



**National Fraud
Authority**

Fighting Fraud Locally

Presentation to LGG Improvement Board

8th September 2011

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Objectives

- Explain why local authorities need an overarching counter fraud strategy
- To get your thoughts on the emerging strategy
- Inform you of the main issues faced by local authorities in tackling fraud
- Seek your endorsement and support for the strategy



Scale of Fraud in the UK

Annual Fraud Indicator 2011

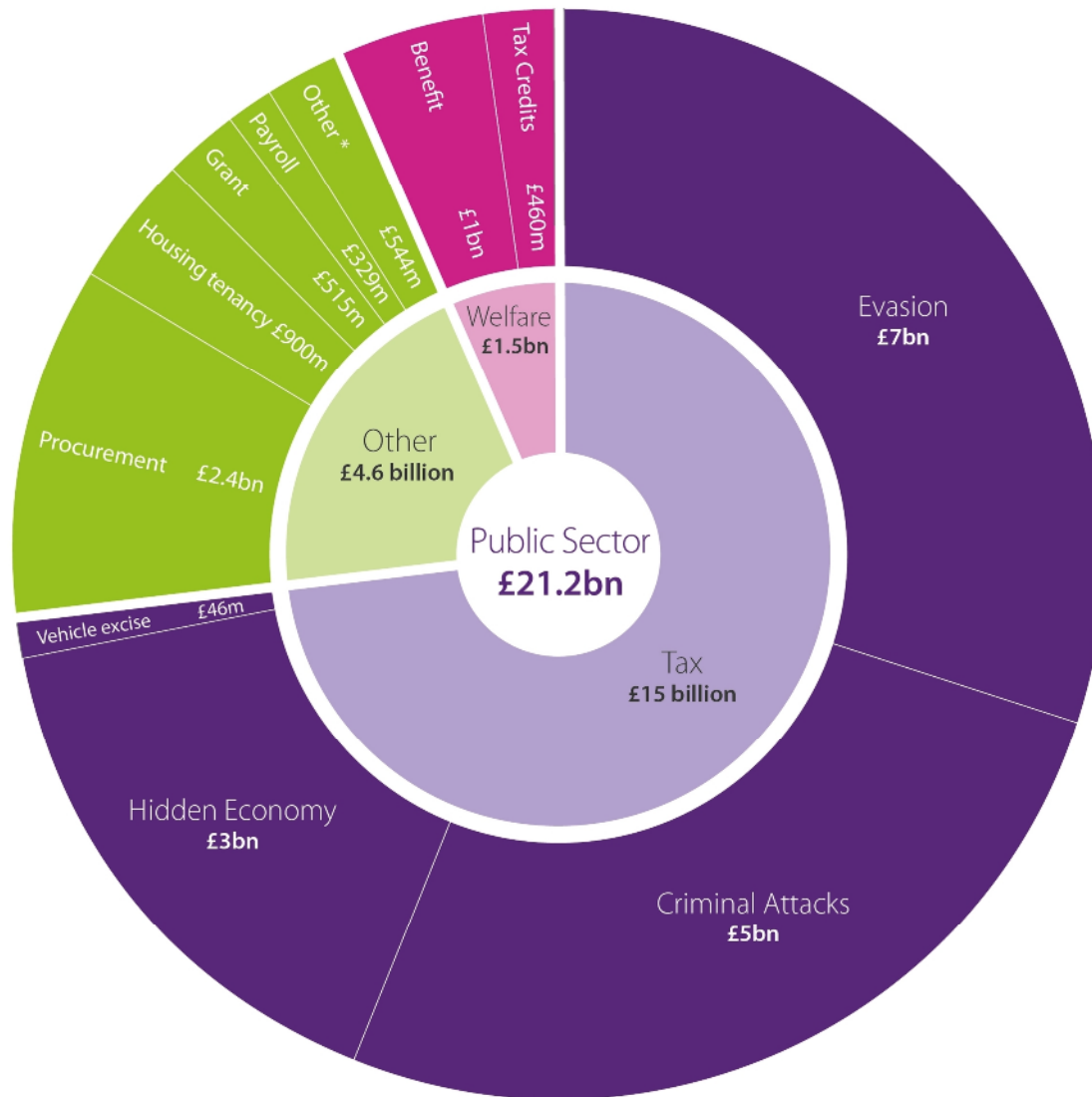
- Knowing the extent and reach of the problem is crucial in fight against fraud
- The Annual Fraud Indicator is our blueprint. It enables us to gain a perspective and judge the scale of the problem and target our actions accordingly
- Fraud costs the UK £38.4 billion a year
- On average £760 per adult
- Public Sector fraud is 55% of the total at £21.2 billion
- Mainly tax and benefit fraud but also fraud in procurement, council tax and housing tenancy
- **Local Government Fraud is estimated at £2.1bn**



