

**NORTH YORKSHIRE COUNTY COUNCIL****AUDIT COMMITTEE****26 OCTOBER 2020****COUNTER FRAUD AND ASSOCIATED MATTERS****Report of the Head of Internal Audit****1.0 PURPOSE OF THE REPORT**

- 1.1 To report on counter fraud performance in 2019/20
- 1.2 To approve the new Counter Fraud Strategy
- 1.3 To consider the outcome of the Annual Fraud Risk Assessment

**2.0 BACKGROUND**

- 2.1 Fraud is a serious risk to the public sector in the UK. When fraud is committed against the public sector, money is diverted from vital public services into the hands of criminals. Fraudsters are constantly refining their tactics and techniques in order to circumvent the checks and controls put in place to prevent fraud from occurring. In order to protect the public purse, public sector bodies must continuously develop their counter fraud activity to meet these evolving threats.
- 2.2 One in every three crimes committed in the UK is categorised as fraud.<sup>1</sup> The most recent estimate of the cost of fraud against local authorities is up to £7.3bn annually.<sup>2</sup>

**3.0 NATIONAL PICTURE**

- 3.1 The ongoing Covid-19 pandemic has provided opportunities for fraudsters operating locally, nationally, and internationally. As well as national schemes to support businesses during the pandemic, local authorities have been responsible for issuing specific grants to eligible businesses. By the end of August 2020, over £11bn had been paid to small and medium sized businesses across the UK. Fraudsters have attempted to divert grants from legitimate businesses and ineligible businesses have attempted to mislead councils about their circumstances in order to receive these grants. Applications for grant payments have now ceased, but the prospect of local lockdowns may mean the schemes are restarted in the future. Other schemes, not administered by local authorities, like Eat Out to Help Out and the Bounce Back Loan Scheme have also reportedly been subject to fraud.
- 3.2 Cyber-crime is a growing concern for local government in the UK. A council in the North East suffered a catastrophic cyber-attack earlier this year. The ransomware

<sup>1</sup> Economic Crime Plan 2019-23, HM Government

<sup>2</sup> Annual Fraud Indicator 2017, Crowe Clark Whitehill

attack removed access to multiple systems across the council and criminals tried to extort money from the council to restore them. There have been a number of attacks directed at UK public sector organisations over the past few years, for example Parliament and the NHS. In 2019, Kaspersky reported a 60% increase in ransomware attacks on local governments worldwide and pointed towards similar attacks in the United States.<sup>3</sup> It is important that all councils make members of staff aware of cybercrime and what precautions to take in order to prevent it.

3.3 CIPFA's annual Fraud and Corruption tracker was released last year. The report details levels of fraud detected by local authorities in 2018/19. Key findings of the report include the following:

- Adult social care fraud was perceived as one of the three largest areas of concern for local authorities in 2018/19. Whilst the number of cases of fraud in this area declined from the previous financial year, the amount of loss recorded more than doubled. The average value associated with an adult social care fraud investigation nationally is £29k, although CIPFA report that this is in part due to some very large frauds detected.
- Procurement fraud is another area seen as being a high risk for local authorities. Fraud can take place at any point in the supply chain of goods and services making it difficult to detect. CIPFA reports that 12% of cases detected involved insider fraud and 5% involved serious and organised fraud.

3.4 Veritau is working with the majority of district councils in North Yorkshire to help prevent and detect fraud within the Covid-19 business support schemes. For the County Council, cybercrime, adult social care fraud and procurement fraud are all areas of focus for the counter fraud team in 2020/21.

#### 4.0 LOCAL PICTURE

4.1 In 2019/20, Veritau detected £230k of fraud against the County Council. The majority of this loss (90%) related to adult social care fraud and error. The team completed 63 investigations in the year, of which 6 were as a result of concerns raised through the whistleblowing policy. Fifteen internal fraud investigations were also completed.

4.2 Veritau met its savings target in 2019/20 by producing £83k of actual savings versus an annual target of £50k. Actual savings represent money repaid to the council as well as losses prevented.

4.3 A summary of counter fraud work completed in 2019/20 is detailed in **appendix 1**.

#### 5.0 THE COUNTER FRAUD POLICY FRAMEWORK

5.1 The counter fraud policy framework includes the Counter Fraud Strategy, the Whistleblowing Policy, Fraud Prosecution and Loss Recovery (FPLR) Policy and the Anti Money Laundering (AML) Policy. The policy framework is reviewed annually in this report and updated to reflect best practice as required.

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<sup>3</sup> Story of the Year 2019 – Cities under Ransomware Siege, Kaspersky

5.2 Fighting Fraud and Corruption Locally is the national counter fraud strategy for local government. The strategy is refreshed periodically and has the support of counter fraud professionals, the LGA, and HM Government. The most recent iteration, Fighting Fraud and Corruption Locally – A Strategy for the 2020s was published in April 2020 (**see appendix 2**). The Strategy identifies five areas for local authorities to focus on:

- **Govern** – having robust arrangements and executive support to ensure counter fraud measures are embedded
- **Acknowledge** – understanding fraud risks and committing resources to tackle fraud
- **Prevent** – developing an anti-fraud culture, maintaining controls and using information and technology to help prevent and detect fraud
- **Pursue** – investigating fraud and recovering losses
- **Protect** – protecting individuals from becoming victims of fraud, and protecting against the harm that fraud can do to the community (including from serious and organised criminals)

5.3 The new Fighting Fraud and Corruption Locally strategy forms the basis for the refreshed Council strategy – Counter Fraud Strategy 2020-24 (**see appendix 3**). The action plan contained in the strategy includes tasks and objectives designed to increase the council's resilience to fraud.

5.3 No changes were required to the FPLR, Whistleblowing, and AML policies.

## 6.0 **FRAUD RISK ASSESSMENT**

6.1 Veritau completes an annual Fraud Risk Assessment, designed to identify the areas of fraud that present the greatest risk to the County Council. The risk assessment is informed by national and regional reports of fraud affecting local authorities as well as the fraud reported to and investigated by the counter fraud team. The results of the assessment are used by:

- management to develop or strengthen existing fraud prevention and detection measures;
- Veritau to further revise the Counter Fraud Policy Framework;
- Veritau to focus future audit and counter fraud work.

6.2 The 2020/21 Fraud Risk Assessment is attached at **appendix 4**. The assessment identifies the following areas as representing the highest risk for the County Council:

- Social care fraud (particularly in adult social care)
- Creditor fraud
- Cybercrime
- Procurement fraud
- Theft of assets

6.3 The fraud risk assessment will however be kept under review so that any significant new or emerging risks are addressed.

## 7.0 **RECOMMENDATIONS**

Members are asked to:

- 7.1 note counter fraud performance in 2019/20
- 7.2 approve the updated counter fraud strategy
- 7.3 note the outcome of annual fraud risk assessment.

M A THOMAS  
Head of Internal Audit

## **BACKGROUND DOCUMENTS**

Relevant audit and fraud reports kept by Veritau Ltd at 50, South Parade

Report prepared and presented by Max Thomas, Head of Internal Audit.

County Hall  
Northallerton

26 October 2020

**COUNTER FRAUD ACTIVITY 2019/20**

The table below shows the level of savings achieved and loss detected through counter fraud work during the 2019/20 financial year.

	<b>2019/20 Actual</b>	<b>2019/20 Target</b>	<b>2018/19 Actual</b>
Amount of actual savings (quantifiable savings - e.g. repayment of loss from adult social care fraud) identified through fraud investigation	£83,634	£50,000	£138,304
Amount of loss identified due to fraud and error	£229,766	n/a	£216,397

**Caseload figures for the period are:**

	<b>2019/20 (Full Year)</b>	<b>2018/19 (Full Year)</b>
Referrals received	71	68
Number of cases under investigation	43 <sup>1</sup>	53 <sup>2</sup>
Number of investigations completed	63	63

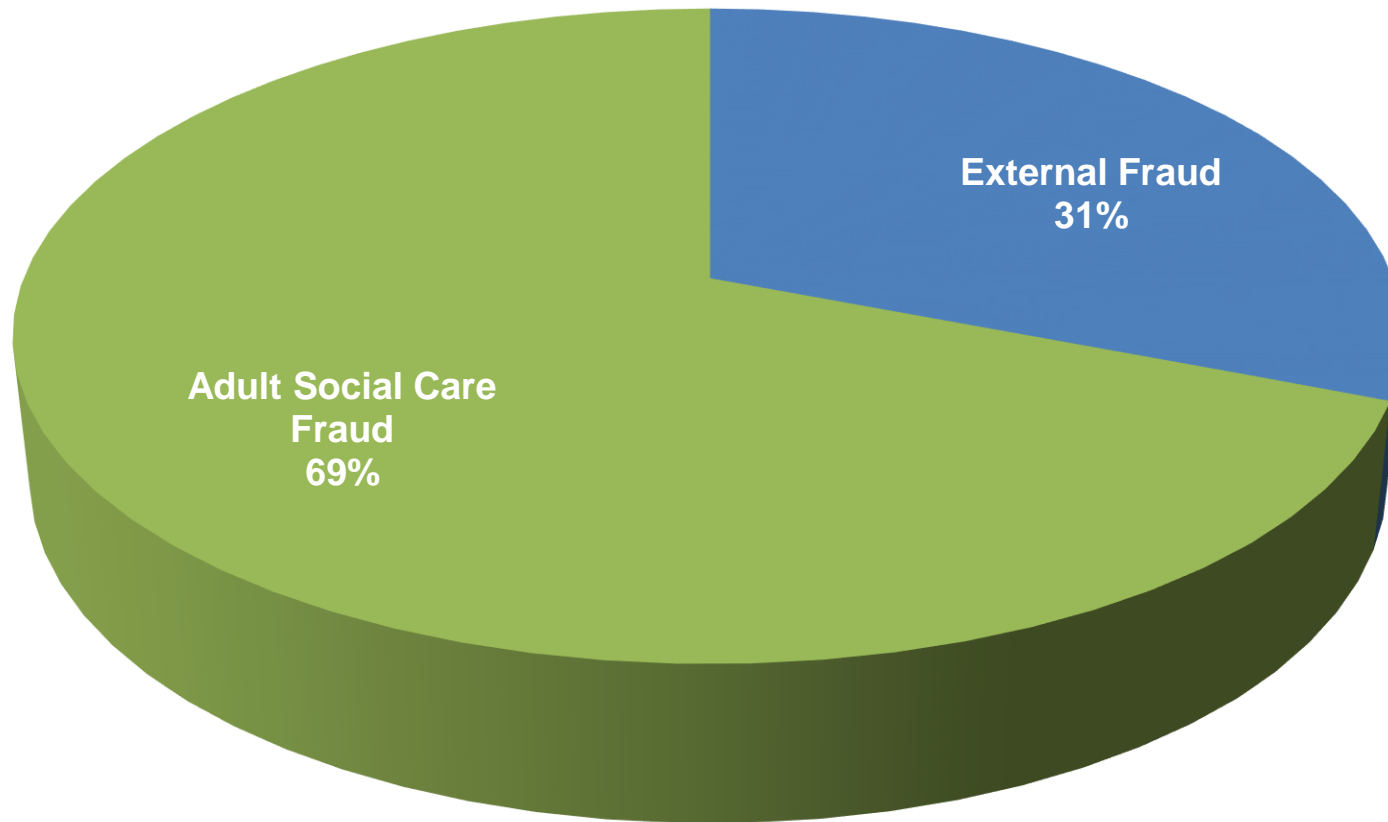
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<sup>1</sup> As at 31/3/20

