

**FIGHTING
FRAUD**
L O C A L L Y

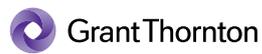
The Local Government Fraud Strategy



Fighting Fraud Locally Oversight Board 2011:



With support from:



Foreword

The urgent issue now facing this country is the need to reduce the deficit. Tackling fraud is an integral part of putting finances back on a stable footing and ensuring that tax-payers hard earned money is used to protect resources for frontline services. Fraud has a serious effect on all parts of the economy and costs the UK in the region of £73 billion per year. The cost of fraud to local government is estimated at £2.2 billion a year. This is money that could be used for local services.

Better prevention, detection and recovery of fraud will help reduce the financial pressure on councils. Many councils and housing associations are already tackling fraud and error in housing tenancy claims. In 2010-11, local authorities recovered about 1,800 properties, an increase from 1000 in 2008-09.

However in order to face the threat from fraud, organisations must be open about the risks they face. We have been heartened to learn about the number of local authorities who recognise that fraud must be tackled and are doing so through innovative pilots and initiatives, many of which are saving them sizeable sums of money. We want to encourage the wider adoption of such good practice.

We realise, however, that fighting fraud requires more than the adoption of good practice. It also requires a genuine partnership between local and central government and a strategic approach to fraud. For local government that is about using its local knowledge, flair and a determination to tackle this serious problem, whilst the role of central government is to create the right conditions for local authorities to take the necessary initiatives. This means exploring how to create the right incentives to reward councils that reduce fraud; exploring how we can remove barriers to appropriate information sharing; and exploring options for providing professional staff with access to the necessary investigative power.

The strategic approach outlined in Fighting Fraud Locally provides a blueprint for a tougher response to tackle fraud. Local authorities need to review and evaluate their current response to all areas of fraud they face across housing tenancy, procurement, pay, pensions and recruitment; council tax; grant; and blue badge schemes and create a robust and effective defence. More fraud needs to be prevented and detected and fraudsters need to be rooted out and punished. This includes ensuring that every penny they have stolen is taken back from them.

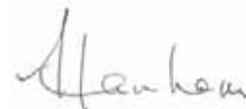
We would like to take this opportunity to thank all those from across local government who have been involved in the development of this strategy. We look forward to seeing local authorities implement this strategy and build upon the successes they have made so far in tackling fraud and offer our full and enthusiastic support to their efforts.

Signed jointly by:



James Brokenshire MP

Parliamentary Under Secretary of State for Crime and Security, Home Office



Baroness Hanham CBE

Parliamentary Under Secretary of State and Government spokesperson, Department for Communities and Local Government



The Rt Hon Francis Maude MP

Minister for the Cabinet Office and Paymaster General

CLlr Peter Fleming, Chair of the Improvement Programme Board

Local Government Association,
Leader of Sevenoaks District Council

During my years of working in local government, I have seen at first-hand the damage that can be caused by fraud but I have also seen the progress made by local government in countering the threat of fraud. Local authorities have piloted new methods and techniques for preventing and identifying fraud and put in place professional audit and investigation teams. But more needs to be done. The fraud threat is one that crosses local authority boundaries and we need to respond to that threat together.

At Dartford and Sevenoaks we have merged our fraud teams which has given us improved resilience, improved quality of work, and shared good practice and skills sets. The merging of our teams has improved knowledge between the areas and has resulted in new fraud being uncovered. I am proud to say that we have been at the forefront of efforts to work in partnership using innovative methods to tackle fraud.

By working collaboratively Dartford and Sevenoaks have saved over £191,000 in fraudulent benefit overpayments and £70,000 on operating costs. But more could be saved if we shared data more widely, within and between councils and with other bodies, especially central government. I therefore very much welcome the commitment made by the Baroness Hanham and central government to exploring how to create the right incentives to reward councils that reduce fraud; exploring how we can remove barriers to appropriate information sharing; and exploring options for providing professional staff with access to the necessary investigative power.

Prevention is always better than cure when it comes to tackling fraud. However, not all fraud can be prevented and a strong enforcement policy that ensures that fraudsters do not get away with their ill gotten gains is essential to deter others from attempting fraud. To protect public money we need effective recovery processes and investigators that are empowered and supported by the police and other law enforcement bodies.

Fighting Fraud Locally is an approach developed by local government, for local government, and addresses the need for greater prevention and smarter enforcement. In developing this document we have listened carefully to the views of a wide range of local government stakeholders and put together a plan based on their collective experience and understanding. I am pleased to endorse the approach outlined in this document.

I know that local authorities are having to make tough choices in the current financial climate and there is a real risk that resources devoted to preventing and recovering money lost to fraud could be disproportionately reduced. However, as the examples throughout **Fighting Fraud Locally** demonstrate, this is a time for tackling fraud to help to save money and protect front-line services.

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Executive Summary

This document calls for the adoption of a tougher approach to tackle fraud against local authorities organised around the three themes of Acknowledge, Prevent and Pursue. The approach demands a new partnership between central and local government: Local government must recognise the cross boundary nature of fraud and adopt the best practice identified throughout this document to tackle the highest fraud risks, whilst central government needs to create the right environment to enable local authorities to protect public funds through the creation of a positive incentive regime, the removal of barriers to information sharing and by conducting a review of the use of powers by local authorities and how they could be harnessed more effectively.

The Annual Fraud Indicator shows that there is £2.2 billion at stake. This includes £900 million in housing tenancy fraud, £890 million in procurement fraud, over £153 million in payroll fraud, £131 million in council tax discounts and exemptions fraud, £46 million in 'blue badge' fraud, £41 million in grant fraud and £5.9 million in pension fraud. This is money that can be better used to support the delivery of front line services. Local government is under pressure to make savings and tackling fraud can contribute to that agenda.

Radical changes are underway to how local services are to be delivered. The next few years will see major reforms to the welfare system, policing and local government. The change of emphasis from

local government being a provider to a commissioner of services changes the risk profile of fraud, as well as the control environment in which risk is managed. More arm's length delivery of services by third parties in the voluntary and not-for-profit sector and personal control of social care budgets, for example, will mean that more public money is entrusted to more actors, whilst the controls the local authority previously exercised are removed or reduced. Without new safeguards, preventing, detecting and investigating fraud will become more difficult.

All of these changes are happening against a backdrop of depressed economic activity in which the general fraud risk tends to increase. Harder times tend to lead to an increased motivation to defraud by some clients, suppliers and employees who are feeling the squeeze.

At the same time as unprecedented change to the delivery of local services and increased risk, the counter fraud environment is being fundamentally altered. The abolition of the Audit Commission, the changes proposed to local auditing arrangements and the creation of a single fraud investigation service to tackle benefit fraud will considerably alter current fraud governance arrangements. These factors suggest that this is the time to put forward a new and tougher approach to tackle fraud against local government and introduce new arrangements to ensure that local government has a resilient response to the changed conditions.

Despite these challenges many local authorities have identified that fraud can be a source of sizeable savings and have used innovative ways to prevent, detect and recover losses from fraud. Birmingham City Council has saved £25 million in the last five years as a result of regular data matching, Ealing Council is set to realise nearly £7 million of savings from taking action against fraudulent claims for single person discount from council tax and similar action by West Berkshire is expected to yield £4 million in three years.

If the only impact this strategy had was to encourage the wider use of such good practice millions of pounds would be saved. However, that is not the limit of our ambition.

Fighting Fraud Locally outlines a strategic approach that, if adopted across local government, will not only enable local authorities to become better protected from fraud but also contribute to the nation's ability to detect and punish fraudsters. The new approach will strengthen the counter fraud response across local government and will result in more fraudsters being caught, more fraud prevented and more money returned to authorities.

Fighting Fraud Locally is part of a wider collaboration on counter fraud and is the local authority contribution to the national fraud strategy – **Fighting Fraud Together** – which encompasses both the public and private sectors response to fraud in the UK.

Introduction

Our vision is that by 2015 local government will be better able to protect itself from fraud and have in place a more effective fraud response. Local authorities will be more aware of their fraud risk and acknowledge their exposure, but will be more resilient to the fraud threat. Local authorities would have carried out a radical realignment of their fraud strategies and will be preventing the majority of fraud from occurring through the greater deployment of real time, up front, data analytics solutions and by the timely sharing of intelligence on known fraud and fraudsters. Local authorities will be realising cashable savings across all areas of spend.

The new approach will be strengthened by governance arrangements that will drive the delivery of a fraud strategy across local government, supported by new collaborative arrangements to share intelligence and resources across local authorities. Local authorities will also have access to professionally trained staff with appropriate and relevant powers and specialist resources to investigate fraud and trace assets, supported by the police and central government departments.

Fighting Fraud Locally was developed by local government for local government. This strategy is a result of extensive engagement with a wide range of key stakeholders in local government and overseen by a Board of senior representatives of local authorities. Never before has local government collaborated to produce an approach to tackle fraud that applies across the entire sector.

Significant savings are to be had by any Council implementing the good practice in this strategy:

- Ealing forecast savings of £7m by using analytics to tackle council tax fraud.
- Birmingham estimate savings of £10m by data-matching and collaborating on data-matching with neighbouring councils and Housing Associations.
- By the greater use of the civil recovery approaches recommended in this strategy Councils will be able to recoup their losses and may also claim compensation.
- Through the sharing of specialist resources such as financial investigators, investigations will be quicker and more effective and less reliant on the police. For districts and counties this will mean greater efficiency by not having to invest individually in costly resources.
- Through joint working and sharing information Councils will identify more organised frauds which currently cross Council boundaries.
- By improving the fraud alert network Councils will be informed about new frauds more quickly and more fraud will be prevented.
- By improving the checking of staff before they are employed more fraud will be prevented and reputational damage reduced.

By using the free tools provided in this strategy local authorities will:

- Be able to estimate the level of individual fraud loss to their Council and understand their fraud risk and use this information to target their resources more efficiently.
- Be able to establish their resilience to the fraud threats and assess themselves against a checklist for what arrangements they should have in place to tackle fraud.
- Prevent more fraud by having access to a good practice bank of tried and tested methods.
- Have greater support through accessing an online technical advice service and a peer review process of fraud experts.

