employment and to improve the education of children and young people, such as Better Start, Head Start and Fulfilling Lives.

The Committee questioned the level of acceptable risk for the risk register item and Mr Jack advised that whilst it would be preferable for the net risk scores to be reduced, there remained a requirement for appropriate attention to be constantly given to the indicators, especially in the current financial climate. Mr Jack advised that with the work that was being undertaken to mitigate and control the risk, he considered that the net risk scores could be reduced to 12 in future.

The Committee raised further questions relating to the funding settlement and the services received by Council Tax payers. Mrs Curtis advised that in terms of people's access to social care, there was a national threshold from which Adult Services could not waiver. She reported that a mixed model of care provision was now provided, which was cost efficient. However, it was noted that there were some issues relating to demand due to growth in population. Mr Jack explained that communication could be improved regarding how Council Tax payer's money was spent and that there was also a requirement to remind people and businesses that everyone had responsibilities towards their communities.

Background papers: None.

### **4 RISK SERVICES QUARTER ONE REPORT - 2016/2017**

Mr Smith, Audit Manager, presented the Committee with the Risk Services Quarter One Report 2016/2017.

Mr Smith reported on the key internal audits that had been scoped in the first quarter and for which preparatory work had commenced. Members were advised that the Internal Audit Team had been externally assessed against the Public Sector Internal Audit Standards. The verbal feedback received was positive with some recommendations to be considered. Mr

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 SEPTEMBER 2016

Smith noted that once the final report had been received it would be presented to the Committee.

Members were also provided with details of service developments with regards to Corporate Fraud, notably that proactive counter fraud work was underway in a number of areas with the focus for quarter one being on purchase cards, insurance fraud and blue badges.

Mr Smith reported on the Key Performance Indicators for the service. He advised that there was a degree of volatility to the indicators due to only being at Quarter One, however the figures were approximately what would be expected. Responding to Members' questions, Mr Smith advised how the indicator of 'Percentage compliance with quality standards for audit reviews' was calculated and noted that achieving over the target was good.

Members questioned the reasons for only 78% of the Resource directorate business continuity plans being completed. Mr Smith advised that the reason had been due to business continuity plans for accountancy not being in place by the time of the report publication. However, Members were advised that the business continuity plans had since been submitted.

Members raised further questions with regards to the low percentage of employees completing the i-pool fraud awareness course. Mr Smith advised that it was not currently a mandatory course and Mr Jack explained that there was a requirement to push the course to all appropriate employees. However, he considered that it would not be appropriate to be mandatory as it would not be relevant for some employees. It was also noted that there were already a significant number of mandatory i-pool modules which staff had to complete. Upon challenge from Members regarding the target figure, Mr Jack provided assurances that in twelve months the 50% target would be met.

The Committee noted the information relating to Whistleblowing and considered that it would be useful for Members to have access to training on the Whistleblowing policy. It was agreed that the Committee should make a recommendation to the Member Training Panel to consider offering a training course on the Whistleblowing policy.

Members noted the positive Corporate Fraud statistics and questioned officers on whether they considered the figures to be a true reflection. Mr Smith advised Members that Risk Services was building up capacity to undertake proactive work to find incidents of corporate fraud, following the transfer of some responsibilities to the Department of Work and Pensions.

The Committee considered the Internal Audit reports that had been issued during the quarter. Members discussed the internal audit review of Selective Licensing, which focused on the expenditure attributed to the scheme to ensure each transaction was appropriate and the apportionment of time spent on the scheme by staff had been properly accounted for. Mr Smith reported that the review identified that the expenditure incurred by the scheme was reasonable and in line with the delivery of the scheme. However, it was noted that there should have been more robust budget management by the service to ensure that

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 SEPTEMBER 2016

budgets for schemes reflected actual expenditure and that the focus of the service had been on outcomes rather than monitoring resources. The Committee considered that the Director of Community and Environmental Services should be invited to discuss the internal audit report in more detail, the lessons learned and the action plan following the audit recommendations, at the next meeting of the Committee.

Members raised questions with regards to the internal audit entitled 'Financial Control Assurance Testing', specifically with regards to duplicate accounts being created. Mr Smith noted that it had been an issue for a significant length of time and Mr Thompson advised that the reason for the errors was due to small derivatives of the same client being entered onto the system due to oversights from individual employees.

The Committee considered the internal audit on 'catalogue prices' and Mr Smith reported that the current controls had been found to be inadequate with a number of risks identified and changes necessary. Upon questioning from Members, Mr Thompson considered that the findings of the review had been disappointing, but that action was now being taken to ensure internal controls were appropriate. Mr Smith advised that an action plan had been devised making recommendations for how to resolve the issues and internal audit would be undertaking follow up work to ensure there were improvements.

Members noted that some priority one recommendations had not been implemented by the agreed target date. Mr Smith reported that often the recommendations were not able to be implemented immediately and in such cases steps had been taken with the services to agree revised target dates. He assured Members that internal audit did follow up on their recommendations and the Committee noted that it could invite officers to the Committee to provide an explanation for recommendations not being implemented.

The Committee agreed:

- 1) To note the report.
- 2) To recommend that the Members Training Panel consider offering a training course for Members on the Whistleblowing policy.
- 3) To request that the Director of Community and Environmental Services be invited to attend the next meeting of the Committee in order to discuss the Selective Licensing internal audit report in more detail, the lessons learned and the action plan following the audit recommendations.

Background papers: None.

### **5 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2015-2016**

The Committee considered KPMG's Governance Report and the audited Statement of Accounts for 2015-2016.

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 SEPTEMBER 2016

Mr Thompson, Director of Resources, summarised the key aspects of the Statement of Accounts and advised that there had been approximately a £500,000 overspend, but that figure should be considered alongside an overall budget of £128,687,000.

Upon questioning from Members, Mr Thompson explained that the main reason for the net service overspend was the overspend in Children's Services, as a result of the high cost of Looked After Children due to both increased numbers and placement mix.

Mr Thompson provided the Committee with an overview of the statement of accounts and responded to Members' questions, advising that the removal of concessionary fares for customers outside of Blackpool had saved a significant amount and that increased patronage should be considered a success. Responding to a question relating to the Local Authority Mortgage Scheme, Mr Thompson advised that nobody had defaulted on their loan.

Members questioned what the impact upon the accounts was in relation to priority one recommendations that had been made by internal audit, with particular reference to the Lightpool project. Mr Thompson advised that the initial risks around Lightpool had related to governance, but that reserves were continuously reviewed in light of audit reviews on projects since the findings could impact on funding.

The Committee noted the potential concerns regarding the financial implications relating to the Highfield Humanities College PFI scheme that had been made by Members when considering the 2014-2015 Statement of Accounts and queried the current position. Mr Thompson advised that the responsibility would go to the academy, but it had still needed to be accounted for in the 2015-2016 Statement of Accounts. Mrs Curtis explained that as the Academy was no longer a Local Education Authority school, there would be no contribution in next year's accounts.

The Committee discussed the risk to the Pension fund in light of the current economic climate. Mr Thompson explained that whilst there was a risk, it was not a risk that would be attributable to the Council's risk register.

Mr Rees, Partner, KPMG, presented the External Auditor's Report to those Charged with Governance and commented that the financial reports had been of a high quality and thanked Council officers for their help and co-operation throughout the audit process.

Mr Leviston explained that the External Auditor's report had summarised the key findings from two areas, namely the audit work in relation to the Council's financial statements for 2015-2016 and its arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

The Committee was advised that KPMG had issued an unqualified audit opinion on the Authority's financial statements and that the Value for Money conclusion would be issued by 30 September 2016.

## **MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 SEPTEMBER 2016**

The Committee discussed value for money with regards to the costs of Children's Services. Mr Rees considered that Children's Services appeared to secure cost-efficient placements on a case by case basis when compared to other local authorities, the issue that faced the authority was the exceptionally high number of Looked After Children. The Committee discussed the cost of placements for complex cases and it was considered that the high costs reflected the current market rates.

The Committee agreed to approve the audited Statement of Accounts for 2015-2016.

Background papers: None.

### **6 DATE OF NEXT MEETING**

The Committee noted the time and date of the next meeting as 6pm on Thursday 20 October 2016 at Town Hall, Blackpool.

### **Chairman**

(The meeting ended at 7.50 pm)

Any queries regarding these minutes, please contact:  
Chris Kelly, Senior Democratic Governance Adviser  
Tel: 01253 477164  
E-mail: [chris.kelly@blackpool.gov.uk](mailto:chris.kelly@blackpool.gov.uk)



<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	John Blackledge, Director of Community and Environmental Services
<b>Date of Meeting</b>	20 October 2016

## SELECTIVE LICENSING SCHEME – INTERNAL AUDIT

### 1.0 Purpose of the report:

1.1 To update the Audit Committee on actions taken to address the recommendations of the Internal Audit review on the Selective Licensing Scheme.

### 2.0 Recommendation(s):

2.1 To consider the updates on the actions taken to address the recommendations of the internal audit report.

### 3.0 Reasons for recommendation(s):

3.1 The update is presented following a request from the Audit Committee at its last meeting on 22 September 2016.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None

### 4.0 Council Priority:

4.1 The relevant Council Priority is "Communities: Creating stronger communities and increasing resilience"

**5.0 Background Information**

5.1 At its meeting of 22 September 2016, the Audit Committee noted the review had identified that the expenditure incurred by the Selective Licensing Scheme was reasonable and in line with the delivery of the scheme. However, it had also been considered that there should have been more robust budget management by the service to ensure that budgets for schemes reflected actual expenditure and that the focus of the service had been on outcomes rather than monitoring resources.

5.2 The Committee agreed to request that the Director of Community and Environmental Services be invited to attend the next meeting of the Committee in order to discuss the internal audit report in more detail, the lessons learned and the action plan following the audit recommendations.

5.3 On 27 June 2016, Internal Audit issued its report on the review of the LightPool project, which had been established to review:

- Expenditure attributed to the Selective Licensing Scheme to ensure each transaction is appropriate and relates to the scheme and thereby ascertain whether fee levels charged to landlords are appropriate; and
- The apportionment of time spent on the scheme by staff who also perform other duties and whether this has been appropriately accounted for.

5.4 The detailed recommendations of the Internal Audit and planned actions are included in attached Action Plan (Appendix 3a). The Director of Community and Environmental Services will be in attendance at the meeting to answer questions from the Committee in relation to the report and update Members on the progress of mitigating the concerns raised in the report.

Does the information submitted include any exempt information?

No

**5.5 List of Appendices:**

Appendix 3(a) – Agreed Action Plan

**6.0 Legal considerations:**

6.1 None

**7.0 Human Resources considerations:**

7.1 None

**8.0 Equalities considerations:**

8.1 None

**9.0 Financial considerations:**

9.1 Contained within the Action Plan (Appendix 3a).

**10.0 Risk management considerations:**

10.1 Contained within the Action Plan (Appendix 3a).

**11.0 Ethical considerations:**

11.1 None

**12.0 Internal/ External Consultation undertaken:**

12.1 None

**13.0 Background papers:**

13.1 None

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**Agreed Action Plan**

Appendix 3(a)

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>
<b>R1</b>	<b>Expenditure transactions should be reviewed more closely, with a focus on those that are high in value, to ensure they are accurate and relate to the relevant scheme.</b>	<b>2</b>	<b>The Housing Enforcement Manager will meet with the service accountant on a monthly basis and report back to the project board regarding transactions and staffing.</b>	<b>Housing Enforcement Manager</b>	<b>01/08/2016</b>
<b>R2</b>	<b>A robust framework for operating the Selective Licensing schemes should be developed and implemented going forward.</b>	<b>2</b>	<b>Agreed.</b>	<b>Service Manager Public Protection / Director of Community and Environmental Services</b>	<b>01/08/2016</b>

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Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

**Blackpool Council: Internal Audit**  
**Assuring Quality Services for Blackpool**

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>
<b>R3</b>	A system should be implemented to record staff time spent on the scheme to evidence that the apportionment to the scheme is appropriate.	<b>2</b>	A rota will be set up and maintained to record each officer's work on the Selective Licensing schemes and this will be monitored by management.	Housing Enforcement Manager / Housing Enforcement Officer	<b>01/08/2016</b>
<b>R4</b>	Journal transfers should contain a sufficient transaction description in order to maintain a clear audit trail.	<b>2</b>	The meetings between the Housing Enforcement Manager and the service accountant will ensure this occurs.	Housing Enforcement Manager	<b>01/08/2016</b>
<b>R5</b>	The Service Manager Public Protection and Director of Community and Environmental Services, in conjunction with the Housing Enforcement Manager, should review and confirm staff time allocated to the Claremont Scheme to avoid any future issues.	<b>2</b>	Agreed.	Service Manager Public Protection / Director of Community and Environmental Services	<b>01/08/2016</b>

Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

**Blackpool Council: Internal Audit  
Assuring Quality Services for Blackpool**

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>
<b>R6</b>	<b>Further work should be undertaken to update the records in EBF to ensure they reconcile with the figures in Cedar.</b>	<b>2</b>	<b>A nominated officer from within Housing Enforcement will monitor figures on Cedar and ESB including checking figures have been input accurately by staff. Checks will also be made with the Corporate Debt Team on a monthly basis. The checks will be verified by management supervision.</b>	<b>Housing Enforcement Manager / Housing Enforcement Officer</b>	<b>01/08/2016</b>
<b>R7</b>	<b>The budget holder should develop recovery plans for the forecast overspends on both schemes.</b>	<b>2</b>	<b>A plan will be developed to reduce overspend and rationalise staffing levels as appropriate.</b>	<b>Service Manager Public Protection / Housing Enforcement Manager</b>	<b>30/09/2016</b>

Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officers:</b>	Steve Thompson, Director of Resources
<b>Date of Meeting</b>	20 October 2016

## STRATEGIC RISK REGISTER – SERVICE FAILURE

### 1.0 Purpose of the report:

1.1 The Committee to consider a progress report on individual risks identified in the Council's Strategic Risk Register.

### 2.0 Recommendation(s):

2.1 Members will have the opportunity to question the Director of Resources on identified risks on the Strategic Risk Register in relation to service failure.

### 3.0 Reasons for recommendation(s):

3.1 To enable the Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owners in relation to significant risks identified on the Strategic Risk Register.

### 4.0 Council Priority:

4.1 The relevant Council Priorities are

- “The economy: Maximising growth and opportunity across Blackpool”
- “Communities: Creating stronger communities and increasing resilience”

**5.0 Background Information**

5.1 At its meeting in June 2016, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

Does the information submitted include any exempt information?

No

**List of Appendices:**

Appendix 4(a) - Excerpt from Strategic Risk Register

**6.0 Legal considerations:**

6.1 None

**7.0 Human Resources considerations:**

7.1 None

**8.0 Equalities considerations:**

8.1 None

**9.0 Financial considerations:**

9.1 None

**10.0 Risk management considerations:**

10.1 None

**11.0 Internal/ External Consultation undertaken:**

11.1 None

**12.0 Background papers:**

12.1 None

Risk	Sub No	Sub Risk	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			New Developing Controls	Risk Manager	CLT Risk Owner	Target Date	Corporate Priority
					I	L	GS		I	L	NS					
Service Failure	2a	Failure of a service provider in high risk contracted areas such as social care and waste management.	Increased costs.		5	4	20	Procurement procedures in place which cover business continuity arrangements.	4	4	16	Ensure adequate business continuity plans are in place with service providers as part of the procurement and contract management process.	Head of Procurement and Development	Director of Resources	Ongoing	Communities
			Reputational damage to the Council.													
Page 17	2b	Loss of key infrastructure which results in Council services not being delivered such as ICT and Property.	Inability to deliver critical services.	Build a resilient organisation	5	4	20	Business continuity programme in place.	4	3	12	Ensure all services have up to date business continuity plans in place.	Chief Internal Auditor	Director of Resources	Ongoing	Organisational Resilience
			Corporate business continuity plan in place supported by a critical activity list.					Develop a corporate / thematic business continuity plan for property.				Head of Property and Asset Management	Director of Resources			
			Corporate ICT business continuity guidance in place.					Look for provisions for data centre refresh in the coming years to continue to provide resilience.				Head of ICT Services	Director of Resources			

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<b>Report to:</b>	<b>Audit Committee</b>
<b>Relevant Officers:</b>	Tracy Greenhalgh, Chief Internal Auditor
<b>Date of Meeting</b>	20 October 2016

## CIPFA FRAUD TRACKER 2016

### 1.0 Purpose of the report:

- 1.1 To consider the Chartered Institute of Public Finance and Accountancy (CIPFA) Fraud and Corruption Tracker report for 2016 and the plans to implement the recommendations.

### 2.0 Recommendation(s):

- 2.1 To consider the findings of the CIPFA Fraud Tracker 2016 and approve the Council's response to the recommendations.

