

# Fighting Fraud & Corruption

LOCALLY

## The Companion

2016 - 2019



Supported by:



**CIPFA COUNTER  
FRAUD CENTRE**

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## Tackling the Main Fraud Risks

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This document is intended to be a companion to the Fighting Fraud and Corruption Locally Strategy 2016-2019.

It is aimed at those in local authorities who undertake work in the counter fraud area. It contains information on the research for the FFCL Strategy on main risks and the counter fraud landscape. A number of themes emerged in the research and those have been outlined in this document.

The FFCL Companion contains good practice and a checklist for local authorities to use as part of making sure they have the right processes and resources in place.

**The FFCL board encourages local authority practitioners to use this checklist.**

# Tackling the main fraud risks – good practice

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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.

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 in this section. These are based on the research carried out for this document.

By collaborating effectively, local authorities can make use of existing powers and tackle fraud across geographical boundaries.

The following excellent case study demonstrates the benefits of collaboration, and that fraud does not respect either physical boundaries or boundaries in relation to fraud types, and also shows effective use of The Proceeds of Crime Act (POCA).

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As a chief executive, I believe in the importance of understanding and acknowledging fraud risks at the top of the organisation. As such, I regularly review the risks in my council to ensure that there is a transparent and tangible commitment from the top.

Prevention and deterrence of fraud is as important as investigation and prosecution. But fighting fraud requires more than the adoption of good practice. It requires our knowledge, expertise and determination to tackle this serious problem.

I would therefore encourage all chief executives to prioritise pro-active counter fraud measures across all services.”

**Rob Leak**

Chief Executive, Enfield

## Fraud knows no boundaries – London Borough of Lewisham

A former housing officer who fraudulently hijacked the tenancy of a dead Lewisham tenant was ordered by the court to pay £74,000 after Lewisham Council was granted a compensation order.

At an earlier court hearing, the housing officer had received a 21-month prison sentence while her husband had received a 12-month suspended prison sentence and was ordered to conduct 100 hours of unpaid community work.

Following the death of the original tenant in 2005, the tenancy officer had manipulated the council's records to take control of the property in Catford which she then sublet at a profit.

The fraud was uncovered in 2009 after Lewisham Homes, the council's arm's length management organisation (ALMO) conducted a visit to the property as part of a tenancy-checking verification program and found that the original tenant was no longer resident.

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

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

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

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## Social Housing fraud

Social housing fraud is wide-ranging but includes fraudulent applications for housing or successions of tenancy, subletting of the property, and fraudulent applications under the right to buy/acquire.

There has been an increased focus on social housing fraud in recent years but local authorities should ensure that they continue to tackle this area effectively. Local authorities that do not have their own housing stock should work with their housing partners, in return for nomination rights, to prevent and detect social housing fraud.

This will ensure that more properties for families in genuine need are made available. Good housing provision has been found to have a positive impact on education, health and the social care needs of a community, so the wider potential benefits to hard-working families are important.

The Department for Communities and Local Government (DCLG) made some funding available to assist local authorities in tackling housing fraud, but this funding stream finished in March 2015. Consideration should be given to the provision of future incentives because building the business case to tackle housing fraud is not straightforward.

Thorough checks on applications for housing, successions and mutual exchanges must be undertaken. These stages provide key opportunities to ensure that those not entitled to social housing are prevented from accessing this valuable resource.

The Local Government Association (LGA) offered local authorities the opportunity to bid for funding to undertake work on housing tenancy fraud. Three bids were successful and received £27,500 each. The results from the pilots were encouraging:

The total value of the properties recovered through the pilot is £1.62 million. This is comprised of 7 properties recovered from Huntingdonshire, 14 from Three Rivers and 69 from Gloucestershire with each property recovered being assumed to save £18k. For each of the pilots there were additional savings in housing benefit.

Activities undertaken included fraud awareness campaigns on buses, amnesties, and training.

There are often links between social housing fraud and other types of fraud. Every fraudster needs a home or at least an address to operate from. Benefit fraud is commonly linked with tenancy fraud, so local authorities and SFIS must share data on suspect cases and any investigations under way.

Applications for other services within the local authority, such as school admissions can often reveal a tenancy that has been sublet. Effective data sharing networks both within and between authorities can facilitate the detection of such cases.

Local authorities should also ensure that they are making best use of recent legislation. The Prevention of Social Housing Fraud Act 2013 (PoSHFA) has created two new criminal offences. First, where the tenant sublets or parts with possession of a property or ceases to occupy it knowing that it is a breach of tenancy, a £5,000 fine can be imposed.

The second offence is where the tenant dishonestly, in breach of tenancy, sublets without consent and ceases to occupy it as his/her only or principal home. This offence is punishable by a two-year jail sentence and/or a fine of up to £50,000.

The Act also contains provisions that enable a court to make “unlawful profit orders” that require the tenant to pay back any profits from the unauthorised sub-letting (regardless of whether or not the landlord has incurred a loss).

Furthermore, regulations have been made that give local authorities the power to compel certain listed organisations such as banks, building societies and utility companies to provide them with data that is relevant to a social housing fraud investigation. The National Anti-Fraud Network provides a PoSHFA enquiry service which local authorities should consider using to facilitate these enquiries.

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### Case Study Manchester City Council

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

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

When asked about the joint working with Manchester City Council, Kate Sullivan Tenancy Enforcement and Support Manager at Adactus Housing recently said: “The Fraud Investigations team has assisted Adactus with complex investigations and has worked with us to create the environment of a true partnership.

The investigations they have carried out have been in cases where, prior to the project, we had drawn a blank and had been unable to gather meaningful evidence to proceed with a case. The team has welcomed an Adactus member of staff to shadow it’s officers, which has been a valuable learning opportunity for my team member and given an understanding on both sides of the constraints both teams face.”

Where financial investigators are available, their use on social housing fraud cases should be encouraged to maximise the recovery of the proceeds of the crime.

There has recently been an increase in cases of detected Right to Buy Fraud. Protecting the Public Purse reported that the number of cases had increased nearly five-fold between 2009/10 and 2013/14. Rigorous checks should be made to ensure that only genuine applications for the right to buy/ acquire are processed. Not only is this type of fraud financially attractive, with potential discounts of up to £102,700, but if undetected it permanently deprives that local authority or registered social landlord of that property for future use.

### Birmingham City Council Case Study – Right to Buy Fraud

Birmingham City Council successfully prosecuted a woman who fraudulently claimed a 70 per cent right to buy discount to buy her council house, while living in a second home that she had owned for over 10 years.

The tenant, who had rented the council property for 34 years, was actually living at another home she had bought, and was renting out the council house.

The fraud came to light after the woman paid cash for her council property. Checks by the counter fraud team found that she was on the electoral roll and in receipt of benefits at a different address, from where she had also claimed a council tax single person discount. She had failed to declare her ownership of the second property when she completed her Right to Buy application.

She pleaded guilty at court and received a 10 week custodial sentence suspended for 18 months, together with an 18 month supervision order. The court ruled that the whole value of the property, and not just the discount, had been defrauded. An application has been made by the council under POCA to recover the loss.