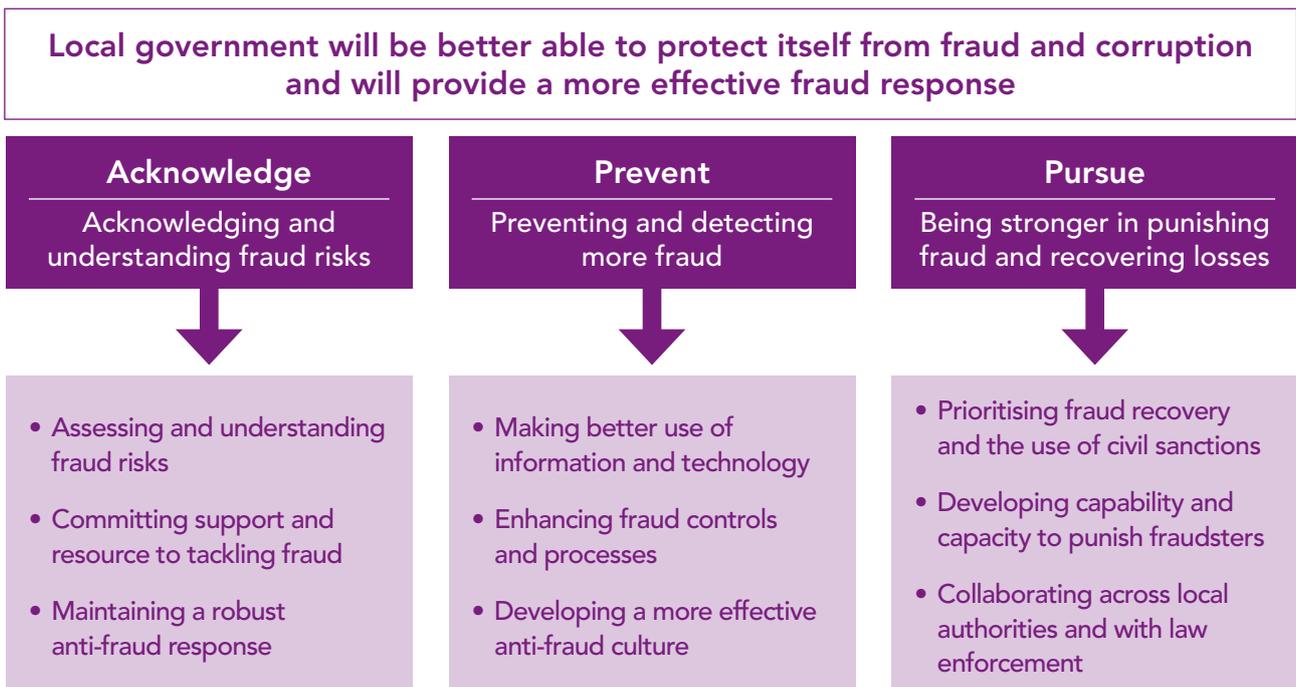
- Establish partnership arrangements more easily through using the templates held in the good practice bank.
- Be able to cost effectively create an anti-fraud culture through using the free fraud awareness training.

The public expects local authorities to be accountable for protecting public money and to operate in a transparent manner. To this end there needs to be effective systems for ensuring that anti-fraud arrangements are in place and working. Fraud is a common threat and requires common solutions and a common approach. Therefore local authorities need to adopt consistent practices and collaborate with each other and with other agencies, particularly to tackle cross authority attacks.

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 anti-fraud culture needs to be maintained, including clear whistle-blowing arrangements.

The strategic approach set out below provides the route to achieve this vision and to embed a more collaborative approach to tackle the fraud threat.

Those who have helped to develop and oversee this strategy are committed to delivering the approach across local government and working in partnership with others to ensure widespread adoption of the strategy.



The starting point of the strategic approach is to **Acknowledge** the threat of fraud and the opportunities for savings that exist. This acknowledgement must start at the top and lead to action. Whilst 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 council is to perform its own risk assessment and fraud resilience check.

The second element of the strategy focuses on **Prevention**. With reducing investigative and police resources a counter fraud 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.

Stopping fraud happening in the first place must be our aim. However, motivated offenders will 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 to emphasise civil recovery and the more rigorous pursuit of losses.

This document is divided into four sections:

Section 1: the context: sets out the nature and scale of fraud, the action being taken to reduce it and the key challenges that must be addressed by this strategy.

Section 2: the strategic approach: highlighting areas where action is needed and identifying activities that must take place in order to achieve the strategic vision.

Section 3: tackling the main fraud risks: identifies the most pressing and serious fraud risks and provides examples of how local authorities are tackling them.

Section 4: the delivery plan: sets out the framework for delivery and programme of activity.

“Every local authority has a responsibility to be transparent and accountable to its residents. Taking responsibility for fraud means being honest about the level of fraud and it takes a degree of courage to take the first step and acknowledge that we are victims of fraud. But it is only by knowing the nature and scale of fraud that we can effectively counter its threat. We need to be braver in acknowledging the real levels of fraud, but we can be reassured by those who have already taken this step and assessed their risk levels thoroughly that this is the first step to implementing solutions that cut straight to the heart of the problem.”

**Joanna Killian, Chief Executive,
Essex County Council**

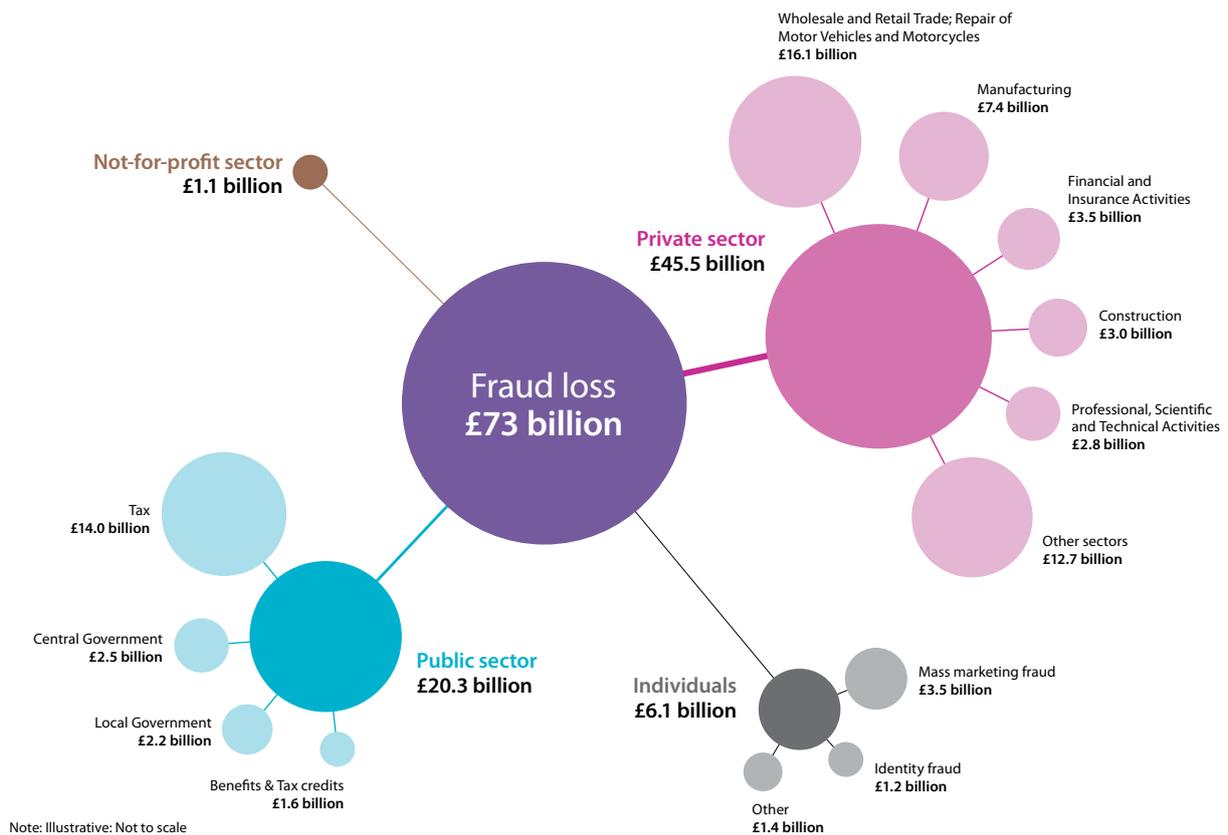
Section 1: The context

The fraud challenge

Fraud causes significant financial harm to the UK economy. Individuals and the private, public and not-for-profit sectors pay a high financial price.

The most reliable and comprehensive estimate of UK fraud loss puts the cost of fraud against the UK at £73 billion.

Fig 1: Total annual fraud loss estimate, NFA Annual Fraud Indicator 2012.



Of the total sum lost each year to fraud, around 30 per cent occurs in the public sector, with estimated losses of around £20 billion a year. The majority of this loss is the result of fraud against the tax system; however about £6 billion is estimated to be lost in areas such as payroll, procurement, grants and pensions.

Fraud in local government accounts for around 11% of total public sector fraud, costing tax payers £2.2 billion a year. The table below provides a breakdown of this figure.

Fraud Type	Fraud Loss
Housing tenancy fraud	£900 million
Procurement fraud	£890 million
Payroll fraud	£153 million
Council tax fraud	£131 million
Blue Badge Scheme misuse	£46 million
Grant fraud	£41 million
Pension fraud	£5.9 million

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

increase awareness and reporting, and deliver a more effective enforcement response. **Fighting Fraud Together: the strategic plan to reduce fraud sets out the context for the national fight against fraud¹** and states that in order to cut fraud in one sector it is crucial that there is collaboration across sectors that face the same threat.

The national fraud response

Local Government's contribution to the fight against fraud must be seen in the light of wider efforts to tackle the harm caused to the UK by fraudsters. In October 2011, 37 representatives from public, private and not for profit organisations and law enforcement joined forces to release a shared strategic plan that seeks to better co-ordinate counter fraud activity in order to prevent fraud,

The public sector fraud response

In October 2010, the Government established a cross-Whitehall taskforce focusing on tackling fraud, error and debt in public services. In its first six months, the taskforce ran a series of pilots using tools and techniques to tackle fraud and error in the public sector. The pilots delivered £12m of savings and, once rolled out, will save in the region of £1.5bn by 2014/15. In June 2011, the taskforce

¹ Fighting Fraud Together: the strategic plan to reduce fraud. <http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-tog/>

published **Eliminating Public Sector Fraud**², an interim report presenting the findings of the pilots and setting out four priorities to tackle fraud effectively in the public sector: collaboration; zero tolerance; better assessment of risks and measurement of losses; and a greater focus on fraud prevention activity. In February 2012 the taskforce published **Reducing Fraud and Error in Government**³ which outlined the programme of activity to reduce fraud against all areas of government revenue and spend, including tax and benefit fraud. In these reports the taskforce recognised that the lessons it had learnt needed to be extended to local government and that central and local government needed to work together to fight common fraud threats.