Scale of fraud and in the public sector



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- Tax **£15 billion**
- Welfare **£1.5 billion**
- Procurement **£2.4 billion**
- Housing Tenancy **£900 million**
- Grants **£515 million**
- Payroll **£329 million**



Why local authorities need a counter fraud strategy

Why a fraud strategy and why now?

- Fraud takes resources away from the delivery of services – fraud can not be tolerated in a period where cuts need to be made.
- Savings can be made but a more collaborative approach across local government is needed.
- Many local authorities work hard to maintain strong defences against fraud, however many local authorities continue to face difficulties in maintaining an efficient and effective fraud response.
- There are significant changes happening which will impact on how local authorities respond to fraud:
 - The ‘localism’ agenda
 - The abolition of the Audit Commission.
 - Changes in council tax and business rates
 - The introduction of a single universal credit and a ‘Single Fraud Investigation Service’
- In response the NFA is working with local government partners to develop an overarching strategy
- *Fighting Fraud Locally* will be the first strategy of its kind within local government and will be launched in December 2011. The strategy will seek to help co-ordinate and standardise local governments’ approach to fraud.

Why local authorities need a counter fraud strategy



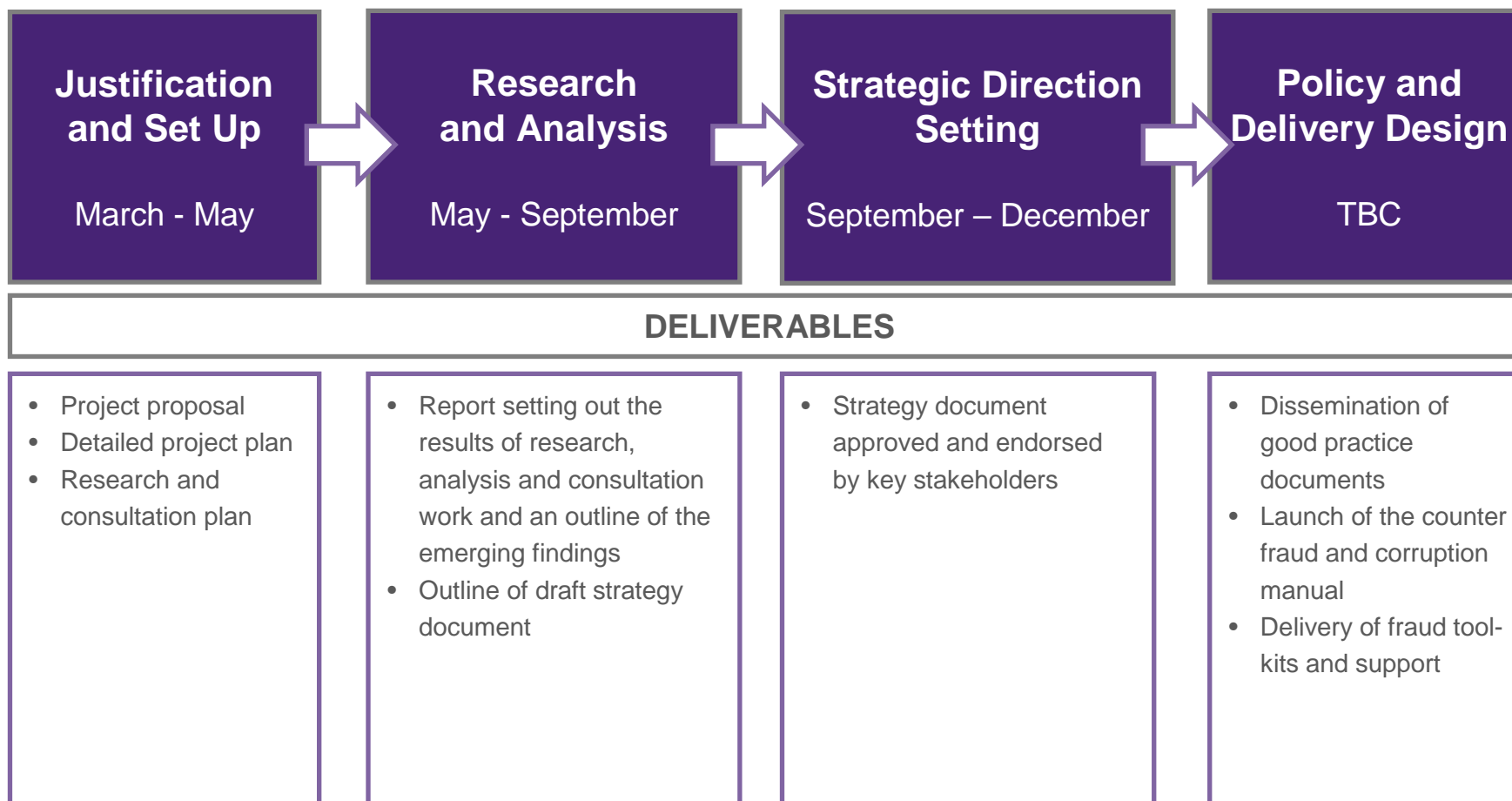
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What is this to do with the Improvement Board?

- Local government can save money if a consistent and coordinated approach to tackling fraud is taken. For example, Ealing Council is forecasting £7 million savings over six years as a result of innovative internal data matching relating to council tax fraud.
- Some local authorities do not understand how fraud affects them and what they can do about it. In some cases this has resulted in counter fraud work being under-funded and under-supported. The publication of this fraud strategy will raise awareness of fraud and help guide local authorities in making better use of their counter fraud resources.
- There is much good practice in Local Authorities which can be shared through collaboration and joint working.
- A new strategy will enable legal and information sharing issues to be tackled more effectively and will facilitate better coordination of law enforcement, central government bodies and other local government stakeholders to enable them to provide better support to local authorities.
- *Fighting Fraud Locally* is about improving local governments response to fraud and corruption; enabling local authorities to become better protected from fraud and helping them strengthen their ability to detect and punish fraudsters. This new approach will coordinate a unified approach to tackling fraud whilst allowing local authorities to develop their own bespoke line of attack against fraud.