### The Tenancy Fraud Forum

The Tenancy Fraud Forum (TFF) is a not for profit, free organisation aimed at those who wish to combat tenancy fraud in the social housing sector. Its objective is to engage all social landlords (local authorities and housing associations, for example) to work together collaboratively to detect and combat tenancy fraud.

TFF was launched at DCLG in April 2012 and was supported by The Right Hon Grant Shapps MP. The Forum has now expanded to include several regional groups that meet on a regular basis to discuss matters such as data sharing, joint working, dissemination of good practice and advice on how to identify and tackle tenancy fraud.

Their inaugural conference was held in November 2014 and was attended by 148 delegates.

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The free regional and London meetings are also attended by guest speakers who present on such topics as unlawful profits, investigation techniques and how to draft notices for subletting.

The Executive Committee of TFF comprises social landlords as well as the Chartered Institute of Housing.

### **Council Tax fraud**

In April 2013 local authorities introduced their own council tax support schemes after the national scheme was abolished. The new localised schemes provide those on low incomes with a discount on their council tax.

Local authorities need to be mindful when transferring staff to SFIS that they remain appropriately resourced to tackle council tax support fraud. As with the old national scheme, the number of residents claiming council tax support is likely to remain similar, therefore the risks of fraud stay within localised schemes.

It is therefore important that local authorities continue to do as much as possible to reduce the risk of fraudulent discounts and exemptions being claimed.

Local authorities have done significant work to combat single person discount fraud. Housing investigation teams are now working with council tax teams when recovering sublet properties as teams are finding that some properties have been sublet to more than one person while a single person discount was still in place.



### **Royal Kensington and Chelsea – Techniques to make savings**

The use of external companies to data match single discount claims against credit reference data has become an annual exercise for some authorities. Over the last three years, the Royal Borough of Kensington and Chelsea has engaged the services of Datatank to review its council tax claims and has saved £376,000 in the first year and £250,000 in following two years.

The council, for a minimal cost of £3,000, sent mailshots to known single person discount applicants giving them the opportunity to disclose their circumstances voluntarily. This enabled them to re-bill those applicants who responded enabling the local authority to recoup £65,000.

Local authorities need to be mindful of the issues of using data sources to detect and prevent council tax fraud as data matching may also uncover those who are avoiding liabilities.

Incorrect student discount applications made by those in further education continue to incur lost income for local authorities. Both investigation teams and council tax teams should consider taking preventative measures to reduce incorrect applications such as sending mail shots to existing applicants advising them to disclose their status voluntarily.

Local authorities could potentially reduce incorrect student discount claims and should ensure that systems are appropriate to record the details of what is required to validate genuine need.

### **National Non Domestic Rates (NNDR)**

National Non Domestic Rates are also known as business rates. Counter fraud activity in this area has been limited in the past.

However, there is now an incentive to tackle business rates fraud and evasion.

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Areas of risk for fraud and evasion are:

- Small business rates exemptions
- Charitable exemptions
- Discounted properties
- Empty properties
- Illegal billboards
- Extensions to properties
- Unoccupied relief.
- Unlisted business premises

Some of these may be linked to other types of irregular activity such as phoenixing or company fraud. Local authorities should make use of Trading Standards and Planning teams, and employ a financial investigator to recover assets where enforcement notices are breached and criminal activity can be proved. The financial gain can be classified as criminal gain.

Under the business rates retention arrangements introduced on 1 April 2013, the local authority keeps a proportion of the business rates paid locally. This provides a direct financial incentive to tackle fraud in this area.

There are few examples of local authorities undertaking proactive drives in this area and there are no measurement figures to put this in context other than the size of business rates collection which is £25.7bn before reliefs. In Protecting the Public Purse 2014 only 84 cases were reported with a value of £1.2m.

However, a number of local authorities are undertaking projects as part of the Counter Fraud Fund bids and one Credit Reference Agency is undertaking work to establish a business rates hub. It is hoped that these initiatives will report back in time for the FFCL End of Year Report.

### Procurement fraud

In the last Annual Fraud Indicator (AFI) produced by the National Fraud Authority (NFA) in 2013, procurement fraud was estimated at £876m. Although there have been initiatives since then to look further into the nature and scale of procurement fraud in local authorities, to date there are no new figures available to replace those included in the AFI.

The Home Office has recently conducted a project on procurement fraud in local authorities. In partnership with the LGA, CIPFA and the National Crime Agency, it conducted four workshops around the UK.

The aim was to understand more about what form procurement fraud takes in local government, how public procurement processes are being exploited and gather good practice to counter procurement fraud.

Additional research on procurement fraud has been conducted for this Strategy as part of the workshops and surveys conducted by the CIPFA Counter Fraud Centre.

Local authorities reported that procurement can be complex and can also encompass a range of areas spanning the whole period from agreeing a project to contract monitoring, extensions and re-letting. Local authorities also reported that this type of fraud can be difficult both to detect and to investigate. In some cases procurement fraud can be linked to grant fraud or classified as grant fraud.

Procurement processes are vulnerable because there are multiple ways to commit fraud, some of which are price fixing, bid rigging, double invoicing etc. Local authorities are vulnerable to being exploited by organised crime groups.

There is, however, much good practice available, as well as some tools and guidance. The Chartered Institute of Procurement and Supply's specialists offer e-learning in this area. The CIPFA Counter Fraud Centre has its Good Practice Bank but also has wider examples – free awareness PowerPoint presentations and guidance on various aspects of procurement fraud. June 2015 the LGA published a guide for procurement practitioners on managing the risk of procurement fraud.

### Blue Badge fraud

Blue Badges are issued to those with disabilities in order that they can park nearer to their destination, often free of charge. The scheme also exempts the vehicle from the London Congestion Charge and some toll schemes including the M6 Toll and the Severn Bridge.

These exemptions and the added convenience make the misuse of Blue Badges attractive to those

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seeking to abuse the scheme. The Annual Fraud Indicator 2013 estimated that 20% of Blue Badges were abused at an annual cost to society of £46m.

The value of a Blue Badge was estimated by the Audit Commission as £500 per year but may have a higher value dependent on the level of use. Misuse also deprives the genuinely disabled of convenient parking which prevents them going about their normal business.

The most common Blue Badge frauds are:

- Use of counterfeit/altered badges
- Use when the disabled person is not in the vehicle
- Use of a deceased person's Blue Badge
- Badges issued to institutions being misused by employees.

Misuse is often perpetrated by relatives or friends of the disabled person. In the case of badges issued to institutions, these should only be used when the disabled person is with the vehicle. Unfortunately there have been cases of staff using these when running errands.

Recent legislation (The Disabled Persons' Parking Badges Act 2013) enables enforcement officers to inspect and retain a badge without police presence if they suspect the badge is fake, cancelled or being misused.

Councils should ensure that they use these new powers to ensure that Blue Badges are used only by those with a genuine need.

## Schools

During the research, local authorities raised the issue of schools fraud. This continues to be an area of various types of frauds since the publication of FFL 2011. Schools, in common with other organisations, experience all kinds of fraud including, among others, procurement fraud and recruitment or insider fraud.

