

## REPORT TO GARIOCH AREA COMMITTEE – 12 NOVEMBER 2019

### CONSULTATION ON DRAFT COUNTER FRAUD STRATEGY

#### 1 Reason for Report / Summary

- 1.1 The purpose of this report is to consult members of the Garioch Area Committee in respect of the Draft Counter Fraud Strategy aimed at preventing and mitigating the risk of fraud.

#### 2 Recommendations

**The Committee is recommended to consider and provide comments on the Draft Counter Fraud Strategy in Appendix 2.**

#### 3 Purpose and Decision-Making Route

- 3.1 Internal Audit Reports AW1802 on Supplier Payments and 1925 on the Prevention of Fraud Bribery and Corruption made a number of recommendations aimed at mitigating the risk of fraud, bribery and corruption adversely affecting the Council's finances. **Appendix 1** to this report lists the recommendations.
- 3.2 Recommendations 2.1.4 require the Service to ensure that policies covering fraud, whistleblowing and hospitality are up to date, correctly reference the relevant protocols, are approved at the appropriate level, and are easily accessible.
- 3.3 The Strategy requires to be approved by Business Services Committee as it has the remit for Finance. The comments from all the Area Committees will be reported to Audit Committee and then Business Services Committee.

#### 4 Discussion

- 4.1 The Council's current Anti-Fraud and Corruption Strategy had been in place since 1998 and since then the nature of the risks facing local authorities and the public sector more widely has changed.
- 4.2 The Council's Counter Fraud Strategy has been significantly refreshed as a result of the recommendations from Internal Audit and is underpinned by CIPFA's Code of Practice on managing the Risk of Fraud and Corruption and the Local Government Fraud Strategy – Fighting Fraud Locally 2016-2019.
- 4.3 Officers consulted with Audit Committee on 19 September 2019 and the Committee's comments have been incorporated in the draft Counter Fraud Strategy, which is set out in **Appendix 2** to this Report.
- 4.4 The Council's Corporate Integrity Group will be responsible for completing the Fighting Fraud and Corruption Checklist, monitoring the implementation of the

Fraud Risk Response Plan and compiling an Annual Report for consideration by Business Services Committee on the outcome of the Strategy.

- 4.5 In accordance with the requirements of the Policy Development and Review Framework in Part 4B of the Scheme of Governance, Officers are currently consulting with all the Area Committees and will report to Audit Committee on 12 December 2019, prior to it going to Business Services Committee on 9 January 2020 for final approval.
- 4.6 The Monitoring Officer has been consulted in the preparation of this report and had no comments to make and is satisfied that the report complies with the Scheme of Governance and relevant legislation.

## 5 Council Priorities, Implications and Risk

- 5.1 This report helps deliver the following Council Priorities
- Council Priority 9 – Deliver responsible, long-term financial planning
  - Council Priority 10 - Have the right people, in the right place, doing the right thing, at the right time
- 5.2 The Table below shows whether risks and implications apply if the recommendation(s) is(are) agreed.

Subject	Yes	No	N/A
Financial	x		
Staffing		x	
Equalities		x	
Fairer Scotland Duty		x	
Town Centre First		x	
Sustainability		x	
Children and Young People's Rights and Wellbeing		x	

- 5.3 An equality impact assessment is not required because the reason for the report is for the committee to take note and it does not have a differential impact on any of the protected characteristics.
- 5.4 The following Risks have been identified as relevant to this matter on a Corporate Level:
- **Financial Loss** – due to risk of fraud. This risk can be mitigated by the Draft Counter Fraud Strategy set out in this report.
  - **Reputational** – there is a risk to the Council's reputation for financial management if it were to become a victim of large-scale fraud.
  - Link to the Corporate Risk Register can be found [here](#).

## **6 Scheme of Governance**

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 6.2 The Committee is able to consider and make comments on this item in terms of Section B.1.2 of the List of Committee Powers in Part 2A of the Scheme of Governance and Section B.11.1 as the committee is being asked to scrutinise, consider and comment on the proposals to amend Council Policy.

### **Ritchie Johnson, Director of Business Services**

Report prepared by Alan Wood, Head of Finance  
Date 24 September 2019

### **List of Appendices**

Appendix 1 – Internal Audit Recommendations from Reports AW1802 and 1925  
Appendix 2 – Draft Counter Fraud Strategy

**APPENDIX 1**

**Internal Audit Report AW1802 Supplier Payments**

Recommendation	Overdue Recommendation
2.1.4	The Service should ensure that policies covering fraud, whistleblowing and hospitality are up to date, correctly reference the relevant protocols, are approved at the appropriate level, and are easily accessible.

