



Lambeth

A counter fraud strategy for Lambeth



FRAUD
Protecting Lambeth's money together

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Foreword

The London Borough of Lambeth is more committed than ever to improving the lives of its citizens. It currently spends more than £1.2 billion on vital services that impact directly on the quality of life of the 270,000 people who reside within its boundaries.

Some of this money is lost to fraud and corruption and that is completely unacceptable. Far from being a victimless crime, fraud deprives vital services of the resources that they need.

This document outlines a new professional approach to tackling fraud. Using highly skilled and professionally qualified counter fraud specialists, working with the vast, honest majority who find such behaviour unacceptable, and through accurate measurement, Lambeth will reduce fraud losses to an absolute minimum.

By applying Lambeth's core values of fairness, respect, excellence, service, and honesty (FRESH) we are emphasising the fair allocation of resources according to need, rather than the dishonest and irrational allocation of resources that occurs when fraud is present.

By mobilising the honest majority and developing a strong anti-fraud culture, we will seek to deter the dishonest minority. We will prevent fraud where it is not deterred and detect fraud promptly where it is not prevented. Suspicions of fraud will be investigated fairly and objectively within a clear ethical framework, and, where fraud is found to be present, the toughest possible combination of criminal, civil and disciplinary or regulatory sanctions will be applied in parallel and any losses will be recovered.

Lambeth is determined to drive fraud losses down to an absolute minimum and to free up resources to improve its services. Eternal vigilance about probity is the price we pay to maintain the quality of service on which we depend.

1. Introduction

- 1.1 The London Borough of Lambeth is more committed than ever to improving the lives of its citizens. It currently spends more than £1.2 billion on vital services that impact directly on the quality of life of the 270,000 people who reside within its boundaries.
- 1.2 Some of this money is lost to fraud and corruption and that is completely unacceptable. Far from being a victimless crime, fraud deprives vital services of the resources that they need.
- 1.3 This document outlines a new professional approach to tackling fraud. Using highly skilled and professionally qualified counter fraud specialists, working with the vast, honest majority who find such behaviour unacceptable, and through accurate measurement, Lambeth will reduce fraud losses to an absolute minimum.
- 1.4 By applying Lambeth's core values of fairness, respect, excellence, service, and honesty (FRESH) we are emphasising the fair allocation of resources according to need, rather than the dishonest and irrational allocation of resources that occurs when fraud is present.
- 1.5 By mobilising the honest majority and developing a strong anti-fraud culture, we will seek to deter the dishonest minority. We will prevent fraud where it is not deterred and detect fraud promptly where it is not prevented. Suspicions of fraud will be investigated fairly and objectively within a clear ethical framework, and, where fraud is found to be present, the toughest possible combination of criminal, civil and disciplinary or regulatory sanctions will be applied in parallel and any losses will be recovered.
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Identify the nature and scale of the fraud losses **PROBLEM**

Develop a clear **STRATEGY** and business process to tackle the identified problem

Create a specialist **STRUCTURE** to implement the strategy

To use the structure to undertake a comprehensive range of integrated **ACTION**

2. What is fraud?

2.1 Fraud is defined in the criminal and civil law and in various disciplinary and regulatory processes.

2.1.1 The Fraud Act 2006 came into effect on 15 January 2007. The Act creates a new general offence of fraud with three ways of committing it:

- Fraud by false representation;
- Fraud by failing to disclose information; and
- Fraud by abuse of position.

It also creates new offences of:

- Obtaining services dishonestly;
- Possessing, making and supplying articles for use in frauds; and
- Fraudulent trading applicable to non-corporate traders.¹

2.1.2 In civil law, fraud is described² as where someone knowingly or recklessly obtains resources to which they are not entitled and this is generally the concept applied where decisions are made about the application of disciplinary or regulatory sanctions.

2.2 Whether fraud is present or not in a particular case will be determined by a relevant hearing, or hearings, held after the completion of a professional, thorough, fair, and objective, and sometimes independent investigation. The investigation will discover what evidence exists to prove the truth or otherwise of the suspicion that has arisen.