### 3.0 Reasons for recommendation(s):

- 3.1 To ensure that the Council can continue to provide a robust corporate fraud service.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

- 3.3 Other alternative options to be considered:

None.

### 4.0 Council Priority:

- 4.1 The relevant Council Priorities are

- "The economy: Maximising growth and opportunity across Blackpool"
- "Communities: Creating stronger communities and increasing resilience"

## 5.0 Background Information

5.1 Blackpool Council contributed to the benchmarking exercise undertaken by CIPFA to produce the Fraud and Corruption Tracker 2016. The report makes a number of recommendations and it is intended that the Council address these as follows:

CIPFA Recommendation	Blackpool Council's Response
<p>Public sector organisations should carry out fraud assessments regularly and have access to appropriately qualified counter fraud resources to help mitigate the risks and effectively counter any fraud activity.</p>	<p>A fraud risk register is in place and this is reviewed at least annually. The output from this helps inform the proactive anti-fraud plan which is approved by the Corporate Leadership Team and Audit Committee in March each year.</p> <p>The Corporate Fraud Team report to the Chief Internal Auditor who has considerable experience in dealing with counter fraud work and is currently studying for an MSc in Counter Fraud and Counter Corruption. The team comprises of three members:</p> <ul style="list-style-type: none"> <li>• Corporate Fraud Officer – Accredited Counter Fraud Specialist.</li> <li>• Insurance Fraud Officer – Currently studying as an Accredited Counter Fraud Specialist.</li> <li>• Corporate Fraud Support Officer – Accredited Counter Fraud Technician.</li> </ul>
<p>All organisations should undertake an assessment of their current counter fraud arrangements.</p>	<p>A review of the Corporate Fraud Team is undertaken each year to ensure that adequate resources are available. Issues with resources have occurred in the past with a focus on reactive rather than proactive work. However, it is hoped that now the team is up to full complement the imbalance will be addressed. Resources will be subject to regular review and where appropriate spend to save business cases will be produced to increase capacity in the team.</p>

<p>In line with the Fighting Fraud and Corruption Locally Board suggestion, local authorities should examine and devise a standard and common methodology for measuring fraud and corruption. Once it has been agreed, local authorities should use the measure to estimate levels of fraud and corruption.</p>	<p>This is a national issue as there is no standard guidance as to how local authorities should measure fraud and corruption. Blackpool Council will ensure that it is involved in the national discussions around this matter and contribute to consultation exercises to help achieved a standard methodology.</p>
<p>It is as important to prevent fraud that has no direct financial interest, such as data manipulation and recruitment, as it is high value fraud.</p>	<p>Currently, the Corporate Fraud Team responds to referrals in these areas and has not undertaken any proactive work. However, this will be built into the revised proactive anti-fraud work programme going forward to assess the risk to the Council.</p>
<p>Organisations should develop joint working arrangements where they can with other counter fraud professionals and organisations.</p>	<p>Blackpool Council is a member of the National Anti-Fraud Network (NAFN) and is represented on the Greater Manchester Fraud Investigation Group. Links are in place with the Department for Work and Pensions, the Police, Blackpool Teaching Hospitals NHS Foundation Trust, other local authorities and the HMRC to help in the investigation of potential fraud.</p>
<p>Public bodies should continue to raise fraud awareness in the procurement process, not only in the tendering process but also in the contract monitoring element.</p>	<p>A review of procurement fraud is included in the proactive fraud plan for 2016/2017 where this recommendation will be explored in more detail to establish if any additional fraud prevention controls are required at the Council.</p>
<p>Authorities should ensure that anti-fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigations into alleged frauds to be undertaken.</p>	<p>Considerable work has been undertaken by the Corporate Fraud Team, Highways Team and Legal Services to develop the procedures required to tackle insurance fraud. This area is still under development with the next stages being looked at including loss measurement and disruptive tactics.</p>

Does the information submitted include any exempt information?

No

**List of Appendices:**

Appendix 5(a) – CIPFA Fraud and Corruption Tracker.

**6.0 Legal considerations:**

6.1 The procedures in place for fraud investigation help ensure that the Council's Corporate Fraud Team operates within the correct legislation and working practices.

**7.0 Human Resources considerations:**

7.1 When investigating internal fraud cases full regard is given to the relevant HR policies and procedures in place.

**8.0 Equalities considerations:**

8.1 The Council's Fraud Response Plan helps ensure that all investigations are carried out objectively and fairly.

**9.0 Financial considerations:**

9.1 The robust investigation of potential fraud contributes to the protection of the Council's assets.

**10.0 Risk management considerations:**

10.1 Proactive fraud work and fraud referrals are risk assessed to ensure that team resources are utilised effectively.

**11.0 Ethical considerations:**

11.1 None.

**12.0 Internal/ External Consultation undertaken:**

12.1 None.

**13.0 Background papers:**

13.1 None.



# fraud and corruption tracker

Summary Report 2016



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## Foreword

Numerous reports and publications have been written to help organisations fight fraud. The reports raised awareness of fraud prevention, detection and deterrence activity across the sector and enabled local authorities to benchmark their responsiveness against other organisations facing similar risks and set best practice.

This report gives a national picture of fraud, bribery and corruption in the UK's public sector and the actions being taken to prevent it. It summarises the results of a survey carried out among authorities in England, Scotland, Wales and Northern Ireland by the CIPFA Counter Fraud Centre. The survey is supported by the National Audit Office (NAO), National Crime Agency (NCA) and Local Government Association (LGA). This is the second survey of this type conducted by the CIPFA Counter Fraud Centre and has given us the opportunity to look for achievements, trends and emerging threats in the sector.

This report will appeal to all areas of the public sector, including local authorities, health and the emergency services and will:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of anti-fraud activity
- assist operational staff to develop pro-active anti-fraud plans.

The survey was supported by:



## The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre, launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). The CIPFA Counter Fraud Centre leads and co-ordinates the fight against fraud and corruption across public services in providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.

Fraud often knows no limit or boundary and thus it is CIPFA's intention to better equip public sector organisations in the future, through widening the scope of the survey to assist agencies locally and inform the national picture.



## Summary

Since the closure of the Audit Commission there has been no requirement for local authorities to report fraud committed against them. CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of local government bodies to provide services to people who need them. CIPFA's Counter Fraud Centre was set up to help the public sector develop cost-effective counter fraud arrangements and runs an annual survey to create a national picture of the amount, and types, of fraud carried out against public sector organisations.

This is the second CIPFA Counter Fraud and Corruption Tracker (CFaCT) report. The survey gathered data from across the UK and included:

- local authorities
- police and crime commissioners
- transport authorities
- fire and rescue authorities
- waste authorities
- public agencies.

### Results from the 2016 survey:

- The largest area of growth in fraud investigation is in procurement. Investigations in this area went up by five times in the year.
- Business rates continue to be an area of concern with right to buy becoming an emerging risk, particularly in London.
- Respondents reported the number of non-benefit investigators has increased by nearly 50% since the 2014/15 report. Organisations with a limited counter fraud capability may not have completed the survey.
- 10% of organisations who responded have no dedicated counter fraud service.
- What is perceived as a high risk area for fraud varies across the country and by organisation.
  - Non-local authority respondents (eg police, fire and rescue services, and passenger executives) reported that their top three areas of fraud risk were:
    - procurement
    - expenses
    - manipulation of data.
  - Local authority respondents noted their largest fraud risk areas as:
    - council tax
    - housing procurement.
- CIPFA estimates that over £271m worth of fraud has been detected or prevented within the public sector in 2015/16.
- CIPFA estimates a total of 77,000 cases were investigated in 2015/16 across the UK, representing an average value of £3,500 per case.
- 56% of respondents had access to a financial investigation resource which allowed them to recover money from convicted fraudsters. Respondents recovered £18.4m through proceeds of crime investigations.
- The highest number of investigations covered council tax fraud (61%) with an estimated value loss of £22.4m. The highest value gained from investigations was in the area of housing fraud and totalled £148.4m.
- Respondents told us that their biggest issues in countering fraud were:
  - having the capacity to identify fraud risk and investigate allegations
  - having effective fraud risk assessment and management
  - barriers to data sharing.

## Recommendations

CIPFA recommends the following:

- Public sector organisations should carry out fraud assessments regularly and have access to appropriately qualified counter fraud resources to help mitigate the risks and effectively counter any fraud activity.
- All organisations should undertake an assessment of their current counter fraud arrangements.
- In line with the Fighting Fraud and Corruption Locally Board suggestion, local authorities should examine and devise a standard and common methodology for measuring fraud and corruption. Once it has been agreed, local authorities should use the measure to estimate levels of fraud and corruption.
- It is as important to prevent fraud that has no direct financial interest, such as data manipulation and recruitment, as it is high value fraud
- Organisations should develop joint working arrangements where they can with other counter fraud professionals and organisations.
- Public bodies should continue to raise fraud awareness in the procurement process, not only in the tendering process but also in the contract monitoring element
- Authorities should ensure that anti-fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigations into alleged frauds to be undertaken.

# Introduction

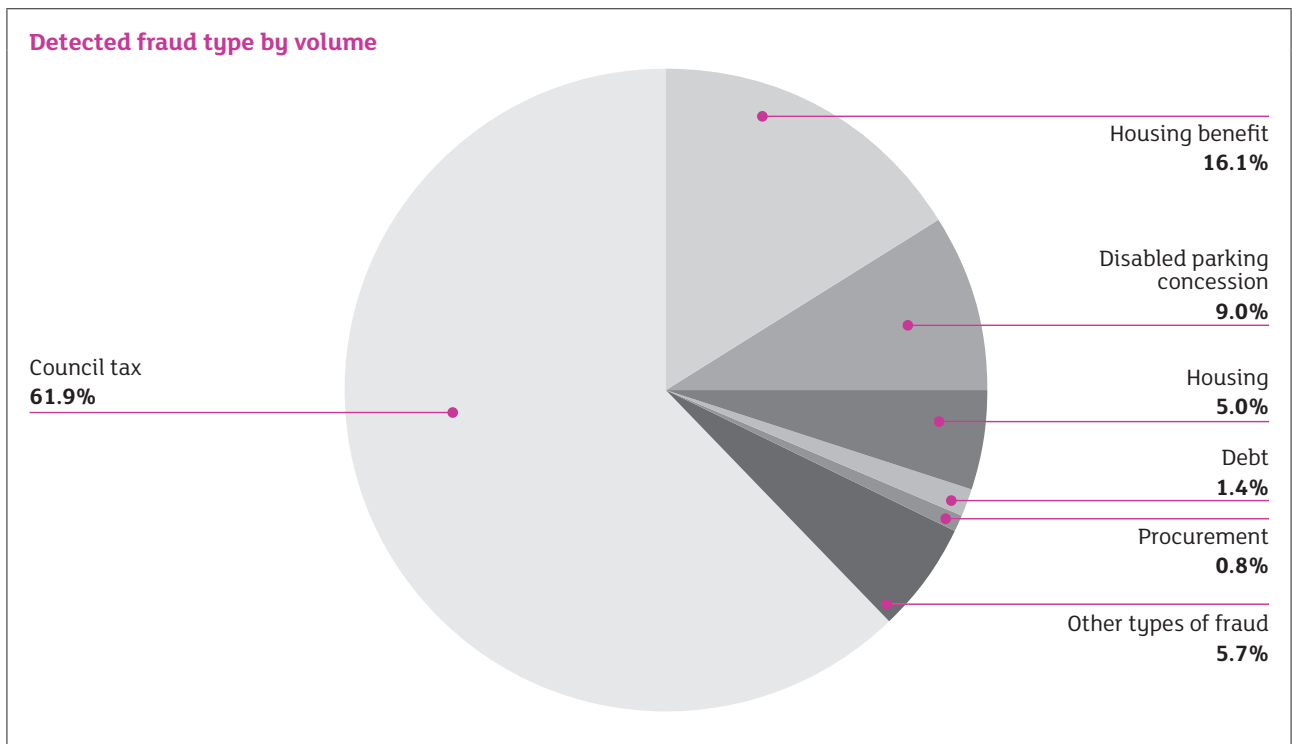
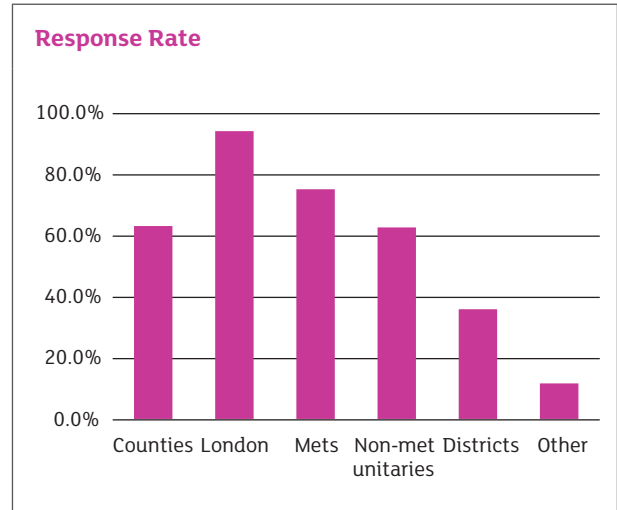
This report is based on the findings of the CIPFA Fraud and Corruption Tracker (CFaCT) survey 2016 and identifies and focuses on types of fraud activity common in the public sector such as procurement, housing and expenses.

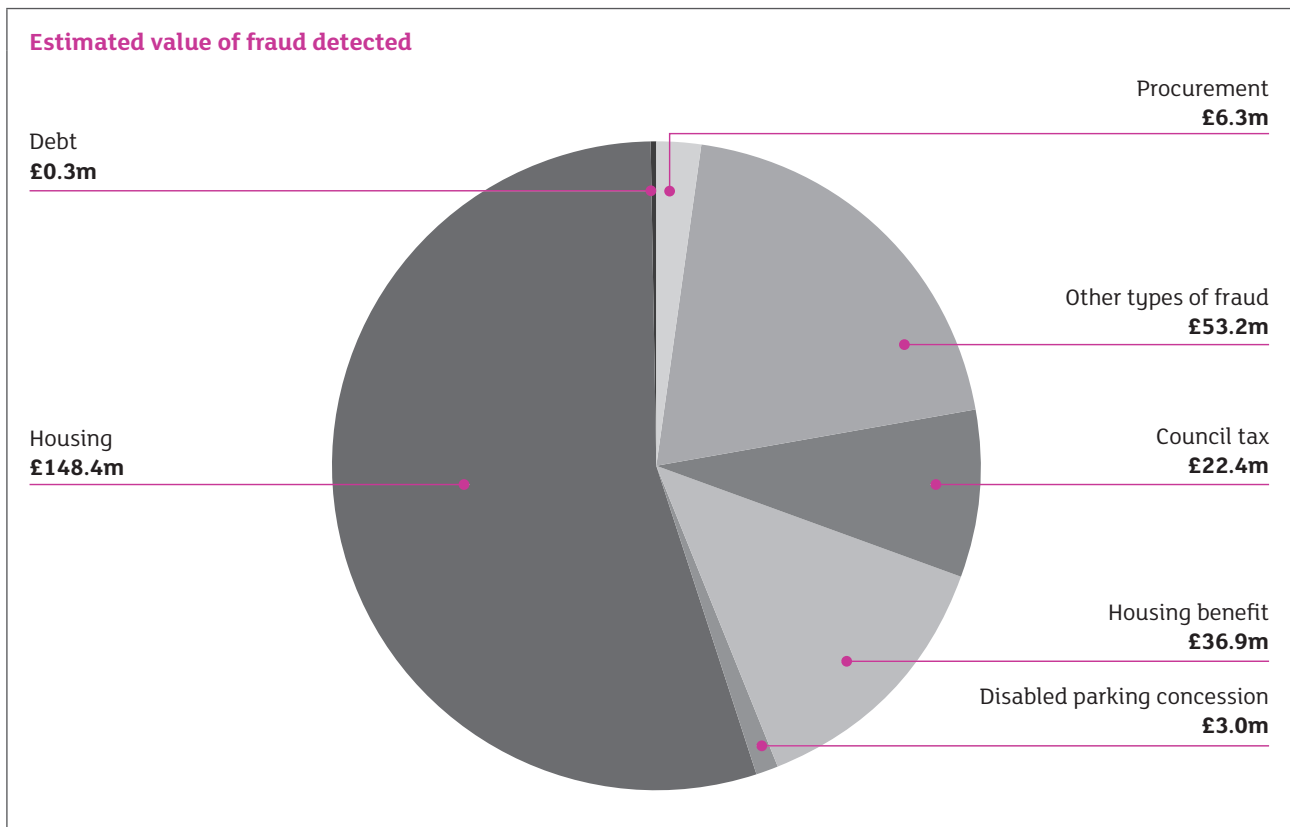
Fraud is an ongoing problem and this report seeks to examine the extent of the problem and recognise public sector organisations whose activity to tackle fraud has resulted in successes, either in the areas of prevention or detection. While it focuses on frauds specifically experienced in local authorities, many types of fraud discussed can be experienced by any organisations.