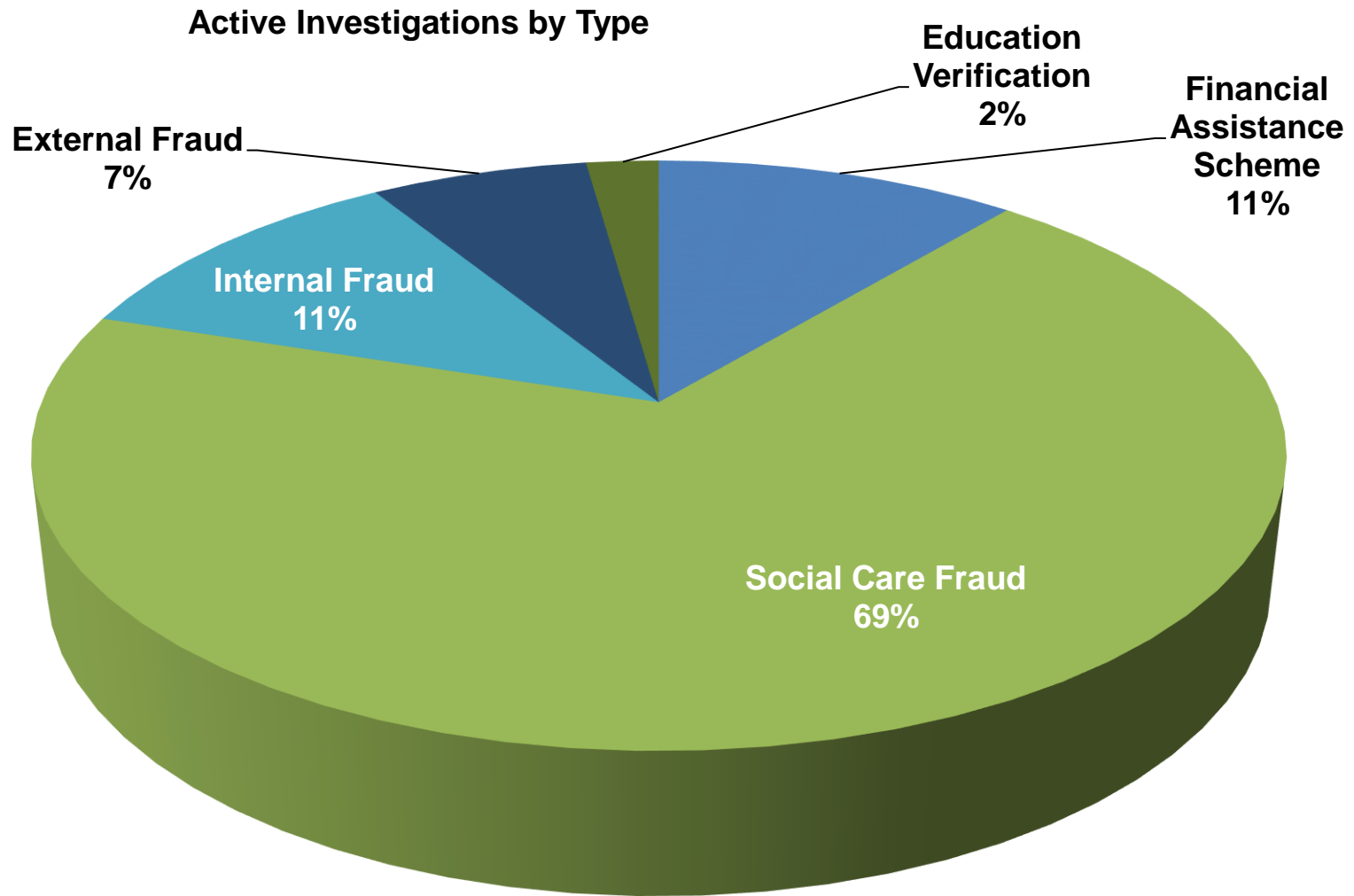
<sup>2</sup> As at 31/3/19

The chart below shows a breakdown of actual savings achieved in 2019/20 split by fraud area.

### Actual Savings by Area



The chart below shows the proportion of different case types under investigation at the end of the 2019/20.



**Summary of counter fraud activity:**

Activity	Work completed or in progress
Data matching	<p>The 2018/19 National Fraud Initiative (NFI) exercise has been completed. Over 4,200 data matches were reviewed by the counter fraud team and council colleagues across a range of areas. A total of £29k in losses were identified through the matches. The largest single loss identified was £20k which related to a duplicate invoice that had been paid by the Council. The payment was subsequently recovered. Investigation found that the payment was made in error and was not a result of fraud by the company involved.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Social Care fraud</b> – This is a high risk area due to the large financial and human cost fraud in this area generally involves. In 2019/20 the counter fraud team identified over £195k of losses to the council and completed 24 investigations.</li> <li>• <b>Internal fraud</b> - The counter fraud team completed 15 internal fraud investigations in 2019/20.</li> <li>• <b>External fraud</b> – Four external fraud investigations were completed in the last financial year. Three related to businesses suspected of committing fraud against the Council and one to incorrect pension payments.</li> <li>• <b>Education verification</b> – The counter fraud team works with the schools admission team to investigate and deter false applications for school placements. Twenty applications were checked which resulted in 6 school placement offers being withdrawn.</li> </ul>



Activity	Work completed or in progress
Fraud Management	<p data-bbox="450 233 1872 264">In 2019/20 a range of activity has been undertaken to support the council's counter fraud framework.</p> <ul data-bbox="546 309 2029 978" style="list-style-type: none"> <li data-bbox="546 309 2029 416">• In May 2019, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2018/19 meeting the council's obligation under the Local Government Transparency Code 2015.</li> <li data-bbox="546 459 2029 566">• The council participated in the annual CIPFA counter fraud and Corruption Tracker (CFaCT) survey in June 2019. The information contributed to a CIPFA report released in November which provided a national picture of fraud, bribery and corruption in the public sector.</li> <li data-bbox="546 609 2029 746">• Veritau contributed to the creation of a new counter fraud strategy for local government, by hosting a meeting with representatives of the Fighting Fraud Locally Board in October. The strategy, Fighting Fraud and Corruption Locally – A Strategy for the 2020s (<b>see appendix 2</b>) was published in April 2020.</li> <li data-bbox="546 790 2029 863">• As part of International Fraud Awareness Week, the counter fraud team raised awareness of fraud risks via a series of intranet articles.</li> <li data-bbox="546 906 2029 978">• Throughout the year the counter fraud team alerts council departments to emerging local and national threats through a monthly bulletin and specific alerts.</li> </ul>

# Fighting Fraud and Corruption Locally

A strategy for the 2020s

A response to economic crime and fraud



# With support from:



This is the third Fighting Fraud and Corruption Locally Strategy, produced by local government for local government.

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# Foreword

## — Richard Watts

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Since the first strategy was produced in 2011 councils have faced significant financial challenges. Councils have innovated, collaborated and prioritised in order to meet the financial challenge and to protect front line services. Tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents.

Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant. Councils have a good record in countering fraud and the strategy contains numerous case studies and examples of successes.

As the strategy highlights, it is estimated that about one in three of all crimes committed nationally is fraud based and fraudsters are always seeking new ways to take money. The strategy also highlights that potential losses to fraud could run into hundreds of millions or even billions of pounds if preventative action is not

taken. Councils need to be agile and work together with national agencies and the Government to respond to new fraud threats, to prevent losses and to protect vulnerable people in our society. Collaboration to counter and prevent fraud is a theme running through the strategy.

The Fighting Fraud and Corruption Locally Strategy is an excellent example of how councils can come together for the overall benefit of local services and residents served. The strategy has been led by the Fighting Fraud and Corruption Locally Board. This Board has been described as “a coalition of the willing”. It is a group of senior multi-disciplinary experts from councils working together with partners, that work with the councils on counter fraud activities. The Board is currently chaired by a representative from the Society of Local Authority Chief Executives (SOLACE). The Board members and the organisations they come from all provide their expertise on a pro bono basis, for the benefit of the sector and to help counter fraud. The board is supported by the LGA. In carrying out the research to draft this new strategy, the board has run several workshops up and down the country that have been attended by representatives from more than 250 councils. The work of all these people is reflected in the strategy and our thanks are due to all of them.

The strategy outlines, outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. Section four of the strategy outlines a practical programme and checklist for individual councils to follow.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work in the 2020s.

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**Cllr Richard Watts**  
Chair Resources Board, Local  
Government Association  
Leader Islington Council

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# Foreword

## — Mike Haley

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As the Chair of the Joint Fraud Taskforce I am delighted to support The Fighting Fraud and Corruption Locally 2020 strategy at a time when incidences of fraud and corruption are rising and there is an identified need for councils and their leaders to adopt a robust response.

Having worked as a fraud investigator I understand the importance of collaborative working and of having a structure and framework that guides and governs counter fraud and associated corruption activities.

Through working together and applying the principles of this strategy I am convinced that, perhaps for the first time, we have a model for true collaboration that is so important in identifying fraudsters, often organised groups, who seek to undermine and take financial advantage of systemic vulnerabilities and abuse those citizens in our community who are in themselves vulnerable.

I recognise the challenge that we all face in having to balance demands on resource across essential services at a time when funding is constrained. However, I also recognise the important role that local authorities and their frontline services play in tackling fraud and corruption that are a drain on those resources. Savings through enforcement and bringing fraudsters to justice can be used to support our social services and can build stronger and safer communities.

I am convinced that this strategy is an important step in tackling fraud and corruption that is so corrosive to society. In my role as Chair of the Joint Fraud Taskforce I welcome my local authority colleagues. By working together, I am convinced that we can deliver a step change in tackling fraud.

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### Mike Haley

Chair of the Joint Fraud Taskforce

The Joint Fraud Taskforce is a partnership between banks, law enforcement and government to deal with economic crime.