Given that a poor control environment provides the opportunity for – and may inevitably lead to – fraud, a key issue for schools to consider is the extent of autonomy given by the governing body to the head teacher and other staff involved in financial decisions. The CIPFA Counter Fraud Centre has produced Five Steps to Countering Fraud in Academies.

## Fraud Assessment Checklist for Schools

In May 2013, the NFA and Deloitte hosted a one-off workshop attended by an impressive range of local authorities to explore the nature of fraud risks in schools and identify best practice in managing the risks effectively.

The workshop highlighted several areas of financial irregularity and fraud, particularly within the procurement to pay cycle but also extending to recruitment and pay. Building upon the findings of the workshop, Mazars has developed a health check guide for schools containing case studies of detected fraud and a self-assessment School Fraud Risk Health Check which is available free on the CIPFA Counter Fraud Centre website:

### Head Teacher in £7,000 Fraud

A head teacher who raided more than £7,000 worth of funds set aside for children at a West Midlands school has been given a 10-month prison sentence suspended for two years.

The Court heard that as part of her role as head teacher, she was allowed to order items on behalf of the school. In a number of transactions, she visited websites to order items and printed off web pages that detailed the cost of what she said she had 'ordered' so she could claim the money back.

However, the prosecutor told the court that the orders never actually processed past the 'proceed to checkout stage' on the websites and that the goods never arrived. In one transaction, the head teacher obtained money from a school fund allocated for activities, presents and Christmas and Easter treats for pupils.

The head teacher must carry out 240 hours unpaid work and repay her remaining debt to the school as well as £1,200 court costs.

## Internal Fraud

FFL 2011 acknowledged that any employee might perpetrate fraud against his or her employer, and that the delegation of responsibility to local authority employees brings about its own inherent fraud risks.

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The Strategy also identified that two of the strongest defences against employee and internal fraud were: proper and adequate vetting and a strong management-led anti-fraud culture to deter employees from committing fraud in the first place.

It recommended that managers should be made aware of their role in preventing and identifying employee fraud, ensuring clear controls and separation of duties.

More recently the Audit Commission, in its final publication *Protecting the Public Purse 2014*, reported that during 2013/14 local Councils identified nearly 1,500 cases of employee fraud, causing £8.4m in losses. It is therefore clear that while local authorities are working hard to fight employee fraud, the problem has not been eradicated.

More preventative action is needed. 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.

Successful high profile prosecutions reported in the media during 2014 included, among others, the following types of fraud perpetrated against local authorities by employees: procurement fraud; diverting council monies to a personal account; accepting bribes; stealing cash; deliberately misallocating social housing to friends and family for personal gain; working elsewhere while claiming to be off sick; false overtime claims; stealing council property and selling it on for personal gain; wrongfully claiming benefit while working.

Internal fraud can be related to conflicts of interest, acceptance of gifts and hospitality and where no revolving door policies exist. There is a need for a good knowledge of anti-bribery and anti-corruption measures and to have the right policies in place in respect of gifts, hospitality. Insider fraud can now be e-enabled and many services and functions are digitalised.

Austerity measures, and the continuing downward pressure on local authority budgets, mean that local authorities have diminishing resources and a reduced internal capacity to investigate fraud and corruption. This makes prevention all the more important.

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

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

In developing its Suppliers' Code of Practice Dudley aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices. Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in the Code of Practice.

All active suppliers have received an email announcing the launch of the Code and shown where the Code is available on the council website. The Code includes useful contacts if people want to report problems to the council and reinforces the availability of a fraud hotline operated by Audit Services.

Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the Code.

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

It is widely accepted that fraudsters move from one employer to another. When the previous Strategy was published, there was no system in place for local authorities to share information on those sacked or sanctioned for fraud.

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The Strategy recommended that local authorities should strongly consider using the Cifas Internal Fraud Database that shares data on those sacked or sanctioned for fraud, theft, bribery or corruption to help organisations to protect themselves from internal fraudsters. It was noted that this system has the secondary benefit of deterring fraudsters from applying for positions with local authorities in the first place.

Despite that recommendation, as this publication goes to print, the only local authority that so far participates in the Cifas Internal Fraud Database is London Borough of Ealing. While a number of local authorities have written into their anti-fraud, bribery and corruption policies a need for ‘adequate vetting’, in most cases this remains undefined. Without such definition, risks remain and local authorities are encouraged to look at this more carefully.

Immigration checks and Disclosure and Barring Service (DBS – formerly CRB) checks will not be sufficient to identify a candidate who has previously been dismissed or sanctioned for fraud, bribery or corruption and this is a critical omission. More detailed guidance on vetting is provided in *Slipping through the Net: Staff Vetting Guide for Local Authorities* (published in 2012). Research into *The True Cost of Insider Fraud* was undertaken by the Centre for Counter Fraud Studies in 2013. Both are available on the CIPFA and Cifas websites.

FFCL continues to recommend that local authorities should strongly consider using the Cifas Internal Fraud Database, both to protect themselves from employee fraudsters, and to deter such individuals from applying to them. The Database also has the additional advantage that it allows participants to check against the Home Office’s list of ‘disqualified persons’ (individuals who do not have leave to be in the UK).

The CIPFA Counter Fraud Centre is keen to bring local authorities and Cifas together so that the database can become more involved in helping local authorities – through sharing data – prevent infiltration and provide an effective deterrent to internal fraud.

The Centre has also alerts and publications to encourage closer working. The UK Anti-Corruption Plan will also help to bring greater collaboration and consistency in anti-corruption activity across the public and private sectors.

### Case Study: Inappropriate Reference

A candidate listed two references on his application, as requested. Both were for short-term temporary posts. The candidate had also held a recent long-term permanent post which he had left due to ‘voluntary resignation’ but had not used this as a reference.

Enquiries with this employer revealed that the candidate had been dismissed from the long-term post for gross misconduct.

### Case Study: False Reference

A candidate was forwarded by an agency for a temporary position. When asked, the agency forwarded references.

Checks with former employers revealed that they had not provided the references submitted by the agency. In one case the name of the referee was spelt incorrectly and in all cases the referees had not even been contacted until after the references had been submitted.

A complaint was made to the agency and an internal disciplinary led to the recruitment consultant being dismissed.

## Personal budgets

A personal budget is the sum allocated to enable an individual to meet his/her own social care needs. Social care service users receive their personal budgets by way of 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.

Personal budgets remain open to the risk of fraud as the emphasis is to provide support on customer based needs, reliant on trust and self-declaration.

The implications of not having appropriate and proportionate controls in place are still sometimes not fully understood by those tasked with administering personal budgets, assessing the support required and delivering care packages.

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Local authorities are responding to funding reductions by adopting a more rigorous and robust approach, to ensure that funds are correctly provided to the right people.

Personal budgets can present several issues if the initial assessment process is not managed correctly and can lead to clients overstating their needs, a lack of supporting medical evidence, vague support plans, incorrect spend on care provision, difficulty in monitoring spend and no escalation process when queries arise over the continuation of payment or incorrect payment of the personal budget.