The CFaCT survey received a spread of results across all regions. We received a good response, particularly from London boroughs. The low response from district authorities could be due to the fact that larger fraud risks are managed at county level. District councils were also the most likely not to have access to a counter fraud function.

It is important to note that the measurement of the value of fraud loss has varied between authorities within several areas. For example, with regard to mandate fraud some organisations record the loss prevented and others record nothing at all.

Below are the response rates for the CFaCT survey:





## Main types of fraud

### Council tax

The area of council tax includes investigations in the following areas:

- council tax single person discount
- council tax reduction support
- other types of council tax fraud, eg other exemptions, discounts or evasion.

Council tax fraud represents the highest number of fraud cases reported by local authorities. According to respondents, 59 local authorities responsible for the collection of council tax undertook no investigations into the area of single person discounts. Of those authorities that did carry out council tax single person discount reviews, there is a wide variance in the number of cases recorded as fraud. There are three reasons for this:

1. Local authorities identify exceptions as a result of data matching exercises but do not undertake formal investigations in each matter.
2. Local authorities consider council tax single person discount fraud risk sits within their revenues department as a compliance issue rather than within their counter fraud teams.

3. Local authorities investigate specific cases of fraud as they are referred.

Local authorities are required to undertake local risk assessments and identify the most efficient way in which to mitigate high volume, low value fraud risk. Local authorities should consider carefully whether examining 2,500 exceptions:

- a. indicates a weakness in controls
- b. is a good use of the counter fraud resource
- c. is an issue that would be most efficiently managed within the authority's revenues department.

Many councils retain links with local DWP investigators to help with investigations into council tax reduction fraud. Such links can prove important to investigations in other areas, including housing and social care frauds, where social security fraud may also be involved.

Single person discount, council tax reduction and other types of council tax fraud combined represent an estimated 47,747 cases and £22.4m in detected and prevented fraud.

### Council tax fraud breakdown

	Volume of cases	Value of cases
SPD	37,053	£14.8m
CTR	8,830	£5.6m
Other	1,864	£2.0m
Total	47,747	£22.4m

### Housing benefit

Fraud within the housing benefit scheme includes all deliberate and dishonest actions to obtain money to which the applicant was not entitled, including failure to report changes that would affect the amount of money paid.

Although local authorities are no longer responsible for the investigation of housing benefit fraud, it was still recognised as one of the top three risks for local authorities. Although the DWP has responsibility for the investigation of alleged fraud, it is the local authority's responsibility to collect any overpaid benefit. This generates a cost and risk for the authority.

### Case study – Oldham Council

Oldham Council worked with DWP to create the Single Fraud Investigation Service (SFIS) as part of a 'pilot' National Programme. One of the key requirements of the pilot was to capture results in order to:

- inform the creation of the National Programme
- ensure that staff involved were sufficiently supported to allow a smooth transition
- develop an appropriate and responsive retained corporate counter fraud team.

In July 2014, the council was one of the first of five pilot authorities to transfer responsibility for the investigation of benefit fraud to the newly created SFIS. The council also retained some of the benefit investigators in order to develop a corporate counter fraud team to respond to alleged frauds committed against the council and help mitigate fraud risks faced by the council.

Audit and counter fraud managers created an in-house team with the skills to meet the current and future needs of the council. The two key areas being:

- recognising any residual risk to the council following the transfer of benefit fraud to SFIS, and developing effective processes for cases involving claims for CTR and the role of the retained council team
- determining the appropriate and adequate level of resources for the retained team to meet demand and to continue to deliver a professional service in accordance with the agreed professional and technical quality standards.

The council's fraud team worked together with the SFIS around council tax fraud and the referral of potential housing benefit fraud cases. Both parties met other relevant agencies on a weekly basis to conduct local joint anti-fraud initiatives.

As a result of the SFIS the fraud team exceeded expectations and achieved three times more cases than in previous years and identified overpayments totalling £375,000.

**£22.4m:**  
the estimated total of council tax fraud detected and prevented in 2015/16



According to respondents the number of housing benefit frauds investigated in 2014/15 was 12,989 cases and involved a loss value of £56.9m. The number of detected frauds reported in the CFaCT this year was 2,791 with a loss value of £8.3m. This is to be expected with the transfer of housing benefit fraud investigation now completely transferred to the DWP. However, 50 councils still saw benefit fraud as the largest risk area to the authority since the financial loss of benefit fraud is still borne by councils once the investigation is complete.

### Housing and tenancy fraud

This category of fraud includes subletting, abandonment, housing application fraud, succession and right to buy fraud. There are three key points:

- In some areas of the country there is greater demand for housing and this increases the prevalence of fraud. Thus London boroughs identified housing fraud as their highest fraud risk. Even some inner London boroughs face a greater risk than boroughs in the suburbs. The housing application process and proactive exercises such as tenancy audits help mitigate fraud risk.
- The value of right to buy fraud is higher in London than it is in other parts of the UK due to the overall cost of housing.
- There is a large variance in the values attributed to losses in the housing sector recorded within the survey. While any loss figure attached to council property is notional and does not have a tangible cash value, there is clearly a value in this type of investigation.

According to the survey, councils record the income lost to housing fraud according to different values. They ranged from being equal to a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. Other councils recorded a loss based on the premise that each illegal sublet continues for a period of three years and simply multiplied an annual figure by three.

With regard to placing a value on the right to buy fraud cases, most local authorities would claim a representative or notional saving of the value of the discount. This is a common sense approach, but does not represent the saving to the local authority with regard to the prevention of the sale. A right to buy fraud is not solely a fraud in regard to the application, but a fraud discovered as a *result* of the application. For example, a local authority tenant applies to purchase a property and it transpires they have been illegally subletting.

The Fighting Fraud and Corruption Locally Board has recommended that a working group should produce a standard methodology for measuring fraud and corruption within local authorities. This methodology would be used to estimate levels across the UK.

Some local authorities, with and without housing stock, undertook investigations in the areas of temporary accommodation and private sector leasing. Some also undertook investigations for other social housing providers (eg housing associations). Where investigations were undertaken, local authorities either charged the housing associations for the delivery of the investigation by way of an hourly rate or in return for the nomination rights in the event that a property is recovered.

During 2014/15 the highest number of housing and tenancy cases reported was in subletting, followed by a mixture of housing fraud types such as succession and abandonment. While registering the lowest number of cases in this category, right to buy was listed as an emerging risk by many local authorities. With the increase in publicity in this area and the substantial discounts available it is an attractive offer for the fraudster as well as the legitimate tenant. This is a potential area of risk for housing associations in the future as the right to buy scheme is rolled out.

### Housing fraud breakdown

	Volume of cases (est)	Value of cases (est)
Right to buy	870	£63,100
Illegal sublet	1,220	£46,000
Other*	2,283	£112,800

\*Other includes tenancy frauds that are neither right to buy or illegal sublet, and may include succession and false applications.

**1,220:**  
the number of cases of subletting investigated during 2015/16

**£148.4m:**  
the estimated value loss from investigated housing fraud during 2015/16

## Case study – London Borough of Croydon

In 2015 the London Borough of Croydon worked with the United States Secret Service (USSS) to investigate an allegation against one of their tenants, Ms B. The allegation received through the local authority's online fraud referral service suggested that the tenant had been subletting their council house and had been living in the US for the last ten years.

The tenancy had been ongoing since 2003 when Ms B, registering as a lone parent with two children, submitted a housing benefit claim. Following the allegation Croydon's fraud team made enquiries and discovered that the children had not been registered for school or nursery in the borough, bar one short period. The current residents of the property included the woman's brother who admitted during interview that his sister lived in the US. The locks on the property were changed and although requests for the keys were made by the tenant's brother these requests were not complied with.

Utilising contacts developed at the Croydon Fraud and Enforcement Forum the local authority was able to contact the USSS and following the enquiry they confirmed that Ms B was living in the US at the address provided in the original referral.

Evidence from the USSS was offered to the court and on 16 December 2015 the order for possession was made with immediate effect.

### Disabled parking (Blue Badge)

The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered. In 2014/15 the number of cases reported was 2,545 and the value attributed to this loss by local authorities was £1.0m. The figure has increased to 4,331 in 2015/16.

The value attributed to disabled parking by most authorities is a notional one, since in most cases it is impossible to calculate the actual loss. As with other types of fraud, local authorities calculate the value in different ways and for some authorities the value of parking is greater than others. Value is attributed based on the parking charges within an authority but there is no direct financial recovery to be made from the identification of a Blue Badge fraud. In the event that a Blue Badge misuse is identified it is often prosecuted and the individual fined (which is paid to the court). The prosecuting authority is also awarded costs, however, these costs often do not meet the full cost of the investigation and prosecution.

Some local authorities invest more counter fraud resource in the investigation of disabled parking abuse than others, and not all councils attribute a value to the fraud or misuse. Some councils do not use investigators to look into allegations of Blue Badge fraud and 38 authorities recorded no cases of fraud in this category.

The misuse of Blue Badge is not a high value loss to most local authorities and in most cases there is no recovery to be made. However, the misuse of disabled parking can cause difficulties to disabled users who need the spaces and there is therefore value in the investigation.

### Debt

Debt fraud includes fraudulently avoiding a payment of a debit to an organisation, excluding council tax discount. There were 975 cases investigated, however they represent a small portion of financial loss at £0.2m.

**4,331:**  
the number of disabled parking cases  
in 2015/16

London boroughs identified housing  
fraud as their highest fraud risk

## Other types of fraud

This section outlines some potentially high fraud risk areas. These risks are higher in some geographic locations and some organisations than others.

### Social care and no recourse to public funds

Social care and welfare assistance was one of the highest types of 'other frauds' reported. In 2014/15, 287 cases of detected fraud in social care were reported and welfare assistance totalled 104 cases. Welfare assistance fraud was identified as one of the top three risks that local authorities were facing. This year CIPFA split the welfare assistance category to include adult social care, child social care and 'no recourse to public funds' (whereby someone can have permission to live in the UK but not to claim benefits, tax credits or housing assistance). Respondents reported that 233 cases of 'no recourse to public funds' had been investigated. There were 229 cases within the other welfare categories with the largest number in adult social care (194).

While it looks like social care fraud has increased, this could be in part due to the increase in investigators.

While 'no recourse to public funds' fraud presents a significant fraud risk to local authorities, it is primarily to be found in London, southeast England and larger metropolitan boroughs.

Several local authorities who identified that 'no recourse to public funds' was a risk have undertaken pro-active anti-fraud exercises in this area, including visiting recipients of the funds and undertaking fraud awareness exercises with those responsible administering the scheme.

### Procurement fraud

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

**353:**  
the number of procurement fraud cases reported in 2015/16 – five times more than the previous year.

Procurement fraud often involves significant sums of money and is recognised as a considerable fraud risk across all public sector organisations.

There can be sizeable difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss especially post award can be as hard to measure, but equally significant.

During 2014/15, 60 cases of identified procurement fraud were reported. In this year's survey the number of cases increased by five times to 353 cases. We have used this figure to estimate that there could be as many as 623 cases totalling £6.3m across the UK annually.

CIPFA recommends that public bodies continue to raise fraud awareness in the procurement process, not only in the tendering process but also in the contract monitoring element. This area can be particularly difficult to enforce especially where there have been efficiency savings made in the area of contract monitoring.

### Insurance claims

This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers. Respondents identified insurance fraud as the single biggest area for insider fraud with 39 cases being investigated during the year. Four respondents identified insurance as an emerging fraud risk.

In 2014/15, CIPFA estimated the number of detected cases was 237 across the UK. This year the figure has risen to 422 cases and the average loss value is £14,600. CIPFA would recommend that organisations ensure that anti-fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigations into alleged frauds to be undertaken.

**£14,600:**  
the average loss value to an insurance fraud case

### **Economic and voluntary sector (grant fraud)**

Frauds in this area relate to the false application or payment of grants or financial support to any person and any type of agency or organisation. There were 28 cases investigated in 2014/15 but only 10 cases were investigated in 2015/16. It is possible that there is less funding for this type of activity within the sector, but we would suggest organisations realise that there is a risk in this area. Four organisations noted that grant fraud was an area of high risk, including a police authority and a passenger executive.

#### **Grant fraud is defined by Action Fraud as:**

*“Fraud relating to public funding and grants happens when individuals, organisations (including businesses and charities) or organised criminal groups claim public funding or grants that they are not eligible for. Fraudulent claims could be made to a number of public organisations for example local authorities, the Lottery Commission, European Union and the Student Loans Company.”<sup>1</sup>*

#### **The fraud falls into two broad categories including:**

**Insider fraud** – related to the identification of the needs of the deliverable, the specification of the project and the monitoring of the project, this can be the result of a lack of declarations of interest.

**Delivery fraud** – the organisation delivering the work claims to have delivered outcomes or services that it has not. This can be caused by poor governance arrangements in the organisation and/or a lack of monitoring on behalf of the awarding authority. This can be exacerbated by restrictions with regard to rights of audit of the grant funding organisation.

It is often difficult to measure outcomes in relation to the work of grant funded organisations. A high volume of low value grants can exaggerate the risk because it is simply not proportionate to undertake monitoring at a level that might find fraud.

Mazars LLP investigated an organisation on behalf of a grant awarding client. The organisation had received a grant to run a community event with public performances and a contract had been agreed.

Investigations undertaken by Mazars found that the organisation had posted video footage of previous events on YouTube as part of its proof of delivery. In addition, the organisation supplied bank statements, invoices and a licence allowing public performances. The investigation found that all the documents supplied had

been fabricated, including bank statements, invoices and a licence allowing public performances.

### **Manipulation of data (financial or non-financial)**

The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation, it also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend. We estimate, based on the figures supplied to us, that across the UK there have been 34 cases of this type of fraud. However, it can be the case that this type of fraud does not receive the attention it requires for two reasons:

1. it is difficult to attach a value to data therefore it is hard for public bodies to report a success; of the eight cases that were reported in the CFACT none had a value attached to it
2. there can be a reputational risk to the organisation, as a result some organisations can be less keen to investigate or report investigations in this area.

### **Pensions and investments funds pensions fraud**

This includes all fraud relating to pension payments, including but not limited to failure to declare changes of circumstances, false documentation, or continued payment acceptance after the death of a pensioner. The estimated national value was £1.1m; no cases involved employees or councillors.

### **Investments fraud**

There was only one case of investment fraud reported this year, but it was valued at over £200,000. There were 11 reported in 2014/15. We are not aware of any significant changes during the year that would have had this effect.

### **Payroll**

This includes inputting ‘ghost employees’ and manipulating payroll data. The number of cases detected in 2014/15 was 137, and this has dropped to 39 in 2015/16. We have estimated that 172 cases of fraud occurred across the UK during 2015/16 representing a loss value of £400,000.

### **Expenses fraud**

Respondents reported 35 cases, which is a drop from 56 in 2014/15. Based on this information we estimate a value loss of £500,000 across the UK for expenses fraud.

Non-council public authorities completing the survey identified expenses fraud as one of their top risks.

<sup>1</sup> [www.actionfraud.police.uk/types\\_of\\_fraud](http://www.actionfraud.police.uk/types_of_fraud). Action Fraud is a national fraud hotline run by the City of London Police

### Recruitment fraud

This includes false CVs, job histories, qualifications, references or referees. The number of cases detected in 2014/15 was 80. In 2015/16 CIPFA estimates the number of recruitment fraud cases across the UK to be 218, with an estimated loss value of £0.9m. As mentioned with regard to other types of fraud it can be very difficult to measure the cost of recruitment fraud. It would carry implications including reputational damage, the costs of further recruitment and investigations into the motives behind the fraud.

### Business rates

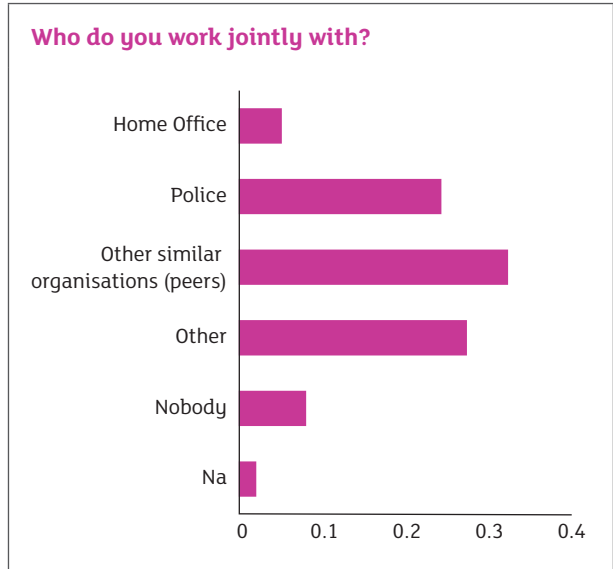
Fraud in the area of business rates appeared as an emerging risk in the 2014/15 report. This year 29 local authorities considered this type of fraud to be a high risk. We have estimated that there could be £4.6m of fraud across the UK in the area of business rates.