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# Executive Summary

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*Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.*

**By using this strategy local authorities will:**

- *develop and maintain a culture in which fraud and corruption are unacceptable*
- *understand the harm that fraud can do in the community*
- *understand their fraud risk*
- *prevent fraud more effectively*
- *use technology to improve their response*
- *share information and resources more effectively*
- *better detect fraud loss*
- *bring fraudsters to account more quickly and efficiently*
- *improve the recovery of losses*
- *protect those at risk.*

This strategy is aimed at council leaders, chief executives, finance directors and all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategies written in 2011 and 2016. It is not 'owned' by any one organisation but by the local authorities who have given time and support to develop it. Areas of focus for elected members, chief executives and those charged with governance are laid out in Section 4: The Local Response.

This partnership has been so successful it has existed since 2010 when the research and engagement first began.

Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tough stance supported by elected members, chief executives and those charged with governance. This includes tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new risks such as social care fraud and cyber issues.

In addition to the scale of losses and potential losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities report that they are still encountering barriers to tackling fraud effectively, including lack of incentives, data sharing, information sharing and powers, but also that they require support from senior stakeholders and those in charge of governance.

These factors do present challenges. However, this strategy demonstrates the tenacity of local fraud teams in continuing to lead on innovation and collaborate and also that there is a network of local leaders willing to support this initiative. This strategy, then, is about creating a self-sustaining counter fraud response for the sector.

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# Review of 2016 Fighting Fraud and Corruption Locally Strategy

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**The previous two strategies focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'.**

**These pillars are still applicable. During the research for this strategy they were supported as key areas by those who have input. However, another two areas of activity have emerged that underpin tenets of those pillars. These are 'govern' and 'protect'.**

**The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.**

## **Govern**

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

## **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 local enforcement response.

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

The second new area that has appeared during the research recognises the increased risks to victims and the local community:


## **Protect**

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.






**PROTECTING ITSELF AND ITS RESIDENTS**  
*Recognising the harm that fraud can cause in the community.*  
*Protecting itself and its' residents from fraud.*

This strategy and its tools provide ways for local authorities to further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:

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

Many local authorities have demonstrated that they can innovate to tackle fraud and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings. There are case studies and quotes through this document evidencing the good work that is already happening.

### This strategy

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption*
- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively*
- *calls upon senior stakeholders to listen to the business cases on barriers put by local authorities in order to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers such as a lack of powers.*

## Case Study

### Birmingham City Council: Acknowledge Using data to tackle fraud

*In the original Fighting Fraud Locally 2011 Birmingham City Council was cited as good practice for setting up a data warehouse and protecting public funds. BCC continues to put fraud at the top of the agenda.*

BCC has used a well-established, sophisticated data warehouse to develop an automated programme of data matching that allows potential fraud and error to be detected within 24 hours. This has been particularly effective in identifying fraudulent claims for council tax single person discounts and fraudulent housing applications. In time BCC expects the process to reduce the amount of fraud or error requiring a formal investigation as it will have been prevented or stopped almost as soon as it began. As a result, services that are being provided incorrectly can be stopped quickly, thus helping to preserve resources and reduce the level of fraud and error.

“Local authorities must ensure they take the necessary steps to put in place a strategy which can deliver a response that protects itself and its residents. Councils need to commit adequate resources to support that work and also measure its progress against that strategy. Fighting Fraud and Corruption Locally provides the necessary tools and ideas to support that work.”

*Trevor Scott, Chief Executive Wealden District Council*

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# Introduction

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*This strategy document is aimed primarily at council leaders and other elected members, chief executives, finance directors and those charged with governance in local authorities.*

*As a result of lessons learned during previous incarnations this document contains the core strategy together with companion documents which provide more detailed guidance on its implementation which will be updated when necessary during the life of this strategy. In that way there will be live documents for practitioners to draw upon that will more readily reflect the ever changing fraud local landscape.*

*We recognise that pulling together practitioners and stakeholders to discuss these issues is a local authority exercise and detracts from day-to-day activity where there are limited resources in place. Therefore this strategy will cover from 2020 onwards supported by live companion documents.*

*The research for this strategy was carried out by local practitioners and board members.*

*The research was commissioned by the board and was coordinated by the secretariat.*

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## The research consisted of:



The original Fighting Fraud Locally 2011 strategy was launched with a series of pilots and joint working, conferences and awards and was hugely successful. The workshops highlighted much work being done in local authorities that is commendable and can prevent fraud across boundaries. Therefore, as part of these fact-finding engagement exercises those that attended workshops were asked to offer activity to demonstrate the partnership as part of FFCL. Around 30 activities and events have been identified for 2020 that demonstrate some of the good practice found during the research for this document and show that local authorities continue to tackle fraud and corruption. It is intended that these examples will be used to kick-start momentum in the way that the 2011 strategy did. In addition a number of working groups have formed already to implement the recommendations.

The activity following the publication of FFCL 2016 was more limited. There was no formal local launch and limited board activity. Therefore some of the issues raised during that research still persist. Efforts have been made to redress this during the research for this strategy by setting in place activity to address those persistent issues.

Nevertheless it is clear that local authorities continue to tackle fraud, as evidenced in this strategy's case studies and by the appetite to take forward the issues raised during the research and in the good practice guides.

Several new areas were raised during the research as barriers to overcome and local authorities have already stepped up to join together to help tackle these barriers. As part of the engagement exercise working groups and local authorities are already in place to begin the work on these issues.

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This document is divided into four sections:

### Section 1

#### The Context

Sets out the nature and the scale of fraud losses, the argument for measurement and the key issues raised by stakeholders.

### Section 2

#### The Strategic Response

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

### Section 3

#### Turning Strategy into Action – Delivery Plan

Sets out the recommendations and the framework for delivery.

### Section 4

#### The Local Response – Appendices

## Companion Annexes

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. These documents may be refreshed at any time during the life of the strategy. They are not part of the strategy but are further guidance that is changeable. Areas they cover include fraud risks, good practice and the counter fraud local landscape.

## Section 1: The Context

### a) The scale of fraud and corruption

It is accepted that fraud affects the UK across all sectors and causes significant harm.

The Office for National Statistics states that one in 16 members of the population is likely to fall victims. The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

The last, most reliable and comprehensive set of local authority figures was published by the National Fraud Authority in 2013, and indicates that the fraud threat may have been costing the UK £52bn a year.

Within these figures the threat to local authorities totalled £2.1bn.

More recent estimates are higher. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

*“We do not have a wholly reliable estimate of the total scale of economic crime. However, all assessments within the public and private sectors indicate that the scale of the economic crime threat continues to grow.”*

*Economic Crime Plan 2019*

The National Fraud Authority estimated public sector fraud (including local government) at £20.6bn in 2013.

The National Audit Office's Local Landscape Review 2018 estimated fraud at up to £20.3bn excluding local government.

The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:

#### Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated loss
Housing tenancy fraud	£845m
Procurement fraud	£876m
Payroll Fraud	£154m
Council Tax fraud	£133m
Blue Badge Scheme misuse	£46m
Grant fraud	£35m
Pension fraud	£7,1m

Annual Fraud indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss. The fraud landscape has changed since 2013 as councils have introduced new ways of working and innovative responses to risks, while at the same time new areas of fraud risk have appeared.

Local authorities were sceptical about current publications on sector fraud figures and performance as there was a plethora of different numbers with no agreement or consensus. However, they remain keen to develop a consistent risk and performance methodology for the sector and for individual councils to estimate the potential risk they face on a consistent basis. Following the research for this strategy, a working group has been set up to develop methodologies for the sector to use.

## b) The nature of the problem

In June 2019 the Government published its first Economic Crime Plan and included fraud and corruption in the definition.

### The Government's Economic Crime Plan 2019

#### What is economic crime?

To help establish our partnership, we have agreed a common language across the public and private sectors regarding economic crime. We have used the following definition of economic crime to guide our efforts. Economic crime refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This poses a threat to the UK's economy and its institutions and causes serious harm to society and individuals. It includes criminal activity which:

- allows criminals to benefit from the proceeds of their crimes or fund further criminality

- damages our financial system and harms the interests of legitimate business
- undermines the integrity of the UK's position as an international financial centre
- poses a risk to the UK's prosperity, national security and reputation

*1.12 This definition is broader than terms such as 'financial crime' or 'white-collar crime' to provide a holistic response to the following types of criminality:*

- fraud against the individual, private sector and public sector
- terrorist financing
- sanctions contravention
- market abuse
- corruption and bribery
- the laundering of proceeds of all crimes

For the purposes of this strategy we have retained the terms 'fraud' and 'corruption' while recognising that they are part of a wider agenda. The strategy has not been re-titled 'Economic Crime'.

## c) Issues raised by stakeholders

During the workshops and research a number of barriers to effective working were raised – the main issues raised are below. Participants were asked how they would solve these issues and there were many ideas and opportunities presented. Local authorities are keen to play a part and influence the outcomes. Therefore a working group has been set up for each of these areas to assess the evidence so far, collect any further evidence and to report into the secretariat for the FFCL Board to consider. There is evidence to create an FFCL operational group from the current FFCL representative network. Further detail on how this will operate will be in the live Delivery Annex.

*Recommendation: A single regional FFCL operational group should be formed from the existing FFCL regional representatives.*

### Fraud measurement

While recognising that the repercussions of fraud are wider than financial it is important that councils have an up-to-date estimate of what the figures and areas of risk appear to be. There are a number of different methods of calculating fraud losses, and these vary across regions. Moreover the fraud priorities differ across regions. External organisations present figures to the sector but there is little or no ownership of these within local authorities. Local authority attendees raised this lack of independent analysis and free benchmarking to look at areas in deep detail rather than reported figures on numbers of referrals or cases detected. Local authorities could use this analysis to make the business case to tackle fraud, understand fraud issues more closely and see a more detailed picture across boundaries.

*Recommendation: A working group on measurement should be formed to develop a consistent risk and performance methodology for the sector.*

Local authorities have agreed to work together to build a set of figures for use as an indicator of actual losses, prevention measures and fraud areas. In addition this group will look at the area of benchmarking. This work is underway and the working group is now formed and is in place.

### Powers

Local authorities welcomed the introduction of the Prevention of Social Housing Fraud Act (PSHFA) and reported that it had improved accessibility to information and intelligence.

However, some issues on powers that had been raised previously had not been taken forward by any parties, as the PSHFA, had and have been exacerbated by

## Case Study

*An employee responsible for managing Ipswich Market and collecting stall rent from traders was prosecuted for theft of cash collected. The council's finance team identified an irregularity when it attempted to reconcile income received to income due. The theft was valued at £33,376 and totalled 91 thefts. The employee was given an 18-month prison sentence suspended for two years and ordered to carry out 250 hours of unpaid work in the community.*

*He was also ordered to pay £14,000 compensation to Ipswich Borough Council at the rate of £400 a month.*

new fraud areas such as social care fraud where local authorities report it is difficult to obtain information. During the research local authorities have provided a number of examples across service areas where they cannot obtain information or access organisations in order to progress investigations.