When fraud or abuse within personal budgets occur, authorities are faced with the dilemma of whether to continue to provide a caring service, or to stop payment and/or to deliver enforcement action. Often, when enforcement is enacted, criminal action is not pursued because personal budget contracts and agreements lack any signed legal declaration as to how the budget should be used or the consequences of not doing so.

In addition, due to inadequate contracts and weak supplier relationship contract management protocols, local authorities can be left powerless and unable to terminate contracts with contracted care homes and carers when fraudulent activity is identified.

Recovery action on incorrectly obtained personal budgets also tends to be limited due to no formal recovery process being in place.

### Case Study: Manchester City Council

Manchester City Council is committed to recovering money obtained through financial abuse of personal budgets.

Transferring responsibility for recovery of agreed contribution and overpayments to the dedicated Corporate Recovery team together with the operation of a robust yet sympathetic recovery policy has led to significant recovery of incorrectly used funds.

Authorities are also at risk of indirectly supporting tax avoidance where there are no conditions set around whom a service user can appoint to provide his or her care package or how they should be paid. In addition, authorities may also be putting their clients at risk by inadvertently supporting the provision of carers and support providers who are not registered with the Care Quality Commission, as personal budget users are at liberty to choose whom they engage contractually to provide their care support.

Authorities need to be mindful that further changes to personal budgets – including the introduction of children’s care packages – will present new risks.

As personal budgets are required to be paid into a separate bank account, if the client subsequently transfers the money into another account, the local authority loses any audit trail of how the budget is spent or whether it has been used appropriately.

Clearly, more guidance is needed to assist in mitigating the risk of fraud and abuse in personal budgets and social care payments. Some local authorities are already taking innovative steps to address such risks.

Essex County Council has worked closely with its social work teams and has put the following measures in place:

- A risk assessment process that specifies when to conduct a personal budget financial review
- The introduction of anti-fraud trained social workers to enable them to have a good understanding of personal budgets, implement strong support plans and to report issues
- Improved communication channels between social workers and carers to ensure that care provision matches the care plan and personal budget agreements
- Care plans and personal budget reviews, which are conducted face to face with the client and carers
- Combined joint visits with social workers and review team staff are conducted to review the financial arrangements in place.

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### Case Study – Manchester City Council

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

### No recourse to public funds

Families that have no recourse to public funds such as social security benefits and social housing may still be able to seek assistance from local authorities while they are in the process of applying to, or appealing, a decision by the Home Office on their application. Section 17 of The Children's Act places a duty on local authorities to assess and provide financial and housing support to children in need. The duty applies to all children whose families are not excluded from support under Schedule 3 of The Nationality, Immigration and Asylum Act. The financial burden of this requirement rests with the local authority.

Social services departments have begun to improve their control frameworks for assessing eligibility. Local authorities have acknowledged this risk and are starting to work together to tackle this problem. Further work needs to be undertaken in this area, including developing robust procedures and more data sharing to ensure resilience and consistency across boroughs.

### Case Study – South East London

Five local authorities in South East London, led by the London Borough of Lewisham, have been successful in bidding for DCLG Counter Fraud Fund monies to finalise and implement new assessment processes which will embed robust counter fraud controls in front line decision-making. The funding will also support the development of a dedicated case management system with built-in fraud controls and data sharing functions.

### Identity assurance

As both central government and local government move increasingly towards online delivery of services, the need for secure and robust identity assurance becomes paramount. Budgetary restrictions within local government mean that the drive towards online delivery is accelerating.

With the susceptibility to fraud of online channels, local authorities will need to collaborate not only with each other, but also with central government to ensure that their systems are integrated and as resilient as possible to fraud.

### Other risk areas

In this Strategy we have referred to the most common risk areas in detail. We are aware, however, that the risks of fraud and corruption that a local authority is exposed to are many and diverse including;

- Money laundering – exposure to suspect transactions
- Insurance fraud – including slips and trips
- Disabled Facility Grants – adaptations to homes aimed at the disabled
- Concessionary travel schemes – including Freedom Passes
- Areas that have transferred to local authority responsibility e.g. Health
- Commissioning of services – including third sector partnerships
- Local Enterprise Partnerships – voluntary partnerships between local authorities and businesses
- Immigration – including sham marriages
- Cyber and e-enabled fraud.

Local authorities should be alive to the rapidly changing environment of fraud and should continuously horizon scan for new and developing fraud risks.

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## The Changing Landscape

### The Context

The landscape surrounding counter fraud has changed rapidly over the past three years. A number of organisations that were at the forefront of tackling fraud strategically have experienced change. Some have been abolished, and new agencies and organisations have emerged.

This presents both challenges and opportunities. In order to adapt to these changes, and to get the best from them, local authorities will need work together and work collaboratively with the new players in this sphere. More than ever there is a need to keep up to date and become involved in wider initiatives.

Local authorities themselves may well be suffering cuts or adjustments to resources and may also be affected by other changes such as reduced police resources or the effects of cuts in budgets elsewhere. A brief overview of the changing landscape is set out below to show the new context in which local authorities are operating as they strive to ramp up the fight against fraud. To understand the problems it is necessary to understand the landscape.

### The National Fraud Authority (NFA)

The NFA (in existence from October 2008 until March 2014) had a number of objectives, namely:

- To protect the public by overseeing the implementation of Fighting Fraud Together – the last national counter fraud strategy. Linked to Fighting Fraud Together was Fighting Fraud Locally: the Local Government Counter Fraud Strategy (FFL2011)
- To lead and co-ordinate the activities arising from the strategy set out in Fighting Fraud Together
- To measure the scale and breakdown of the cost of fraud to the UK by means of the Annual Fraud Indicator
- To deliver the Action Fraud service, the national reporting centre for fraud and internet crime.

The concept of a national fraud strategy arose as a result of an earlier piece of work under the auspices of the NFA entitled A Fresh Approach to Combating Fraud in the Public Sector – a 'Report by the Smarter Government Public Sector Fraud Taskforce'. This report put forward a number of

suggestions in relation to counter fraud activities in local authorities.

As a result, the NFA took forward a piece of work examining the nature of local authority fraud and, following this, in discussion with the Local Government Association, it was decided the first Local Government Fraud Strategy: Fighting Fraud Locally (FFL 2011) should be produced. The NFA was responsible for researching, drafting and hosting FFL 2011 in addition to setting up pilots and monitoring the success of them. The NFA also facilitated relationships between local authorities and other enforcement agencies and the private sector. It integrated FFL 2011 with the wider strategy set out in Fighting Fraud Together.

After the closure of the NFA in March 2014, the management of FFL reverted to local authorities to take forward under the oversight of the FFL Board. The hosting and day to day operations of FFL now sits with the CIPFA Counter Fraud Centre.

### The Audit Commission

It was announced during 2010 that, at a future unspecified date, the Audit Commission would be abolished. Subsequently, The Local Audit and Accountability Act 2014 made it possible for the Audit Commission to close, in line with government expectations, on 31 March 2015. The Audit Commission's counter fraud work covered two specific areas, set out below.

**The National Fraud Initiative (NFI):** This has been running since 1996. It is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes local councils, police authorities, fire and rescue authorities as well as central government departments and a number of private sector bodies.