### Serious and organised crime

It is important that the public sector understands the nature and scale of fraud and corruption if it is to put forward its best defence. In a time when fraud and corruption threats are sophisticated and organised criminals are becoming ever more resilient, it is crucial that the public sector understands the full extent of the threat and sees patterns and future issues. As part of this survey the Home Office requested CIPFA's help in establishing the true picture of serious and organised fraud across the UK.

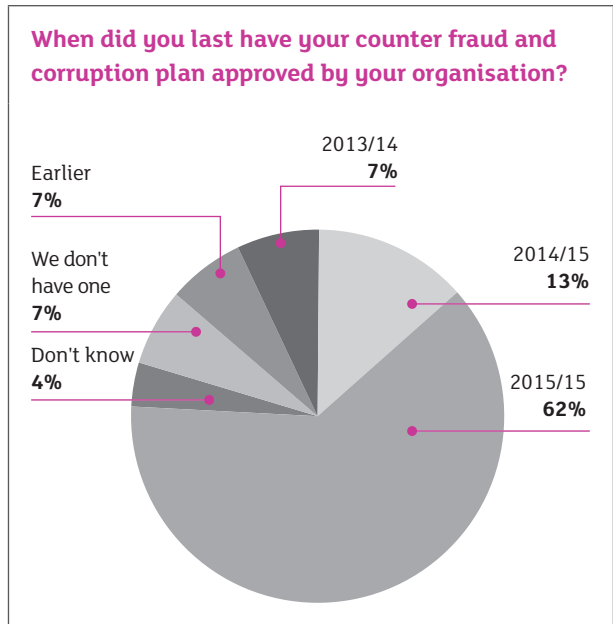
Working jointly is an area recognised both by survey respondents and the Home Office as being important in order to combat serious and organised fraud. The chart 'who do you work jointly with?' shows that most survey respondents do work together with other organisations. Those that do not should consider whether there is scope within their anti-fraud arrangements to do so.

**“Organised fraud often cross local authority boundaries and investigations tend to be complex, requiring the deployment of specialist resources, such as computer forensics or surveillance capability. Such resources are expensive and expertise needs to be constantly used to maintain effectiveness).” FFCL, 2016**



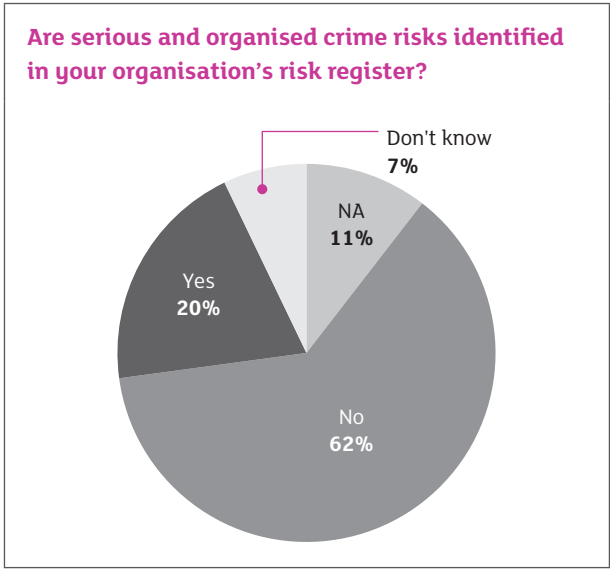
In addition we asked whether organisations shared data and found that over 85% did share data both internally and externally.

We asked organisations when they last had their counter fraud and corruption plan approved by their organisations, most responded that it was within the last year, although 11% of organisations either did not know or did not have a counter fraud and corruption plan approved. CIPFA recommends that all organisations have a counter fraud and corruption plan approved by the organisation annually.



We asked respondents to tell us whether their counter fraud and corruption plans include serious and organised crime risks. While 44% do not include this risk in their plans, 36% do cover it and 20% were unable to say.

In addition, we asked if organisations had considered serious and organised crime in their risk register. We found that most had not, with only 20% confident of their inclusion.



**85%:**  
percentage of respondents that share data both internally and externally

## Collaborative working – the London Boroughs of Tower Hamlets and Redbridge approach

The corporate anti-fraud team at the London Borough of Tower Hamlets worked with the London Borough of Redbridge, the police and the DWP to investigate a serious and organised fraud that involved a claim for housing benefit and tax credit totaling £1.6m.

As part of a subsequent prosecution, three of the ringleaders of the organised crime unit were prosecuted and received combined jail sentences totaling over 12 years for facilitating false applications for benefits and providing false documents allowing benefits to be claimed.

As claims began to increase the assessment process identified other behaviours that appeared concerning, including the speed at which applicants were able to provide full documentation after only a few days of arriving in UK. The corporate anti-fraud team within Tower Hamlets undertook a systematic examination of each aspect of the claim including:

- Home Office verification
- school attendance records
- contacting letting agents
- checking council tax payments
- Companies House
- business rates
- trading Standards.

This examination identified links to claims being paid by the London Borough of Redbridge, both boroughs then worked in collaboration to produce information for the police and the DWP's National Fraud lead.

The bringing together of both local and central government investigators and service delivery meant the results were effectively managed. Every investigation involved necessary and extensive research and applications containing fictitious pay slips and employment documents that were facilitated by unscrupulous fake employers were identified.

The impact of this collaborative approach was:

- shared investigation costs
- use of other organisations' intelligence
- ability to bring the facilitators to court, not just the applicants who played a small part in the fraud
- the identification of the total loss to the public purse and therefore an appropriate level of asset recovery
- totality of sentencing.

## Whistleblowing

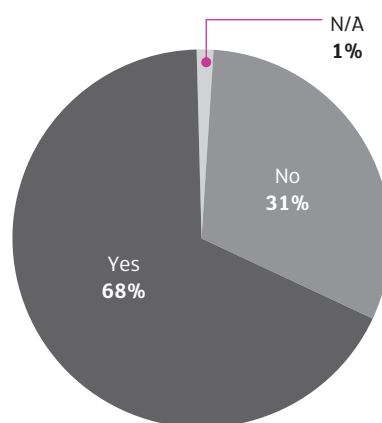
Whistleblowing is the popular term used when someone who works in or for an organisation raises a concern about a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, shareholders, the public or the organisation's own reputation.

All organisations told us they have a whistleblowing policy and just over half reviewed this policy on an annual basis (see chart).

CFaCT respondents reported a total of 505 whistleblowing cases, made in line with *PAS 1998:2008 Whistleblowing Arrangements Code of Practice* (PAS 1998:2008)<sup>2</sup>. This represents disclosures in all areas, not just in regard to suspected fraudulent behaviours.

As an early warning system, whistleblowing arrangements can help alert organisations to various elements of risk that could threaten customers, colleagues, shareholders, the public or the organisation's own reputation. Organisations should therefore ensure that whistleblowing processes are reviewed regularly in accordance with PAS 1998:2008.

**Do those responsible for governance annually review your whistleblowing arrangements in line with PAS 1998:2008?**



<sup>2</sup> [http://wbhelpline.org.uk/wp-content/uploads/2012/07/PAS1998\\_Whistleblowing1.pdf](http://wbhelpline.org.uk/wp-content/uploads/2012/07/PAS1998_Whistleblowing1.pdf)

## Counter fraud and corruption resources

The landscape of fraud for the public sector has changed significantly over the last year with leaner operations, and for local authorities the introduction of the DWP's SFIS has seen a workload shift. Our survey asked a number of questions about those involved in countering fraud.

Responses to the survey showed:

- 44 organisations have no dedicated counter fraud resource or consider it not applicable
- the number of FTE investigation staff has increased year on year since 2013/14 and organisations are planning for a further increase in the number of investigation staff
- the number of planned non-benefit investigators during 2014/15 has been exceeded. This may show that some organisations have realised the value of investing resources in this area.

While it is not essential for all organisations to have a dedicated counter fraud function, CIPFA suggests it is important that organisations have a fraud response

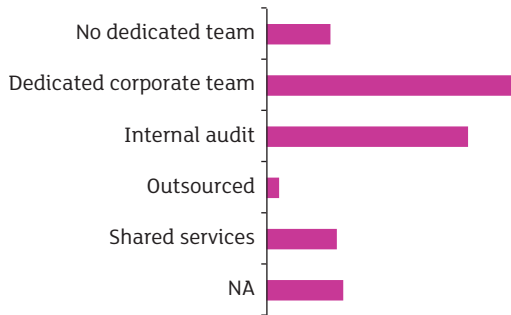
plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.<sup>3</sup>

We asked respondents to the survey about the type of counter fraud and corruption resources they had access to and found that there was a variety of responses. Each organisation must make its own decision on the level and type of resource required in order to carry out its duties with regard to countering fraud, however CIPFA feels is essential that those involved in the counter fraud function are professionally qualified.

<sup>3</sup> See the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption [www.cipfa.org/services/counter-fraud-centre/code-of-practice](http://www.cipfa.org/services/counter-fraud-centre/code-of-practice)

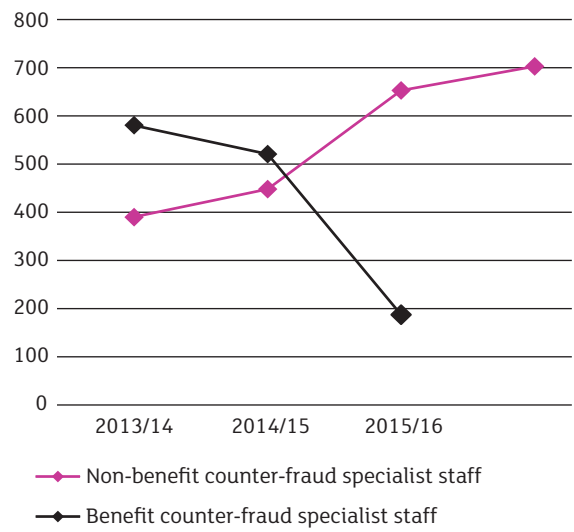


**Description of counter fraud and corruption resource?**



The chart on the right shows that the number of counter fraud staff has increased over the last three years and that the level of resource will continue to increase during the year ahead. It is likely that those organisations who completed the survey are those with a strong commitment to anti-fraud and are therefore those more likely to be investing in that area.

**Counter fraud staff in the public sector (FTE) at 31 March each year**



**Case study – Manchester City Council**

Care packages and other associated welfare related benefits can involve high value payments over the course of a year. A social worker became suspicious that an individual in receipt of support funding had overstated their level of need. A subsequent investigation by counter fraud specialists from the council and the DWP identified a number of irregularities resulting in overpayments in excess of £100,000. The suspect no longer receives personal budget funding or disability living allowance and the case has been referred to the Crown Prosecution Service.

Originally produced in the Fighting Fraud and Corruption Locally Strategy

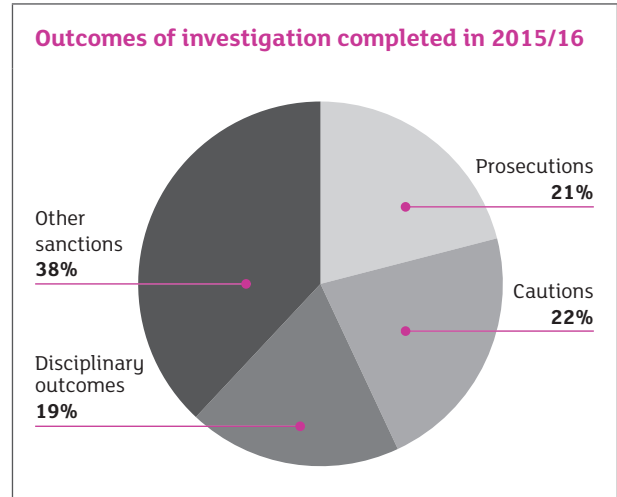
# Sanctions

In the 2014/15 survey report we recorded the number of prosecutions undertaken by different authorities such as the Crown Prosecution Service (CPS) or in-house teams. This year we examined the number of outcomes recorded by organisations.

In the chart:

- prosecutions include both in-house and CPS prosecutions
- cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to prosecute in that instance
- disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team disciplinary action is undertaken, or where a subject resigns during the disciplinary process
- other sanctions include the imposition of fines or other penalties by the organisation.

The chart gives details of outcomes excluding housing benefit fraud, and shows that where fraud is found a wide range of disposals are considered.



## Fighting Fraud and Corruption Locally

The production and implementation of the *Fighting Fraud and Corruption Locally (FFCL) strategy* is overseen by the FFCL Board, which includes representation from key stakeholders. The *FFCL strategy 2016–2019* was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.

The CIPFA Counter Fraud Centre drafted the strategy on behalf of the FFCL board. Development of the strategy is informed, in part, by the response to the CFaCT survey, which asks specific questions with regard to the way fraud is dealt with within organisations.

The chart below shows the responses to these questions by country. There was a small sample return from Scotland and all responses given are based on each organisation's own self-assessment of their position.

We would note that those who have completed the survey are likely to be those who have invested in their counter fraud functions and are currently delivering services in this area. The response may be different among those organisations who did not complete the survey.



## Emerging areas

Last year we asked respondents to tell us where they saw emerging risk areas. Respondents included procurement, organisational change, personal budgets and cyber fraud as areas of potential concern.

We did not ask a question specifically about emerging trends in the 2015/16 CFaCT survey. However, there were some areas that organisations felt were of growing concern. Procurement was seen as an emerging trend in 2014/15 and we saw an increase in cases from 60 to 353 over the year. Within the survey right to buy fraud cases have increased by over 50%. Given the continued discount and the lack of affordable housing this could create conditions that encourage fraud. This could be a particular issue in London where the cost of housing is higher than in other parts of the UK.

Fraud in the area of business rates appeared as an emerging risk in the 2014/15 report. This year 29 local authorities considered this type of fraud to be a high risk.

Personal budgets and direct payments were covered by adult social care and children's social care this year.

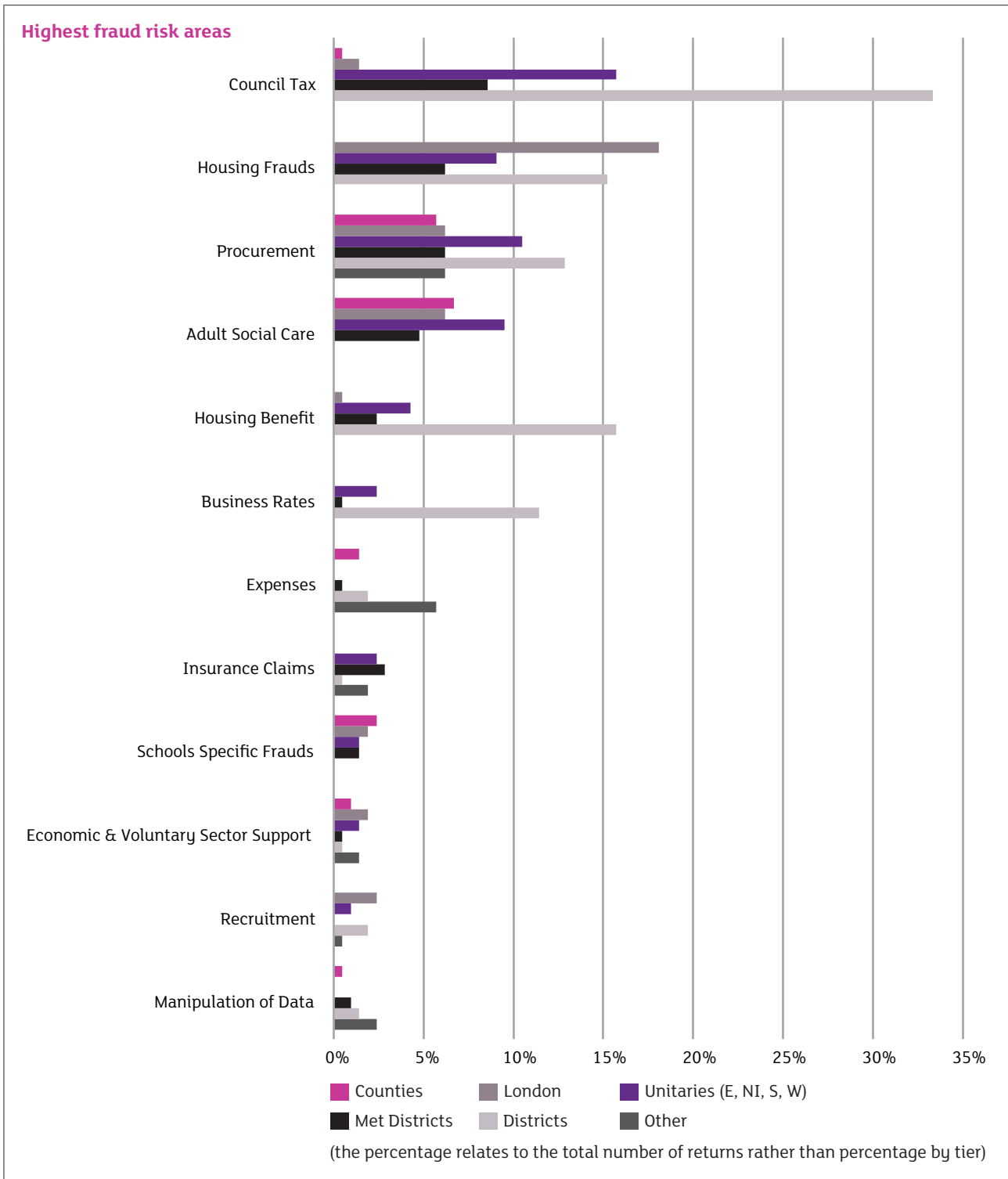
In 2014/15 there were 287 cases reported, which has decreased to 215 in 2015/16. It is clear from responses that the fraud risk in social care is not diminishing, however better controls in some aspects may be having an effect.