**Internal Audit Report 1925      Prevention of Fraud, Bribery and Corruption**

Recommendation	Overdue Recommendation
2.1.4	The Service should ensure that policies covering fraud, whistleblowing and hospitality are up to date, correctly reference the relevant protocols, are approved at the appropriate level, and are easily accessible.
2.1.8	The Service should raise awareness of fraud risks across the Council, including developing and publishing further guidance to assist in fraud prevention and detection.
2.2.5a	The Service should develop mechanisms to record and notify appropriate officers of all instances where fraud is alleged, suspected, or identified.
2.2.6b	The Service should ensure there are clear channels for members of the public to report concerns regarding fraudulent activity.
2.3.3	Services should be encouraged to implement checks to confirm that changes to payment and banking details are being input correctly.



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## 1. Statement of Intent

As a public body responsible for funds raised from both local and national taxation, Aberdeenshire Council has an over-riding duty to ensure propriety and accountability in all matters. This is enshrined in the Council's priorities, one of which is to



Deliver responsible, long-term financial planning

The Council is determined to protect itself and the public from fraud and is committed to the rigorous maintenance of a strategy for the prevention and detection of fraud which

- ✓ Acknowledges and understands the risk of fraud
- ✓ Prevents and detects fraud
- ✓ Is rigorous in punishing fraud and recovering losses arising from fraud

## 2. Definition

Fraud is “any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss”.

The terms are used to describe acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

## 3. Strategic Aims

This Strategy aims to:

- ✓ Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Aberdeenshire residents and visitors.
- ✓ Create and promote a robust 'anti-fraud' culture across the organisation which highlights the Council's **zero tolerance** of fraud and corruption.
- ✓ Ensure effective Counter Fraud systems and procedures are in place which:
  - Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled;
  - Proactively deter, prevent and detect fraud and corruption;
  - Investigate suspected or detected fraud and corruption;
  - Enable the Council to apply appropriate sanctions, including criminal and/or civil proceedings, to punish fraudsters and recover losses, where appropriate; and

- Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council’s exposure to fraudulent activity.
- ✓ Create an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, the Council will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, disciplinary or legal action may be taken;
- ✓ Ensure the rights of people raising legitimate concerns are properly protected;
- ✓ Work with partners and other investigative bodies to strengthen and continuously improve the Council’s resiliency to fraud and corruption.

#### 4. The Strategic Response

The Council seeks to fulfil its responsibility to reduce fraud and protect its resources by a strategic approach consistent with that outlined in both CIPFA’s Code of Practice on Managing the Risk of Fraud and Corruption and in the [Local Government Fraud Strategy – Fighting Fraud Locally 2016-2019](#), and its three key themes of Acknowledge, Prevent Pursue.

<b>ACKNOWLEDGE</b>	<b>Committing Support</b>	The Council’s commitment to tackling fraud threats is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. Our suite of counter fraud strategies, policies and procedures is widely published and kept under regular review. Some targeted risk awareness briefing sessions have been undertaken at team meetings for service areas considered to be potential higher risk areas. Further work is planned to increase general staff awareness of fraud risks through corporate induction and e-learning.
	<b>Assessing Risk</b>	We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities. Elected Members and Senior Officers have an important role to play in scrutinising risk management procedures and risk registers. Also, Internal Audit carries out assurance work in areas of higher risk to assist management in preventing fraudulent activity.
	<b>Robust Response</b>	We will continue to strengthen measures to prevent fraud. Internal Audit will work collaboratively to ensure new and existing systems and policy initiatives are adequately fraud proofed.