There are a number of potential avenues to resolve these issues and local authorities have themselves suggested opportunities to resolve these. These issues need to be explored further to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud investigations. This will then enable the sector to lobby for the additional powers required.

*Recommendation: A working group on powers should be formed.*

Local authorities have agreed to work together to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud activity and identify what additional powers are required, what forms that should take and to examine the suggestions that have been collated. This evidence should then be used to lobby government to grant additional powers required. This recommendation is underway and the working group is now formed and is in place

### Incentives

Local authorities welcomed the Counter Fraud Fund in 2015 which had been distributed by the then Department for Communities and Local Government



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This fund was a one-off and there were good results that are detailed on the Local Government Association Counter Fraud Hub page. However, many local authorities did not have the opportunity to bid and some had lost resources. Local authorities reported that they did not have funds to set up dedicated teams or undertake proactive work, and offers of technology were expensive and often duplicated existing offerings. Local authorities have made some suggestions about ways in which counter fraud activity may be funded. Local authorities have put together ideas on what types of incentives could support improved activity.

*Recommendation: A working group on incentives should be formed.*

Local authorities have agreed to work together to indicate where incentives may be required from Government and what forms they may take and to examine the suggestions that have been collated in the research.

The working group is now formed and is in place and the work is underway.

## Data analytics and matching

A number of data related initiatives exist which local authorities may take part in for example, counter fraud hubs. At the majority of workshops it was said that there is inconsistent advice, high pricing, lack of discussion with suppliers and difficulty filtering out what is useful from what is not. The National Fraud Initiative has two products which were highlighted as useful and these are the Fraud Hub and AppCheck. It was also reported that there were issues with data quality, data standards and a lack of quality assurance about products.

*Recommendation: A working group should be formed to review existing data related initiatives available to local authorities and recommend best practice or new ideas.*

Local authorities have agreed to form a working group to look at the area of data. A number of ideas have been put together and the group will consider these and what further activity is required. This group will need to decide what is in scope for this work as the issues raised are varied. This recommendation is underway and the working group is now formed and is in place.

## Social care issues

At most workshops the area of social care fraud was raised. Social care fraud harms the community and vulnerable individuals who are unable to detect scams or fraud and are often unable to report them. Sometimes abuse of funds by family members or carers complicates the situation. This can include financial abuse of vulnerable persons, not just direct payments and personal budgets.

This area of fraud has emerged as a growing risk since the last strategy was published. The impact of this risk on already stretched social care services and budgets is potentially very significant. For this reason, organisations with relevant skills together with those local authorities that have developed good practice have offered to support work in this area of risk. Our research also highlighted a number of ideas about identifying and tackling some systemic vulnerabilities in this area. Local authorities should ensure fraud strategies are aligned with safeguarding responsibilities to ensure we actively protect the most vulnerable in our communities. Close working with social care teams will be required with joint approaches and planning.

*Recommendation: A working group on social care fraud should be formed to look at how local fraud strategies should align to local authorities' safeguarding responsibilities as well as to identify best practice in countering risks relating to social care fraud.*

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these and what further activity is required. This recommendation is underway and the working group is now formed and is in place.

“Investing to prevent fraud should be one of the early steps in building your counter fraud response. The repercussions of fraud can be far reaching. We have a duty to protect residents in our communities from fraud and we should work in collaboration with officers across the council and partner agencies to prevent fraud and safeguard the vulnerable. Fraud is not a victimless crime”.

*Clive Palfreyman, Executive Director Finance & Resources  
London Borough of Hounslow*

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## d) The themes

In FFCL 2016 a number of themes were identified and while those are still relevant and supported during the research one in particular stood out: collaboration.

### Collaboration

There is an appetite for collaboration across the sector and geographically. However, it does not apply solely to local authorities. There is a need for collaboration across sectors, local law enforcement and with suppliers and external organisations.

The current FFCL regional representatives' network functions well. However, there is still a gap where information does not flow. There are also links to law enforcement and both national and local bodies which if they were stronger would help support the fight against fraud. Some councils already participate in regional bodies that could easily be better connected. There is overwhelming support for the idea of more formal FFCL-linked groups. Local authorities requested FFCL regional group.

There is also the possibility of exploring the principle of placing an obligation on partner bodies to share information to assist the detection and prevention of fraud even if the fraud is not against the sharing body.

Furthermore, local authorities reported the need to be more formally linked into the national law enforcement bodies. During the research a number of issues and patterns appeared in workshops that have been raised with enforcement; this demonstrates the merits of a joined-up approach. The Chief Executive of Cifas currently chairs the Joint Fraud Taskforce as well as sitting on the FFCL board and this has enabled Cifas to raise issues with the National Economic Crime Centre about local authorities' fraud risks. Local authorities requested support for better links to the major bodies in enforcement.

It was noted that where support was offered from outside the sector this could lead to a lack of 'ownership' by local authorities and that, had they been consulted or asked to contribute, products and services might have had better take-up. In particular, the cost of external support was raised several times as a barrier to take-up.

*Recommendation: A single FFCL regional operational group should be created using the existing network that can link to relevant boards and enforcement.*

### Activity

During the workshops local authorities agreed to join the existing FFCL regional groups with a representative who is able to form part of a regional FFCL operational group supported by an FFCL Strategic Advisory Board (the current FFCL board).

The North East Regional Investigations Group will form a pilot and link to wider local law enforcement. This has been agreed with that region and is in place.

The new FFCL Strategic Advisory Board should have a dotted-line link into the Joint Fraud Taskforce, which will give access to the main players in local law enforcement.

There is further detail on this in the Delivery Plan Annex with a diagram that outlines how operational issues may flow upwards. The new FFCL regional operational group should be initially chaired by one of the local authority experts from the FFCL Strategic Advisory Board.

### Organising ourselves – a collaborative governance model

Local authorities involved in the workshops realised the need for a strategic board and were pleased that the FFCL board had been in place since 2010 with oversight and had stood the test of time. It was also noted that the board had changed in role several times as had the membership. The original board had been very active, the second board had been more of an oversight body and the current board was wider but less visible. Attendees at workshops raised questions regarding the governance of FFCL, the route for selection to the board and the seniority and expertise of the board.

Further detail is included in the Delivery Plan Annex

Attendees appreciated the support from the firms and private sector and did not object in any way to these board members. In particular, the rebuilt secretariat and the support for the conference and awards in 2019 were noted, as was Mazars' free support on toolkits.

*Recommendation: It is recommended that a review of governance takes place in respect of the role of the current board in light of the FFCL regional operational group and links to the Joint Fraud Taskforce.*

Further recommendations are detailed in the Delivery Plan Annex.



## Case Study

### The first social care fraud prosecuted by Veritau and City of York Council

*Veritau investigated following a referral from a member of the public. This is the first prosecution of a social care fraud by the council's legal department and an area of development for the counter fraud team. Several prosecutions for social care fraud have been achieved before, but these were jointly investigated by the police and taken to court by the Crown Prosecution Service.*

The defendant was the financial representative for his mother who received social care support funded by City of York Council. The council funded his mother's social care, and he failed to inform them when his parents' property sold in 2014. He subsequently lied about this on a financial assessment form. The £86,000 has been paid back to the council in full. Information was received that his parents' property had been sold in 2014 for £200,000 and he had not declared this to the council in an attempt to avoid paying for his mother's care fees. The investigation found that on two separate occasions in 2015 he informed the council that his parents were still joint owners of the property and that his father lived there. In a financial assessment for social care funding, jointly owned properties are disregarded if a family member continues to live there.

The counter fraud team worked alongside financial investigators from the council's trading standards team, who were able to obtain financial information which showed that £198,000 from the house sale was deposited into the son's bank account. This money should have been taken into account for his mother's social care funds, meaning that the council would not have had to pay £86,000 out of the public purse. As a result of the two teams working together, the man was billed and the entire loss has now been repaid to the council.

He pleaded guilty to two charges of fraud by false representation at York Magistrates' Court on 8 October 2019. The case was referred to York Crown Court for sentencing on 19 November where he received a 20-month suspended sentence and was ordered to do 80 hours of unpaid work. He was also ordered to pay court costs of over £1,100 and an £80 victim surcharge. When sentencing, the judge said that a significant factor in mitigation was that he had already repaid the £86,000 to the council.

## e) Fraud risk areas

*The research has highlighted the following types of fraud risks. These frauds are expanded on in the companion documents and the list below is a brief description:*

### Fraud risks raised in the research

<i>Social care fraud: personal budgets and direct payments</i>	overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims
<i>Schools</i>	most issues that were raised in the workshops were also raised as issues for schools. This area did not feature in FFCL 2016
<i>Right to buy</i>	fraudulent applications under the right to buy/acquire
<i>Money laundering</i>	exposure to suspect transactions
<i>Commissioning of services</i>	including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion
<i>Tenancy</i>	fraudulent applications for housing or successions of tenancy, and subletting of the property
<i>Procurement</i>	tendering issues, split contracts, double invoicing
<i>Payroll</i>	false employees, overtime claims, expenses
<i>Identity fraud</i>	false identity/fictitious persons applying for services/payments
<i>Council tax</i>	discounts and exemptions, council tax support
<i>Blue Badge</i>	use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
<i>Grants</i>	work not carried out, funds diverted, ineligibility not declared
<i>Business rates</i>	fraudulent applications for exemptions and reliefs, unlisted properties
<i>Insurance fraud</i>	false claims including slips and trips
<i>Disabled facility grants</i>	fraudulent applications for adaptations to homes aimed at the disabled

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“Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity.”

*David Hill, Chief Executive South West Audit Partnership*

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**Concessionary travel schemes** – use of concession by ineligible person, including freedom passes

**No recourse to public funds** – fraudulent claims of eligibility

**New responsibilities** – areas that have transferred to local authority responsibility

**Local Enterprise Partnerships** – partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants

**Immigration** – including sham marriages. False entitlement to services and payments

**Cyber-dependent crime and cyber-enabled fraud** – enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

However, during the research for this strategy it has become clear that some frauds have become more prevalent and that some risks have reduced. In addition, fraud risks were raised at several workshops about money laundering, suspicious activity reports and risks attached to local authorities becoming more commercial.

The details of these risks are included in the companions as these are seen as changing areas that may need frequent updating.