### Highest fraud risk

This year at the request of the Home Office we asked respondents to identify the highest risks to their organisation. Respondents told us their highest risks were:

- council tax
- housing
- procurement
- adult social care and housing benefit.

Answers varied significantly by organisation and a more detailed response can be seen in the chart overleaf.



### What do you perceive as the three highest fraud risks areas for your organisation?

We asked respondents to tell us what they perceived as the three most significant areas that need to be addressed to effectively tackle the risk of fraud and corruption in their organisation.

As with the 2014/15 survey, the biggest issues in countering fraud remain the same:

- having the capacity to identify fraud risk and investigate allegations
- having effective fraud risk assessment and management
- barriers to data sharing.

## Financial investigation

Financial investigators are those professionally accredited for the purpose of recovering assets in accordance with the Proceeds of Crime Act 2002 (POCA). Nearly half of respondents to the survey (44%) had no access to financial investigation resource, while 56% did have access.

Organisations told us that they have been awarded £27.5m by courts through POCA (excluding housing benefit/council tax benefit) over the last three years. Of this money, respondents told us that a total of £18.4m has been recovered.

The CFACT found that some authorities have collected more during the year than has been awarded. This is because some older cases are now coming to fruition and that the complex nature of cases means recovery can be delayed. Unsurprisingly, people whose assets are being confiscated are often keen to protect them.

The National Audit Office (NAO) notes that “in practical terms only a very small proportion of criminal gains can ever be confiscated. This is because much crime is not reported, criminal gains are often disposed of quickly or transferred out of reach, and many criminals are determined to keep as much as they can regardless of the sanctions made against them. In practice, therefore, confiscating assets often requires law enforcement officers to show skill, determination and persistence.”<sup>4</sup>

<sup>4</sup> *Confiscation Orders: Progress Review* (NAO, 2016)

### Case study – London Borough of Newham

While investigating an issue with planning permission OneSource, on behalf of the London Borough of Newham, recovered an amount after taking the defendant to a confiscation hearing.

Mr C had requested planning permission to convert a retail office into a vehicle workshop, car sales and MOT testing centre and despite permission being refused he had gone ahead with the work. During the conversion process Mr C ignored an enforcement notice requiring him to stop and was therefore taken to court to appear at a confiscation hearing.

It was calculated that Mr C’s criminal benefit from the offence was over £196,000 and his available assets were calculated as £829,000. At the confiscation hearing the judge made the following order:

- £500 fine
- £50 victim surcharge
- £4,456 costs to be paid within 28 days, with 14 days’ imprisonment in default
- confiscation order made in the sum of £196,341.49 (based on the benefit figure).

The defendant was given six months to pay or face two and a half years in prison.

Recovery in cases like this is relatively easy as most defendants are commercial landlords and have property they can realise rather than face prison.

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies, including:

- Charlie Adan, Babergh and Mid Suffolk District Councils
- Association of Local Authorities' Treasurer Societies
- Norma Atlay, North Hertfordshire District Council
- Nigel Aurelius, Torfaen County Borough Council
- Chris Buss, London Borough of Wandsworth
- County Chief Auditor Network
- Alan Finch, Local Government Association
- Alison Griffin, London Borough of Bexley
- Local Authority Financial Investigators Forum
- Local Government Association
- London Borough of Croydon
- London Borough of Tower Hamlets
- Margaret Lee, Essex County Council
- Mazars
- Graeme McDonald, Solace
- Ian O'Donnell, London Borough of Ealing
- Oldham Borough Council
- oneSource
- Brian Roberts, Leicestershire County Council
- Mike Suarez, Cheshire East Council
- Society of District Council Treasurers
- Society of London Treasurers
- Solace
- South West London Fraud Partnership
- Brian Taylor, Scottish Government
- Donald Toon, National Crime Agency
- Huw Vaughan Thomas, Wales Audit Office
- Chris West, Coventry City Council
- Duncan Whitfield, London Borough of Southwark
- Peter Turner, London Borough of Bromley

## Appendix 1

The table below lists the types of fraud reported in the survey, an extrapolated figure estimating the number of cases across the UK based on the cases reported in the survey and an estimate of the cost incurred in 2015/16. We also give an estimated value per case.

Types of fraud	Fraud cases	% of the total	Value £m	% of the total value	Average £'000
Council tax	47,747	61.90%	22.4	8.30%	0.47
Housing benefit	12,429	16.10%	36.9	13.60%	2.97
Disabled parking concession	6,931	9.00%	3.0	1.10%	0.43
Housing	3,842	5.00%	148.4	54.70%	38.63
Other fraud	1,855	2.41%	13.1	4.83%	7.07
Debt	1,079	1.40%	0.3	0.10%	0.28
Procurement	623	0.80%	6.3	2.30%	12.24
Business rates	447	0.58%	4.6	1.70%	10.34
Insurance claim	422	0.55%	6.2	2.27%	14.59
Adult social care	331	0.43%	2.9	1.06%	8.69
No recourse to public funds	276	0.36%	9.6	3.55%	34.89
Recruitment	218	0.28%	0.9	0.34%	4.25
Pensions	180	0.23%	1.1	0.42%	6.34
School fraud	180	0.23%	0.9	0.34%	5.12
Payroll	172	0.22%	0.4	0.16%	2.52
Mandate	149	0.19%	11.7	4.30%	78.41
Expenses	59	0.08%	0.5	0.18%	8.31
Welfare assistance	42	0.05%	0.0	0.00%	0.19
Manipulation of data	34	0.04%	na	na	na
Children's social care	34	0.04%	0.3	0.12%	9.35
Economic and voluntary sector support	30	0.04%	1.7	0.62%	56.17
Investments	1	0.00%	0.2	0.08%	208.00
	<b>77,081</b>		<b>271.4</b>		



## Survey approach

CIPFA has applied care and diligence to create this picture of fraudulent activity across the UK's public sector.

CIPFA has grouped various fraud areas together rather than give a figure as a whole. For example, council tax includes single person discount and council tax reduction.

The 2016 CFaCT survey assessed all authorities on the themes in the *Fighting Fraud and Corruption Locally (FFCL) strategy*. This aims to help the public sector tackle fraud and corruption and ultimately prevent losses. The FFCL Board also put forward specific questions to be included in the survey to help measure the effectiveness of the initiatives in the strategy. The suggestions in this report, therefore, reflect, endorse and illustrate the long-term agreement between the FFCL Board and CIPFA. We hope that all respondents to the survey were challenged by these questions and have helped them consider where assessments of counter fraud activity would be best focused.

As recommended in the UK Anti-Corruption Plan, the CIPFA Counter Fraud Centre has developed close relationships with the National Crime Agency, the Home Office, and the City of London Police. The survey contains questions pertinent to informing future work in relation to joint working and serious and organised crime.

Due to the wide group of respondents CIPFA has not extrapolated the data, in particular in areas where there may be geographical bias. For example, 'no recourse to public funds' fraud had a high prevalence in the southern authority results returned, with a 97% return for London local authorities.

We have sought to encourage all organisations to complete this survey so that they can benefit from considering their own response to fraud risk, both financial and reputational. We recognise that it is easier for organisations who have a counter fraud function to complete the survey and that this may affect the results. It is important that organisations consider their fraud risk and we hope that this survey will help them in this regard and that they will contribute in future years.





# CIPFA COUNTER FRAUD CENTRE

## Subscribe

To subscribe to the CIPFA Counter Fraud Centre, which gives you access to the tools, alerts and resources needed to combat fraud in the public services, please complete the application form on our website.

## Training

Dates for our Accredited Counter Fraud Specialist and Accredited Counter Fraud Technician are now available for 2017. Both qualifications are accredited by the University of Portsmouth's Counter Fraud Professional Accreditation Board and are ideal for those wanting to strengthen their team skills, gain a professional qualification or build a new career in fraud.

## Whistleblowing e-learning

An accessible, interactive e-learning course for staff on whistleblowing and why it is important.

[www.cipfa.org/services/counter-fraud-centre/e-learning/whistleblowing-elearning](http://www.cipfa.org/services/counter-fraud-centre/e-learning/whistleblowing-elearning)

## Anti-bribery and corruption e-learning

An accessible, engaging e-learning package designed to help organisations strengthen their bribery and corruption defences.

[www.cipfa.org/services/counter-fraud-centre/e-learning/bribery-and-corruption-elearning](http://www.cipfa.org/services/counter-fraud-centre/e-learning/bribery-and-corruption-elearning)



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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officers:</b>	Tracy Greenhalgh, Chief Internal Auditor
<b>Date of Meeting</b>	20 October 2016

## LOCAL GOVERNMENT COUNTER FRAUD AND CORRUPTION STRATEGY 2016-2019

### 1.0 Purpose of the report:

1.1 The Local Government Counter Fraud and Corruption Strategy 2016-2019 provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. It is important that the Audit Committee has an awareness of the strategy to enable them to effectively challenge and scrutinise how fraud is dealt with at Blackpool Council.

### 2.0 Recommendation(s):

2.1 To consider the findings of the Local Government Counter Fraud and Corruption Strategy 2016-2019.

### 3.0 Reasons for recommendation(s):

3.1 To ensure that the Council can continue to provide a robust corporate fraud service.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None.

### 4.0 Council Priority:

4.1 The relevant Council Priorities are

- “The economy: Maximising growth and opportunity across Blackpool”
- “Communities: Creating stronger communities and increasing resilience”

## 5.0 Background Information

5.1 The Local Government Counter Fraud and Corruption Strategy 2016-2019 is aimed at Council Leaders, Chief Executives, Finance Directors and all those charged with governance in local authorities. It identifies a number of challenges when combatting fraud including:

- The significant fraud losses which occur in local authorities.
- The reputational damage fraud has on local authorities.
- The fact that fraudsters are constantly revising and sharpening their techniques and the need for local authorities to adapt to meet these challenges.
- The need to tackle cross-boundary and organised fraud and corruption attempts as well as addressing new risks.
- The changing public sector landscape including budget reductions, service remodelling and integration, and government policy changes.
- Barriers to tackling fraud effectively including incentives, information sharing and powers.

5.2 In order to meet the challenges, the strategy recognises the need for local authorities to continue to develop the below principles:

- Acknowledge fraud risks exist.
- Prevent and detect more fraud.
- Pursue by punishing fraudsters and recovering losses.

5.3 The strategy identifies six key themes which local authorities could consider measuring their performance against including:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

Does the information submitted include any exempt information?

No

## 5.4 List of Appendices:

Appendix 6(a) – Local Government Counter Fraud and Corruption Strategy 2016-2019.

**6.0 Legal considerations:**

6.1 The procedures in place for fraud investigation help ensure that the Council's Corporate Fraud Team operates within the correct legislation and working practices.

**7.0 Human Resources considerations:**

7.1 When investigating internal fraud cases full regard is given to the relevant Human Resources policies and procedures in place.

**8.0 Equalities considerations:**

8.1 The Council's Fraud Response Plan helps ensure that all investigations are carried out objectively and fairly.

**9.0 Financial considerations:**

9.1 The robust investigation of potential fraud contributes to the protection of the Council's assets.

**10.0 Risk management considerations:**

10.1 Proactive fraud work and fraud referrals are risk assessed to ensure that team resources are utilised effectively.

**11.0 Ethical considerations:**

11.1 None.

**12.0 Internal/ External Consultation undertaken:**

12.1 None.

**13.0 Background papers:**

13.1 None.

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# Fighting Fraud & Corruption

LOCALLY

## The local government counter fraud and corruption strategy

2016-2019

Supported by:



**CIPFA COUNTER  
FRAUD CENTRE**

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**Fighting Fraud and Corruption Locally** is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. Its production and subsequent implementation is overseen by an independent board, which includes representation from key stakeholders. The board commissioned the drafting and publication of the strategy from the CIPFA Counter Fraud Centre.

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.



With support from:



# Foreword by Cllr Claire Kober

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Since the last Fighting Fraud Locally Strategy was published in 2011, the landscape has changed considerably for local government. Councils have dealt with unprecedented reductions in funding – up to 40% of central funding over the life of the previous Parliament and further real term reductions announced in the November 2015 Spending Review.

Rather than taking the approach of managing decline, councils have innovated, collaborated and prioritised in order to protect vital services.

Innovation is as important in fighting fraud as any area of council activity to keep ahead of fraudsters and prevent resources being taken away from delivering services to those who need them.

The transfer of welfare benefits fraud investigation staff to the DWP's Single Fraud Investigation Service means that councils need to reconsider how they counter other areas of fraud. The new Fighting Fraud and Corruption Locally Strategy is timely and should be of great help to councils in developing new approaches.

There are many examples of success but it is worth focussing on the Audit Commission's annual report in October 2014 that reported a 400% increase in right-to-buy fraud in London; a fact which we in Haringey anticipated over two years ago when the maximum discount available to purchase a home under the right to buy scheme was increased to £100k.

Our Fraud Team in Haringey has been working pro-actively with services across the council since 2013 to investigate potential Right to Buy fraud. Joining up housing, benefits and fraud teams effectively has meant that we have prevented over 120 cases of right to buy fraud, saving £12m in discounts and retaining the property for use as much needed social housing.

Where we have identified tenancy and benefit fraud alongside the right to buy fraud, we recover the property to help provide homes for those people and families in most need; and we are prosecuting the most serious cases. Secondly, our Benefits Team has been working to make it more difficult for fraud and error to occur in the first place.

Claimants are now asked to periodically resubmit current evidence of their circumstances, especially

their income, and long running claims are now reviewed in depth more often, particularly in high risk areas – those where circumstances might be expected to have changed.

We are also making it easier for claimants to tell us of changes in circumstances and reminding them that they need to tell us, and we are looking at sharing data with other agencies. Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant.

Councils do have a good record in countering fraud and the strategy contains numerous case studies and examples of successes. Councils also have an excellent record in collaboration with the LGA's improvement team recording more than 350 successful examples of councils working together to save money and improve services, and collaboration to counter and prevent fraud is a theme running through the strategy.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work.



**Claire Kober**  
Chair Resources Portfolio Local Government  
Association and Leader Haringey Borough Council

# Foreword by Marcus Jones MP

---

Fraudsters cost the local tax payer many millions of pounds each year. Indeed the estimated loss of £2.1bn quoted in this Strategy is felt to be an underestimate of the total cost to local government.

This is of concern as much to central government as it is to councils. The Strategy rightly places an emphasis on council leaders, chief executives and finance directors to provide the local leadership to take action to protect the public purse.

At a time when every penny should be invested in delivering high quality services to local people, tackling fraud head on should be a priority.

The recent figures from the Office of National Statistics show that an increasing amount of fraud is being reported to the police, Cifas and Financial Fraud Action UK.

The risks are clear, councils must ensure they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation.

Currently there is a disparity of effort in tackling this kind of criminal activity across the sector, this is a concern. Some invest in dedicated counter fraud activity and some do not, and the Strategy is right to point out that councils should take an 'invest to save' approach.

I know this is not easy, there have been some successes but more councils need to go further. The Government has helped councils, and last year provided an injection of £16m through the Counter Fraud Fund to support a wide range of council led projects across the country.

The challenge is now for local government to build on this investment, share the learning, and raise the bar. A clear message needs to be sent to fraudsters that councils won't put up with fraud of any sort. As the Strategy says – it is about having robust systems in place to prevent fraud occurring in the first place.

To look in the right areas, by taking a risk based approach to identify fraud, and where fraud is found to publicise it widely and use it as deterrent. And councils will be judged by their residents on their results.

I fully believe the onus lies rightly at the top of the organisation to set the tone and culture that councils are serious and won't tolerate fraud, that all parts of the organisation have a job to build fraud resilience into their systems, to actively look for, and where they find it prosecute fraudsters.

I hope and expect this strategy to be the spring board for councils to go further than before.