<b>PREVENT</b>	<b>Better Use of Information Technology</b>	We will make effective use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud. We will play an active part in the biennial National Fraud Initiative (NFI) data matching exercise.
	<b>Fraud Controls and Processes</b>	We will educate managers with regard to their responsibilities for operating effective internal controls within their service areas. We will promote strong management and good governance that provides scrutiny and independent challenge to risks and management controls. Routine internal audit reviews will seek to highlight vulnerabilities in the control environment and make appropriate recommendations for improvement.
	<b>Anti-Fraud Culture</b>	We will promote and develop a strong counter fraud culture, raise awareness, provide a fraud e-learning tool for staff and provide information on all aspects of our counter fraud work.
<b>PURSUE</b>	<b>Fraud Recovery</b>	A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued, where it is appropriate to do so. See Appendix 4 for the loss recovery approach.
	<b>Punishing Fraudsters</b>	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action.
	<b>Enforcement</b>	We will investigate instances of suspected fraud detected through the planned proactive work; cases of suspected fraud referred from internal or external stakeholders or received via the whistleblowing procedure. We will work with internal/external partners/organisations, including law enforcement agencies.

## 5. Fraud Risk Response Plan

### 1. Acknowledge:

- The Council's Corporate Integrity Group (CIG) will complete the Fighting Fraud and Corruption Locally (FFCL) Checklist at Appendix 2 as part of a workshop session on Tuesday 1<sup>st</sup> October 2019.
- The Council's Risk Manager in conjunction with service representatives will carry out a fraud risk assessment and revise the Fraud Risk Response Plan

where appropriate based on the outcome of the FFCL Checklist exercise. The Fraud Risk Response Plan will be monitored by the CIG for approval.

- A Fraud Awareness Communication Plan will be developed in conjunction with the Council's Corporate Communications Team to promote a better understanding of the risk of fraud, how and where to report suspected fraud and the importance of the Council's control procedures in terms of preventing fraud.
- In conjunction with the Council's Learning and Development Team a Fraud Awareness Module will be created and made available on ALDO, which is a mandatory part of the induction process.
- It will be mandatory for employees working in areas considered at high risk of fraud to undertake the fraud awareness training.

## 2. Prevent

- Submit the Aberdeenshire Council Counter Fraud Strategy and Fraud Response Action Plan to the following:
  - i. Council's Strategic Leadership Team on 12<sup>th</sup> September 2019
  - ii. Consult with Audit Committee on 19th September 2019
  - iii. Area Committees during October and November 2019
  - iv. Audit Committee for sign off on 12<sup>th</sup> December 2019
  - v. Business Services Committee for approval on 9<sup>th</sup> January 2020
- Publicise the mechanisms by which Council employees or the public can report suspected fraud.
- Where fraud or error occurs review the effectiveness of control procedures.

## 3. Pursue

- Maximise the use of existing data matching opportunities such as the National Fraud Initiative and report on the outcome of these exercises to Audit Committee.
- Explore the opportunities for data matching Council records and the use of data analytics such as Power BI in the detection of fraud or error in Council systems.
- Ensure any concerns raised in regard to suspected fraud or corruption are dealt with in accordance with the [Disclosure of Information \(Whistleblowing\) Procedures](#).
- Explore the opportunity for entering into a shared service arrangement for the investigation of suspected fraud.
- Where an individual or organisation commits fraud against the Council, recovery of any financial loss resulting from the fraud will be rigorously pursued.

## 6. Performance

Audit Committee and the Area Committees will be consulted on the proposed Aberdeenshire Counter Fraud Strategy and after considering the feedback the Counter Fraud Strategy and Fraud Risk Response Plan will be submitted to Audit Committee for review and Business Services Committee for approval.

The Chair of the Corporate Integrity Group will submit an Annual Report to Audit Committee and a Bulletin Report to Business Services Committee on the outcome of the Strategy, including statistics on the reporting and investigation of suspected fraud, an up dated fraud risk assessment and case studies at either a local or national level.

The Annual Report will inform future iterations of the Fraud Risk Response Plan.

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## Appendix 1: Types and Risks of Fraud

### Benefit Fraud

The Department for Work and Pensions (DWP) provides estimates of fraud and error for benefits administered by DWP and Local Authorities. These estimates are published twice a year and are overseen and subject to rules governed by National Statistics protocols and publications.

The DWP have one of the most sophisticated methodologies in the public sector for measuring the level of fraud and error. Over 30 per cent of all benefit expenditure is measured on a continuous basis, including income support, job-seekers allowance, pension credit, incapacity benefit and housing benefit.

### Bid Rigging

Bid rigging occurs when bidders agree among themselves to eliminate competition in the procurement process - thereby denying a fair price. Simple ways, for example:

- “Cover pricing” - Submit a non-competitive bid that is too high to be accepted
- A competitor agrees not to bid or to withdraw a bid from consideration.
- Submit bids only in certain geographic areas or only to certain public organizations.