¹ The Fraud Act 2006 can be downloaded from www.opsi.gov.uk/ACTS/acts2006/ukpga_20060035_en.pdf

² Derry v. Peek 1889

3. The starting point: Identifying the problem of fraud accurately

- 3.1 The starting point of professional work to counter fraud and corruption has to be the accurate identification of the nature and extent of the problem. It is self-evident that it is not possible to apply the right solution if one does not know what the problem is.
- 3.2 And yet, historically, it has been considered enough merely to do something, anything, to address the problem rather than being careful to apply exactly the right solution to be successful. In other words, generating activity has been felt to be sufficient, rather than delivering results.
- 3.3 Over the next three years Lambeth shall accurately measure its losses to fraud in high risk areas of expenditure and track the progress of efforts to reduce them. We will use well-established methodologies to do this. This action is recommended by the Government's Fraud Review Report³ and the Chartered Institute of Public Finance and Accountancy (CIPFA) document 'Managing the Risk of Fraud'⁴. The estimated losses to fraud will be accurate to + or – 1%⁵, a level of accuracy designed to allow real decisions to be made about the reallocation of resources where fraud losses are reduced.
- 3.4 This work will allow Lambeth to have a more detailed view of the problem of fraud losses than previously available. It will therefore be better placed to properly prioritise action to tackle these problems.
- 3.5 This information will be obtained using fraud risk assessment to collect qualitative information about the nature of the problem and robust methodologies to obtain accurate quantitative information about the scale of fraud losses.