Since its inception the NFI has helped identify fraud, error and overpayment in England, bringing the UK total since its launch in 1996 to £1.17bn.

Over the last year the NFI portfolio has expanded to offer additional services which help participating organisations to better target both fraud prevention and detection.

For fraud detection the NFI now offers a new flexible matching service that sits alongside the established two yearly national data matching. The NFI flexible matching service allows organisations to match data

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to verify existing claimants/tenants/employees as frequently as they need to.

#### **The Audit Commission's Counter Fraud Team:**

This has undertaken annual surveys of local authorities, fraud briefings and produced an annual report, Protecting the Public Purse, which set out details of the amount of detected fraud, warned of fraud risks and promoted best practice

Following the closure of the Audit Commission in March 2015, the NFI operations will transfer to the Cabinet Office.

#### **The National Crime Agency (NCA)**

Established in October 2013, the NCA has the mandate and powers to bring the full weight of law enforcement to bear in cutting serious and organised crime. This includes tackling fraud and corruption across the UK and beyond. It operates a number of distinct operational commands, with one – the Economic Crime Command (ECC) – having a specific focus on fraud. The ECC's remit includes fraud, intellectual property crime, identity crime and counterfeit currency.

The ECC works by sharing knowledge and intelligence across the counter fraud community and is establishing intelligence hub architecture to support this.

The NCA, and the ECC in particular, is beginning work with local authorities to provide support in terms of organised threats relating to fraud and corruption. Local authorities are keen to work with the NCA to help to improve the UK's resilience to fraud.

The NCA's Economic Crime Command also has a role in anti-bribery and anti-corruption and is the point of contact for serious and organised criminality. Further information is in the anti-corruption section.

#### **The CIPFA Counter Fraud Centre**

In July 2014, CIPFA launched its new Counter Fraud Centre for all public services. This provides counter fraud tools, training and other facilities for the public services, including local government. While owned by CIPFA, the Counter Fraud Centre has an external Advisory Board which acts as a sounding board.

This Board reflects the wider senior group of stakeholders including Directors from the ECC, the National Audit Office and local authority Chief Executives.

CIPFA has been responsible for hosting the FFL Good Practice Bank for some years and this has been moved into a dedicated area for local authorities within the Counter Fraud Centre. The Centre is working to support the creation of a professional career ladder for those involved in the counter fraud area, and as such, has created bespoke accredited training towards the Accredited Counter Fraud Specialist qualification which also gives CIPFA Affiliation.

There is also e-learning across fraud areas. The aim is to establish a common standard and support a change in culture for local authorities and links their users to others working within the counter fraud discipline.

CIPFA also offers counter fraud benchmarking and from April 2015 a counter fraud survey called CIPFA Counter Fraud and Corruption Tracker (CfFaCT) will be including some questions which reflect the former Audit Commission Survey.

The CIPFA Counter Fraud Centre seeks to create an active network of professionals as well as alerts, good practice and directories for those who subscribe. It aims to facilitate cross sector working and sharing of good practice and to bridge the capacity and other gaps left for local authorities after the creation of SFIS, the abolition of the NFA and the Audit Commission. The Centre also hosts FFL, is secretariat to the FFL Board and provides support on the Strategy.

The Government's new UK Anti-Corruption Plan names the CIPFA Counter Fraud Centre as providing tools and services on anti-corruption for local authorities.

#### **The National Anti-Fraud Network**

The National Anti-Fraud Network (NAFN) provides a range of services to support the work of local authority departments. With a large local authority membership and over 10,000 users the organisation is widely recognised as provider of data and intelligence to the local government community.

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These include online access to credit referencing agencies and an overnight service for current vehicle keeper details from the DVLA.

NAFN provides regular bulletins and intelligence alerts on developing threats that have been identified by members and partners as well as acting as a disseminating body for several bodies including the National Crime Agency, National Fraud Intelligence Bureau, CIPFA, LAIOG and Financial Fraud Action UK.

### Single Fraud Investigation Service (SFIS)

The coalition Government's new strategy for tackling fraud and error within welfare benefits established the Single Fraud Investigation Service (SFIS) in 2013. The new SFIS has consolidated the benefit/tax credit fraud investigation teams across the Department for Work and Pensions (DWP), local authorities and HM Revenue and Customs with the aim of delivering a single investigative organisation through the DWP's Fraud and Error Service.

From July 2014 those local authority investigation staff – including managers and support staff deemed to be predominantly involved in the investigation of welfare benefits – began transferring to the new organisation working under a single joined up policy and operational procedure, enabling the organisation to investigate the totality of welfare benefit fraud. This transfer process is due to be completed in March 2016.

Under SFIS, local authorities will no longer have the remit to investigate housing benefit and council tax benefit frauds but will retain responsibility to identify suspected benefit fraud to SFIS and will retain responsibility for preventing and detecting suspected fraud and delivering council tax reduction schemes and any related frauds within the schemes.

There is a risk that the exchange of information and joint working between SFIS and local authority investigators will be reduced because neither organisation will have the remit to prosecute offences spanning frauds that fall within the other's scope.

While the creation of SFIS has already begun to strengthen the fight against welfare benefit fraud, the transfer of local authority fraud staff to the new organisation has left some local authorities at risk of not having sufficient resources available to

tackle other non-benefit, corporate and local frauds affecting their own organisation and residents.

Local authorities should consider reviewing how remaining teams will be financed and resourced, revisit their fraud risk registers and strategy for tackling non welfare benefit related fraud. This provides the opportunity for innovative thinking on joint working with other authorities, data sharing and engaging external organisations to develop products to assist in tackling those frauds that present an unquantified loss.

### Proceeds of crime and recovery

The Proceeds of Crime Act 2002 (POCA) remains a crucial and powerful tool for local authorities to use to recover money lost through fraud. Many local authorities have trained financial investigators and collaborate closely with local police teams, with other internal teams such as Trading Standards and with legal teams to maximise resources to take money out of criminal activity.

The progress made so far is now potentially at risk. A reduction in local authority resources means that, to reduce costs, some organisations are undertaking less prosecution work which restricts the ability to take action to recover the proceeds of crime.

In addition, the transfer of housing benefit and council tax benefit investigations to SFIS further reduces the potential source of financial investigations. This could present a risk as there may not be sufficient work available for those financial investigators who remain in local authorities to maintain their accreditation. Some innovative solutions to this are suggested in this Companion.

Local authorities should strike the right balance when looking at money recovered from POCA, making a business case for prosecutions but not setting unachievable financial targets and the moral argument should be considered as part of this.

In addition, obtaining a confiscation order does not always result in money being recovered quickly and financial investigators are not always told when cases are forwarded to the enforcement court. Further work is required when a person absconds and the whole confiscation enforcement process starts again if he or she is found. There is the added complication that the court system is under strain which means that initial hearing dates may not

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be available for many months. When proceeds of crime cases do progress to being heard, there appear to be instances where further development of case law is needed so that the powers can be successfully applied.