Although the schemes used by firms to rig bids vary, they all have one thing in common – the bidders agree to eliminate competition so that prices are higher.

### Blue Badge Scheme Misuse

The blue badge scheme is an important service for people with severe mobility problems that enables badge holders to park close to where they need to go. The scheme is administered by local authorities who deal with applications and issue badges. In total, there are around 2.5 million blue badges in the UK.

Misuse of the blue badge scheme affects local authority income from off-street and on-street parking. This type of fraud undermines the benefits of the scheme, impacts upon local traffic management and creates hostility amongst other badge holders and members of the public.

Misuse of a blue badge can occur from the use of a badge that is no longer valid, misuse of a valid badge by a non-badge holder or use of a lost, stolen, copied or forged badge. It is an offence for people other than the badge holder to take advantage of the parking concessions provided under the scheme.

### Charity Fraud

Charity fraud can be broadly defined as any fraud perpetrated within or against a charitable organisation. This covers both internal and external incidences of fraud including fraud perpetrated by fake or non-existent charities. Many of the internal fraud risks against charities are similar to those risks identified for any public or private sector organisation.

There are also a number of fraud types specific to the charity sector including the impersonation of street collectors, falsification of grant applications, skimming of collection boxes, theft of inventory / donated items and the abuse of charity status to avoid paying tax.

### **Cheque Fraud**

According to Financial Fraud Action UK, cheque fraud cost the UK banking industry £13.7 million in 2016 through counterfeit cheques, forged cheques and fraudulently altered cheques. This is down significantly from the high of £68.3 million in 2008 and reflects the decreasing use of cheques as a method of payment.

### **Council Tax Fraud**

In 2017/18 the total amount of council tax billed by Scottish local authorities was £2.332 billion. Council tax provides local authorities with around a quarter of funding for council services such as schools, libraries and social care. There are a number of discounts or exemptions that can be claimed to reduce the amount of council tax payable for each household.

The most frequently claimed discounts are single person discount, second home ownership and non-occupancy. The most common exemptions claimed are for student occupancy, repossessed properties and properties deemed unfit for habitation.

### **Grant Fraud (Public Sector)**

A grant is an award of financial assistance paid to eligible recipients for a specified purpose. There are different types of public sector grants paid out to individuals, businesses, charities and not for profit organisations. Grant-in-aid is also paid out by the public sector to non-departmental public bodies (NDPB), executive agencies and public corporations.

Fraud risks within grant spending 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. For example, funds paid to NDPBs for major capital projects are likely to be at much lower risk from fraud than grants paid to individuals or less well-established groups. Grants account for around 40 per cent of government spending; this includes social benefit expenditure.

### **Housing Tenancy Fraud**

Housing tenancy fraud is the use of social housing by someone who is not entitled to occupy that home. It includes people who submit false housing applications, unlawful sub-letting and tenancy succession fraud.

### **Identity Fraud**

Identity fraud occurs when an individual's personal information is used by someone else without their knowledge to obtain credit, goods or other services fraudulently. Measuring the financial impact from identity fraud is challenging, partly because there is no standard

definition of identity fraud but also due to the fact that identity fraud is an enabler rather than a specific fraud type.

### **Insurance Fraud**

The UK insurance industry is the largest in Europe and the third largest in the world. The insurance market is divided into two categories: general insurance (i.e. motor, property, accident and health) and long-term insurance (i.e. life and pensions).

Insurance fraud is where a claimant knowingly submits false, multiple or exaggerated insurance claims in order to receive insurance payouts to which they are not entitled. It may also involve the deliberate destruction of items or property in order to claim on insurance. Insurance fraud is often opportunistic in its nature. However, in recent years there has been a significant increase in organised insurance fraud, which is often more complex and targeted at specific types of insurance. In 2017 the industry uncovered £1.3 billion in fraudulent claims.

### **Mass Marketing Fraud**

The term “mass marketing fraud” is wide ranging and captures a number of different types of fraud.

Whether committed via the internet, through telemarketing, mail or at mass meetings, it has two elements in common. Firstly, the criminals who carry out mass marketing fraud aim to defraud multiple individuals to maximise their criminal revenues. Secondly, the schemes invariably depend on persuading victims to transfer monies to the criminals in advance, and on the basis that promised goods, services or benefits will follow. Needless to say, the promised goods, services or benefits never existed and will never be delivered.