**Marcus Jones MP**  
Parliamentary Under Secretary of State  
(Minister for Local Government)

# Executive Summary

---

Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses.

This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategy, written in 2011.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tougher stance. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks.

In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

This will offer opportunities to support the National Crime Agency in the fight against organised crime and work with the CIPFA Counter Fraud Centre, which has agreed to take on the hosting of Fighting Fraud and Corruption Locally, and other leaders in this field. Local authorities reported that they were still encountering barriers to tackling fraud effectively, including incentives, information sharing and powers.

The strategy also addresses the issue of new anti-corruption measures for local authorities and integrates the relevant elements of the government's Anti-Corruption Plan.

In response to these challenges, local authorities will need to continue to follow the principles developed in Fighting Fraud Locally 2011 (FFL):

- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

This strategy sets out ways in which local authorities can further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes that emerged from the research:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

“At a time when resources are becoming ever more scarce, all of us involved in delivering local public services are looking at ways of doing more with less. Acknowledging the risk of fraud and committing resources to tackle it, taking steps to prevent fraud and pursuing offenders must be part of the answer. What we have learnt as a consequence of our continuing work is that success in this field depends not just on what you do but how you do it. Having an embedded anti-fraud approach across an organisation is critical to success and by focusing this strategy on the cross cutting themes of culture, capability, capacity, competence, communication, and collaboration will in my view help ensure that an anti-fraud approach becomes integral to the way we work.

**Charlie Adan**

Chief Executive Babergh and Mid Suffolk



The Companion to this document contains a section on each of these themes, with information on fraud risks, good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

This strategy also identifies the areas of focus that will make the most difference to local authorities' counter fraud efforts. These are:

- Leadership
- Assessing and understanding the scope of fraud and corruption risks
- Making the business case
- Using resources more effectively
- Collaborating to improve
- Using technology to tackle fraud
- Tackling corruption

Many local authorities have demonstrated that they can tackle fraud innovatively and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings.

For example:

- Birmingham City Council, working with other agencies, secured a confiscation order against 2 organised fraudsters of £380,000
- The London Borough of Lewisham, working with Lewisham Homes, recouped £74,000 from one internal fraudster
- The Royal Borough of Kensington and Chelsea, by using data matching techniques to prevent fraud, made savings of £376,000 in the first year, and £250,000 for the following two years.

This strategy has been designed for local authorities by local authorities and other stakeholders. It provides a firm and practical basis to help them to take the next steps in the continuing fight against fraud and corruption.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon *Fighting Fraud Locally 2011* in the light of developments such as *The Serious and Organised Crime Strategy* and the first *UK Anti-Corruption Plan*
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause

It is now for elected members, chief executives, finance directors, and all those charged with governance to ensure this strategy is adopted and implemented in their local authorities.

# Introduction

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This strategy document is aimed primarily at elected members, chief executives, finance directors, and those charged with governance in local authorities. A companion document aimed at counter fraud practitioners in local authorities has been produced, which lays out detailed actions for them. The strategy sets out the approach local authorities should take and the main areas of focus over the next three years in order to transform counter fraud and corruption performance, and contains major recommendations for local authorities and other stakeholders.

The strategy is based upon research carried out by the CIPFA Counter Fraud Centre.

## This consisted of:

- Workshops conducted in York, Birmingham and London with over 90 attendees.
- Twelve individual interviews with key stakeholders from the counter fraud landscape including local authority representative groups, the National Anti-Fraud Network, the Home Office and the Audit Commission.
- Specific focussed interviews with subject matter experts.
- Three regional workshops attended by around 70 practitioners focussed on particular fraud types and barriers.
- A workshop focussing on anti-corruption risks.
- A survey placed on the website of the Local Authority Investigators Group on fraud risks and barriers.
- Desktop research of publications and counter fraud literature, including new legislation. These documents are listed in The Companion.

By following this strategy local government will be better able to protect itself from fraud and corruption and will provide a more effective fraud response.



## Our vision is that by 2019:

- there is a culture in which fraud and corruption are unacceptable and everyone plays a part in eradicating them
- by better understanding of risk and using technology local authorities will shut the door to fraudsters who try to access their systems or services
- local authorities will have invested in sustainable systems to tackle fraud and corruption and will see the results of recovery
- local authorities will be sharing information more effectively and by using advanced data technology will prevent and detect losses
- fraudsters will be brought to account quickly and efficiently and losses will be recovered

Since the first local government counter fraud strategy, *Fighting Fraud Locally*, was published in 2011, local authorities have made significant progress in tackling fraud by acknowledging and understanding the risks they face and by collaborating, making more use of technology and information sharing to prevent fraud.

In addition, local authorities have made good use of legislation to recover assets and to take action against fraudsters. There are many examples in this document and the companion that demonstrate the efforts and achievements of local authorities despite reductions in resources and a changing enforcement landscape.

Local authorities should be commended for their part in the fight against fraud and other agencies should learn from their good practice. However, the scale of losses demonstrate that more needs to be done. The landscape continues to change and local authorities will need to respond within the context of budget reductions. There is a need to do more with less.



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## **This document is divided into three sections:**

### **Section 1: The Fraud Challenge**

Sets out the nature and the scale of fraud losses, the changes to the national and public sector fraud landscape that require a response from local authorities, and the key issues raised by stakeholders.

### **Section 2: The Strategic Response**

Describes the response that is required from local authorities to address the challenges it is facing, identifying the activities necessary in order to achieve the strategic vision.

### **Section 3: Delivery Plan**

Sets out the recommendations and the framework for delivery.

### **The Companion**

This additional document is aimed at counter fraud practitioners in local authorities and taken together with this strategy sets out a comprehensive blueprint for counter fraud and corruption activities that will deliver the vision.

It identifies the most pressing and serious fraud risks and sets out ways of tackling them, as well as identifying the key organisations that local authorities should work with and the roles they play.

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Birmingham City Council has invested in creating an anti-fraud culture for some years and a number of examples of its good practice are contained within this document.

At Birmingham City Council, we are committed to protecting the public funds that we are entrusted with. In these times of austerity, the minimisation of losses to fraud and corruption is even more important in ensuring that resources are used for their intended purpose of providing essential services to the citizens of Birmingham.

Through our values, policies and procedures, the council has sought to develop an anti-fraud culture and maintain high ethical standards in its administration of public funds. Anyone who commits, or attempts to commit, fraudulent or corrupt acts against the council, will be held to account in a decisive manner.

The work of our Counter Fraud Team in identifying fraud is invaluable in ensuring that our scarce resources are protected. The development of a sophisticated data analysis capability enables the team not only to detect fraud, but helps our frontline services to prevent it as well. This helps to make sure that the council's services are provided to only those in genuine need and that our valuable resources are directed to where they are needed most”.

#### **Mark Rogers**

Chief Executive, Birmingham City Council

# Section 1: The Fraud Challenge

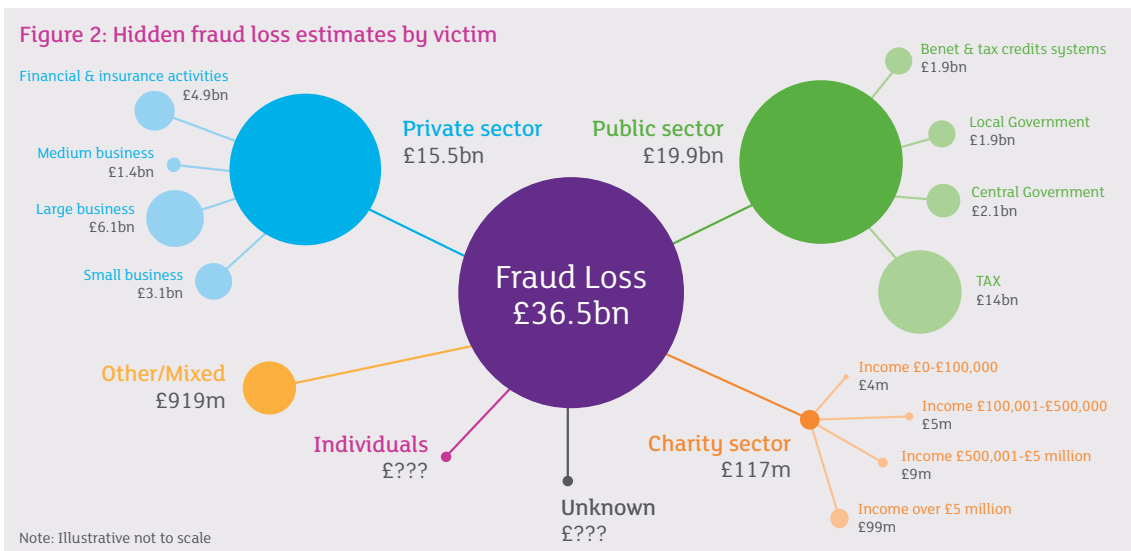
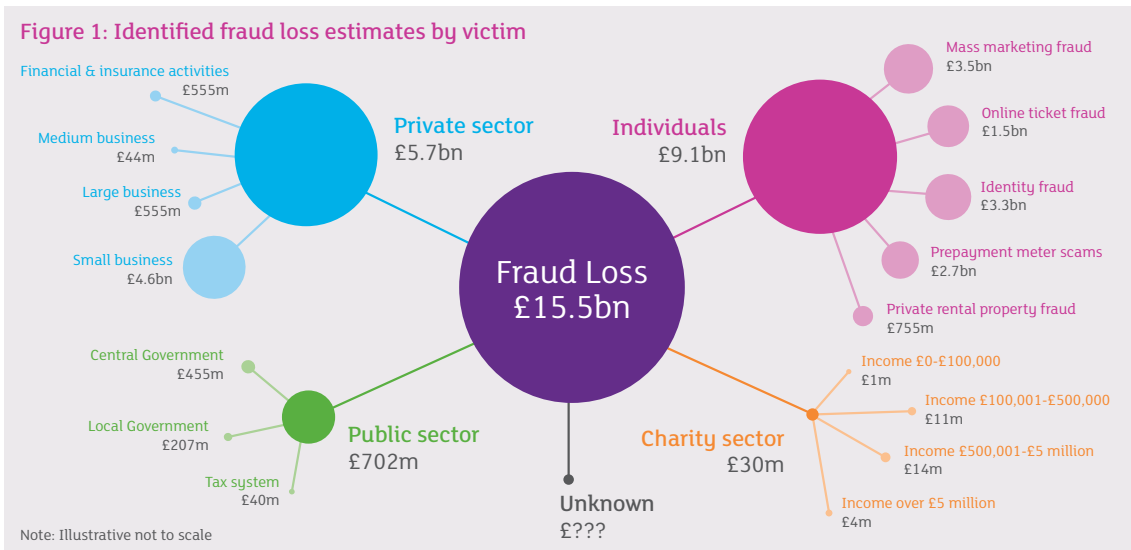
In compiling the evidence that underpins this strategy it became clear that there are three main areas of concern that necessitate a coordinated response from local authorities:

- The scale of fraud losses
- Changes to the national and public sector counter fraud landscape
- Issues raised directly by stakeholders.

## The Scale of Fraud Losses

It is accepted that fraud affects the UK across all sectors and causes significant harm. The last, most reliable and comprehensive set of figures was published by the National Fraud Authority in 2013, and indicates that fraud may be costing the UK £52bn a year.

Within these figures the estimated loss to local authorities totalled £2.1bn. The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:



Annual Fraud Indicator 2013

### Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated Loss	Fraud Type	Estimated Loss
Housing tenancy fraud	£845m	Blue Badge Scheme misuse	£46m
Procurement fraud	£876m	Grant fraud	£35m
Payroll Fraud	£154m	Pension fraud	£7.1m
Council Tax fraud	£133m		

Annual Fraud Indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss.

The Audit Commission's Protecting the Public Purse 2014 identified detected fraud to the value of £188m following a comprehensive survey of local authorities: this was fraud after the event and did not include potential losses.

Local authorities detected 3% fewer cases of fraud than in the previous exercise but the value increased by 6%, which implies larger fraud cases.

It is clear, even allowing for inaccuracies in the measurement of fraud risk and the absence of recent data, that like other sectors of the economy local government is under attack from fraudsters and the scale of losses to local authorities is significant. There are opportunities for local authorities to take action to reduce their losses, and these are discussed in Section 2 of this document.

## Changes to the National and Public Sector Counter Fraud Landscape

Since Fighting Fraud Locally was published in 2011, there have been significant changes in the landscape nationally, including areas covering organised fraud and anti-corruption.

### The National Response to Serious and Organised Crime

The National Crime Agency was created in October 2013, and in May 2014 published the National Strategic Assessment of Serious and Organised Crime. Organised crime costs the United Kingdom £24bn each year and includes drug trafficking, human trafficking, organised illegal immigration,

high value crimes, counterfeiting, organised acquisitive crime and cybercrime.

Serious and organised criminals operate across police force boundaries and in complex ways, and the police require sophisticated capabilities to detect and disrupt their activity. The Government invested in the development of the Regional Organised Crime Unit (ROCU) network to ensure that forces have access to the capabilities they need to tackle these threats. Regional Organised Crime Units provide high end specialist capability, including regional fraud teams, to local forces tackling the threat from serious and organised crime in their region.

Action Fraud is the national reporting point for fraud and also cyber crime. As of April 2014, both Action Fraud and the NFIB are run by the City of London Police, which is the UK's lead force for fraud. This change was made by the Government to ensure that one body was responsible for the whole process of recording and analysing reports of all types of fraud.

Organised crime affects local authorities as well as other organisations. The Government launched a new Serious and Organised Crime Strategy in October 2013. Its aim is to substantially reduce the level of serious and organised crime affecting the UK and its interests. All frauds, including those committed within the context of local government should be reported to Action Fraud, either by calling: **0300 123 2040** or by visiting: [www.actionfraud.police.uk/report\\_fraud](http://www.actionfraud.police.uk/report_fraud).

The National Crime Agency (NCA) leads work against serious and organised crime, coordinating the law enforcement response, ensuring that action against criminals and organised criminal groups is prioritised according to the threat they present.

Police forces will continue to conduct most law enforcement work on serious and organised crime. They should be supported by local organised crime partnerships boards, including local authorities and

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agencies to ensure all available information and powers are used against this threat.

Local government is not immune from organised fraud. Recent years have seen a number of fraud cases where perpetrators have been part of a larger criminal network. Organised frauds often cross local authority boundaries and investigations tend to be complex, requiring the deployment of specialist resources, such as computer forensics or surveillance capability. Such resources are expensive and expertise needs to be used constantly to maintain effectiveness.

Although organised crime may not immediately seem to be a direct threat to local authorities, many organisations have already been subjected to fraud, money laundering, identity crime, intellectual property crime and theft of assets. Local authorities may be targeted by organised crime, whether to obtain council resources or to fund other activities. Local authorities need to consider how they can protect their employees, communities, businesses and themselves from the threat of organised crime.

### Anti-Corruption

On 18 December 2014 the Home Office published the first UK Anti-Corruption Plan. The aim of the plan is to bring about a co-ordinated and collaborative approach, setting out clear actions and priorities. The plan covers both UK and international activities, and includes local government.

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Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question.

However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.”

**Prof Alan Doig** – Visiting Professor,  
Centre for Public Services Management,  
Liverpool Business School, Liverpool John Moores University.

The response to corruption follows the UK's four components of the Serious and Organised Crime Strategy:

- **Pursue:** prosecuting and disrupting people engaged in serious and organised criminality
- **Prevent:** preventing people from engaging in serious and organised crime
- **Protect:** increasing protection against serious and organised crime
- **Prepare:** reducing the impact of this criminality where it takes place.

The plan sets out the immediate priorities for the government, which are to build a better picture of the threat from corruption, increase protection and strengthen the law enforcement response.

Local authorities are included in a number of areas within the plan as well as within a specific section. There are areas to which they should pay close attention and ensure that they have suitable arrangements in place and that they are up to date on current arrangements. It will require a change in culture and competence.

**Local government** is targeted by those who wish to corrupt local processes, such as housing or planning, for their own gain; and organised crime groups are known to target local officials to consolidate their status in communities.

UK Anti-Corruption Plan, December 2014

The NCA's Economic Crime Command also has a responsibility in respect of anti-bribery and anti-corruption. It is working with the CIPFA Counter Fraud Centre to raise awareness in this area and recommends a policy of zero tolerance to bribery and corruption, which should be endorsed by the chief executive, sound whistleblowing procedures and awareness training. The NCA also recommends reflecting the commitment in all relevant policies.

### The Public Sector Fraud Response

The Cabinet Office published Tackling Fraud and Error in Government: a Report of the Fraud, Error and Debt Taskforce in 2012. That report set out an ambitious but focused delivery programme that sought to reduce levels of fraud and error across government.