While individual local authorities have made significant progress in tackling fraud, there has not yet been a concerted and collaborative approach encompassing the whole of local government. **Fighting Fraud Locally** seeks, for the first time, to bring about a truly inclusive and collaborative approach to tackle fraud across all of local government.

Powers, barriers and incentives

Tackling fraud locally demands a new partnership between central and local government. Whilst local government can be more successful in tackling fraud by adopting best practice and implementing this strategy, central government needs to create the right environment to enable local government to tackle fraud more effectively. Three critical issues have been identified where central government can facilitate an improved response from local government:

- The most important issue for central government to address is the removal of perverse incentives that mean that some frauds are not worth investigating by local authorities and to introduce positive incentives for local authorities to tackle fraud, particularly where the main beneficiary is other parts of government or society.
- The second main issue to be addressed is the creation of the right framework to encourage more effective information sharing both within and between local authorities, and between local authorities and central government departments and the private sector.
- Thirdly, professional and trained staff in local authorities must be provided with the powers they need to protect public funds.

“Fraud does not respect geographical or organisational boundaries. But the complexity of public finances means that, even where local authorities are well placed to tackle fraud, too often the financial benefit of their effort accrues elsewhere, removing or limiting incentive. The most sophisticated fraudsters can exploit this sort of systemic vulnerability. This needs to change. The work that has underpinned Fighting Fraud Locally has highlighted perverse and inadequate incentives and by doing so has won central government’s commitment to help bring about the changes required.”

**Martin Smith, Chief Executive,
London Borough of Ealing Council**

²<http://www.cabinetoffice.gov.uk/resource-library/eliminating-public-sector-fraud-counter-fraud-taskforce-interim-report>

³<https://update.cabinetoffice.gov.uk/resource-library/tackling-fraud-and-error-government-report-fraud-error-and-debt-taskforce>

Central government needs to ensure that the right incentives are in place to encourage local authorities to tackle fraud and in particular those areas of fraud where there is little direct financial impact on the local authority but where costs fall to other parts of government and society. As a starting point central government has a role to play in praising those local authorities who acknowledge they have a fraud problem and then take action to detect and deal with fraud. Too often those local authorities who are transparent about their fraud problem - and who are successful in identifying fraud - are blamed for their fraud loss rather than praised for their positive action. The basis of a positive incentive regime must be that those local authorities who invest in reducing fraud against the public purse do not face a financial penalty, but retain all or a part of the savings they realise to re-invest in front line services.

“The Institute of Revenue, Ratings and Valuation (IRRV) believe that rewarding local authorities for their good work is one of the most effective ways to encourage improvement and innovation in service delivery. The annual IRRV Performance Awards acknowledge and praises local government successes in tackling revenue and benefit fraud. Any organisation taking significant steps and making investments in stopping fraud deserves recognition and I hope other organisations will follow our lead and play a more active role in rewarding local authorities who make an impact on fraud prevention and detection levels.”

David Magor, Chief Executive, Institute of Revenue, Ratings and Valuations

An example of where a positive incentive regime is required is in tackling unlawful occupation of social housing. The benefit of reclaiming a social home often falls to central government who subsequently pay less housing benefit as a family is moved from expensive temporary accommodation into social housing. There is also very little incentive for local authorities to tackle some types of organised housing benefit fraud.

A further example of where incentives need to be addressed is that of two-tier councils. District councils are responsible for collecting council tax and dealing with fraudulent claims. However, the vast majority of council tax collected goes to the county authority, which has no responsibility for funding fraud investigation and prevention activity. The district council, with a smaller budget and counter fraud resource, has little incentive to invest in reducing fraud as it gets little return on its investment.

Creating the right framework for effective information sharing

An effective fraud response relies on the effective sharing of information and intelligence both to prevent and investigate fraud. However, local authorities report barriers to information sharing within authorities, between local authorities, and with government departments and enforcement agencies.

There are numerous issues that need to be addressed including legislative and technological barriers and the consistency of data to facilitate more effective data matching. Central government is best placed to examine these barriers and make changes to ensure that fraud does not go undetected or unpunished due to data sharing failures. The Department for Communities and Local Government’s (DCLG) social

housing fraud consultation of January 2012 proposes extending powers for investigators to compel certain named categories of organisation to comply with local authorities' requests for data in relation to tackling housing tenancy fraud.

"Barriers to sharing information are a real hindrance to local authorities in the fight against fraud. Confusion about the law and the cost of acquiring data often results in councils not being able to access simple but crucial information that can be used to identify and prevent fraud. I look forward to working with central government and partners to move towards an environment where intelligence can be shared quickly and easily within and between sectors and law enforcement so that we can tackle fraud head on".

**Tim Shields, Chief Executive,
London Borough of Hackney**

Providing an appropriate set of powers to enable local authority staff to protect public funds

Whether a criminal or civil sanction is to be pursued, investigators need to access information and premises for the purposes of collecting evidence in support of an investigation. Currently local authority investigators only have access to specific information from third parties, such as banks or the utilities in relation to the investigation of benefit fraud, whereas some of the most significant and costly frauds occur in other areas of local government, such as procurement or housing tenancy fraud. The lack of powers to obtain information increases the chances that fraudulent contractors, clients or staff will destroy incriminating evidence and hide stolen assets. This means that serious internal and major frauds by contractors, clients and staff are less likely to be successfully investigated.

In order to professionally investigate alleged fraud, investigators may need the ability to enter and search premises, obtain information, compel persons to attend for interview and obtain production and seizure orders. Local authorities currently do not have any statutory powers of access to information or premises to investigate non-benefit fraud cases without police intervention. Moreover, where a case is sufficiently serious to involve the police the likelihood of case acceptance is low without the presentation of substantial evidence that has been legally obtained and secured. In order to ensure that local authorities are using their existing powers effectively a review will be conducted into the powers that local authorities have and how they could be used to best effect in tackling fraud.

DCLG is currently consulting on proposals to allow tenancy fraud such as unauthorised sub-letting and assignment and key selling to be pursued as a criminal rather than a civil offence, where the landlord considers the seriousness of the fraud merits that approach. The consultation seeks views on whether local authorities should be able to themselves bring criminal prosecutions for tenancy fraud and whether new powers for investigators to require organisations such as banks, building societies and utility companies to share data for this purpose should be introduced. These proposals should help ensure that landlords have the powers they need to detect and prosecute housing tenancy fraud.

Changing context

The fight against fraud locally needs to be seen in the context of a number of changes affecting local authorities. Financial constraints, the move towards localism, plus the introduction of local auditing arrangements and a single fraud investigation service to tackle benefit fraud could all make the environment for tackling fraud more challenging. To respond to this challenge it is necessary for local authorities to ensure that the strategic response addresses these issues and capitalises on the opportunities that these future challenges may present.

Localism

The change in the way in which local government manages its services and finances may create new fraud risks. Under current proposals, neighbourhood and community groups will be able to receive funding to run local services and buy and manage local assets, changing the role of the local authority from one of delivering services to commissioning them from the not-for-profit, voluntary and community sectors. The nature of this commissioning could lead to local authorities having less control on how this devolved funding is managed, and with many of these sub-contracted organisations being inexperienced in managing public funds, the risk of financial mismanagement and abuse of funds could increase. In response to this, it is important that local authorities put in place robust governance structures to ensure that any transfer of funds or services to the community are properly protected, without introducing unnecessary additional bureaucracy.

Other proposals put forward in the Localism Act may also bring about new fraud risks as well as opportunities to reduce the fraud risk. For example, local authorities will be able to offer business tax discounts to retain or attract business, which could provide an opportunity for new types of business rates fraud, similar to those risks identified for council tax. Likewise, planning reform may bring about the risk of new planning related frauds. Local authorities should use these changes as an opportunity to re-assess their fraud risk and design out fraud from the processes and procedures they implement in response to the localism agenda.

Enhancing fraud controls and processes

The first line of defence in preventing fraud is the consistent application of internal controls. Local authorities have considerable experience and knowledge of putting in place proportionate financial and system controls for the purpose of managing the

risk of fraud. This work is supported by internal and external audit teams who provide assurance on the operation of those controls and their effectiveness in preventing fraud. There are a range of controls that can be put in place to mitigate the risk of fraud and local authorities are best placed to consider which controls are most appropriate for their particular circumstances.

“Unfortunately, fraud is a business which is carried out to gain financial benefit. Fraudsters are extremely dynamic, and new threats can emerge very quickly, resulting in financial losses in the many millions of pounds for the local government sector. I very much welcome the messages contained in Fighting Fraud Locally, which will help organisations foster greater fraud awareness, and to proactively identify emerging risks. This is vital at a time when we face the challenge of delivering more with less, and need to consider how we best design and deliver high quality, local public services. As part of that process, we must include adequate fraud-proofing, and the provision of sufficient, skilled counter fraud detection and investigation resources to minimise the risk of loss to the public purse.”

Mark Babington,
Director and Head of the Fraud Practice
Network, National Audit Office

The changing landscape and delivery of services by third parties requires an assessment of new fraud risks. The response should include fraud proofing of new policies, systems and delivery models so that fraud risks can be designed out at the earliest opportunity, ensuring that internal audit and counter fraud practitioners are consulted at an early stage. Consideration should also be given to piloting new schemes to identify fraud risks and ensure that the correct controls are built in.

The fraud control environment in local government

Local authorities are making tough choices in the light of current financial circumstances. Councils with efficient fraud detection services are doing some excellent work, which enables them to set lower council tax bills for everyone or spend more money on frontline services. All councils will want to ensure that sufficient attention is given to retaining an effective audit and fraud function which maintains their resilience to fraud in these challenging financial circumstances. Some local authorities have simply downsized fraud investigation teams, leading to a loss of fraud skills and experience. However others have made savings whilst retaining an effective fraud function, by pooling resources or redeploying counter fraud staff to investigate the full breadth of fraud threats against the authority including housing tenancy and council tax fraud.