Many fraudsters use generic, well-known fraud templates, simply recycling and updating schemes that have proven successful in the past. The most effective and lucrative scheme variations are often widely replicated, as criminals aim to capitalise on victims’ delayed recognition of fraudulent solicitations. Because of this, there are many different types of mass marketing fraud.

Examples of mass marketing fraud:

- “419” advanced fee fraud (so called after the Nigerian criminal code pertaining to fraud). Involves the enticement of victims with promises of immediate and enormous wealth. One of the most common 419 frauds relates to funds transfer schemes, where the fraudster claims to need the victim’s financial assistance to transfer or embezzle money from a foreign country or company, in exchange for a portion of the stolen funds. Romance fraud (also known as “dating fraud”). Targets users of internet dating and social networking sites by feigning romantic intentions towards a victim to secure their trust and affection. The fraudster uses the gained affection and trust to solicit money from the victim, either obtaining money directly from them (for example, asking to send money to pay for travel documents, airline tickets, medication and hospital bills etc).

- Recovery fraud. Targets former victims of mass marketing frauds. The victim is contacted by the fraudster who poses as a legitimate organisation, claiming that they can apprehend the offender and recover any monies lost by the victim, in exchange for a small fee. If the victim responds, the fraudster will ask for various fees, such as release and administration fees. The fraudsters may also ask the victim to provide details of their bank account so they can pay the money into it. They will then use this information to empty the account.
- Foreign lottery and sweepstake fraud. These are schemes which target individuals with false promises of money, case prizes or valuable items, provided that the victims first purchase certain products or make advance payments of fictitious fees and taxes.
- Premium rate telephone fraud. The victim receives a letter, mobile text message or automated telephone message informing them that they have won a major prize; urging them to telephone a premium rate number to find out what they can claim. Calls to the number are charged at a premium rate and victims are encouraged to stay on the line for several minutes. When the prize is claimed, it turns out to not exist or to be a cheap “give away” item. A recent variation of this fraud involves calling cards being left saying that a delivery or a parcel was attempted, asking the victim to call a number in order to re-arrange delivery of the parcel. In reality, the victim is calling a premium rate number in order to claim a parcel which turns out to not exist.
- High risk investment fraud. Victims are contacted and offered the opportunity to invest money into things like shares, real estate, fine wine, gemstones, coins, ventures, art or other items of “rare” high value with the promise that these items will significantly increase in value. What is offered either does not exist or is significantly over-priced, high risk and difficult to sell on.
- Career opportunity. This involves victims being offered the opportunity to enhance their career by signing up with an “agency” or “company” (for example, a publishing or modelling agency). The victim is duped into paying a fee or fees up front, after which very little, if any, assistance is given by the “agency” or “company”.
- Emergency assistance schemes. Where fraudsters (sometimes posing as a family member or close friend) contacts the victim with requests for urgent financial assistance for example by claiming that a family member was arrested overseas and requires bail money or that a friend has had an accident on holiday and needs funds for emergency medical expenses.
- Pyramid schemes (sometimes known as chain letter scams). Advertised through mailings, newspapers, the internet or via word of mouth. The victim is asked to pay to become a member of a scheme which promises large commission earnings if they recruit others to the scheme. If enough new members join, the pyramid grows, possibly enabling some members to make money. Inevitably, however, the money runs out and those at the bottom of the pyramid scheme lose their investment.

- Psychic and clairvoyant schemes. Victims are contacted by a so called “psychic” or “clairvoyant” with offers to make predictions of events that will change the victims’ lives, provided that the victims pay in advance.

### **Motor Finance Fraud**

Types of motor finance fraud include application fraud (where a customer gives incomplete or inaccurate information to a lender), conversion fraud (the fraudulent sale of a vehicle which does not belong to the seller or on which money is still owed) and first party fraud (where a customer makes their loan repayments using, for example, a false credit card).

### **National Savings and Investments Fraud**

National Savings and Investments (NS&I) is an Executive Agency of the Chancellor of the Exchequer. They are one of the largest savings organisations in the UK with almost 25 million customers and over £157 billion invested. NS&I attracts funds from individual UK savers for the purposes of funding the Government’s public sector borrowing requirement. Because NS&I are underwritten by HM Treasury, NS&I fraud loss is considered to be a loss to the public sector.