While the direct consequences of fraud may be financial and reputational loss there are wider impacts that surround the harm to victims locally and the harm in the community. Local authorities have raised a number of issues about protecting the vulnerable from fraud and this spans a large area. There are also other stakeholders in this local landscape who offer support to victims, have developed networks and done deeper research. A large number of volunteers have come forward from the workshops with good practice and a willingness to collaborate to prevent and tackle these issues. The main fraud risk area that has drawn attention is social care fraud. However, there are other frauds that may merit scrutiny.

### Activity

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these, what further activity is required and if any wider work can be done.

### Economic Crime Plan 2019

*Economic crime touches virtually all aspects of society. Economic crimes range across the full breadth of criminality, ranging from low-level frauds through to sophisticated cyber-enabled market manipulation. Fraud is now the second most common crime type in England and Wales, with nearly every individual, organisation and type of business vulnerable to fraudsters.*

## f) Counter Fraud Capacity, Competence and Capability

In FFCL 2016 themes were identified in the areas of capacity, competence and capability as part of the 6Cs – see page 23. These issues still exist.

Despite the challenge around capacity, competence and capability and lack of dedicated resource it is clear that activities to tackle fraud across the sector are being pursued and having a positive impact. But demand and growth in the number of incidents of fraud reported nationally mean local authorities must focus on areas of fraud that they identify as posing greatest risk and adverse impact on their organisations and the vulnerable. Working collaboratively and sharing resources should be encouraged and the FFCL regional board should undertake an analysis of which local authorities may benefit from support and how this might happen.

Many local authority practitioners reported that their capacity to tackle fraud and corruption had been reduced as a result of austerity-related local authority funding reductions. In addition several workshops were attended by shared service representatives and reported that non-attendees no longer had counter fraud resources. In one workshop it was noted that eight councils did not have any resource but that a colleague in the revenue department of a neighbouring authority had been 'helping out' across them. There are also situations that require collaboration: for example, a district council pursues council tax and business rates fraud, but the main beneficiaries are the county council and the Government.

In many cases practitioners also reported that some of the skilled investigation resource had been transferred to the Department for Work and Pensions and had not been replaced. There were large disparities in respect of numbers of staff and skills.

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Many attendees were skilled and qualified. It was also clear that because a number of local authorities did not have access to a team they were not covering the full range of fraud activities. In contrast the workshops were well attended by experts who, while overloaded, were attempting to tackle all frauds but with one hand behind their backs. Very often they said they would be pleased to assist neighbouring councils but had no contact or requests. The FFCL regional board may assist with this and what support can be given.

In addition there were some parts of the country where the teams were not up to date with current local landscape issues or activities that would benefit them in their roles. At the FFCL 2019 conference questions were raised about free access to tools and

good practice and it was agreed to hold this in the Knowledge Hub, which is an independent, free tool that many local authorities already use. In addition some local authorities already have small networks in the Knowledge Hub that they could link to the FFCL pages. The Knowledge Hub has been open for FFCL since the summer and now contains the archive documents as well as details about other current issues.

### Adult care services successful prosecution and repayment in full of fraud loss

*The subject of this investigation was the husband of a Hertfordshire County Council service user in receipt of financial support to pay for daily care. He completed the financial assessment forms on behalf of his wife but failed to declare ownership of residential property that was rented out in the private sector.*

*The allegation originated from a social worker who had a 'gut feeling' that the couple had a second home and referred to matter to Herts' shared anti-fraud service.*

*The investigation found that the couple jointly owned three properties in addition to their residential home. All three properties were rented out and held equity.*

*The husband was interviewed under caution where he accepted ownership of the properties but denied any wrongdoing, stating that there was no capital in any of the additional homes and that he had been struggling financially since his wife became ill. As part of the enquiries conducted by the team a fourth property was identified abroad.*

*On 1 July 2019 at Luton Crown Court, he pleaded guilty to all three counts of fraud by false representation. He was sentenced to two years in prison, suspended for two years. The judge adjourned any financial sanction until the confiscation order was completed. A service decision was made in that had the financial assessment form been completed correctly and the additional property declared, the service user would have been deemed a self-funder and received no financial support for care. Therefore the loss to HCC was calculated as £75,713 and a future saving of £1,166 per week (£60,632 per year) was recorded.*

*The loss including interest was calculated to be £89,141, which he has paid in full.*

## Case Study

### Collaboration on Protect and Pursue

*A man was sentenced to 18 months' imprisonment, suspended for 18 months, after forging documents when applying for disabled persons' freedom passes and disabled persons' Blue Badges.*

He was found guilty of 12 offences - nine at Brent, Enfield and Haringey councils. He then pleaded guilty to a further three charges of forgery at Waltham Forest Council.

A lengthy investigation, led by Brent Council's fraud team, discovered that the subject used fake birth certificates, utility bills and medical certificates to falsely present himself and others as disabled.

Brent Council worked with the other three local boroughs, who carried out their own thorough and professional investigations with Brent's support, to join up the charges that resulted in the successful verdict.

For the Brent, Enfield and Haringey offences he was sentenced to 18 months' imprisonment per offence for these nine offences to be served concurrently. The sentence was suspended for 18 months.

The man was sentenced to 12 months' imprisonment for each of the three Waltham Forest offences. This was also suspended and will be served concurrently with the 18-month sentence. He also needs to complete 20 hours of a rehabilitation activity requirement order.

## Culture

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

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated. Appendix 1 details what senior officers and members should focus on.

There is reluctance in some cases to report identified fraud, for example in press releases, for fear of presenting a negative impression of an authority. Reporting of successful outcomes is a powerful tool in prevention and deterrence.

It is important to embed a counter fraud culture and this requires a focus and leadership from the top. This requires having an appropriate resource in place. There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

## Collaboration

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

Examples included counter fraud work not being consistently prioritised across the sector, lack of financial incentives to make the business case to collaborate, local lack of understanding of data protection rules, and lack of funding.

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

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

During the research a number of incidents were highlighted that demonstrated patterns of activity, organised fraud and money laundering. These issues have been acted upon. However, it is important that local authorities have access to routes where they can report these matters. Local authorities are the eyes and ears of the community and have a wealth of data that can help other local law enforcement if legally

accessed but this communication is not happening everywhere. This collaboration would support the fight against serious and organised crime. If the recommendations about links between the operational board and the JFT are agreed this will start to resolve some of the issues in this section.

*Recommendations:*

*The external auditor should highlight FFCL and its appendices to the audit committee in the annual report*

*The regional network should continue use the Knowledge Hub as a free, independent, non-commercial confidential space to share information. When it is live the secretariat should hand it to the FFCL operational board.*

*Local authorities should partner with neighbours and engage in regional networks and should consider sharing resources and expertise. The FFCL operational board should take the lead on this.*

While this strategy covers fraud and corruption, no instances of corruption were raised at the workshops though it was clearly considered alongside fraud in local strategies. The Ministry of Housing, Communities and Local Government has conducted research on procurement fraud and corruption that will be added to

the live FFCL documents.

“Working in partnership has allowed the Veritau member councils to establish a dedicated corporate fraud team. The team offers each council access to fraud investigators with specialist knowledge of the fraud risks facing local government. The team has also helped each council to recover significant fraud losses, particularly in new and emerging areas like adult social care.”

*Max Thomas, Managing Director Veritau*

## Case Study

### Devon Audit Partnership

A social housing local landlord alleged that Mr P was potentially subletting his property illegally to an unentitled third party. Mr P was already in the process of applying for the right to buy his social housing property.

The subsequent investigation revealed evidence that Mr P's friend was subletting the property from him and had been for at least two years. It also confirmed that Mr P was living in a private rented property with his girlfriend less than two miles away.

Mr P constantly denied the allegations. However, at his interview under caution with the DAP counter fraud services team, after repeatedly lying, he admitted the overwhelming evidence proved he was letting his friend live at his social housing property but denied that he had done anything wrong.

***Mr P was subsequently prosecuted and pleaded guilty at that point to two offences contrary to:***

*Prevention of Social Housing Fraud Act 2013 – in relation to the dishonest illegal sublet of a social housing property*

*Fraud Act 2006 – in relation to the dishonest attempt to fraudulently obtain a £39,600 discount on his right to buy.*

Mr P was sentenced to 160 hours' unpaid work for each charge and ordered to pay Plymouth City Council £750 towards its costs. Judge Darlow stated at the end of the case: “It was fraud [and] the decision by Plymouth City Council to prosecute is to be applauded.”



## Section 2: The Strategic Approach

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements to foster and improve collaboration across boundaries.

The recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support and leadership 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.

The key principles are laid out in the pillars and themes:



### PROTECTING ITSELF AND ITS RESIDENTS

*Recognising the harm that fraud can cause in the community.  
Protecting itself and its' residents from fraud.*

## Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation. Beating fraud is everyone's business. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud.

Without exception the research revealed an 'ask' that those charged with governance be directed to the strategy and that this become a key element. During the research for FFL 2011 and 2016 it was requested that some key points be laid out for those charged with governance in local authorities to make it simple for them to ensure fraud was being tackled. This request was repeated on numerous occasions during the workshops for FFCL 2020. Some basic questions are laid out at the end of the strategy in Appendix 1.

The supplements to this strategy lay out some key stakeholders, their roles and the areas that they should consider when evaluating the counter fraud efforts in their organisations.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

## Acknowledge

In order to create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud.

This means undertaking a risk assessment of fraud areas and vulnerabilities and then agreeing an appropriate resource. Not every local authority requires a large team but they should have assessed the risk, have a plan to address it and have access to resources with the right capabilities and skills.

## Prevent

Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Local authorities should set in place controls to prevent fraudsters from accessing services and becoming employees. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

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

## Case Study

### Fraud Hub Hertfordshire County Council

Hertfordshire County Council and a number of its neighbouring authorities are taking the next step to protect themselves by sharing intelligence in a newly formed FraudHub from the National Fraud Initiative to ensure they can reveal the full extent of fraudulent activities within their region.

**Results so far have been extremely positive for Hertfordshire with over...**

- *3,000 Blue Badges cancelled*
- *3,000 concessionary travel passes being revoked*
- *120 LG pensions or deferred pensions stopped*
- *182 Direct Payments or personal budgets for adult care being stopped/reduced or reviewed*
- *15 residential care placements being cancelled*
- *23 payroll discrepancies being subject to further investigation*
- *50,000 customer records removed from database alone using mortality data*
- *More than £5m in estimated savings in its first 12 months*

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## 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 on sanctions and collaboration.

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

A further theme has appeared during the research to link with the government strategy but also recognising the increased risks to victims and the local community.

## Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across the pillars of this strategy.

From the research it is clear that a large number of local authorities use the FFCL initiative as a basis for local plans. Some local authorities have embedded the pillars into operational work. An example of how this has been done is included in the Annexes.