Single Fraud Investigation Service

Local authorities currently have devolved powers to investigate and prosecute social security benefit fraud. The next few years will see significant reform within the welfare system, with income-related working age benefits and tax credits being replaced by a Universal Credit and the introduction of a Single Fraud Investigation Service (SFIS) responsible for all investigations for social security benefits. This will have far reaching implications for local government.

The Department for Work and Pensions (DWP) has issued a consultation document to local authorities about the configuration of SFIS. The preferred option was that staff remain employed by the councils but work with DWP to ensure a single investigation into benefit fraud takes place. This option is now being

taken forward, and co-delivered local workshops are taking place to ensure that local government is able to contribute to the future design of the team and identify any issues.

Criminals who fraudulently claim housing benefit are likely to make false claims for relief from council tax and there are many documented cases of associations between benefit frauds and other frauds suffered by local authorities. To tackle the entire criminality of a fraudster there must be closer working between local authorities and the DWP. The creation of SFIS provides an opportunity to strengthen the local fight against fraud with SFIS using its expertise to support local authorities to tackle organised and cross boundary fraud.

The Audit Commission

In 2010, the Government announced its plan to abolish the Audit Commission and re-focus audit on helping local people hold their councils and other local public bodies to account. The next few years will see local government move towards a new locally focused audit regime. The Audit Commission collects information on the level of detected fraud in local government and publishes the results of its annual survey in **Protecting the Public Purse**, which also highlights current and emerging fraud threats and identifies counter fraud good practice. The Audit Commission has responsibility for running the National Fraud Initiative, an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. It also provides an external whistle blowing helpline and collects annual fraud statistics and publishes guidance on fraud risks and counter fraud good practice. The tools and expertise developed by the Audit Commission have been recognised by the Government as an important element in tackling fraud and it is taking the necessary steps to ensure that this expertise

is not lost in the transition to local auditing arrangements. In particular the Government is committed to the continuation of the NFI and DCLG is discussing with partners and the local public sector about how best to achieve this.

Local authorities and central government will need to look to design new arrangements for the new conditions. That will most likely require the greater sharing of counter fraud and audit resources, the creation of a new control framework and new institutional arrangements, building on the existing shared counter fraud infrastructure.

Our Commitments

National partners to take the following actions:

- The NFA will work with central government departments to review the need for a general power to facilitate the sharing of information for the purpose of preventing, detecting and investigating fraud and will form a working group that will report to Ministers within a year.
- Central and Local Government will review the powers currently exercised by local authorities and how they could be more effectively used.

- Central and Local Government will form a working group to explore how local authorities can be incentivised to tackle fraud and that will report to Ministers within a year.
- The Department for Communities and Local Government to work with local authorities, other government departments and the NFA to ensure the legacy of the Audit Commission's work in counter fraud is retained.

Local partners to consider:

- Review new policies and initiatives where appropriate (or changes to existing policies and initiatives) to evaluate the risk of fraud and build-in strong fraud prevention controls.
- Continually review system weaknesses and assess the effectiveness of controls in light of the evolving fraud threats across local government, making best use of shared information and intelligence on known fraud and fraudsters.

Section 2: The strategic approach

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, the cuts in resources and the removal of the existing control and audit framework means that there is a pressing need for a new approach to tackling fraud against local government. Fighting Fraud 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.

It is our vision that by 2015 local government will be better able to protect itself from fraud and provide a more effective fraud response. To achieve this ambition, this strategy sets out a new approach for tackling fraud in local government underpinned by three principles:

- **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.

Part A: Acknowledge

“Admitting your local authority is the victim of fraud is not an easy thing to do, particularly when the fraudster is an employee or a supplier. We are all worried about the impact a fraud might have on our reputation and on the public’s confidence in our ability to manage its resources and services. But we have to bite the bullet. Fraud is often a hidden crime and we must not play a part in keeping it hidden. It is only by acknowledging the problem, recognising our risks and targeting our resources intelligently and effectively that we can take real action. And that action has to be led from the top if we’re to gain the full support of the public, employees and arm’s length organisations. Acknowledging the issue does not mean fraud is rife in your area. Rather it recognises that systems can never be 100% fraud-proofed and that the first step in stopping the fraudsters is admitting they are there and they cause irrevocable harm to our local communities.”

Stephen Hughes,
Chief Executive, Birmingham City Council

No local authority is immune from fraud. Acknowledging this fact is the most important part in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses. This is so that a robust and proportionate fraud response can be developed to counter the threat.

Committing support to tackling fraud

Leadership and support for counter fraud work from the very top are critical to underpinning a successful and robust counter fraud response. Those local authorities who have the most successful counter fraud strategies are generally those where there is strong support at a senior level, led by elected members, Chief Executives and Directors of Finance. They also have an effective anti-fraud culture in place where employees understand the role they can play in tackling fraud. These local authorities ensure that they have the capability and capacity to investigate and prosecute fraud, implement strong fraud prevention controls and look for innovative solutions to make the best out of the resources they have allocated for countering fraud. Birmingham City Council provides a good example of having high-level commitment and support to tackling fraud.

Birmingham City Council has invested considerable resource in developing an effective counter fraud function. It currently employs around 40 counter-fraud staff for the purpose of tackling benefit, social housing and corporate fraud against the council, and has allocated resource towards the development of an internal data matching process for preventing and detecting fraud. The Chief Executive, Strategic Director of Corporate Resources, and the Section 151 officer champion all aspects of counter fraud work at the council. This activity is further supported and endorsed by members of the Audit Committee and the Cabinet Member for Finance, who review the council's annual fraud report, monitor the outcomes of data matching exercises and endorse the council's quarterly fraud bulletins. This high level support and commitment helps reinforce the council's zero tolerance approach to fraud and sends a clear message that fraud against the council will not be tolerated.

Local authority Chief Executives should be aware of the highest risks and threats in the fraud landscape. A network of local authority Chief Executives, with one nominated for several geographical groupings, would mean that important dissemination could happen easily and similarly would give a support network if a large problem arises. This would also give a senior voice for counter fraud in an area.

Assessing and understanding fraud risks

An effective counter fraud strategy needs to be informed by a good understanding of the fraud threat, emerging risks and the savings that can be made from investing in countering fraud. The best local authorities know how fraud affects them and what they can do about it. Good local authorities will have 'fraud' identified as a risk on their corporate risk register, or hold a fraud risk register. This risk-based approach to fraud enables organisations to manage the risk more effectively and target their resources more efficiently. Considering fraud risks as part of an organisation-wide risk assessment programme means that local authorities are able to assess the organisation's overall vulnerability to fraud and identify areas that are most likely to be affected by this type of crime.

Different techniques and processes are available to local authorities for evaluating fraud risks in systems and processes and assessing their impact. The Metropolitan Police Authority provides a good case study of how fraud risk assessment tools can be used to support a counter fraud strategy.

Analysing the number and value of reported fraud cases can provide an indication of where the more serious fraud risks exist in the authority. Reporting fraud at a senior level should be a key component of local authorities demonstrating openly that they have acknowledged their fraud risks. The Audit Committee or relevant committee should receive regular reports on the levels of detected fraud in the authority, along with regular updates on all aspects of anti-fraud arrangements and outcomes. The Audit Committee or relevant committee must be satisfied that fraud risks have been mitigated and that there are no significant issues before the Annual Governance Statement⁴ is signed off.

The Metropolitan Police Authority (MPA) carries out a yearly systematic review of fraud risks in the MPA and Metropolitan Police Services (MPS). The fraud risk analysis examines over two hundred business systems for risks of potential fraud, weighting the risk according to different criteria. These include: the level of expenditure; level of income; other funds affected by the system; impact on operational objectives; likelihood; time since the area had been last audited; the number of staff who have access to the system; and the level of reputational damage that would be sustained if a fraud occurred. The fraud risk analysis forms part of the overall risk management arrangements of the MPA and MPS. It is used to:

- Support business areas under the highest levels of risk
- Inform fraud prevention controls and fraud awareness activity
- Highlight areas for risk audit reviews and proactive research
- Select areas of the business in which to deploy audit resources.

The fraud risk analysis report is presented at audit committee level and is published on their website.

In tandem with developing an understanding of fraud risks is an appreciation of the likely scale of fraud losses. Few authorities undertake their own fraud measurement work to quantify undetected fraud loss. The best estimate of undetected fraud loss in local government are the figures published in the NFA Annual Fraud Indicator, however these figures only provide a high level snap-shot of fraud loss across the whole local government sector and are not broken down to local authority level. To assist local authorities to determine an appropriate and proportionate response, the NFA has developed a tool that allows local authorities to calculate their own fraud loss profile. This will give an indication on how much the local authority may be losing to fraud, broken down by fraud type.

Maintaining a robust counter fraud response

Different authorities are affected by fraud in different ways and are best placed to determine what is the appropriate response and resource to dedicate to combating fraud in their local circumstances. There is no 'one-size-fits-all' approach to tackling fraud, but each local authority should test the resilience of its current arrangements to the changing fraud threat and craft a response by applying the best practice of benchmarked authorities.

The Local Government Association has conducted over 500 peer reviews across the UK during the last ten years and has access to over 1000 accredited practitioner peers. Peer reviews have emerged as a strong component of sector-led improvement within UK local government. A peer review is not an inspection but a supportive process undertaken by 'critical friends'. Peer reviews could be offered to local authorities as part of the process of ascertaining whether an authority has an appropriate fraud response informed by best practice.

⁴ Regulation 4 of the 2011 Accounts and Audit (England) Regulations requires that the Council shall conduct a review at least once in a year of the effectiveness of its system of internal control and following the review, the body or committee must approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement accompanies the Council's Statement of Accounts.

Easy access to the right support and guidance and examples of best practice is needed to support local authorities and any peer review process in developing a resilient response. At present, there are several sources of information where fraud practitioners can go to get help in countering fraud however there is no single place from where this information can be accessed.

Our Commitments

National partners to take the following actions:

- The Society of Local Authority Chief Executives (SOLACE) to work with the NFA, the Local Government Association (LGA) and other partners to establish a network of local authority Chief Executive 'fraud champions' with links to elected members.
- SOLACE will work with the LGA to implement Fighting Fraud Locally and its recommendations, with sessions for Chief Executives.
- The NFA to work with local partners to develop plans for a targeted communication campaign to key groups within local government to raise the profile of fraud and to praise and recognise local authorities that tackle fraud.
- The NFA to collate and disseminate best practice and develop tools to support local authorities in assessing their fraud risks.
- The LGA to work with partners to develop a mechanism of peer review and support including creating a panel of fraud experts to assist authorities in addressing their fraud risk.
- The NFA and CIPFA to develop an online fraud resource tool to act as a repository for counter fraud guidance, including a technical communication forum for fraud practitioners and auditors.
- NFA to work with key stakeholders to revise and refresh the Commission's Counter-Fraud and Corruption Manual.