The majority of these fraud losses were the result of account takeover i.e. someone pretending to be the account owner in order to withdraw or transfer funds.

### **Online Banking Fraud**

According to Financial Fraud Action UK, in 2016, online banking fraud losses decreased from £134 million in 2015 to £102 million, a decrease of 24 per cent. This decrease is largely due to a range of factors including further investment in fraud detection and prevention by the banks and better intelligence sharing by the industry and with law enforcement.

### **Online Ticket Fraud**

Ticket fraud occurs when victims purchase tickets for a music, sport or theatre event which do not materialise. These tickets are purchased from fake ticketing websites and through online auction and shopping sites.

### **Organised Crime (Fraud)**

Fraud is a significant element of the overall organised crime threat, either perpetrated by organised crime groups (OCGs) as a primary activity, or as an enabler/funding device for other serious crimes.

### **Patient Charges Fraud**

NHS patient charges fraud occurs when patients falsely seek exemption from NHS charges or falsely claim entitlement to free services.

### **Payroll and Recruitment Fraud**

Payroll fraud can occur when unauthorised changes are made to payroll systems, such as the creation of false payroll records or unauthorised amendments such as changes to salary



payments or allowances. Recruitment fraud occurs when false information is provided in order to gain employment, for example by lying about employment history and qualifications or providing false identification documents such as false documentation demonstrating the right to work in the UK.

### **Pension Fraud**

Pension fraud can occur when relatives fail to notify the pension provider about the death of a relative / friend and continue to cash pension payments. It can also occur when pensioners fail to notify their pension provider that they have had a change in circumstances which would affect the value of their pension, for example returning to work once retired or moving abroad.

### **Plastic Card Fraud**

Fraud losses on UK issued cards totalled £618 million in 2016, a 9% increase from £568 million in 2015. This was the 5<sup>th</sup> consecutive year of increase. At the same time total spending on all debit and credit cards reached £904 billion in 2016 with 19.1 billion transactions made during the year. Cardholder not present fraud is the theft of genuine card details that are then used to make a purchase over the internet, by phone, or by mail order. Counterfeit card fraud is a fake card using compromised details from the magnetic stripe of a genuine card. Others are lost and stolen cards, card ID theft and mail non-receipt

### **Procurement Fraud**

Procurement fraud is any fraud relating to the purchasing of goods and services. It covers the entire procure-to-pay lifecycle, including fraud in the tender / bidder selection and contract award stages (for example, illicit cartel activity or bribery of an official to influence the tendering process); as well as fraud occurring during the life of the contract (for example, false, duplicate or double invoicing). Procurement fraud can occur with or without the collusion of an employee within an organisation (sometimes referred to as an “insider”).

### **Rental Fraud**

Rental fraud is a type of advanced fee fraud where would-be tenants are deceived into paying an upfront fee to rent a property which turns out to not exist or already be rented out. Reports made to Action Fraud have highlighted the prevalence of rental scams in the last 12 months.

### **Staged and Induced Motor Vehicle Accident Fraud (Organised)**

Staged motor vehicle accidents are an example of organised insurance fraud. They occur when two or more fraudsters deliberately crash their vehicles into each other with the intention of making fraudulent insurance claims for replacement vehicles and / or injury compensation.

Induced motor vehicle accident fraud is where the fraudster deliberately causes an accident by inducing an innocent motorist to crash into their vehicle.

### **Student Finance Fraud**

Financial support is available from the Government to support eligible students studying on an approved Higher Education course. The Student Loans Company (SLC) is responsible for administering government-funded loans and grants to students throughout the UK. If the student is studying on a qualifying NHS funded course, student funding is administered by the NHS Business Services Authority (NHS BSA).

Student finance related fraud can occur when applicants provide false or misleading information when applying for student funding, or deliberately fail to notify the relevant awarding authority of changes in their circumstances. For example, full household income may not be disclosed in order to gain more support, or a student may fail to notify the relevant awarding authority of their withdrawal from a course, which results in student finance continuing incorrectly.

### **Tax Credits Fraud**

False information, not notifying changes for Child Tax Credit and Working Tax Credit - introduced in 2003 to provide support to parents returning to work, reduce child poverty and increase financial support for all families. Tax Credits are a flexible system of financial support designed to deliver support when a family needs it, tailored to their specific circumstances. HM Revenue and Customs (HMRC) administers Tax Credits.