### Case Study Pursue

#### Subletting Case Study Westminster City Council – unlawful profits

The council investigated following an anonymous tipoff that the tenant of a council property was not using the address as required by their tenancy and was profiting from the short-term letting of the property using Airbnb.

Searches of Airbnb carried out by the investigator found the property, which is a studio flat, advertised as a whole property with over 300 reviews. The council investigator found that even though the listing was not in the tenant's name, some of the reviews mentioned the tenant by his name, thanking him for his advice and local restaurant recommendations.

The council obtained the tenant's bank statements under the provisions of the Prevention of Social Housing Fraud Act using the authorised officer service provided by the National Anti-Fraud Network. The investigator subsequently found credits totalling over £125,000 covering four years.

All payments were credited from Airbnb, PayPal or Worldpay. When investigators visited the property they found a man at the premises who denied being the tenant even though his appearance matched the tenant's description. The next day the adverts had been removed from Airbnb but the investigator

had already retrieved and saved copies.

The tenant failed to attend several interviews under caution, but when possession action began his solicitors asked for a further opportunity for their client to be interviewed under caution to provide an account of events. This was agreed but again the tenant failed to attend the interview. Having applied the Code for Crown Prosecutors to the facts of the case and the defendant's personal circumstances, criminal action was not taken.

At the possession hearing, the District Judge said the Airbnb evidence was strong and that there was no distinction between 'short-term let' and subletting the home. The judge found in favour of the council. At an unsuccessful appeal hearing the judge agreed to the council's unlawful profits order of £100,974.94 – one of the highest that has ever been awarded to the council.

The tenant has now been evicted from the property.



## Fighting Fraud and Corruption Locally – embedding the pillars

*Durham County Council's counter fraud and corruption team has embedded many of the themes to create a robust approach. They have set up partnerships across sectors and regions, created a data hub and used the FFCL strategy to inform all of their work. The audit committee has supported the team and attended the FFCL awards in 2019.*

*DCC believes the best defence is to create a strong anti-fraud culture based on zero tolerance to deter fraud from being committed. It has reinforced this with a new corporate fraud sanction policy.*

*Norwich City Council adopted the FFCL pillars into its anti-fraud and bribery strategy in 2017 with the additional pillars of governance (similar to the NHS model). This has had a positive response from council executives and members including the audit committee. The annual report contains a RAG-rated review against the criteria set out in the local strategy and an activity plan based on the criteria each year to demonstrate progress and highlight areas to focus on.*

*A more detailed explanation of these is in the Annexes.*

## The Themes – Six Cs

*The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. In the 2016 Strategy six themes were identified and during the research the workshop attendees were keen that these remain part of the strategy document.*

*Local authorities should consider their performance at a minimum against each of the six themes that emerged from the research conducted. To ensure this is effective and proportionate local authorities should benchmark this information where possible.*

### The themes are:

**Culture** – creating a culture where fraud and corruption are unacceptable and that is measurable

**Capability** – assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate

**Capacity** – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance

**Competence** – having the right skills and standards commensurate with the full range of counter fraud and corruption activity

**Communication** – raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes

**Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

### Making the business case:

#### Investing in counter fraud activity –

Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses.

Local authorities do not, as a rule, explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems. However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

**The moral case** – fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they achieve wider benefits for the community. For example, adult social care sits within the precept for council tax and reducing fraud in this area means that taxpayers' money is protected and is an incentive.

## Case Study

An interim manager hired vehicles for personal use covering at least nine different vehicles and costing more than £18,000. The fraud included various invoice frauds for gardening services and over £20,700 paid to the interim manager's account.

In total the interim manager's actions resulted in monies, goods or services with a total value of £60,882.16 being ordered or obtained at a cost to the council from seven suppliers, including false invoices purporting to be from a gardening company.

Thirty-one fraudulent invoices were introduced by the interim manager totalling over £48,000 and were processed, authorised and paid using the council's systems. A further eight invoices totalling

more than £7,000 were subsequently authorised by the interim manager's line manager for liabilities incurred by the interim manager. Employee purchase cards were used to pay for goods worth over £1,270 and the interim manager personally benefited by £4,000 from the compensation payment and over £20,780 from the fraudulent invoices he submitted from the gardening company.

### *The fraud was discovered via a whistleblowing referral to audit services*

The council's investigation found that the maintenance company with the same bank account as the interim manager's company did not exist. The council's audit services department led an investigation with the police to take the matter to Birmingham Crown Court where the interim manager pleaded guilty to Fraud Act offences. He was sentenced to three years' imprisonment on 25 September 2019.

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## Section 3: Turning Strategy into Action

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### The Delivery Plan

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements and foster and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory 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.

Further details on governance and recommendations are in the Delivery Plan Annex.

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# Section 4: The Local Response

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## Appendix 1

*What should senior stakeholders do?*

### *The chief executive*

1. Ensure that your authority is measuring itself against the checklist for FFCL
2. Is there a trained counter fraud resource in your organisation or do you have access to one?
3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?

### *The section 151 officer*

1. Is there a portfolio holder who has fraud within their remit?
2. Is the head of internal audit or counter fraud assessing resources and capability?
3. Do they have sufficient internal unfettered access?
4. Do they produce a report on activity, success and future plans and are they measured on this?

### *The monitoring officer*

1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?

### *The audit committee*

1. Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
4. Should support proactive counter fraud activity
5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

### *The portfolio lead*

***Receives a regular report that includes information, progress and barriers on:***

- The assessment against the FFCL checklist  
Fraud risk assessment and horizon scanning.

## Appendix 2

### *FFCL Checklist*

- 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 a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
- 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.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- 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 2020 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.
- There is an independent and up-to-date whistleblowing 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 whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- 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.
- 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 communications 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 are considered in all cases.
- There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.
- There is a programme of proactive counter fraud work which covers risks identified in assessment.
- The counter 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 counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.

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.

## Section 4

*The Fighting fraud and Corruption Locally board would like to thank*

*The Fighting Fraud and Corruption Locally board is:*

Charlie Adan – Chief Executive and SOLACE  
 Bevis Ingram – LGA  
 Andrew Hyatt – Royal Borough of Kensington and Chelsea  
 Mike Haley – Cifas and Joint Fraud Taskforce  
 Rachael Tiffen – Cifas and secretariat  
 Suki Binjal - Lawyers in Local Government  
 Colin Sharpe – Leicester City Council  
 Clive Palfreyman – LB Hounslow  
 Trevor Scott – Wealden District Council  
 Alison Morris – MHCLG  
 Mark Astley – NAFN  
 Paula Clowes – Essex County Council  
 Simon Bleckly – Warrington Council  
 Karen Murray – Mazars  
 Paul Dossett – Grant Thornton  
 Marc McAuley – Cipfa

The Board would like to thank Cifas for managing this process, for the delivery of the research and the drafting of this document.

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## *Regional Workshops*

*Around 260 councils attended workshops organised in the following areas:*

East Anglia  
SouthWest, Devon, Plymouth, Cornwall and Devon  
Kent  
London and the South East  
Essex  
Hertfordshire and Home Counties  
Midlands Fraud Group and Chief Internal Auditors and County Networks  
North West Fraud Groups  
Yorkshire Groups  
North East and North Regional Fraud Group

## *The Fighting Fraud and Corruption*

*Locally board wishes to thank:*

Andrea Hobbs  
Colin Sharpe  
Debbie Dansey  
Helen Peters  
James Flannery  
Jamie Ayling  
Jacqui Gooding  
David Hill  
Max Thomas  
Jonathan Dodswell  
Hannah Lindup  
Shelley Etherton  
Gary Taylor  
Nick Jennings  
Ken Johnson  
Mark O'Halloran  
Paul Bicknell  
Lauren Ashdown  
Steven Graham  
Matt Drury  
Gillian Martin  
Sara Essex  
Sally Anne Pearcey  
Paula Hornsby  
Rachel Worsley  
Nikki Soave  
Francesca Doman  
Andrew Reeve  
Jason Pengilly  
Paul Bradley  
Professor Alan Doig  
Sean Turley  
Neil Masters  
Dan Matthews  
Scott Reeve  
Corinne Gladstone  
Louise Baxter  
Keith Rosser  
Ben Russell  
Philip Juhasz  
Paddy O'Keefe  
Mark Wilkes

Andrew Taylor  
Neil Farquharson  
Steven Pearce  
Lucy Pledge  
Sheila Mills  
Jamey Hay  
Kerrie Wilton  
Michael Skidmore  
Oliver Day  
Carol McDonnell  
Nici Frost-Wilson

*Special thanks go to:*

### **The researchers and drafters:**

Rachael Tiffen – Cifas  
Paula Clowes – Essex County Council  
Andy Hyatt – Royal Borough of Kensington and Chelsea

\*\*

And all those who attended the workshops, provided feedback, responded to surveys and who took up the actions after the workshops.

## **Section 5**

### *Glossary and documents*

NAFN – National Anti-Fraud Network  
CIPFA – Chartered Institute of Public Finance and Accountancy  
Cifas – UK's fraud prevention service  
NECC – National Economic Crime Centre  
NCA – National Crime Agency  
MHCLG – Ministry of Housing, Communities and Local Government

ONS: [www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud](http://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud)  
[www.gov.uk/government/publications/economic-crime-plan-2019-to-2022](http://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022)  
National Fraud Authority, Annual Fraud Indicator, March 2013  
National Fraud Authority - Good practice publication: [www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/)  
Economic Crime Plan 2019: [www.gov.uk/government/publications/economic-crime-plan-2019-to-2022](http://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022)  
Eliminating Public Sector Fraud: [www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf](http://www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf)  
Smarter Government: [www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report)  
Local Government Association Counter Fraud Hub: [www.local.gov.uk/counter-fraud-hub](http://www.local.gov.uk/counter-fraud-hub)  
Veritau: [veritau.co.uk/aboutus](http://veritau.co.uk/aboutus)  
SWAP Internal Audit Services: [www.swapaudit.co.uk](http://www.swapaudit.co.uk)  
Devon Audit Partnership: [www.devonaudit.gov.uk](http://www.devonaudit.gov.uk)



# **COUNTER FRAUD STRATEGY**

**2020 - 2024**

## **Forward by the Corporate Director of Strategic Resources**

The people who live and work in our communities fund the services that help make North Yorkshire a special place to live, work and visit. Fraud against the Council is in effect a theft from all of us. Money lost to fraud is funding that cannot be spent on the vital public services that are required throughout our county.

In the Council Plan 2020-24 we have set out our aims and objectives which include ensuring that every child and young person has the best possible start to life, supporting adults to have longer, healthier and independent lives, creating a strong economy with sustainable growth, and allowing people easy and effective access to County Council services. Fraud against the Council undermines our ability to meet these aims.

Our message is straightforward, the Council will not tolerate any fraud or corruption against it.