- The NFA to work with Department for Communities and Local Government (DCLG) and the National Audit Office (NAO), in light of new auditing arrangement legislation, to advocate for the introduction of a duty by auditors to make an assessment of the adequacy of anti-fraud arrangements.
- External auditors should make themselves aware of the recommendations to local authorities in Fighting Fraud Locally as part of the current arrangements and current Code of Audit Practice, to ensure that audited bodies have in place a system of internal control.
- The NFA to work with CIPFA to advocate for inclusion of counter fraud arrangements in the CIPFA/SOLACE framework for the Annual Governance Statement.

Local partners to consider:

- Conducting a fraud risk assessment to identify their own fraud threat and using the fraud loss tool to determine their likely fraud risk exposure.
- Performing a resilience check of their current capabilities and making use of the free resilience tool which can be accessed via the National Anti-Fraud Network (NAFN) website.
- Keeping records of all suspected and confirmed fraud cases and reporting annually at an Audit Committee level, or equivalent, on all matters relating to fraud, including an assessment of the effectiveness of the authority's fraud response.
- Reviewing key systems that may be vulnerable to fraud and ensuring that key fraud risks are managed effectively.
- Developing a response plan aligned with their fraud risk and this strategy, accompanying guidance documents and checklist and reporting on this to senior management and relevant committees.

Part B: Prevent

“The best way to fight fraud is to prevent it from happening. Long ago, local government deployed a range of control measures with this in mind. But times change, and fraudsters, assisted by technology, find new ways.

Councils like Ealing are responding with new counter measures that are effective and affordable, and at the same time enhance the quality of our customer service. The savings we have made as a result of this approach have contributed millions of pounds towards balancing our budget.”

**Ian O'Donnell, Executive Director,
London Borough of Ealing Council**

Traditionally, counter fraud work in local and central government has been mostly reactive with a focus on investigation and prosecution. While enforcement work is a crucial strand of any counter fraud strategy, the most efficient way to tackle fraud is preventing it from happening in the first place. Prevention extends beyond making sure that there are appropriate system and process controls in place. It depends on the development of an effective anti-fraud culture that reinforces a zero tolerance and deters criminals from committing fraud in the first place. It also involves greater use of data and analytical software to prevent fraudulent activity. Fraud prevention is closely linked to the early recognition of fraud, clear reporting processes and access to a whistle blowing helpline.

Making better use of information and technology

Because funding is heavily skewed towards reactive work, there is often little resource left for proactive and preventative fraud work. However some local authorities have demonstrated that investment in up-front preventative checking and the use of data analytics and credit reference data bears dividends.

The intent of this strategy is to bring about a radical realignment of counter fraud resources away from enforcement to prevention. Data analytics is a fundamental part of this new approach.

Data analytics is the term used to describe the process of bringing the necessary data together to verify and validate transactions, or to uncover potential and actual fraud. It relies on the sharing of data and fraud intelligence. Recent years have seen significant developments in the use of data analytical software for the purpose of preventing and detecting fraud, particularly in the private sector. Several local authorities are piloting some of these tools to demonstrate the financial benefits that they can bring.

Ealing Council has introduced a data matching initiative for the purpose of identifying fraudulent council tax claims. They have developed SNAP (Synchronising Names and Addresses of People) – a system that cross-references between property and people to identify anomalies in data. Ealing Council estimate that this data matching (used in conjunction with National Fraud Initiative matching and other council tax counter-fraud activity) will bring in additional income of around £1.6 million this year, and around £7.2 million over the next seven years.

Local authorities have been successful in utilising their own data sets to good effect through the creation of data warehouses, and matching data with local health bodies and residential social landlords. It is vital that these efforts are scaled up. Fraudsters do not respect local authority boundaries. They pose a common threat across local government which must be countered more effectively through the better sharing of intelligence across local authorities. Access to and the timely exchange of relevant information within local authorities and between local and central government and the private sector, offers enormous potential for combating fraud in local government. What is required is a clear system that facilitates this sharing of known fraud intelligence based on existing tools and technology.

Birmingham City Council regularly uses data matching for the purpose of preventing and detecting fraud and error. Over the last few years, it has developed a comprehensive data warehouse facility that is used to provide intelligence and large-scale data matching across multiple systems. The time and resource invested means that virtually any data can be matched from any source, including data from other councils and housing associations. The data matching has proven to be very successful and has resulted in around 20,000 instances of fraud or error being identified so far. It is estimated this has had an equivalent financial saving of over £10 million.

The National Fraud Initiative (NFI) is a national data matching exercise currently run by the Audit Commission. It is a good tool for helping local authorities detect fraud in areas such as council tax, housing benefit, pensions, blue badges and social housing. NFI data matching currently operates over a two year cycle, but is moving towards more real-time and near real-time fraud prevention activity. Building on the successes of the NFI so far, there is potential to develop this tool into a real-time counter fraud checking service for local authorities. The NFI can also directly support the implementation of this strategy through targeting its matches to these areas of identified fraud risk.

In addition to the NFI, there is a need for the analytical capability to detect fraud across local authorities. The National Anti-Fraud Network (NAFN) is a not-for-profit organisation hosted by Tameside Metropolitan Borough Council and Brighton and Hove City Council for the purpose of providing data, analytical services and best practice services to its members. NAFN has the analytical expertise to optimise the prevention capability of the NFI and must be integrated to this effect. Another part of NAFN's role involves collating and disseminating fraud alerts to notify member organisations about known fraud and fraudsters. These alerts provide a mechanism for sharing information on known fraudsters and new and emerging fraud issues. The effectiveness of NAFN depends on its

membership, the free exchange of information between members, and ensuring timely issuing and action on alerts. It offers an excellent mechanism for local authorities to self-protect.

Use of NAFN alert bulletins

Criminals have targeted a number of public sector organisations in an attempt to re-direct payments made to large construction industry creditors. Fraudulent letters are issued to finance teams notifying them of a change in bank account details for legitimate suppliers with the intention of further payments being diverted to the fraudster's bank account instead of the creditor. Over the last few years, NAFN has received reports of around 50 such attempts.

When reports are received, NAFN issues fraud alerts to its membership organisations notifying them about new attempts. As a result of these bulletins over £20 million worth of payments have been blocked or recovered by public sector organisations including many local authorities. One council alone is estimated to have prevented £5 million from being paid out.

Fraud alerts provided by NAFN are useful to local authorities but only draw from fraud intelligence known to its membership organisations. Fraud is a cross cutting crime that affects all areas of the public and private sector, and there are common fraud threats between local government and other sectors, particularly in regards to serious organised crime. It is therefore important to build on existing processes to facilitate a more effective intelligence network.

This system of sharing intelligence on known fraud is part of a wider initiative. **Fighting Fraud Together**, the new national fraud strategy, outlines the need for better co-ordination of intelligence gathering and analysis capabilities across all sectors. This will include the development of an intelligence sharing architecture that facilitates information sharing on known fraud and fraudsters across the public sector, and between the public and private sectors.

The NFI, with NAFN's analytical capability, could form the intelligence sharing hub for local government. Through regular data matching via the NFI, local authorities would be able to cross reference staff, suppliers and claimants and flag possible fraudsters. By developing this intelligence architecture to match against each other's data, as well as the known fraud data from across other parts of the public and private sectors, local government will be able to protect itself from fraud more efficiently.

Developing a more effective anti-fraud culture

'The Audit Commission has been reporting annually on local government's fight against fraud for many years, in the belief that encouraging a counter-fraud culture helps to protect council services, funding and jobs. Fraud is never a victimless crime - the victims are honest council tax payers, and those who depend on housing, care and other essential services. The Fraud, Error and Debt taskforce of the Cabinet Office encourages public bodies to assess and improve staff awareness of fraud risks - by using the Audit Commission's toolkit, Changing Organisational Cultures.'

Eugene Sullivan,
Chief Executive, Audit Commission

Underpinning any preventative approach is a strong anti-fraud culture that is driven and implemented from the top down. It requires continuous active promotion and needs to include staff, members of the public and suppliers. An anti-fraud culture should seek to motivate staff and ensure that they understand the importance of tackling fraud, are able to recognise fraud and abuse and know how and where to report suspicions of fraud.

The most effective anti-fraud cultures change people's attitudes and behaviours towards fraud, positively reinforcing their responsibility in preventing,

detecting and reporting fraud and deterring criminals from committing fraud in the first place. Some authorities have shown initiative and creativity in identifying cost-effective ways of developing an anti-fraud culture, for example through the use of e-learning and culture change toolkits. Local authorities are encouraged to use these types of tools as they can be very effective in developing a strong anti-fraud culture.

The Metropolitan Police Authority (MPA) and Metropolitan Police Service (MPS) jointly took action to strengthen their counter-fraud culture by using the Audit Commission's 'Changing Organisational Cultures' toolkit.

This involved:

- Two online surveys completed by senior police officers and senior staff in 2009 and again in 2011 to capture their views on the strength of their organisation's counter-fraud culture.
- A series of interactive workshops focusing on issues highlighted by the survey and case studies highlighting the financial and reputational impact of fraud.
- A detailed report in 2009 and a follow-up report in 2011 highlighting the key issues from the survey and workshops with an agreed action plan for improvement. 25 workshops were delivered to over 550 delegates with consistently positive feedback showing awareness had been raised.

Knowing when and where to report suspicions of fraud and having confidence in those arrangements is an important part of an effective anti-fraud culture. Local authorities are encouraged to establish clear and transparent whistle-blowing procedures and to report the referrals and outcomes to the Audit Committee and senior board. Analysis of referrals can lead to preventing further fraud or may be indicators of systems weaknesses across the authority.

Local authorities should have in place effective whistle-blowing procedures which give staff the opportunity to raise a concern. Local authority staff should be given the option to blow the whistle about wrongdoing or malpractice outside line management or externally to a prescribed regulator. The Public Interest Disclosure Act protects staff that are victimised or dismissed for making a protected disclosure. There is also a British Standard on whistle-blowing arrangements together with a code of practice. Local authorities can seek advice on how to set up whistle-blowing procedures via the expert charity Public Concern at Work.