The Home Office has made changes to POCA through the Serious Crime Act 2015, which received Royal Assent on 3 March. These changes relate primarily to the enforcement of confiscation orders, and should ensure that orders are enforced more quickly through the courts.

The Home Office is also looking to commence the power for magistrates' courts to make confiscation orders under £10,000. Dedicated forums and organisations involved in asset recovery work and legislation should continue to provide feedback on any problems encountered to enable the continued improvement of this important criminal finances recovery mechanism.

Local authority financial investigators are using innovative approaches to combat some of the problems encountered when using the legislation and the effects of resource reductions resulting from local authority budgetary constraints.

These include:

- Working closely with other internal departments such as trading standards and planning enforcement
- Combining resources with local police payback teams
- Promoting and tendering their financial investigation resource to third parties and other local authorities
- Undertaking training in cash seizures and enacting the powers available to bring the proceeds of crime back into the authority.

The NCA Proceeds of Crime Centre is under legal obligation within POCA to monitor and regulate the use of POCA powers. It is responsible for training, accrediting and assessing the continued professional development of those authorised to use the powers. As such it needs to consider whether the training delivered could be redesigned to take into account civilian usage of the powers rather than being focused on the use of a police officer.

The Metropolitan Police's Serious and Organised Crime Command has successfully collaborated with financial investigators from several London local authorities. There are currently nine Metropolitan Police Criminal Finance Teams set up as hubs; 4 in the north, 4 in the south and one central team; that are instrumental in training and mentoring several local authority investigators working together to tackle serious and organised acquisitive crime.

The focus of this relationship is to recover assets and ensure that criminals do not benefit from criminal activities.

## The Police Response to Fraud

Although local authority investigators may face problems with the usage and administration of financial investigative powers, there have been many high profile successes since FFL 2011.

Credit should be given to groups such as the Financial Investigator Forum which has been at the forefront of sharing information and best practice on how to maximise the Act to recover money. Publicity on recovery can help deter and prevent fraud.

The London Borough of Enfield won a Fighting Fraud Award for their work on asset recovery, a former FFL 2011 pilot, and has a number of good examples of recouping the losses from fraud.

“One of the difficulties in the entirely appropriate principle of multi-agency partnerships in prevent and pursuit lies in not being certain what the other agencies will actually be able to contribute to the overall strategic objectives. Policing in austerity is undergoing changes that are not predictable at present, and for relatively low priority cases involving LAs, the general strains on financial crime policing make reliance on their involvement in substantial investigations unwise.

So without some heavier agreements in place, we may need to rely more on resilience (under Protect and Prepare) than on after-the-fact pursuit of offenders.

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**Prof Michael Levi** – Cardiff University

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## Overarching Themes

During the research several themes emerged that councils may find useful to base their activities around. The themes that have emerged from the research fall into the following areas:

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

There are many good examples of local authorities undertaking campaigns, raising awareness both internally and externally and also publicising success in ways designed to prevent fraud and deter fraudsters.

From the research undertaken for this Strategy, it appears that communication and a better understanding of roles and responsibilities could strengthen awareness further across local authorities and assist in the ‘tone from the top’ (see Rec 6 and 7). This in turn may help to bring about a change in culture, aside from fraud awareness campaigns internally.

Local authorities would like the support of central government to tackle fraud. This should include praising local authorities and openly acknowledging their proactive work in this area and celebrating success.

Whilst the principles of Acknowledge, Prevent and Pursue show what needs to be done, the themes cover the areas of ways in which the principles can be achieved.

### Culture

Creating a culture in which beating fraud and corruption is part of daily business is a key component of fighting fraud.

This theme sits across all the elements of countering fraud and corruption: prevention, detection, deterrence, investigation, sanctions and redress.

This list is not exhaustive, but actions should include ensuring that:

- Culture involves a robust and consistent tone from the top
- Fraud awareness training is provided for senior staff and elected members so that roles and responsibilities are clear
- The whistle-blowing arrangements for fraud and corruption are publicised and that it is communicated clearly that referrals will be acted upon
- Reports to elected members cover numbers of cases actioned and trends
- The policy of consistent and fair action is publicised – so that it is clear that something will happen to fraudsters
- Members of the public have trust in the counter fraud team, will report cases and see they have value for money
- The counter fraud team is viewed as a function with integrity and professionalism and a ‘go-to’ place for advice and support
- Practitioners within the local authority work with the counter fraud team and view counter fraud activity positively
- There are clear policies (e.g. anti-bribery and corruption, declarations of interest) that are applied consistently across the authority
- Local authorities should work internally to fraud-proof new policies and procedures.

“As Tri-borough Head of Fraud I see the importance of creating an antifraud culture that sits across all our organisations and also is messaged to the agencies we work with such as housing providers. Across the three councils we ensure that our actions impress a holistic approach to countering fraud and make it part of our day to day business

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#### Andy Hyatt

Tri Borough Head of Fraud RBKC,  
Hammersmith & Fulham and Westminster

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## Collaboration

Local authorities have shown since FFL 2011 that they understand and appreciate the value of collaboration. This progress needs to be built upon and rewards will follow.

The areas covered and the benefits of collaboration are many:

- Dealing with different types of fraud together is more holistic
- Cases can be taken through a process once, with all parts of the crime dealt with together
- It is more cost effective for all agencies to take action together
- Working across the local authority means that fraud enablers may be highlighted
- Working across the local authority means that detecting one type of fraud may lead to another being uncovered
- Local authorities already work with other agencies. The creation of multiple intelligence, data and investigative hubs opens up opportunities to link up with other local counter fraud agencies e.g. NHS Local Counter Fraud Specialists
- Local authorities should seek out opportunities to share resources, work across boundaries, share skills and spread learning and innovation on counter fraud and corruption to mitigate the consequences of cuts and other changes
- There are also opportunities to work with national agencies for example through the Home Office, CIPFA Counter Fraud Centre and National Crime Agency
- Collaboration can support a change in culture.

“Coming to terms that your local authority may be the victim of fraud can be difficult. Fraud affects our reputation, services and the public funds that we are here to safeguard. Fraud can often be hidden and we need to play a role in uncovering it. Being proactive is key to uncovering fraud.

Working together strengthens our efforts. In our authority we have set about a number of initiatives not alone but working with our partners and national agencies to show the fraudsters that we mean business.

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### Janet Senior

Executive Director Resources  
and Regeneration Lewisham Council

### Birmingham City Council Case Study – Multi Agency Working cleared

Birmingham City Council demonstrated the value of working with other agencies to tackle an organised fraud and bring the perpetrators to justice. Initial enquiries made by the council’s Benefit Counter Fraud Team through the National Anti-Fraud Network (NAFN), established that the Home Office also had an interest in these individuals.

The two organisations, along with the Department for Work and Pensions (DWP), subsequently set up a joint operation as it quickly became apparent that the individuals, all from the same family, were involved in making fraudulent benefit claims, false applications for leave to remain, and a fraudulent mortgage application.

The investigation identified fraudulent benefit claims amounting to £85,000 and over 30 fraudulent applications for leave to remain in the UK made on behalf of non-EU citizens. False information was provided in support of a mortgage application to fund the purchase of a property that was then used to house family members whose rent was paid through housing benefit.