### **Tax Fraud**

“Evasion” arises where individual or corporate customers deliberately omit, conceal or misrepresent information in order to reduce their tax liabilities. Research has shown that a minority are willing to break the law to avoid paying their fair share of tax. This could be an individual concealing sources of income or a company suppressing its turnover.

Individuals in the hidden economy behave in a range of different ways, from employees who do not report other sources of income (known as “moonlighters”) to those who fail to declare any taxable activity or income (known as “ghosts”).

Criminal attacks on the tax system involve co-ordinated and systematic attacks by organised criminal gangs. Examples include Missing Trader Intra-Community (MTIC) fraud and the use of false identities to obtain tax repayments.

### **Telecommunications Fraud**

Telecommunications fraud involves the theft of services or deliberate abuse of voice and data networks. Some examples of types of telecommunications fraud are subscription fraud (the use of a false identity to acquire telecommunication services and or equipment), international revenue share fraud (the manipulation of international premium rate telecommunication services for financial gain) and box breaking (obtaining and selling on subsidised telecommunication equipment such as mobile phones).

### **Telephone Banking Fraud**

Customers being duped into disclosing security details through cold calling or fake emails, which criminals then use to commit fraud.

### **Television licence fee evasion**

There are around 27 million licences currently in force in the UK, with collected television licence fee revenues of £3.8 billion during 2017/18. The estimated TV licence fee evasion rate rose from 5% in 2010/11 to 7% in 2017/18.

### **Vehicle Excise Fraud**

The Department for Transport (DfT) produces annual estimates relating to vehicle excise duties, calculated by using extrapolations against the outcome of vehicle licence checks carried out throughout the UK. In 2017, the rate of unlicensed vehicles in traffic in the UK was estimated to be 1.8% compared to 1.4% in 2015 and 0.6% in 2013. About 1.9% of all vehicles in stock were unlicensed which is the equivalent of 755,000 vehicles. This could cost about £100 million in lost vehicle excise duty.

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## Appendix 2: Fighting Fraud and Corruption Locally (FFCL) Checklist

Checklist		Response Yes or No	Evidence
1	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 Leadership Team and elected members.		
2	The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks.		
3	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2016 and this checklist.		
4	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.		
5	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.		
6	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.		
7	Counter fraud staff are consulted to fraud proof new policies, strategies and initiatives across services and this is reported on to committee.		
8	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		

9	<p>The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p> <ul style="list-style-type: none"> <li>• Codes of conduct including behaviour for counter fraud, anti-bribery and corruption</li> <li>• Register of interests</li> <li>• Register of gifts and hospitality</li> </ul>		
10	<p>The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed.</p>		
11	<p>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.</p>		
12	<p>There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.</p>		
13	<p>Successful cases of proven fraud/corruption are routinely publicised to raise awareness.</p>		
14	<p>There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.</p>		
15	<p>Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.</p>		
16	<p>Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.</p>		
17	<p>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</p>		

	authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.		
18	Statistics are kept and reported by the fraud team which covers all areas of activity and outcomes.		
19	Fraud Officers have unfettered access to premises and documents for the purposes of counter fraud investigations.		
20	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the Council's communication team.		
21	All allegations of fraud and corruption are risk assessed.		
22	The fraud and corruption response plan, covers all areas of counter fraud work: <ul style="list-style-type: none"> <li>• Prevention</li> <li>• Detection</li> <li>• Investigation</li> <li>• Sanctions</li> <li>• Redress</li> </ul>		
23	The fraud response plan is linked to the audit plan and is communicated to senior management and elected members.		
24	Asset recovery and civil recovery is considered in all cases.		
25	There is a zero-tolerance approach to fraud and corruption which is always reported to committee.		
26	There is a programme of proactive counter fraud work which covers risks identified in the assessment.		
27	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.		
28	The local authority shares data across its own services and between other enforcement agencies.		

29	Prevention measures and projects are undertaken using data analytics where possible.		
30	The local authority actively takes part in the NFI and promptly takes action arising from it.		
31	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they must be trained in this area.		
32	The counter fraud team has adequate knowledge in all areas of the local authority and is trained in these areas.		
33	The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: <ul style="list-style-type: none"> <li>• Surveillance</li> <li>• Computer forensics</li> <li>• Asset recovery</li> <li>• Financial investigations</li> </ul>		
34	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to services to fraud proof systems.		