Our Commitments

National Partners to take the following actions:

- The NFI and NAFN to work with local government to develop the capability and capacity to enable real-time or near real-time data matching checks and better use of intelligence relating to known fraud and fraudsters.
- The NFA to work with NAFN and the NFI to produce a detailed design of how local authorities can benefit best from being part of the wider intelligence sharing architecture.
- The NFA to collate and disseminate best practice in establishing an effective anti-fraud culture including making a common fraud e-learning tool available to local government.
- The NFA to support the piloting of fraud prevention tools and data checking services and develop a framework contract to help local authorities achieve value for money in the purchase of these tools and services.

Local Partners to consider:

- Deploying data analytic tools in their areas of risk for the purpose of preventing and detecting fraud.
- Collaborating with NFI and NAFN to develop data warehouses for the purpose of data matching fraud prevention services across councils.

- Developing a programme of activity to embed a strong anti-fraud culture across departments and delivery agents.
- Using the Changing Organisational Cultures toolkit.
- Ensuring that staff and the public have access to a fraud and corruption whistle-blowing helpline, and assure themselves that it conforms to the British Standard for whistle-blowing arrangements.

Part C: Pursue

“Prevention is always preferable. However, the determined fraudster will evade even the best controls and when they do, enforcement must be comprehensive. That means applying all appropriate investigation techniques. Where these are employed they must be done in accordance with the law and best practice by properly trained officers. Whilst that training and, indeed, the deployment of surveillance or computer forensic resources is expensive, they are often crucial in finding the key evidence to prove a case. With ever reducing funding it is imperative that local authorities look to either share or procure such expertise in a financially viable way.

Enforcement action should not be limited to criminal prosecutions. Where fraud is discovered we should deploy the full range of sanctions including civil and disciplinary routes, which can be very effective, particularly when run in parallel. All of this helps produce a high standard of evidence, increases the chance of a successful prosecution and the identification and recovery of criminal assets, and assists local law enforcement to identify any wider criminal activities.”

**Simon Lane, Head of Audit and Anti-Fraud,
London Borough of Brent**

Enforcement covers the investigation, punishment and recovery of assets and funds. Punishing fraudsters acts as a powerful deterrent. Where fraud is discovered the full range of sanctions should be deployed, including civil, disciplinary and criminal action. Effective enforcement requires that local authority investigators have the professional skills (operating within a professional code), appropriate powers and access to specialist support to undertake their duties. The key to success is the ability to access relevant information and the co-operation of law enforcement agencies.

Prioritising fraud recovery and the use of civil sanctions

“Civil recovery is used in my local authority to ensure that money stolen is returned back to the delivery of important local services. It is also means that criminals do not profit from the misuse of council property or services. In one case, we successfully used civil litigation to claim back over £7,000 for ‘unjust enrichment’ from a tenant that we found to be unlawfully subletting his council property for £300 a week”

Andy Hyatt, Head of Fraud, Royal Borough of Kensington and Chelsea

Fraud is an acquisitive crime and must not pay. Fraud recovery through the use of civil litigation and the Proceeds of Crime Act is a crucial part of any counter fraud strategy. However there is an opportunity for recovery to be used more routinely across local government to ensure that the public and potential fraudsters are made aware that when public funds are stolen, every effort will be made to recoup losses and confiscate assets gained as a result of criminal activity. The local authorities who are most successful in recovering assets are those

that have the support of a financial investigator. Some local authorities have found that employing dedicated financial investigators brings a good return on investment. Others have secured access to financial investigators through their relationship with their local police. Camden Council provides a good example of the importance and benefits of fraud recovery.

London Borough of Camden Council’s anti-fraud team has developed a close working relationship with the local police and has put in place a Memorandum of Understanding outlining each party’s role and commitment in supporting each other in the fight against crime.

The council works particularly well with the Local Pay Back Unit at Camden Police to maximise their fraud recovery. In one recent case, the council worked closely with the unit to acquire bank statements and issue a production order for a school bursar who had perpetrated a large cheque fraud against the council. Not only was the fraudster ordered to pay back the £150,000 that was stolen, but the council was awarded an additional £120,000 in damages. This more than covered the costs of taking the case to court and seeking recovery.

The council make use of both the Proceeds of Crime Act and civil recovery processes to ensure that money stolen through fraud is recovered and paid back to the council. It is currently piloting a scheme whereby the credit control team issue debt invoices to facilitate fraud recovery processes. It is hoped that this process will allow the fraud team to have more control in the recovery of stolen funds and will increase the likelihood that money will be returned directly to the council.

Developing capability and capacity to punish fraudsters

Criminal prosecutions are an important part of a counter fraud policy and can serve to deter offenders and reinforce a culture of zero tolerance to fraud. Developing in-house capability for investigating and prosecuting fraud or ensuring access to specialised investigative resource is the first step in developing an effective fraud enforcement response. Some local authorities have found it most cost effective to develop their own in-house specialised anti-fraud teams, while others have made good use of a shared services approach.

To investigate cases professionally and to ensure that all evidence is collected within the law, local authorities must have adequately trained staff with the skills and access to specialist resources adhering to a professional code. Investigation staff should be trained to the levels agreed by the Counter Fraud Professional Accreditation Board.

“A vital element of any effective counter fraud strategy is the ability of the organisation to call on competent, professionally accredited counter fraud specialists trained to the highest possible professional standard to investigate suspected fraud. 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.”

John Rosenbloom, Head of Fraud Investigations, Manchester City Council

Greenwich and Bromley Councils started working in partnership to track, trace and prosecute benefit fraudsters in 2002. Bromley Council decided to form a working partnership with Greenwich in order to benefit from the latter's extensive range of skills and experience in this area. The Bromley Partnership Team consists of five qualified investigators, an intelligence officer and access to one of Greenwich Council's accredited financial investigators for the purpose of recovering money under the Proceeds of Crime Act. As a result of the partnership, Bromley went from having achieved no benefit fraud sanctions in April 2002, to being the highest performing council in London in this area. Given the success of the partnership, Bromley took the decision to extend the scope of the agreement to include 'corporate' fraud (non-benefit) investigations for Bromley. This partnership works well because of its formalised arrangement and well managed contract. Its benefits are joint intelligence, pooling of skills and lower costs. The extensive range of skills and experience in the partnership facilitates a multi-faceted approach to fraud detection and prevention.

More collaborative and supportive law enforcement response

Organised crime affects local authorities as well as other organisations. The government has launched a new organised crime strategy – **Local to Global; Reducing the risk from organised crime**⁵ – which outlines three priorities to stem the opportunities for organised crime to take root, strengthen enforcement against organised criminals and safeguard communities, businesses and the state.

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

⁵ <http://www.homeoffice.gov.uk/publications/crime/organised-crime-strategy?view=Binary>

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.

Effective co-operation and joint working between local authorities and with other agencies is essential as there are often links between frauds against local authorities and benefit frauds, immigration offences and shadow economy tax evasion. There are many examples of good practice and joint working where local authorities work together with local police, HMRC, DWP or UKBA. Some local authorities even have police officers seconded and physically located in the authority whilst others have access to dedicated UKBA staff resource and, as a result, are more able to detect and investigate fraud.

Brent Council was one of the first authorities to set up a dedicated corporate anti-fraud resource and has been operating a corporate model since 1994. This has resulted in a well established, highly trained and experienced investigative capability which includes a forensic computing function, a mobile surveillance team and qualified financial investigators. This in-house anti-fraud resource proved to be invaluable in a recent case, in which the fraudster falsely claimed to be paraplegic and housebound, to claim benefits and social care direct payments. Through the use of Brent's experienced and specialised anti-fraud team, the council was able to use surveillance to capture the suspect's movements and forensic computing to analyse the suspect's computer for evidence to support the case. The surveillance footage and false accounting records shown to the jury were instrumental in securing a guilty verdict. The individual, who had stolen £200,000 from the council, was sentenced to four and a half years in prison. Following detailed financial investigator and forensic accounting work carried out by the team, the criminal was subsequently issued with a confiscation order to the value of £106,000.

The anti-fraud & corruption team at **Lewisham Council** has seconded a Detective Constable from the Metropolitan Police Specialist Crime directorate. The seconded police officer supports the team by researching police databases for intelligence and evidence, using police contacts and powers to gather evidence and arranges the arrest of suspects with support from the local police. He is also a member of the Joint Information Forum, a group set up to exchange intelligence and plan joint operations alongside outside law enforcement agencies.

Lambeth Council has a similar scheme in place. It uses their seconded police officer to help with the handling of fraud cases and to improve the detection and prosecution of offenders. The council pays half the cost of this police officer but the savings achieved more than cover the costs. The council believes that the officer's secondment has had a major impact on fraud deterrence and prevention and has successfully linked police powers with the expertise and local knowledge of council officers.

Local authorities have reported that collaboration with police and government agencies such as HMRC and DWP depends on local relationships. To be effective and consistently tackle fraud, local authorities need a consistent response from government and law enforcement. To achieve this, national agreements are required between local government and policing and other relevant agencies (including UKBA, DWP and HMRC) that set out the support they can provide to local authorities in taking forward fraud cases.

National agreements should underpin and encourage effective local arrangements. There are already pockets of exceptional good practice in local and partnership working. These were set out in the Regional Partnerships Guide published by the NFA in December 2010. Sustaining and replicating such local and joint working arrangements are essential to tackling cross boundary fraud.

They can be developed as shared services hubs for the provision of cost effective specialist resources and tasking to tackle the most serious and complex cross-boundary and cross-agency fraud.

“We are all faced with diminishing resources and an increasing fraud problem. Developing a more collaborative approach to tackling fraud is an effective way to enhance existing counter fraud work and bring tangible benefits to local authorities. Although significant levels of collaboration already exist, for example underpinning regional local shared services partnerships, there are real opportunities to increase partnership working to combat fraud. Sharing fraud expertise allows local authorities to provide a more cost-effective fraud response which is also more effective at tackling the problem, thanks to the stronger working relationships with neighbouring councils and opportunities to share knowledge, skills and best practice. With the government also committing to share its information with councils we will have an effective weapon in the fight against fraud”.