The investigation culminated in six individuals being convicted, two of whom received custodial sentences. Following sentencing, POCA commenced and confiscation orders totalling £380,000 were secured against two of the defendants.

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## Capacity

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

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

Work to ensure the correct capacity will include:

- A new assessment of the risks of fraud and corruption (post SFIS)
- Using the FFCL Checklist
- Understanding and acknowledging that they may have risks
- Appropriate measurement and a common methodology.

## Capability

After establishing the right resources it is essential for local authorities to ensure that they have the right capabilities. In a changing environment where resources are limited: and where fraud types are constantly changing and where staff may be moving roles, it will be vital to ensure that they have the resource in place.

This can include:

- Having a fraud response plan
- Anti money laundering and similar policies
- Reporting procedures
- Having the right powers and access to the right people
- Using appropriate technology
- A costed plan that can support relevant activity

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

## Competence

This covers skills and standards. FFL 2011 recommended professionally accredited training. 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 standards 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 proceeding.

“To respond to the continuing threat of fraud, it is essential that organisations have access to specialist counter fraud capabilities, able to conduct reactive investigations effectively, and advise on preventative and deterrent measures to minimise risk. The Counter Fraud Professional Accreditation Board (CFPAB) was set up with the active support of government ministers in 2001 to establish and maintain professional standards in the delivery of a portfolio of professional training courses in the field of counter fraud.

The CFPAB oversees the provision of accredited training in both the private and public sector, and to date has issued over 14,000 accreditations to candidates who have completed sector specific academically accredited counter fraud courses.

At the core of all CFPAB accredited courses is the legislative and practical knowledge needed to ensure that counter fraud activity is conducted lawfully and to a standard that will enable redress through either the civil or criminal courts.

**John Rosenbloom,**  
Chair of Counter Fraud  
Professional Accreditation Board

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### Collaborative Initiative: Protecting the Vulnerable Against Fraud

A number of local authorities are working in collaboration with Cifas – the UK’s fraud prevention service – to use its Protective Registration service to safeguard vulnerable individuals in their care against identity fraud and financial abuse. Cifas Protective Registration is designed to protect individuals who are at particular risk of identity theft, or who have already been victims, leaving them open to their details being used fraudulently by a third party to obtain credit or products and services.

The service provides extra checks on any financial applications made in the individual’s name, either to confirm that the application is genuine or to stop attempts to defraud the individual. Protective Registration for the Vulnerable – which is provided free to participating local authorities – is specifically designed for clients who are subject to a court order of protection under The Mental Capacity Act 2005 and are not able to request financial or other services (such as credit, loans, passports and bank accounts).

Appointed guardians – such as the Appointee or Court Deputy – may apply for Protective Registration for vulnerable individuals in their care. The person’s details are then held securely and confidentially on the Cifas database. When requests for credit or other services are made in the person’s name to a Cifas member organisation, an alert is issued so the provider will be aware of the circumstances of the individual and can take action. This service is already being used by local authorities in Birmingham, York, Gloucester and Islington, and discussions are proceeding with eight more.

### Case Study

A long established customer of a bank came into the branch accompanied by their ‘social worker’. The gentleman wanted to switch his bank account from a savings account to an account he could access with a cash card.

The bank ran his details through Cifas and matched on a Protective Registration for the Vulnerable case. The bank contacted Cifas for advice, who in turn contacted the local authority. The local authority advised Cifas that this situation could not be genuine, as no social worker would accompany one of their clients to a bank and that any change in financial products would come from the local authority and not from the individual himself.

Cifas relayed this information back to the bank and also provided the local authority with the name of the individual so that they could carry out welfare checks.

### Communicate

Having a robust communication policy and celebrating and publicising what you do and your successes is integral to having an effective counter fraud culture. It is not just about publicity campaigns. A key part of the Acknowledge principle of FFL is to recognise the issue and put in place a plan to deter and catch fraudsters.

This work cannot be done in isolation by communication teams or counter fraud teams. While local authorities should assess risks and put together action plans, these should be shared in a timely fashion with the audit committee and with leadership teams. This includes raising awareness across the whole local authority of the need to identify fraud and corruption and guidance on how to do so. Specific awareness raising is essential for those in areas of work particularly at risk of fraud and corruption, and publicity campaigns should also be directed at citizens.

It also includes having sound whistle-blowing procedures, communicating how to report fraud and corruption and creating a culture where reports can be made without the fear of recrimination.

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Another essential element is to ensure that those who process and create systems are aware of where and how frauds have happened and are able to close the vulnerability gaps. This requires joined up working and making the counter fraud culture part of daily business.

For counter fraud teams, this holistic approach may help in decisions on resources, and may lead to better referrals or support from senior officers and elected members.

This can include working together with other agencies or departments and tackling issues that may have a wider impact or may affect other local authority objectives.

### Awareness Raising Toolkit

In February 2013, the Spot It, Stop It fraud awareness toolkit was launched. The toolkit provided a suite of resources needed to run a local campaign and can be found within the counter fraud tools on the CIPFA website. To date, there have been over 410 downloads.

There are many good examples of local authorities undertaking campaigns, raising awareness both internally and externally and also publicising success in ways designed to prevent fraud and deter fraudsters.

From the research undertaken for this Strategy, it appears that communication and a better understanding of roles and responsibilities could strengthen awareness further across local authorities and assist in the 'tone from the top' (see Rec 6 and 7). This in turn may help to bring about a change in culture, aside from fraud awareness campaigns internally.

Local authorities would like the support of central government to tackle fraud. This should include praising local authorities and openly acknowledging their proactive work in this area and celebrating success.

### Launch of Fraud Awareness Campaign – Praising LAs

On 8 November 2012 the Tri-Borough (Royal Borough of Kensington and Chelsea, London Boroughs of Hammersmith and Fulham, and Westminster City Council) launched a month long fraud awareness campaign to pilot the internal and external publicity campaign toolkits developed by the NFA.

Hosted by the Royal Borough of Kensington and Chelsea, and chaired by Nicholas Hellen, Assistant Editor of The Sunday Times, the audience heard from a number of speakers including Baroness Hanham, Parliamentary Under Secretary of State and Cllr Sir Merrick Cockell, Leader of Royal Borough of Kensington and Chelsea and Chair of the Local Government Association (LGA), who all encouraged local authorities to promote fraud awareness as a key step in preventing and deterring fraud.

The pilots covered all areas of fraud, but had a specific housing fraud element. Housing fraud can be closely connected to other types of fraud, so the councils were keen to ensure that all links were identified.

Therefore, for this pilot the three councils used Action Fraud, the national reporting centre for fraud and internet crime. This means that all fraud reports would be channelled into the National Fraud Intelligence Bureau (NFIB) overseen by the City of London Police, the national lead force for fraud.

This would mark the first time that local authorities had used Action Fraud and the NFIB in this way.