Project Outline



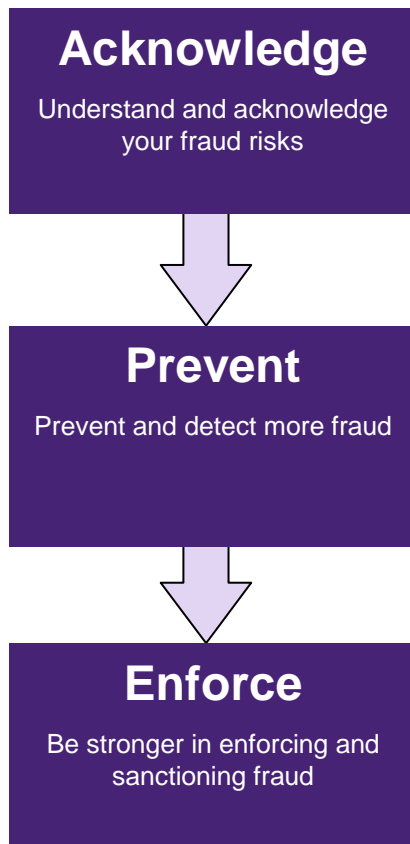


Consultation

- The NFA has consulted widely across Local Authorities, key stakeholders and professional institutes.
- Between May and July 2011 the NFA held 11 regional workshops that sought to:
 - a) examine the issues faced by local government in dealing with fraud
 - b) obtain a better picture of the current and future fraud threats
 - c) collate local government views on the best approach to tackling fraud in local government.
- Four focus groups were also held in July 2011 looking in more detail at the issues of procurement fraud, employee fraud, personal budget fraud and the enforcement and policing of fraud.. Three regional workshops were held with CIPFA and the CIPFA Policy and Practice Panel were consulted.
- A set of working groups have been formed to look at specific fraud issues in local government. Each of these groups will produce a guide or guidance for Local Authorities. The issues being considered are; incentives, enforcement, information sharing, powers and penalties, and policy interactions between central and local government (including localism and the introduction of a single benefit fraud investigation service).
- The Local Government Strategic Oversight Board (LGSOB) has been set up and have now met twice to discuss the content and direction of the strategy. The Board composes of LA CEs, a Director of Finance, professional institutes and DCLG. Two more meetings are scheduled to take place on 30 September and 18 November 2011.

Draft Strategy Outline

Principles



Themes

- **Culture** - Zero tolerance approach to fraud
- **Collaboration** - Working better together
- **Consistency** – Standardising fraud practices
- **Accountability** – Taking responsibility for fraud
- **Transparency** – Honesty about fraud

Acknowledge

Local government must acknowledge and understand its fraud risks if it is to tackle fraud effectively.

- Assess current and future risks and have plans in place to tackle fraud
- Needs to be a cultural change and an increase in fraud awareness
- Annual fraud report and central collection of fraud data
- Improved sharing of fraud threats, information and intelligence

Prevent

Preventing fraud is the most efficient way to reduce fraud loss. Local government can do more to stop fraud happening.

- Fraud proofing of policy and processes
- Prevention on application and verification of circumstances
- Staff and supplier vetting
- Sharing knowledge of known fraud
- Better use of data and technology to prevent and detect fraud

Enforce

Not all fraud can be prevented. Where fraud does occur, local government must be better equipped to punish fraud and recover losses.

- Need a more consistent and supportive police response
- Local Authorities must have the capacity and capability to investigate and prosecute fraud
- Need a consistent and more effective response for dealing with fraud cases
- Stronger powers for investigating and sanctioning fraud



Emerging areas of concern

(1) Information sharing barriers

- Barriers to efficient and effective information sharing reduce effectiveness
- May propose providing a new power for local authorities to share information for the purpose of countering fraud

(2) Incentives

- There are perverse incentives which mean some frauds are not worth investigating
- May propose a set of principles which incentivise local authority counter fraud work

(3) Powers

- There is a lack of powers to investigate non-benefit fraud
- May propose a general power for accredited local authority staff to be able to investigate fraud across all local government services with powers of entry, access, inspection and ability to demand information from third parties

(4) National Fraud Initiative (NFI)

- The abolition of the Audit Commission has led to uncertainty over the future of the NFI
- Local Authorities need an early decision on the future owner of the NFI and to be involved in the management and governance of the NFI

(5) Single Fraud Investigations Service (SFIS)

- The introduction of SFIS may mean that fraud teams in local authorities may be down-sized or completely abolished
- Local authorities have called upon the government to consider the scope for local delivery of SFIS

Final Questions



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What are the main fraud risks you face in your local authority?

Is fraud an acknowledged problem in your authority?

Is this the right time for a cross local government fraud strategy?

Do you agree with the themes and principles in the outline strategy?

Do you endorse the fraud strategy?