Jill Shortland,
Chair of the LGA Liberal Democrat Group,
Vice Chair of the Improvement Programme
Board and County Councillor for Chard
South, Somerset

Our Commitments:

National partners to take the following actions:

- The NFA to work with partners to produce a compendium of powers and penalties to assist local authorities in their law enforcement response.
- The NFA to work with other enforcement agencies to develop a template for local authorities to set-up agreements with local law enforcement agencies.
- The NFA to collate and disseminate best practice on the use of fraud recovery processes and case building.

Local partners to consider:

- Ensuring that the local authority has access to appropriate specialist investigative resource, including financial investigators, and explore options on whether access to these services can be shared across local authorities.
- Making arrangements with other authorities or partners to ensure access to a financial investigator.
- Adopting a parallel sanctions policy for the purpose of taking disciplinary, civil and criminal action against fraudsters and consider the use of fraud recovery for all instances of fraud.
- Securing appropriate training for fraud practitioners in line with agreed professional standards for all types of investigation.
- Only employing staff to undertake investigations that are suitably qualified and trained and adhere to a professional code.
- Adopting a professional code using the codes held by the Institute of Counter Fraud Specialists as a basis.
- Working closely with local law enforcement agencies and putting in place locally agreed service level agreements where appropriate.

Section 3: Tackling the main fraud risks

Many local authorities are already saving money by tackling fraud; looking beyond benefit fraud to tackle other issues such as housing tenancy and council tax fraud. There are many examples of good practice and innovative pilots in local authorities, which if adopted more widely, would lead to immediate savings.

The Audit Commission produces an annual publication 'Protecting the Public Purse' which provides more detail of the key fraud risks faced by local government. A summary of the key fraud risks faced by local authorities and some examples of good practice in tackling these types of fraud are outlined below.

Housing tenancy fraud

Housing tenancy fraud is the occupation of social housing, usually to make a profit. It can cover a wide range of fraud such as unlawful sub-letting, false homeless applications, false successions and right to buy. Unlawful occupation of social housing has a direct financial impact on local authorities because they are responsible for providing and paying for temporary accommodation for homeless people who could otherwise be housed in permanent social housing. The Audit Commission has estimated that at least 50,000 social homes in England are unlawfully

sub-let and other estimates put that figure at up to 160,000 homes. The National Fraud Authority places the cost of Housing Tenancy fraud at around £900 million a year. These unlawfully occupied social homes – to house those who have effectively been displaced by those who commit tenancy fraud – would cost several billion pounds. Work by landlords suggests that in London, where demand for social housing is particularly high, at least 5% of all social homes could be unlawfully sub-let.

Tackling housing tenancy fraud is one of the most cost-effective means of making social housing properties available for those in genuine need. In 2010-11, local authorities recovered about 1,800 properties, an increase in properties over 2008-09. The increase in the number of properties recovered last year was partly the result of increased detection through £19 million of funding provided to local authorities by DCLG. The majority of properties recovered were in London but some authorities based out of the capital have started to show what can be achieved from employing specialist housing tenancy fraud investigators and detective techniques. DCLG is also providing funding to the Chartered Institute of Housing for a Making Best Use of Stock Team (MBUS) which has the remit of sharing best practice to tackle Housing Tenancy fraud.

Bristol City Council has made good progress in tackling housing tenancy fraud over the last few years. As part of its work the council has set up a dedicated fraud hotline and launched a publicity campaign to encourage the public to report suspicious social housing tenancies. Housing staff are also encouraged to refer suspected tenancy fraud cases. The council received around 293 referrals which resulted in 265 investigations being made.

The council recognises the usefulness of the data they hold for the purpose of detecting housing tenancy fraud. This data is used to identify potential problem addresses, which is then passed onto one of the housing officers for the appropriate action. As a result of their proactive fraud work looking at housing tenancy fraud, Bristol Council has successfully recovered around 38 properties.

The council is now currently considering other methods for identifying high risk properties including introducing the interrogation of data held on key fobs for shared social accommodation, payments by credit/debit cards and failed gas servicing visits. Caretakers and maintenance staff have also been engaged in the tenancy fraud project.

Based on an initial pilot project run with Southwark Council and Family Mosaic Home, the South East London Housing Partnership has set up a sub-regional social housing fraud initiative to tackle unlawful subletting of social housing properties across four London boroughs: Bexley, Bromley, Lewisham and Southwark. The consortium has been paid for by pooling the funding provided by DCLG to tackle housing tenancy fraud and is overseen by a social housing fraud initiative board consisting of the local authorities and partner registered social landlords and arm's length management organisations.

This partnership has been very successful in recovering unlawfully sublet properties. Between January 2010 and March 2011, 88 properties have been recovered and 22 cases referred for legal action. There have also been some additional benefits in running this close partnership including the greater detection of housing benefit fraud, improved sharing of knowledge and good practice and better identification of vulnerable people that need support with their tenancy.

DCLG are currently consulting on new measures to increase the deterrent to tenants considering cheating the system through tenancy fraud, enable those who do to be detected more easily and punished more severely, and encourage social landlords to take a more proactive approach to tackling the issue.

Under these proposals, whilst landlords would retain the flexibility to pursue tenancy fraud as a civil matter, they would also for the first time be able to pursue tenancy fraud as a criminal offence. As a starting point the consultation suggests that a suitable maximum penalty for tenancy fraud might be two years imprisonment and a fine of up to £50,000.

Tenancy fraud can be extremely lucrative – cases of tenants making profits in excess of £10,000 have been uncovered by some landlords in London. The consultation therefore proposes allowing restitutionary payments to be made to the social landlord in whose stock tenancy fraud was committed. Payments of this nature would allow a landlord to recoup, in both civil and criminal cases, any money the tenant made using the landlord's property (independent of any loss to the landlord).

Tackling tenancy fraud effectively requires having the right powers and access to data. The consultation therefore proposes giving local authorities powers to bring criminal prosecutions for tenancy fraud themselves. It also proposes introducing powers for investigators to compel certain named categories of organisation – in particular banks, building societies and utility companies - to comply with local authorities' requests for data.

The consultation runs until 4 April.

Council tax fraud

Local authorities have noted a sharp increase in the number of fraudulent applications for single person discount (SPD). Although this type of fraud is often opportunistic and of low value, the prevalence of this type of abuse is relatively high, with around 4-6% of all SPD claims likely to be fraudulent. In some areas of England and Wales, the level of evasion is much higher. Local authorities have made good progress in tackling council tax fraud and have made considerable savings in light of relatively modest investment in fraud prevention tools.

“There has been a tendency to focus council tax counter fraud activity on single person discount, however proactive fraud work carried out by my council has identified student exemptions as a major area of concern. In a recent review we successfully identified 50 claims where the claimant had used their registration at a bogus college to avoid paying their council tax. We will now continue to target this area to ensure that those who should be paying council tax are doing so”

**Nathan Elvery, Deputy Chief Executive,
London Borough of Croydon Council**

Council tax fraud is not limited to SPD fraud. There are several other categories of discounts and exemptions that are not captured in this loss figure. Recent data matching pilots have shown that exemptions relating to false claims to be a student or for non-occupancy, could be as significant a risk as SPD fraud.

The NFA estimate that fraud in council tax exemptions costs around £31.2 million a year. The most common exemptions fraudulently claimed are for person(s) who are severely mentally impaired, student occupancy, vacant properties (empty and unfurnished for up to 6 months), and properties which are left empty by deceased persons. In addition the NFA estimate that fraud in council tax discounts costs around £99.6 million. The most frequently claimed discounts are single person discounts, of which £92 million has been estimated as fraudulent. The total value of council tax discounts and exemptions is estimated at £131 million a year.

West Berkshire Council regularly carries out reviews of claims for council tax single person discount (SPD). It has put in place processes for identifying fraudulently claimed discounts that includes the use of credit reference agency checks and data matches from the Audit Commission's National Fraud Initiative. Claimants flagged in these matches are issued with a letter asking them to confirm that their circumstances have remained the same. If the customer reports a change in circumstances, they are asked to provide further details of the change. If a customer confirms their continued entitlement, the system is marked accordingly and the letter is scanned into the internal data system. Where a customer fails to respond to a reminder letter, the SPD discount is cancelled for the previous financial year and a new council tax invoice issued to confirm the increased instalments. As a result of this process, West Berkshire Council estimates that it saved around £700,000 between 2008 and 2011 and generated approximately £4 million in additional council tax revenue over a four year period.

Localising council tax support further strengthens the direct financial incentive for local authorities to tackle fraud in the council tax system. The Government is committed to ensuring that local authorities are empowered to investigate fraud effectively, and will take steps to strengthen the system if necessary. In considering these steps to protect the public purse, respect for the privacy of law-abiding citizens will remain paramount.

Procurement fraud

Procurement fraud is any fraud relating to the purchasing of goods and services. It covers the entire procure-to-pay lifecycle, including fraud in the tender / bidder selection and contract award stages (for example, illicit cartel activity or bribery of an official to influence the tendering process) as well as fraud occurring during the life of the contract (for example, false, duplicate or double invoicing).

Local government spends around £89 billion a year on procuring goods and services. The NFA estimates that local government could be suffering losses of around £890 million a year to procurement fraud.

"There is often a misconception that procurement fraud is only about suppliers and service providers colluding against the authority before contracts are awarded, and therefore there is little that can be done to prevent it from happening. In my experience, abuse can also often occur in the post-contract award phase, where there are greater opportunities to avoid detection by perpetrating smaller value frauds, more frequently and over a longer time frame. Good contract management and the use of data mining to identify potentially fraudulent invoices can help minimise fraud risks in this area".

Mike Suarez,
Director of Corporate Resources,
London Borough of Lambeth

Procurement fraud is one of the hardest types of fraud to identify, particularly at the pre-contract award phase. It is a difficult area for local authorities to tackle due to the complexity in procuring goods and services across several spending areas. Investigating and prosecuting suspected fraud can also be challenging, as it can be difficult to differentiate between so-called sharp practice and fraudulent activity.

However tackling procurement fraud brings with it a number of direct financial benefits and allows local authorities to achieve better value for money by scrutinising procurement processes and supplier payments in more detail. Several local authorities have made good progress in preventing and detecting procurement fraud, and there have been a number of initiatives set up across local government to look at the risks associated with procurement fraud and identify ways in which these risks can be addressed.