# Further reading

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**National Fraud Authority:** *Annual Fraud Indicator, June 2013*

**National Fraud Authority:** *Good practice publication*  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/206552/nfa-annual-fraud-indicator-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206552/nfa-annual-fraud-indicator-2013.pdf)

**National Fraud Authority, The Local Government Fraud Strategy:** *Fighting Fraud Locally, 2011*  
<https://www.gov.uk/government/publications/fighting-fraud-locally-the-local-government-fraud-strategy>

**Cabinet Office:** *Eliminating Public Sector Fraud, June 2011*  
<http://www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf>

*Tackling Fraud and Error in Government* – A report of the Fraud, Error and Debt Taskforce, February 2012  
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<https://www.gov.uk/government/publications/fraud-error-and-debt-behavioural-insights-team-paper>

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**The Cabinet Office:** *Evaluation of Data Matching Pilots 2011, March 2012*  
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*Smarter Government*  
<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report>

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**National Crime Agency:** *National Strategic Assessment of Serious and Organised Crime 2014, May 2014*  
<http://www.nationalcrimeagency.gov.uk/publications/207-nca-strategic-assessment-of-serious-and-organised-crime/file>

**Home Office and DBIS:** *UK Anti-Corruption Plan, December 2014*  
<https://www.gov.uk/government/publications/uk-anti-corruption-plan>

**CIPFA:** *Code of Practice on Managing the Risk of Fraud and Corruption, 2014*  
<http://www.cipfa.org/-/media/files/publications/reports/cipfa%20code%20of%20practice%20on%20managing%20the%20risk%20of%20fraud%20and%20corruption.pdf>

**Audit Commission:** *Protecting the Public Purse, 2014 and 2013* (and previous editions)  
<http://www.audit-commission.gov.uk/counter-fraud/protecting-the-public-purse-reports/>

**National Fraud Authority:** *Procurement Fraud in the Public Sector, October 2011*  
<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/procurement-fraud-public-sector?view=Binary>

**Department for Communities and Local Government:** *Local Government Transparency Code 2014, October 2014*  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/360711/Local\\_Government\\_Transparency\\_Code\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360711/Local_Government_Transparency_Code_2014.pdf)

**Department for Communities and Local Government:** *Tackling Unlawful Tenancies and Occupancy: Good Practice Guidance for Social Landlords, November 2009*  
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# The FFCL Checklist

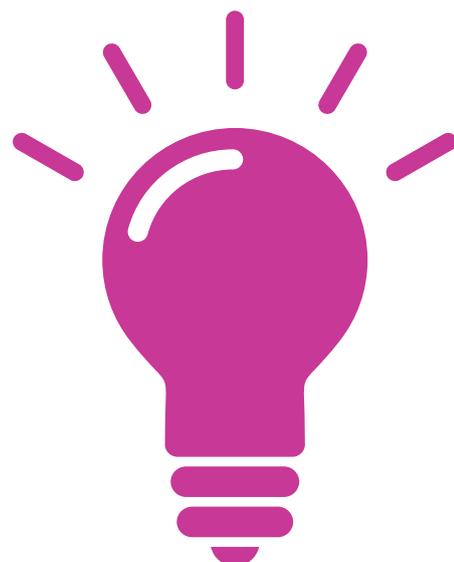
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A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.

The following guide is a suggested voluntary checklist, describing a standard that a local authority can measure itself against to create an effective counter fraud and corruption culture and response:

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken an assessment against the risks in *Protecting the Public Purse: Fighting Fraud Against Local Government (2014)* and has also undertaken horizon scanning of future potential fraud and corruption risks.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2016 and this checklist.
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been **communicated** throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
  - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
  - register of interests
  - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in *FFCL 2016* to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud **culture** across all departments and delivery agents led by counter fraud experts.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.

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- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
  - Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
  - There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.
  - All allegations of fraud and corruption are risk assessed.
  - The fraud and corruption response plan covers all areas of counter fraud work:
    - prevention
    - detection
    - investigation
    - sanctions
    - redress.
  - The fraud response plan is linked to the audit plan and is communicated to senior management and members.
  - Asset recovery and civil recovery is considered in all cases.
  - There is a zero tolerance approach to fraud and corruption which is always reported to committee.
  - There is a programme of proactive counter fraud work which covers risks identified in assessment.
  - The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.
  - The local authority shares data across its own departments and between other enforcement agencies.
  - Prevention measures and projects are undertaken using data analytics where possible.
  - The local authority actively takes part in the NFI and promptly takes action arising from it.
  - There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.
  - The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.
  - The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for:
    - surveillance
    - computer forensics
    - asset recovery
    - financial investigations.
  - Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.



# Glossary of Acronyms

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**AFN** – Annual Fraud Indicator

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/206552/nfa-annual-fraud-indicator-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206552/nfa-annual-fraud-indicator-2013.pdf)

**CFPAB** – Counter Fraud Professional Accreditation Board

<http://www.port.ac.uk/institute-of-criminal-justice-studies/counter-fraud-professional-accreditation-board/>

**CIFAS** – UK's Fraud Prevention Service

<https://www.cifas.org.uk/>

**CIPFA** – Chartered Institute for Public Finance and Accountancy

<http://www.cipfa.org/services/counter-fraud-centre>

**CIPS** – Chartered Institute of Procurement and Supply

<http://www.cips.org/en-GB/>

**ECC** – Economic Crime Command (part of National Crime Agency)

<http://www.nationalcrimeagency.gov.uk/about-us/what-we-do/economic-crime>

**DCLG** – Department for Communities and Local Government

<https://www.gov.uk/government/organisations/department-for-communities-and-local-government>

**FFL** – Fighting Fraud Locally

**FFL2011** – Fighting Fraud Locally – The Local Government Fraud Strategy 2011

<https://www.gov.uk/government/publications/fighting-fraud-locally-the-local-government-fraud-strategy>

**FFL2016** – Fighting Fraud and Corruption Locally – The Local Government Fraud and Corruption Strategy 2016

**LGA** – Local Government Association

<http://www.local.gov.uk/>

**LGA** – National Crime Agency

<http://www.nationalcrimeagency.gov.uk/>

**NFA** – National Fraud Authority (abolished in 2014)

<https://www.gov.uk/government/organisations/national-fraud-authority>

**NFI** – National Fraud Initiative

<http://www.audit-commission.gov.uk/national-fraud-initiative/>

**NFIB** – National Fraud Intelligence Bureau

<https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/nfib/Pages/default.aspx>

**NNDR** – National Non-Domestic Rates (Business Rates)

<https://www.gov.uk/government/collections/national-non-domestic-rates-collected-by-councils>

**POCA** – Proceeds of Crime Act

<http://www.legislation.gov.uk/ukpga/2002/29/contents>

**PoSHFA** – Prevention of Social Housing Fraud Act 2013

<http://www.legislation.gov.uk/ukpga/2013/3/contents/enacted>

**SFIS** – Single Fraud Investigation Service

<https://www.gov.uk/government/collections/single-fraud-investigation-service>

**SOLACE** – Society of Local Authority Chief Executives

<http://www.solace.org.uk/>

**TFF** – Tenancy Fraud Forum

<http://www.tenancyfraudforum.org.uk/>

# Thank you

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## The Fighting Fraud and Corruption Locally Board is:

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

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- 3 Local Authority representatives
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