This strategy sets out the measures the Council will take to develop its arrangements to tackle fraud and corruption. We will seek to identify areas where fraud may occur and limit opportunities for fraudsters to exploit the Council. Where fraud is suspected we will investigate robustly, and where it is proved will utilise all measures available to us to deal with criminals and recover any losses.

Gary Fielding  
**Corporate Director of Strategic Resources**



## Introduction

- 1 All organisations are at an increasing risk of fraud and corruption. In 2018 the number of fraud offences rose by 12% to 3.6 million which equates to one third of all crimes in the UK.<sup>1</sup> The most recent report into the cost of fraud against local authorities estimates it as being as high as £7.3bn (total fraud against the UK public sector is estimated to be £40.4bn).<sup>2</sup> The risk of fraud continues to grow and where fraud used to be undertaken at a local level it increasingly originates nationally and internationally.
- 2 The full effects of the Covid-19 pandemic are not known at the time of drafting this strategy, however it is likely to have a considerable effect on public sector finances. The Council will have to continue to make changes to the way it works in order to provide effective services for its citizens and to achieve its overall aims. It is essential that the Council minimises losses caused by fraud, to help it achieve those aims and to maximise the money it has available to provide services.
- 3 This strategy outlines how the Council will assess the risks of fraud and corruption that it faces, strengthen its counter fraud arrangements, and tackle fraud where it occurs. It has been prepared to reflect the national collaborative counter fraud strategy for local government in the UK, Fighting Fraud & Corruption Locally – A Strategy for the 2020s.
- 4 The strategy has been reviewed by the Audit Committee as part of its responsibility to review the effectiveness of counter fraud and corruption arrangements at the Council. The strategy and action plan will be reviewed annually.

## Our aim

- 5 Fighting Fraud & Corruption Locally recommends councils consider the effectiveness of their counter fraud framework by considering performance against the four key themes set out below. The Council's aim is that by 2023 it will have maintained strong and effective arrangements in each of these areas.
  - **Govern** – Ensure that the Council has robust arrangements and executive support in place to ensure that anti-fraud, bribery and corruption measures are embedded throughout the organisation.
  - **Acknowledge** – Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

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<sup>1</sup> Economic Crime Plan 2019-2023, HM Government

<sup>2</sup> Annual Fraud Indicator 2017, Crowe Clark Whitehill

- **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, developing capability and capacity to investigate fraudsters.

### **Current arrangements and action required**

- 6 The Council already has many of the components for a strong counter fraud framework in place. For example:
- control arrangements for key financial systems are robust, being underpinned by statutory requirements, council financial regulations and scrutiny through internal and external audit
  - the policy framework incorporates many elements of counter fraud good practice (e.g. a fraud prosecution and loss recovery policy, whistleblowing policy and an annual fraud risk assessment) which have developed over the years in response to legislation and emerging issues
  - participation in collaborative counter fraud work with other agencies and through the National Fraud Initiative
- 7 However, as the capability and capacity of the Council to prevent and detect fraud has increased, so has the ability and reach of fraudsters. It is easier today for a criminal to commit fraud remotely than it was when the last Council counter fraud strategy was adopted. It is therefore important to continue to develop counter fraud arrangements to meet this evolving threat.
- 8 A review of current arrangements against recommendations made in the FFCL strategy has identified some areas for development, for example it is recommended that Councils should share counter fraud news and results internally through a strategy endorsed by its communications team. These recommendations form part of Strategy Action Plan contained in annex 1 of this strategy. Progress against these actions will be reported annually to the Audit Committee.
- 9 The FFCL board has formed a number of working groups across the country to look at different areas of counter fraud work and to make recommendations to the board. The board may then convey these recommendations to central government. It is recommended that Councils participate in these working groups regionally and nationally to promote counter fraud work.

## **Counter fraud policy framework**

- 10 This strategy is part of the Council's overall framework for countering the risks of fraud and corruption. Further detailed information can be found in other policies and procedures including:
- Fraud Prosecution and Loss Recovery Policy - this sets out responsibilities for counter fraud and investigation work, the actions the council will take in response to fraud, and its policy on sanctions.
  - Fraud Risk Assessment - a specific risk assessment undertaken to identify counter fraud risks and develop actions to address those risks.
  - Anti-Money Laundering Policy - defines council responsibilities in respect of the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007.
  - Whistleblowing Policy - arrangements for Council staff to raise concerns; confidentially if required.
- 11 The strategy also links to, and is supported by, wider council policy and procedures covering areas such as:
- governance
  - employee disciplinary arrangements
  - codes of conduct
  - registers of interest
  - financial regulations
  - electronic communications
  - information security
  - cyber security

## Annex 1: Counter Fraud Strategy Action Plan

Ref	Action Required	Target Date	Responsibility	Notes / Further Action Required
1	Prepare a refreshed counter fraud strategy which acknowledges fraud risks facing the Council and sets overall counter fraud aims. The strategy should set out actions required for developing counter fraud arrangements.	October 2020	Corporate Director - Strategic Resources / Veritau	Progress against the strategy to be reviewed and reported annually.
2	Develop a communication strategy to publicise counter fraud and corruption news internally.	March 2021	Veritau / Communications Team	Liaise with the communications team to ensure that members of staff are regularly kept informed of counter fraud news and developments.
3	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	March 2021	Veritau	To be undertaken on a rolling basis. Priority topics include adult social care, procurement, and cybercrime.
4	Explore the use of new techniques to enhance fraud and error detection in the adult social care financial assessment process.	October 2021	Veritau / Health and Adult Services	Trial the use of credit data to achieve more accurate results from financial assessments.
5	Participate in Fighting Fraud and Corruption Locally working groups.	September 2021	Veritau	Attend regional and national working groups and report developments to the Audit Committee.

## North Yorkshire County Council - Fraud Risk Assessment (Oct 2020)

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Social Care Fraud	<p>Fraud within the adult social care system is an area of concern for the Council in terms of loss to the authority and the impact on individuals affected. CIPFA reported a 104% increase in the value of social care fraud detected in 2019 compared to the previous year. The average loss for individual cases of fraud detected in this area is £29k.</p> <p>Losses can occur through deprivation or non-declaration of capital which can involve the transfer or disguise of property in order to avoid paying for residential or domestic care provision. Further fraud occurs through the misuse of the Direct Payment scheme, where monies allocated to meet a customer's assessed needs are not then used to procure these services. The council has been affected by a number of cases in which residential homes have failed to notify the council in a timely manner when a customer is no longer in residence (e.g. after they pass away) yet continued to claim funding.</p> <p>Services may have been impacted by new and remote working arrangements</p>	<p>Applications for care funding are carefully assessed to ensure that recipients meet the eligibility criteria and that any financial contribution for care by the customer is correctly calculated.</p> <p>The Council undertakes a monitoring process with Direct Payment recipients to verify the funds are used appropriately.</p> <p>The National Fraud Initiative regularly checks payments made to residential homes against other records to help identify discrepancies.</p>	High	<p>Counter Fraud Team (CFT) will continue to raise fraud awareness with staff in safeguarding, financial assessments and with relevant legal services team members.</p> <p>Veritau undertakes annual targeted audits to ensure that both Children's Social Care and Health and Adult Services continue to maintain appropriate controls and monitor arrangements for social care expenditure.</p> <p>Cases of suspected fraud should be reported to the CFT who can determine if criminal investigation would be effective.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>during and following the Covid-19 lockdown. In some instances, care payments may have had to be made prior to a full assessment taking place and this could heighten the risk of fraud.</p>			
<p>Creditor Fraud</p>	<p>The council makes large volumes of payments, some of significant value. A range of frauds can be committed against the Council as a result of publically available creditor payment data. Criminals undertaking these types of fraud are often found to be operating from overseas.</p> <p>The most common threat is mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in banking details. Other types of fraud in this area include whaling, where senior members of the Council are targeted and impersonated in order to obtain fraudulent payments. With remote working due to Covid-19, there are increased opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications to divert funds.</p>	<p>The Council has a number of controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details. This includes contacting companies to confirm that any requested change of bank account details for payments is genuine.</p> <p>Internal Audit undertake periodic reviews of the controls.</p>	<p>High</p>	<p>The CFT will undertake work to raise staff awareness of these types of frauds. Increased awareness and vigilance will help to detect possible fraud before losses occur.</p> <p>Veritau will continue to undertake audits of creditor payments with targeted testing where required.</p> <p>All instances of whaling fraud reported to CFT will be reported to the police's Action Fraud Unit, National Cyber Security Centre and directly to the host from where the false emails originated from.</p> <p>A review of processes to verify and authorise payments or changes in payment details in light of new working arrangements may also be</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
				<p>appropriate.</p> <p>Regular checks for duplicate suppliers and payments will be undertaken to help improve data quality and identify errors.</p>
Cybercrime	<p>Cybercrime is an evolving threat where criminals are continually refining their techniques in order to overcome controls put in place to protect organisations, to obtain unauthorised access and information, and to frustrate systems. A council in the North East suffered a largescale cyberattack in early 2020 which resulted in significant costs and disruption to services.</p> <p>Types of cybercrime experienced by local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds or systems access/data, impacting service delivery.</p>	<p>The Council has dedicated ICT professionals who work to mitigate the threat of cybercrime.</p> <p>There is also participation with other local authorities in a regional group that shares best practice and information about emerging threats. This is addition to receiving guidance from the National Cyber Security Centre.</p>	High	<p>Raising awareness with staff can be crucial in helping to prevent successful cyberattacks. Any counter fraud training delivered will reinforce anti-cybercrime messages to members of staff.</p>
Procurement Fraud	<p>Procurement fraud has been identified as a high risk by local authorities in the CIPFA fraud tracker for a number of years.</p>	<p>The Council has established Contract Procedure Rules. The rules are reviewed periodically and ensure the requirement for a competitive process (where required) through an e-tender</p>	High	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. CFT can provide training to raise</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>Procurement fraud, by its nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority (CMA) estimates that having a cartel within a supply chain can increase prices by 30% or more.</p> <p>CIPFA reported losses of £20.3m in 2018/19 for local authorities, due to procurement fraud. It found that 12% of fraud detected in this area involved 'insider fraud' and 5% involved organised crime.</p> <p>Specific fraud risks include collusion between bidders or between employees and bidders during the tendering process, failure to provide goods and services as specified, submission of false invoices and provision of false or inflated performance information to disguise provision failures.</p> <p>In response to the effects on businesses as a result of Covid-19, the government issued a Procurement Policy Notice (2/20) in March 2020. This introduced a supplier relief scheme to support Council suppliers during the pandemic to ensure service</p>	<p>system. A team of procurement professionals provide guidance and advice to ensure that procurement processes are carried out correctly.</p> <p>A tendering and evaluation framework is in operation to help prevent fraud. It also sets out the requirements for declarations of interest to be made.</p> <p>Contract monitoring is implemented to help detect and deter fraud.</p> <p>Internal Audit issued a guidance document in response to the government Procurement Policy Notice and are actively involved in further support for the Covid-19 supplier relief scheme.</p>		<p>awareness of fraud risks in this area.</p> <p>CFT and Internal Audit will monitor guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.</p> <p>Contract/procurement related audits will continue to be undertaken periodically. In addition, audits of the Council's registers of interests, gifts and hospitality will be considered as part of the annual risk based audit planning process.</p> <p>Potential abuses of the supplier relief should be reported to the CFT for further investigation. Internal Audit will provide further support with the Council's supplier relief process.</p>



Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>continuity. The Council has the responsibility for monitoring this funding to ensure businesses which were being supported did not profit while services were not provided. An 'open book accounting' process has therefore been required. Fraud could occur if suppliers provide false information about their trading position and costs.</p>			
Theft of Assets	<p>The theft of assets can cause financial loss and reputational damage. It can also negatively impact on employee morale and disrupt the delivery of services. The Council owns large numbers of physical items, such as IT equipment, vehicles and tools.</p> <p>Internal fraud is also one of the most difficult to prevent given the number of employees who have access to funds and desirable assets such as computers, mobile devices, tools and materials. Whilst the risk can be significant, the total value of detected fraud committed by employees in local government is relatively low.</p> <p>The Council is also susceptible to the risk of theft of other valuable property.</p>	<p>Specific registers of physical assets (e.g. capital items, property and ICT equipment) are maintained.</p> <p>To help prevent the theft of portable electronic equipment the Council uses various methods to improve security. In addition, all laptops have full disc encryption software installed.</p> <p>The Council's whistleblowing arrangements provide an outlet for reporting concerns of theft.</p>	High	<p>Members of staff should be encouraged to be vigilant and report all possible thefts promptly. Cases of theft will be reported to the police and where appropriate will be investigated by the CFT. The CFT routinely investigates allegations of theft by employees.</p> <p>Staff need to ensure that they securely store electronic devices at the end of the working day and when absent from the office.</p> <p>Veritau's audit team will consider whether controls associated with asset security remain effective.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>Examples include vehicles, lead from buildings and rare books.</p> <p>Reduction of staff at Council premises during the Covid-19 pandemic could leave equipment at heightened risk of theft. Unauthorised access to buildings and suspicious activity may not face the same level of visibility or challenge as would be the case in normal conditions.</p>			
Theft/loss of data	<p>The Council collects and stores a variety of information, including financial data and data which can be of a financial or sensitive nature (e.g. care records). This information is valuable and can be of interest to criminals. Whilst there have been no deliberate disclosures, there is still the risk that personal or confidential data may be stolen or misused by employees or external parties for their own purposes.</p> <p>Data security incidents to date have been the result of human error, for example, information being incorrectly addressed or e-mailed.</p> <p>The Information Commissioner (ICO) has the power to impose significant fines for serious breaches of the Data</p>	<p>Whenever a breach is identified, an investigation is carried out to determine the circumstances. The Corporate Information Governance Group (CIGG) continues to monitor all reported data security breaches which occur in order to ensure that appropriate remedial action can then be taken.</p> <p>Access to IT networks and systems is restricted. Specific access to information and data is based on need.</p>		<p>Veritau's Information Governance Team continues to raise awareness of the importance of protecting personal and sensitive information.</p> <p>The Corporate Information Governance Group will continue to champion information governance compliance across the County Council.</p> <p>Veritau can undertake appropriate periodic audit testing across the Council to assess information security compliance.</p>

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	<p>Protection Act. Failure to protect personal data is therefore both a significant reputational and a financial risk. The ICO has fined a number of local authorities for data breaches.</p>			<p>Cases of theft will be reported to the police and where appropriate investigated by the CFT.</p>
<p>Internal Frauds</p>	<p>There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexitime or annual leave systems, undertaking alternative work while sick, or working for a third party on Council time. Some staff have access to equipment and material that may be misused for private purposes.</p> <p>With increased staff working remotely, working hours and associated claims may be more difficult to monitor. While the value is often low in these frauds it is essential that these issues are tackled as they can cause reputational damage and affect staff morale and performance.</p> <p>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.</p>	<p>The Council has an established whistleblowing policy through which concerns can be raised. The Council also has an anti-bribery policy that asks staff and members to report concerns.</p> <p>Controls are in place surrounding flexitime, annual leave and sickness absence.</p> <p>Veritau has received several allegations of this type of fraud in recent years. Whilst such matters are generally considered to be management issues, Veritau will continue to provide support in terms of evidence gathering and advice.</p> <p>Participation in the National Fraud Initiative helps the Council identify potential cases of internal fraud.</p>	<p>Medium</p>	<p>The Council's whistleblowing and anti-bribery policy should be regularly highlighted to staff. This is supported by continued fraud awareness training that signposts employees to relevant policies.</p> <p>Ongoing participation in the National Fraud Initiative may also help identify potential frauds in this area.</p>
<p>Recruitment Fraud</p>	<p>Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order</p>	<p>The Council has a number of pre-employment checks to help mitigate the risk of fraud in this area. Enhanced</p>	<p>Medium</p>	<p>Where there is a suspicion recruitment fraud, such as someone providing false</p>

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	<p>to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK.</p> <p>Favouritism could also be shown by recruiting managers.</p>	<p>checks (including DBS checks) are made on applicants for roles involving children and vulnerable adults.</p> <p>In the past years, Veritau auditors have performed sample testing on the Council's recruitment procedures and brought potential weaknesses to management attention.</p>		<p>information to gain employment, the CFT should be consulted on possible criminal action in tandem with any disciplinary action that may be taken.</p> <p>Review of recruitment and other relevant procedures is considered as part of the risk based audit planning process.</p>
Grants (including nursery education grants / early years providers)	<p>The 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. Risks include fraudulent applications, and the inappropriate use of funding. Whilst the value of grants paid has decreased in the last few years, there is a continuing risk that funds will not be used for their intended purpose.</p>	<p>The council carefully assesses applications for grants and undertakes monitoring as required.</p>	Medium	<p>Internal Audit considers work in this area as part of the risk based audit planning process.</p> <p>Early years' providers to be audited where concerns identified.</p> <p>Allegations of misused funding can be reported to the counter fraud team to determine if criminal investigation is required.</p>
Local Welfare Assistance Fraud	<p>The Council offers targeted support to those in need via the Local Assistance Fund. Applicants can seek support with utility costs and food payments. A challenge for the authority is not having direct access to residential records</p>	<p>The council team receiving calls to the scheme monitor for suspected repeat callers. Further verification is undertaken by the council's provider (Family Fund Business Services).</p>	Medium	<p>The CFT investigates the more serious cases of fraud in this area and helps to raise awareness of the risks.</p>

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	<p>held by district councils when verifying the authenticity of applications.</p> <p>A limited number of cases have been investigated where individuals have attempted multiple applications using stolen or fictitious identities.</p>	<p>Fraud awareness has been provided to both NYCC and provider staff.</p> <p>Awards are not made in cash. Measures are in place to ensure that utility credits are either applied directly to a customer's accounts or linked specifically to their top-up key to reduce misuse.</p>		
Schools Admissions Fraud	<p>The council processes application for schools admissions. There have been incidents locally and nationally of parents providing false address information in order to meet catchment area requirements for specific schools. This limits places for those genuinely residing in the catchment area and raises possible costs for additional schools transport.</p> <p>Since 2019 the CFT has investigated 23 admissions applications and found over a quarter not to be correct.</p>	The Schools Admissions Team review available records to verify that applicants are applying from their true address. There is an established rejection and appeal process for contended cases.	Medium	All suspicious applications to maintained schools in North Yorkshire are passed to Veritau for further checking.
North Yorkshire Pension Fund Fraud	National Fraud Initiative data matches have historically identified ongoing pension payments to deceased individuals. The number and value of the cases has been small and action to recover monies is always undertaken.	The Council regularly takes part in the National Fraud Initiative which helps identify instances of this issue.	Low	<p>Continued participation in the National Fraud Initiative will help tackle this issue.</p> <p>Instances of serious fraud may be investigated criminally by the CFT (e.g. where false</p>

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				information is provided to maintain incorrect payments).
Schools	<p>Maintained schools have a high level of financial delegation with all schools operating their own bank accounts.</p> <p>Whilst relatively minor incidents are reported fairly frequently (e.g. theft of assets, breaches of financial regulations etc) there have been no cases involving significant financial loss. However, cases of fraud have occurred at maintained schools and academies in other areas, and when these matters have been investigated the losses have tended to be substantial (and attracted adverse publicity for both the school and the authority concerned).</p>	There are good support arrangements in place and individual schools are aware of the procedures and controls that should be operating.	Low	Cases of theft will be reported to the police and where appropriate investigated by the CFT.
Corruption	<p>Corruption and bribery is a significant risk to all public sector organisations. The Council as an organisation can be held criminally liable for bribery that occurs within the organisation or its suppliers. There have been no substantiated instances of corruption detected to date.</p> <p>There have been instances within other public bodies where a third party has</p>	Previous audit work has identified areas where improvements could be made to the arrangements for recording interests, gifts and hospitality.	Low	An audit review of the Council's registers of interests, gifts and hospitality is considered as part of the risk based audit planning process.

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	<p>offered inducements. There have also been instances at the Council where officers have failed to complete hospitality registers in the correct manner.</p>			
Blue Badge Fraud	<p>Blue Badge fraud carries low financial risk to the authority as there is little direct financial impact. However, it can affect the quality of life for disabled residents and visitors. There is a risk of reputational damage to the Council if abuse of this scheme is not addressed.</p> <p>People using a Blue Badge that does not belong to them and without the badge holder present are acting contrary to the law. They may also incorrectly be exempted from parking charges or pay reduced fees around the county, in addition to being able to park in restricted areas including on many double yellow lines.</p>	<p>Measures are already in place to control the legitimate issue of blue badges. The Council participates in the National Fraud Initiative which flags badges issued to deceased users, and badge holders who have obtained a blue badge from more than one authority, enabling their recovery to prevent misuse.</p>	Low	<p>Veritau will review and investigate matches identified through NFI exercise.</p>
Fraudulent Insurance Claims	<p>The Council may receive exaggerated or fabricated insurance claims. CIPFA report that for 2019 the average value of a fraudulent claim against local authorities is over £39.5k.</p>	<p>While insurance fraud is common, the burden of risk is mostly with the Council's insurers who have established fraud investigation systems.</p>	Low	<p>The Insurance team to report suspicious activity not covered by external insurance to the CFT.</p>