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In his foreword, The Rt. Hon. Francis Maude wrote: “We must continue to work together to support the national fraud strategy Fighting Fraud Together, and demonstrate the significant financial benefits that can be made in reducing the harm of fraud and error in the public sector.”

The Fraud, Error and Debt Taskforce was established under the 2010 to 2015 Conservative and Liberal Democrat coalition government, and was the strategic decision-making body for all fraud and error, debt and grant efficiency initiatives across government.

It met 6 times a year and included ministers, senior officials from relevant government departments, and experts from the private sector and the wider public sector. As a result of its work, this government is putting in place a fraud, error, debt and grants function and is reviewing associated groups.

As a result of the Taskforce’s work, central government is driving ahead with a broad agenda of activity on fraud, error, debt and grants. This includes the roll out of the Debt Market Integrator, a new way of collecting public sector debt and developing capability across central government in countering fraud through the development of government standards for counter fraud work. It also includes projects to enhance the use of data analytics across government and increasing the efficiency and effectiveness of government grant

The National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud, is now under the control of the Cabinet Office. The NFI team continues to carry out data matching work with local authorities.

### **Fighting Fraud Locally 2011**

Fighting Fraud Locally, published in 2011, was the first counter fraud strategy for local authorities. It set out the challenges facing local authorities and the response required, noting the good work already carried out and proposing action to overcome the barriers to further progress.

The initiative was supported and hosted by the National Fraud Authority (NFA), which led engagement with local authorities through an independent board on which stakeholders such as the Local Government Association, the Department

for Communities and Local Government, and counter fraud experts working in local authorities were represented.

As a result of Fighting Fraud Locally, local authorities and central government undertook many activities. The DCLG set up working groups to look at the areas raised by local government as barriers. Local authorities took part in around 34 pilots set by the NFA, an annual conference was set up, and an awards regime was established which eventually grew to include the whole public sector.

The NFA undertook an extensive engagement campaign with a national roadshow and events to publicise the work and garner support. It engaged CIPFA to provide a survey on FFL actions which began in 2012, and commissioned free tools and guides under the banner of FFL.

Following the abolition of the NFA in March 2014, most of its work was transferred into the National Crime Agency. Overseeing the delivery of the action plan associated with Fighting Fraud Locally remained the responsibility of the independent board. In October 2014, the Chartered Institute of Public Finance and Accountancy (CIPFA), which was already providing pro bono support by hosting the Fighting Fraud Locally web pages and providing several guides and tools, was asked by the independent board to take over the secretariat and begin research for the next iteration of the strategy.

The CIPFA Counter Fraud Centre now hosts Fighting Fraud and Corruption Locally, manages the secretariat and holds the Fighting Fraud and Corruption Locally Good Practice Bank.

### **Police Resources**

Local authorities collaborate with the Police where appropriate. The law enforcement response to fraud is led by the City of London Police, which is the national lead force for fraud. The City of London Police runs Action Fraud, the national reporting service for fraud and cyber-crime.

It is not only local authorities that are affected by changes in the landscape and a reduction in resources due to the need to curb public expenditure: other enforcement agencies are also facing reductions. It is the view of local authorities that police will have reduced resources to support local authorities on tackling local authority led fraud.

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Local authorities will therefore need to consider how they can achieve the results necessary by reconfiguring their approach to enforcement

### Whistle-blowing Arrangements

The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing a comprehensive, management-led, anti-fraud and corruption culture needs to be maintained, including clear whistle-blowing arrangements.

These arrangements should ensure that staff and the public have access to a fraud and corruption whistle-blowing helpline, and should be kept under review.

The terms should conform to the British Standards Institute 2008 Whistle-blowing Arrangements Code of Practice as updated within the Code of Practice published in 2013 by the Whistle-blowing Commission set up by Public Concern at Work.

The Department for Business, Innovation and Skills, also recently published Whistle-blowing Guidance and a Code of Practice (March 2015) this helps employer's understand the law relating to whistle-blowing and provides practical advice for putting in place a robust whistle-blowing policy .

The NAO is available as a prescribed body to take calls from whistle-blowers and the NAO has good practice on its website.

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Whistleblowing arrangements help to provide employees of public bodies, and users of public services with confidence that wrongdoing or the misuse of public funds can be investigated by an independent and impartial party. This is all the more important where services are subject to considerable change and innovative ways of delivering those services are adopted.

The Head of the National Audit Office is a prescribed person for central government, and from 1 April will also be a prescribed person for local government – we take our responsibilities to provide an impartial and objective service extremely seriously, and draw on the lessons learned from our wider work, to support those who make reports to us.”

#### Sue Higgins

Executive Leader, National Audit Office.

### The Transparency Code

DCLG published The Transparency Code on 31 October 2014. The aim is to strengthen transparency within local government. It also affords the opportunity for residents to see how money is spent. The section in respect of local authorities is also referred to in the UK Anti-Corruption Plan as an aid to making anti-corruption issues more transparent.

The Code sets out requirements for local authorities to report on their counter fraud work:

The Code legally requires local authorities to publish annually details of their counter fraud work, including information about the number of occasions they use powers to obtain information from specified bodies to help investigate cases of fraud, the number of staff investigating fraud cases and the number of fraud cases they have investigated.

Specifically, local authorities must publish the following information about their counter fraud work:

- number of occasions they use powers under The Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated.

The Code also recommends that local authorities publish details about the number of cases where fraud and irregularity has been identified and the monetary value for both categories that has been detected and recovered.

The above is an extract from the UK Anti Corruption Plan

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## Issues Raised Directly By Stakeholders

In addition to considering relevant policy and academic research, the foundations for this strategy were researched through a series of workshops, surveys, and face to face individual meetings.

There were many instances of good practice, collaborative working and examples of innovative use of data provided by participants.

Local authorities reported issues in the following areas:

### Counter Fraud Capacity

Many local authority practitioners reported that the capacity to tackle fraud and corruption was likely to be reduced, or had already been reduced, as a result of austerity-related local authority funding reductions.

In many cases practitioners also reported that the skilled investigation resource transferred to the Department for Work and Pensions Single Fraud Investigation Service (SFIS) had not been replaced, and some stated that after the SFIS transfer their authority would have no fraud team.

### Skills

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Some local authorities stated that they would recruit new staff or transfer staff into fraud-related work post SFIS, but raised the concern that they did not have budgets to train their staff to tackle new areas.

### Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to the focus being on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated.

## Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments, and the private sector; but reported a range of difficulties in securing progress.

Some examples of this were: counter fraud work not being consistently prioritised; lack of financial incentives to make the business case; a lack of understanding of data protection rules; and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to obtain police involvement in their cases and that they did not receive feedback on cases from crime reporting hotlines.

*“In times of austerity, collaboration is key. It is of increasing importance to consolidate the approach to fighting fraud and corruption across public services to better inform strategies and to gain a more comprehensive picture of the fraud landscape. We have created CIPFA’s Counter Fraud Centre to lead on creating a coordinated approach, as well as offering thought leadership and to fill the gaps led by others.*”

*Fraud is a pointless drain on resources emphasised by the need for local authorities to save every penny, but we are committed to helping authorities work together to tackle fraudulent activity, protecting the public pound.*

**Rob Whiteman**, CEO CIPFA

## Types of Fraud

Local authorities reported a wide range of fraud types. The main areas of fraud that were reported in Fighting Fraud Locally 2011 continue to feature as significant risks. However, there are also new fraud types emerging and some of these are more prevalent in particular parts of the country. It is clear that a one size fits all approach is not appropriate: local authorities will need to tailor their approach to their particular fraud risks.

Known Fraud Risks Remaining Significant	Emerging / Increasing Fraud Risks
<p><b>Tenancy</b> – Fraudulent applications for housing or successions of tenancy, and subletting of the property</p> <p><b>Procurement</b> – Tendering issues, split contracts, double invoicing</p> <p><b>Payroll</b> – False employees, overtime claims, expenses</p> <p><b>Council tax</b> – Discounts and exemptions, council tax support</p> <p><b>Blue Badge</b> – Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person’s Blue Badge, badges issued to institutions being misused by employees.</p> <p><b>Grants</b> – Work not carried out, funds diverted, ineligibility not declared</p> <p><b>Pensions</b> – Deceased pensioner, overpayments, entitlement overstated</p> <p><b>Schools</b> – Procurement fraud, payroll fraud, internal fraud</p> <p><b>Personal budgets</b> – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim</p> <p><b>Internal fraud</b> – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit while working</p> <p><b>Identity fraud</b> – False identity / fictitious persons applying for services / payments</p>	<p><b>Business rates</b> – Fraudulent applications for exemptions and reliefs, unlisted properties</p> <p><b>Right to buy</b> – Fraudulent applications under the right to buy/acquire</p> <p><b>Money laundering</b> – Exposure to suspect transactions</p> <p><b>Insurance Fraud</b> – False claims including slips and trips</p> <p><b>Disabled Facility Grants</b> – Fraudulent applications for adaptations to homes aimed at the disabled</p> <p><b>Concessionary travel schemes</b> – Use of concession by ineligible person, including Freedom Passes</p> <p><b>No recourse to public funds</b> – Fraudulent claim of eligibility</p> <p><b>New Responsibilities</b> – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.</p> <p><b>Commissioning of services</b> – Including joint commissioning, third sector partnerships – conflicts of interest, collusion</p> <p><b>Local Enterprise Partnerships</b> – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.</p> <p><b>Immigration</b> – Including sham marriages. False entitlement to services and payments.</p> <p><b>Cyber dependent crime and cyber enabled fraud</b> – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.</p>

Though uncommon, incidents of electoral fraud in the UK undermine wider public confidence in the electoral process and trust in the outcome of elections. Fraudulent electoral registration may also be linked to other types of financial or benefit fraud.

Electoral Registration Officers (EROs) and Returning Officers (ROs) are uniquely placed to identify incidents and patterns of activity that might indicate electoral fraud. In line with Electoral Commission guidance they should ensure mechanisms are in place to assess the risks and monitor indicators of possible electoral fraud.

It is essential that local authorities work in partnership with the police on any issues around registration and the planning for elections and share information relevant to identifying and preventing electoral fraud.

The ERO/RO should be in touch with the relevant police force’s Single Point of Contact (SPOC) for electoral matters and agree the division of responsibilities and the approach for the ERO/RO to refer allegations of electoral fraud to the police where appropriate.



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The police are responsible for investigating allegations of electoral fraud and should keep the ERO/RO informed of the progress of cases.

The Electoral Commission has identified 17 local authority areas in the UK which have a higher risk of allegations of electoral fraud, where it recommended a sustained approach to tackle the risks. It is essential that the EROs and ROs for those areas maintain their focus on electoral fraud prevention.

The Government is completing the roll-out of individual electoral registration across Great Britain, which will help reduce the scope for fraud.

The individual nature of the new registration system, in combination with increased assurance of the identity of applicants, means that the register now has greater value as a tool for local authorities and the police to aid in the prevention and detection of crime, including other forms of fraud.

### **Powers**

In *Fighting Fraud Locally 2011*, local authorities reported that they did not have sufficient powers to tackle non benefit fraud and cited examples of this across their counter fraud activities. In the area of social housing fraud, the Department for Communities and Local Government dedicated resource to improving this situation and, in October 2013, The Prevention of Social Housing Fraud Act was introduced which enabled local authorities to acquire information by using new powers.

However, local authorities are still reporting that they do not have sufficient powers to tackle non benefit fraud. For example, local authorities reported having difficulty obtaining evidence from suppliers in procurement fraud investigations.

Further action is required to ensure that local authorities are able to deal with fraud effectively in all areas of their business.

### **Good Practice Case study – Manchester City Council**

Manchester was awarded DCLG tenancy fraud funding to work in partnership with Registered Social Landlords in the area including:

- Review their tenancy fraud processes and procedures
- Produce a tenancy fraud publicity toolkit containing template leaflets and posters
- Develop capacity through delivery of training packages to enable partners to: identify tenancy fraud; gather evidence in compliance with CPIA 1996;
- Provide PACE awareness training enabling social housing staff to work alongside the council counter fraud specialists.

Kate Sullivan, Tenancy Enforcement and Support Manager at Adactus Housing said:

“The Fraud Investigations team has assisted Adactus with complex investigations and has worked with us to create the environment of a true partnership. The investigations they have carried out have been in cases where, prior to the project, we had drawn a blank and had been unable to gather meaningful evidence to proceed with a case.

The team has welcomed an Adactus member of staff to shadow its officers, which has been a valuable learning opportunity for my team member and given an understanding on both sides of the constraints both teams face.”

### **Barriers to Information Sharing**

In *Fighting Fraud Locally 2011*, local authorities expressed frustration that they had difficulty obtaining information from government agencies and departments as well as from internal colleagues. They also provided examples of instances where they were not permitted to share data, even to tackle fraud.

A number of local authorities that subsequently set up hubs to collaborate and share information in line with recommendations in *Fighting Fraud Locally 2011* experienced difficulties over exchanging data and, even where they did not have difficulty,

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processes were lengthy. Without exception, at every workshop during research, this issue was raised; across different types of fraud and across different agencies.

### Incentives

During the development of Fighting Fraud Locally 2011, DCLG took on board issues raised about housing tenancy fraud and an incentive fund was created. Two tranches of funding were made available in 2009 and 2011 and the last tranche in 2015. This funding has enabled local authorities to set up bespoke counter fraud teams and to undertake data matching and other innovative measures.

Local authorities report that once this stream of funding expires, however, they will not be able to sustain activity in this area. The reason for this is that stopping a housing tenancy fraud rarely provides a cashable saving (tenants sub-letting their property are almost always very good rent payers) and it is difficult to identify sufficient financial benefit to support the business case to undertake counter fraud activity.

In December 2014, DCLG made available a one-off Counter Fraud Fund of £16m to support local authorities in tackling fraud in the period during which the SFIS is due to be implemented.

This fund received bids totalling around £36m, which included innovative ideas and proposed joint working across local authorities, central government and with private sector providers.

Many of the outcomes of this work will be seen during the period of this strategy. The interest and appetite for this initiative on the part of local authorities has not only resulted in many good proposals and mechanisms being put forward, but signals their strong commitment and goodwill to continue to tackle fraud.

Local authorities are still reporting that, apart from these one-off funds, it remains difficult to access funding to tackle fraud. The business case is often not clear cut, which makes it difficult for local authorities to fund initiatives on an invest-to-save basis, and in some instances the business case is frustrated by existing local government funding mechanisms.

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Councils need central government to set in place the right legal and financial frameworks so that they can tackle fraud and corruption effectively. This strategy offers the opportunity for central government to work with councils in protecting the public purse by providing appropriate powers, removing barriers to information sharing across government, and by providing the right financial incentives for councils to tackle fraud and removing disincentives. Councils should not be expected to fight fraud with one hand tied behind their back.”

#### Ian O'Donnell

Executive Director of Corporate Resources,  
London Borough of Ealing



# Section 2: The Strategic Response

The principles of the strategic response to fighting fraud in local authorities remain unchanged from Fighting Fraud Locally 2011. These are set out in the first section below.

## The Principles - Acknowledge, Prevent and Pursue



Fighting Fraud Locally official NFA Board Slides

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government.

Fighting Fraud and Corruption Locally recognises these challenges and the need for a cost effective way to reduce fraud. This strategy calls for a greater emphasis on prevention and the recovery of stolen money and highlights the need to create new arrangements to ensure that local authorities retain a resilient response to fraud based on the sharing of services and specialist resources.

Strong leadership will be required in order to achieve this, with greater use of technology and a stronger emphasis on collaboration. The starting point of the strategic response is to acknowledge the threat of fraud and the opportunities for protecting the public purse that exist. This acknowledgement must start at the top and lead to action.

While this document outlines the main areas of fraud risk across local government, each authority's risk profile will be different.

This strategy recommends that the starting point for each local authority is to perform its own risk assessment and fraud resilience check.

The second element of the strategy focuses on prevention. With investigative and police resources facing budget pressures, a counter fraud and anti-corruption strategy can no longer depend on enforcement activity.

Prevention is often the most efficient way to make savings and so what is called for is a radical realignment of counter fraud resources with greater investment in techniques, technology and approaches that will prevent fraud and corruption.

Stopping fraud and corruption from happening in the first place must be our aim. However, those who keep on trying may still succeed. A robust enforcement response is therefore needed to pursue fraudsters and deter others.

Fraud is an acquisitive crime and the best way to deter offenders is to ensure that they are caught and do not profit from their illegal acts.

This strategy argues for a fundamental shift in culture to emphasise civil recovery and the more rigorous pursuit of losses.

## Turning Strategy into Action

### The Themes – Six C's

The Companion to this strategy document sets out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective.

Local authorities should consider their performance against each of the six themes that emerged from the research conducted.