Local authorities should use a risk management approach with strong internal control arrangements to reduce the risk of any payment as a result of publishing public data. Local authorities should refer to the CIPFA Red Book 2 – **Managing the Risk of Fraud** – and the CIPFA Contract Audit Toolkit. DCLG have published guidance on data transparency and the NFA have produced a guide on procurement fraud (see further reading).

Grant fraud

Local government pays out a number of different types of grants to individuals, community groups, not-for-profit organisations and arm's length organisations. The nature of grant processing and payment makes it difficult to assess the nature and scale of grant fraud risks. Fraud risks depend on various factors such as the type of grant recipient, the purpose of the grant, the nature of the scheme and the scale of the award. Because of this, further work is needed to consider how fraud in the grants system can be tackled, particularly in light of increased commissioning of services through the charity and voluntary sector and a move towards direct payments and personal budgets.

Grants provided by the **Royal Borough of Kensington and Chelsea** to charitable organisations undergo regular fraud and audit reviews. One such review of a grant aided organisation uncovered significant discrepancies in relation to supporting documentation for alleged expenditure totalling £60,000. Evidence gathered led to the prosecution of the charity's centre manager and finance officer. The centre manager was sentenced to 12 months in jail.

Employee fraud

Any employee can perpetrate fraud against their employer. The nature of local government means considerable trust and responsibility is often delegated down to local authority employees to ensure the smooth running of finances and service delivery. This transference of responsibility brings about its own inherent fraud risks.

Types of employee fraud are wide-ranging and can include misuse of time and resources, fraudulent claims for allowances and expenses, failure to register or declare conflict of interests or the acceptance of gifts and hospitality, as well as the manipulation of finance and payroll systems. It also includes staff pre-employment fraud, where false information is given in order to gain employment.

One of the strongest defences against employee fraud is ensuring that proper and adequate vetting takes place and that a strong anti-fraud culture is in place to deter employees from committing fraud in the first place. Managers should be made aware of their role in preventing and identifying employee fraud, and clear controls and separation of duties must be in place.

Staff vetting is an important part of Ealing Council's recruitment process and a key measure in preventing fraud. The council carries out enhanced vetting for all newly recruited members of staff where the role is deemed to be high risk (for example roles that involve cash handling, financial decision making or working with vulnerable service users). Any role that is required to follow Ealing's enhanced vetting process is determined before the job is advertised, so that prospective candidates are made aware of this at the point of application. This acts as a strong deterrence for fraudsters applying to work at the council. In 2010-11, 4% of successful candidates applying for a permanent or temporary position at the council failed the vetting process. The percentage of candidates failing Ealing's vetting process for temporary roles was significantly higher than those applying for permanent roles - 18%. The main reasons for vetting failures included: job applicants had no right to work in the UK; false identification; false references; false work histories; false qualifications; or they had committed benefit or council tax fraud.

In one case, a housing officer was found to have used a false passport and UKBA entry visa as proof of identity. Working closely with the council's seconded police officer, the fraudster was successfully prosecuted and was sentenced to ten months in prison. This employee had previously been employed by other councils.

Fraudsters have been known to move from one employer to another and even between one local authority and another. Currently there is no system in place for local authorities to share information on those sacked or sanctioned for fraud. In the private sector, CIFAS – the UK's fraud prevention service – runs a staff fraud database for member organisations to help organisations self-protect. Local authorities should strongly consider using this facility, which has the secondary benefit of deterring fraudsters from applying for positions with local authorities in the first place.

Schools

Some new fraud risks are exemplified in the new arrangements to fund schools. Maintained schools are funded via the local authority. The Director of Finance has responsibility for protecting public funds and can therefore deploy the local authority internal auditor or counter fraud function to provide assurance about financial controls in those schools. 'Free schools' are central government funded initiatives from any group which can demonstrate demand for greater educational provision in a given area. Academies also benefit from greater freedoms to innovate and raise standards and have the ability to set their own pay and conditions for staff. Academies receive their funding directly from the Young People's Learning Agency (an agency of the Department for Education) rather than from local authorities. Changes to the schools systems may present new fraud risks and require those involved to fraud proof policies and put in place arrangements to prevent fraud without local authority support.

Local authorities have responsibility for protecting resources and funding across a wide area of expenditure, including responsibility for managing public funds outsourced to arm's length organisations such as schools and charities. Local authorities do not always provide audit services to such bodies. Therefore whilst the local authority may remain the accountable body for funds, there is transference of responsibility for protecting funds to these 'one-step removed' organisations, some of which may not have adequate mechanisms in place to properly counter the threat of fraud. This is likely to create a significantly increased risk of fraud and financial mismanagement that will need to be addressed.

Personal budgets

A personal budget is the sum allocated to enable an individual to meet their own social care needs. Social care service users receive their personal budgets via a direct payment. Abuse of the system can occur as an overstatement of needs through a false declaration, by multiple claims across authorities, from third party abuse – for example by a delegated budget holder - or posthumously - where the service user has died and payments continue and are collected fraudulently.

Any new system attracts risks which need to be considered and mitigated with appropriate and proportionate controls.

Enfield Council is committed to preventing financial abuse and its impact on local people and the community. Some examples of the measures put in place to help protect customers receiving personal budgets or direct payments from financial abuse and fraud include:

- Dissemination of guidance and factsheets on preventing financial abuse through effective financial management, safeguarding finances and safer recruitment of personal assistants.
- Workshops for members of the public on self-protection and keeping finances safe.
- Creation of a sub-group of the Safeguarding Adults Board that focuses specifically on safeguarding adult finances.
- Development of a multi-agency response to suspicions of fraud and financial abuse in this area.

It is expected that the outcomes of this work will result in earlier detection and better levels of reporting of this type of crime and an increase in prosecutions under the Proceeds of Crime Act.

Tackling high fraud risks

These good practice examples show not just that savings can be made, but that they are already being made by local authorities. If such best practice was adopted across all these areas of fraud risk, by every affected local authority, then significant amounts could be returned to front-line services.

The key fraud risks outlined above provide a high level snapshot of those areas of fraud that cause greatest harm to local government as a whole. However, it is recognised that fraud affects unitary, county and district councils in different ways, which means that in practice there is 'no one size fits all' approach to tackling fraud. Local authorities are best placed to identify those areas of fraud that pose greatest risk to them.

A summary of the different fraud risks in the local government sector, identified as part of the research for the strategy, can be found in the good practice bank. The Metropolitan Police Authority (MPA) has gone one step further by mapping out the severity and likelihood of each fraud type based on the quality and reliability of fraud controls in place. Its analysis of fraud risks, in a 'wheel of fraud', provides a good overview of where vulnerabilities exist in regards to local authority fraud. This can also be found in the good practice bank.

Our Commitments:

National Partners to take the following actions:

- DCLG to remove barriers faced by local authorities in tackling housing tenancy fraud. DCLG are currently consulting on proposals to remove barriers.
- The NFA to produce guidelines and best practice on how to best tackle grants, insider and procurement fraud.

Local Partners to consider:

- Adopting best practice in staff vetting.
- Consider membership to the CIFAS staff fraud database.
- Working in partnership with Registered Social Housing Providers to help them tackle fraud in social housing
- Adopting the good practice on tackling housing tenancy and council tax exemption fraud outlined in the NFA guidance.

Section 4: The Delivery Plan

Implementing the strategy

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and new structures to underpin the key requirements to share intelligence and data, provide access to specialist investigative and forensic service, and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of ambitious yet achievable actions that are timetabled and allocated to appropriate local and national partners. These will need to be overseen by a governance board of senior stakeholders that commands widespread support across all levels of local government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy. To bring about a much more co-ordinated response to fraud across local authorities, local government should create a 'virtual' Local Government Centre of Fraud Intelligence which forms links across current counter fraud arrangements and bodies including NAFN and NFI.

Our Commitments:

National Partners to take the following actions:

- NAFN to consider providing local authorities with a service that offers specialist resources (e.g. Financial Investigators or Analysts) and to coordinate the provision of specialist investigative support.
- NAFN to work with the NFA to enhance its alerts system and intelligence capability, and form links with relevant partners to provide the basis for a local authority prevention strategy.
- Further develop the NFI to offer a real time fraud prevention service as well as detective data-matching that responds to current and emerging threats across local authorities.
- NAFN to work with partners to pilot intelligence and information sharing warehouses based on the Birmingham model.

Local Partners to consider:

- Convening a high level oversight board, including the Local Government Association and other relevant bodies, and oversee the delivery of this strategy.
- Membership of NAFN.
- The Local authority representative groups will work with the NFA to promote the approach outlined in this strategy and encourage members to use the free tools and good practice bank.

Further reading

National Fraud Authority, **Annual Fraud Indicator**, March 2012

National Fraud Authority: Good practice publication

www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/

Eliminating Public Sector Fraud

<http://www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf>

Smarter Government

<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report>

Local to global: an organised crime strategy

<http://www.homeoffice.gov.uk/publications/crime/organised-crime-strategy?view=Binary>

CIPFA Counter-Fraud Standards Managing the risk of fraud – actions to counter fraud and corruption – Red Book Hard copy only. NFA Guide to Tackling Procurement Fraud

<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/procurement-fraud-public-sector?view=Binary>

The Code of Recommended Practice for Local Authorities on Data Transparency

<http://www.communities.gov.uk/documents/localgovernment/pdf/1997468.pdf>

Annex A to the Code of Recommended Practice for Local Authorities on Data Transparency

<http://www.communities.gov.uk/documents/localgovernment/pdf/1829193.pdf>

Department for Communities and Local Government, Tackling Unlawful Tenancies and Occupancy: Good Practice Guidance for Social Landlords, November 2009

<http://www.communities.gov.uk/documents/housing/pdf/1396431.pdf>

Department for Work and Pensions, Housing Benefit and Council Tax Benefit by Local Authority District 1996/97 to 2009/10, December 2010

http://statistics.dwp.gov.uk/asd/asd4/index.php?page=explanatory_notes_hb_ctb

Public Concern at Work, www.pcaw.org.uk

Audit Commission, **Protecting the Public Purse 2010 and 2011**, October 2010 and November 2011

<http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/pages/default.aspx>

Chartered Institute of Housing, Making Best Use of Stock team

www.cih.org/bestuseofstock

Office of Fair Trading guidance on cartels

http://www.offt.gov.uk/OFTwork/competition-act-and-cartels/ca98/decisions/bid_rigging_construction

Thank you

The Local Government Oversight Board 2011

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