These are:

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business
- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk
- **Competence** – having the right skills and standards
- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

The Companion contains a section on each of these, with information on good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

### Fraud knows no boundaries – London Borough of Lewisham

A former housing officer who fraudulently hijacked the tenancy of a dead Lewisham tenant was ordered by the court to pay £74,000 after Lewisham Council was granted a compensation order. At an earlier court hearing, the housing officer had received a 21-month prison sentence while her husband had received a 12-month suspended prison sentence and was ordered to conduct 100 hours of unpaid community work.

Following the death of the original tenant in 2005, the tenancy officer had manipulated the council's records to take control of the property in Catford which she then sublet at a profit. The fraud was uncovered in 2009 after Lewisham Homes, the council's arm's length management organisation (ALMO) conducted a visit to the property as part of a tenancy-checking verification program and found that the original tenant was no longer resident.

Further checks by the council's fraud team revealed that a different person from the tenant was listed as liable for Council Tax at the property.

The housing officer and her husband had also provided false information to secure a tenancy in another borough fraudulently, which they also sublet to another tenant for a higher rent

It is estimated that the actions of the rogue housing officer resulted in a combined loss of approximately £150,000 to the public purse.

## Areas of Focus

There are seven areas where a shift in activity will result in long term, sustainable improvement:

### 1. Leadership

**Showing leadership:** elected members, chief executives, finance directors and all those charged with governance should demonstrate explicit commitment to fighting fraud and corruption, and provide the necessary leadership.

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Counter fraud practitioners cannot operate effectively unless those at the top in local authorities champion counter fraud and corruption work and visibly promote the message that fraud and corruption will not be tolerated.

**Culture:** those at the top in local authorities should maintain a robust counter fraud and corruption culture with clear values and standards. Culture fundamentally affects all elements of counter fraud and corruption activity: prevention, detection, deterrence, investigation, sanctions and redress.

A key element is having sound whistle-blowing arrangements; communicating how to report fraud and corruption and creating an environment in which reports can be made without the fear of recrimination.

**Collaboration and co-ordination:** those at the top in local authorities should actively seek to co-ordinate their efforts in the fight against fraud and corruption. Local authorities should seek to break down barriers to collaboration and sharing with other local authorities, central government and other organisations.

**Communication:** having a robust communication policy, actively publicising initiatives and celebrating successes is integral to having an effective counter fraud culture as a visible demonstration of commitment and values.

## 2. Assessing and understanding the scope of fraud and corruption risks

**Assessing risks:** In order to continue to function effectively in a changing landscape post SFIS implementation, and to take account of the recommendations in the UK Anti-Corruption Plan, local authorities will need to make an assessment of their risks.

This will require an honest appraisal of risks and the resources required to tackle them and whether that can be done locally, with the support of the national agencies, or with neighbouring authorities.

**Measuring potential and actual losses:** local authorities should measure potential and actual losses on a regular basis in order to understand the scope of the challenge, assess the response required, and measure performance.

The impact of crime is not only financial: losses suffered from fraud can have a direct, adverse impact on those people who are in most need of support, and in some cases the reputational damage caused to a local authority can be serious and lasting.

**Horizon scanning:** in the fast-changing local authority landscape, local authorities should scan the horizon constantly for emerging risks. The Companion to this document details new and changing fraud areas that local authorities reported in the research for this strategy.

However, it is important that local authorities approach this task individually, as some risks are particular to individual local authorities (e.g. districts and counties face different risks), and some fraud risks differ geographically.

## 3. Making the business case

**Investing in counter fraud activity:** local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses. Local authorities do not, as a rule explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems.

However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

**Fighting fraud and corruption is not only a financial issue:** fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

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The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they are achieving wider benefits for the community.

**Preventing losses:** local authorities should set in place controls that will prevent fraudsters from accessing services and employment. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents, and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users – e.g. if someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds, and in any case they may not have the training or qualifications to perform the job to the required standard.

**Recovering financial losses:** prompt and efficient recovery of losses is an essential component in the fight against fraud and corruption. In some cases local authorities can make use of their own income collection systems to recover losses – e.g. council tax, business rates, and housing benefits. In others, local authorities will need to make use of civil and criminal courts.

The Proceeds of Crime Act 2002 remains a powerful tool for local authorities; however, local authorities should strike the right balance, making the business case for prosecutions but not setting unachievable financial targets. Local authorities should continue to work with the courts to improve the speed of processing and develop case law supporting the successful application of recovery powers.

#### 4. Using resources more effectively

**Using the right resources:** local authorities should make use of the right number of properly skilled counter fraud and corruption staff, adopt best practice standards, make use of tools and technology, and generate economies of scale through collaboration.

In a changing environment where resources are

limited, where fraud types are constantly changing and where staff may be moving roles, it will be vital to ensure that these resources are kept up to date and that the response remains proportional to the threat.

**Professional competence:** post SFIS, it will be ever more important to have a common set of standards for those working in counter fraud and for them to have proper training and an understanding of the whole picture within counter fraud.

*FFL 2011* recommended professionally accredited training. A vital element of any effective counter fraud strategy is the ability of the organisation to call upon competent, professionally accredited counter fraud specialists trained to the highest possible professional standards to investigate suspected fraud.

Local authorities need to be confident that evidence has been lawfully obtained and professionally presented, regardless of whether the anticipated outcome of an investigation is a disciplinary hearing, civil action or criminal proceedings.

#### 5. Collaborating to improve

**Sharing resources:** in the context of budget reductions and post SFIS many local authorities are faced with reduced counter fraud and corruption resources. Sharing resources and information can help mitigate the risks by ensuring that the response remains proportional and is properly skilled and equipped.

**Working together:** fraudsters do not respect boundaries of any type – they attack neighbouring local authorities, other agencies and commit other frauds. By working across boundaries local authorities will be better placed to detect the range of fraudulent activity carried out by individuals and gangs.

Local authorities already work with other agencies; the creation of multiple intelligence, data and investigative hubs opens up further opportunities to link up with other local counter fraud agencies – e.g. NHS Local Counter Fraud Specialists.

There are often links between frauds against local authorities and benefit frauds, immigration offences and shadow economy tax evasion, and there are already many examples of good practice and joint working where local authorities work in collaboration

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with local police, HMRC, DWP or other agencies. Some local authorities even have police officers seconded and physically located in the authority, while others have access to officers from other enforcement agencies, for example UK Visas and Immigration or Immigration Enforcement and as a result, are more able to detect and investigate fraud.

Local authorities should collaborate with law enforcement partners to understand and mitigate the risks of organised and serious frauds, raise awareness of the tactics used by organised criminals and where possible share fraud data to help prevent future frauds. And where possible share fraud data to help prevent future frauds. Where police investigative support into fraud is required, the fraud must be recorded with Action Fraud.

## 6. Using technology to tackle fraud

### Birmingham City Council Case Study – The value of data

Birmingham City Council makes extensive use of its data warehouse to identify fraud through data matching and data mining. By expanding the data warehouse to hold not only the Council's data, but that of neighbouring authorities and partner organisations, the Council has greatly enhanced its data analysis capability. The facility has now been embedded into frontline housing services to enable users to validate information provided on application forms at the point of receipt.

This provides greater assurance that housing tenancies are being awarded only to those in genuine need and that homes are only sold to those who are genuinely entitled to buy them. Furthermore, it has helped to identify former tenancy arrears of tenants who have been re-housed elsewhere, thereby helping in the collection of those debts.

**Data sharing:** for many years local authorities have funded and participated in the National Fraud Initiative (NFI); a periodic data matching exercise that identifies potential fraud cases for local authorities to investigate. Local authorities are now pursuing further opportunities to use their data to prevent and detect fraud, taking advantage of

changes in technology and in the appetite of other organisations to collaborate.

These include advanced data analytics, the availability of third party data, and channel shift within local authorities towards online customer contact. Data hubs offer a huge opportunity to work with and inform the wider counter fraud landscape, feeding into the work of the NCA and the Home Office and connecting into the wider architecture of other hubs.

**Prevention:** local authorities are using new technology to prevent fraud. The availability of relevant data when an application is made for local authority services can prevent fraudsters from obtaining access. Identity can be verified quickly and efficiently.

Technology is being used to check the validity of official documents, such as passports, with the originating government department, and is also being used to generate intelligence alerts, warning local authorities of fraud risks so that a proportional response can be set in place. Local authorities should continue to invest in technology that assists in preventing fraud and corruption.

**Sharing good practice:** local authorities should make use of good practice to achieve the best results. Within this strategy are examples of a number of local authorities that have begun to do this. The Companion to this strategy contains a checklist for local authorities, a detailed description of fraud types, and examples of good practice with information on where to find more.

As part of Fighting Fraud Locally 2011, the National Fraud Authority undertook research on good practice, legislation and procedure and produced a number of guides. The original research showed the need for a one stop shop for local authorities for good practice, and the guides, which cover recovery, case building and risks, were placed in the CIPFA Good Practice Bank. A number of local authorities have used these documents and they should now be updated where necessary and publicised anew.

The evidence collected for this new strategy shows that the one stop approach has worked and should be continued. A one stop shop for the whole of the public sector is now provided through the CIPFA Counter Fraud Centre website, where the Fighting Fraud and Corruption Locally page can

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be accessed free of charge. The London Counter Fraud Partnership has existed since 1998. It is a partnership of all the enforcement agencies involved in tackling fraud in London including local authorities, NHS, Housing Associations and the Metropolitan Police.

This partnership has produced numerous pieces of good practice and fraud prevention documents which are available free within the CIPFA Counter Fraud Centre website. The Metropolitan Police runs a webpage that covers trends in fraud including mandate and vishing/phishing scams and measures to prevent fraud including advice and where to get support. A number of other organisations also offer good practice information which can be accessed by local authorities.

### Case Study – Dudley Metropolitan Borough Council Code of Practice

Dudley MBC has Codes of Conduct for employees and members which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing their Suppliers' Code of Practice they aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices. Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in the Code of Practice. All active suppliers have received an email announcing the launch of the Code and showing where the Code is available on the council website. The Code includes useful contacts if people want to report problems to the council and reinforces the availability of a Fraud Hotline operated by Audit Services. Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the Code.

Dudley MBC's leaflet Beating Fraud is Everyone's Business, which sets out guidelines for employees, managers and members, is available on the CIPFA website

## 7. Tackling Corruption

The UK Anti-Corruption Plan requires a response from local authorities. Areas in the plan that local authorities should pay attention to are:

- working more closely with the NCA and other law enforcement agencies
- instituting a public awareness campaign
- putting in place confidential reporting arrangements for whistleblowers and responding effectively to reports of corruption
- preparing corruption risk assessments across all areas of business
- procurement and the European Public Procurement Directives in respect of the exclusion of suppliers.

Areas in the plan that are specific to local authorities are:

- the CIPFA Counter Fraud Centre, which will promote measures and provide tools and services to the public sector in this area. The CIPFA CFC is offering e-learning on anti-corruption and whistle-blowing and health checks on anti-corruption measures
- funding which has been made available by DCLG to support local authorities' efforts to tackle fraud
- the Transparency Code
- working more closely with the Home Office in respect of local partnerships and the way in which these interact
- the research, development and publication of Fighting Fraud and Corruption Locally.



# Section 3: Delivery Plan

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## Recommendations

### General recommendations

**1.** A working group from local authorities should examine and devise a standard and common methodology for measuring fraud and corruption within local authorities. Once it has been agreed, local authorities should use the standard and common measure of estimated levels of fraud and corruption.

**2.** A working group from local authorities should be established to look at the area of powers, incentives and information barriers to:

- examine areas where barriers exist
- gather evidence
- look at achieving quick wins
- place examples of good practice in the Fighting Fraud and Corruption Locally Good Practice Bank.

**3.** A working group from local authorities should be established to look at the area of fraud and corruption enablers with a view to preventing more fraud and corruption.

**4.** There should be an annual report for Fighting Fraud and Corruption Locally which will provide more detail of progress and developments in areas like procurement.

**5.** DCLG should work with local authorities and the CIPFA Counter Fraud Centre (which host Fighting Fraud and Corruption Locally) to acknowledge good practice and should share useful case studies to ensure that there is an appreciation by central government of achievements at local level.

**6.** DCLG should give consideration to the provision of future incentives to help local authorities to tackle housing fraud.

**7.** In relation to procurement fraud, a working group should be established, including subject matter experts and relevant interested parties as well as local authority counter fraud staff, to:

- Investigate and collate good practice in this area and place this in the Fighting Fraud and Corruption Locally Good Practice Bank

- Create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority: highlighting low, medium and high potential risks, to inform risk awareness training for the future. This should include grant fraud where it crosses over.

- Support the implementation of the UK Anti-Corruption Plan by including corruption in procurement in the procurement fraud map

- Work with the London Counter Fraud Partnership to tailor the guidance they have created to the specific needs of local authorities

- Include in the Powers and Penalties Guide a list of powers and potential sanctions relevant to procurement fraud

- Work with the local authorities that are running pilots in order to learn lessons and communicate them to others

- Explore the possibility of cartels and mechanisms to detect them.

### Recommendations for local authorities

**8.** There should be a structured programme on fraud and corruption awareness for elected members and senior managers.

**9.** Local authorities should undertake up-to-date fraud and corruption awareness programmes and use the free resources developed by local authorities that are available in the Fighting Fraud and Corruption Locally good practice bank.

**10.** Local authorities should collaborate where it is appropriate to do so and should place examples of useful outcomes in the Fighting Fraud and Corruption Locally Good Practice Bank and use this as a conduit to exchange information with each other.

**11.** Local authorities should profile their fraud and corruption risks using the section on risks from the Fighting Fraud and Corruption Locally Companion document as a starting point.

**12.** Local authorities should ensure that they have the right resources in place by having made an assessment of the risks on fraud and corruption which should be reported to the Audit Committee or similar.

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- 13.** Senior officers within local authorities should ensure that officers working in the counter fraud team should be provided with appropriate accredited training.
  - 14.** Senior officers within local authorities should ensure that officers who work in areas where they might encounter fraud and corruption have appropriate training.
  - 15.** Local authorities should continue to work together on counter fraud hubs or, should investigate the benefits of joining hubs, and should share information where possible to help each other increase resilience to fraud and corruption and establish best practice.
  - 16.** Local authorities should participate in data technology pilots to improve their efforts to detect and prevent fraud and corruption.
  - 17.** Local authorities should publicise and celebrate successes. Press stories should be collated on the Fighting Fraud and Corruption Locally Good Practice Bank and, where possible, publicity should be endorsed and promoted by DCLG.
  - 18.** Local authorities should make an assessment using the Fighting Fraud and Corruption Locally Companion Checklist, increasing awareness of the UK's Anti-Corruption Plan, make themselves aware of NCA advice, ensure that staff are trained on anti-bribery and corruption, and report this to their Audit Committee together with actions to meet the criteria set out in the Plan.
  - 19.** Local authorities should use the free CIPFA Code of Practice on Managing the Risk of Fraud and Corruption to ensure a common standard.
  - 20.** Local authorities should make sure that they have in place robust reporting procedures including whistle-blowing and that these include assessment through the BSI or Public Concern at Work and that staff are trained in this area.
  - 21.** Local authorities that do not have their own housing stock should consider working with their housing partners, in return for nomination rights, to prevent and detect social housing fraud.
  - 22.** Where appropriate local authorities should consider participating in the Tenancy Fraud Forum.

- 23.** Local authorities should work with partners on relevant procurement projects and pilots and disseminate information as appropriate.
- 24.** Local authorities should look at insider fraud and consider using the Internal Fraud Database at CIFAS following the London Borough of Ealing pilot.
- 25.** Local authorities should horizon scan and explore new areas, e.g. cyber and identity issues and explore new methods to detect fraud, e.g. behavioural insights.
- 26.** Local authorities should use the FFCL Companion Checklist to ensure that they have the right counter fraud and anti-corruption measures in place and should report the results of this to their Audit Committee and the External Auditor.

## Framework for Delivery

To support the delivery of this strategy appropriate governance arrangements should be set in place to oversee the implementation of recommendations and the maintenance of the Fighting Fraud and Corruption Locally resources for local authorities.

A board will be established to ensure activity takes place and to provide senior stakeholder support.

The day to day management and hosting of the Fighting Fraud and Corruption Locally web page, survey, and secretariat sits with the CIPFA Counter Fraud Centre and is provided on a pro bono basis. This arrangement is working effectively.

## Deliverables

The FFCL Board will need to ensure that progress in implementing the recommendations in this strategy is monitored and that an annual report is provided and published setting out what has been achieved and what remains to be done, so that local authorities and other stakeholders have clear visibility of how the strategy has improved outcomes.

# Thank you

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## The Fighting Fraud and Corruption Locally Board is:

- Ian O'Donnell (Chair) – London Borough of Ealing
- Bevis Ingram – LGA
- Andrew Hyatt – Royal Borough of Kensington and Chelsea
- Simon Lane – Former London Borough of Brent
- Mike Clarkson – Mazars
- John Baker – Moore Stephens
- Rachael Tiffen – CIPFA Counter Fraud Centre
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG

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