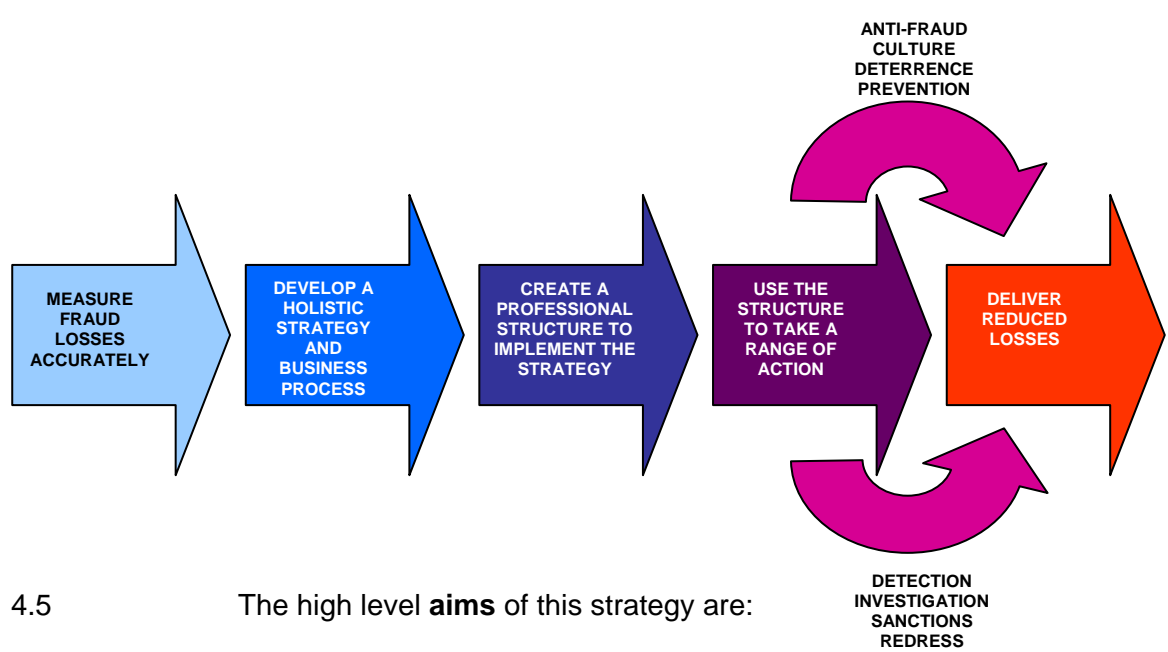
³ Fraud Review Final Report July 2006

⁴ CIPFA, 'Managing the Risk of Fraud' December 2006

⁵ And to the usual standard of statistical validity – 95% confidence

4. Tackling the identified problem: a comprehensive integrated and professional strategy

- 4.1 Many organisations have documents which they describe as strategies. All too often they are left to gather dust on shelves. This counter fraud strategy is a living document.
- 4.2 It is a guide to action, a framework for the evaluation of different solutions, a common language for all those working to counter fraud, a means to mobilise the honest majority and a clear statement of the unrelenting determination of Lambeth to tackle this problem.
- 4.3 The strategy will be widely communicated and publicised to create the widest possible coalition for progress, bringing together all those who need to work together to counter fraud with all those who will benefit from fraud being tackled effectively.
- 4.4 The strategy involves a complete end-to-end process:



- 4.5 The high level **aims** of this strategy are:
 - to minimise the level of fraud within the Lambeth Borough Council; and
 - to design in structures to keep fraud at a minimum level over time

- 4.6 To achieve these aims Lambeth will pursue the following **objectives**:
 - 4.6.1 Instil a real **anti-fraud culture** among Council staff, elected members, suppliers and contractors and the citizens of Lambeth;
 - Deter** would-be fraudsters using a range of publicity;

Prevent fraud through the revision of policies and systems;

Detect fraud using a range of reporting systems, ranging from robust whistleblowing policies, through to analytical intelligence models;

Ensure the prompt and professional **investigation** of detected fraud;

Apply appropriate and wide-ranging **sanctions** in all proven cases; and

Always seek **redress** where money is shown to have been lost to fraud.

4.7 Lambeth's **approach** to countering fraud and corruption will be:

4.7.1 Professional - working together with fully trained and skilled people to deliver value;

4.7.2 Comprehensive - those with responsibility for policy and operations will be involved in this strategy to ensure standards are robust and that no area of area of expenditure will be ignored; and

4.7.3 Integrated - proposals for countering fraud within Lambeth will be formulated and implemented using the full range of action as described in section 6 of this strategy.

4.8 The **standards** which Lambeth will applying will be as high as those which are applicable in respect of any other professional service. We will apply the highest quality professional skills within a clear ethical and legal framework. Lambeth will seek to learn from and apply leading practice, not just from professional, regulatory and government bodies in the UK, but internationally seeking to be the first to evaluate new initiatives.

4.9 Lambeth's **vision** is of a London borough where:

effective systems are in place so that new types of fraudulent activity are quickly identified, stopped and prevented from reoccurring;

staff accept responsibility for countering fraud as part of their role;

there are professional and well-trained counter fraud staff available to meet the challenges that fraud brings to a London borough; and

the population of Lambeth is in support of the counter fraud work the Council undertakes.

5. A flexible, specialist structure to implement the strategy

- 5.1 Lambeth is revising its counter fraud structure to make sure it is fully fit for purpose and capable of implementing this professional strategy and delivering financial benefits to invest in better public services.
- 5.2 The remit of all counter fraud specialists within Lambeth will be to reduce losses to fraud and keep them at an absolute minimum.
- 5.3 The full authority of the Council is behind this strategy. The Council is determined to maintain a consistent effort to reduce losses within Lambeth.
- 5.4 The Council will ensure that resources dedicated to counter fraud work will bring optimum returns on the investment made whilst being sufficient to make the most rapid possible reduction in fraud losses.
- 5.5 Those engaged in this difficult area of work will have the proper professional training and accreditation. Additionally, these Counter Fraud Specialists will operate within a clear ethical and legal framework thereby ensuring they are able to meet the highest standards.
- 5.6 By following the principle of inclusiveness the Council will seek to work with key stakeholders to achieve the aims of this strategy.

6. A comprehensive range of integrated action to tackle all areas of fraud

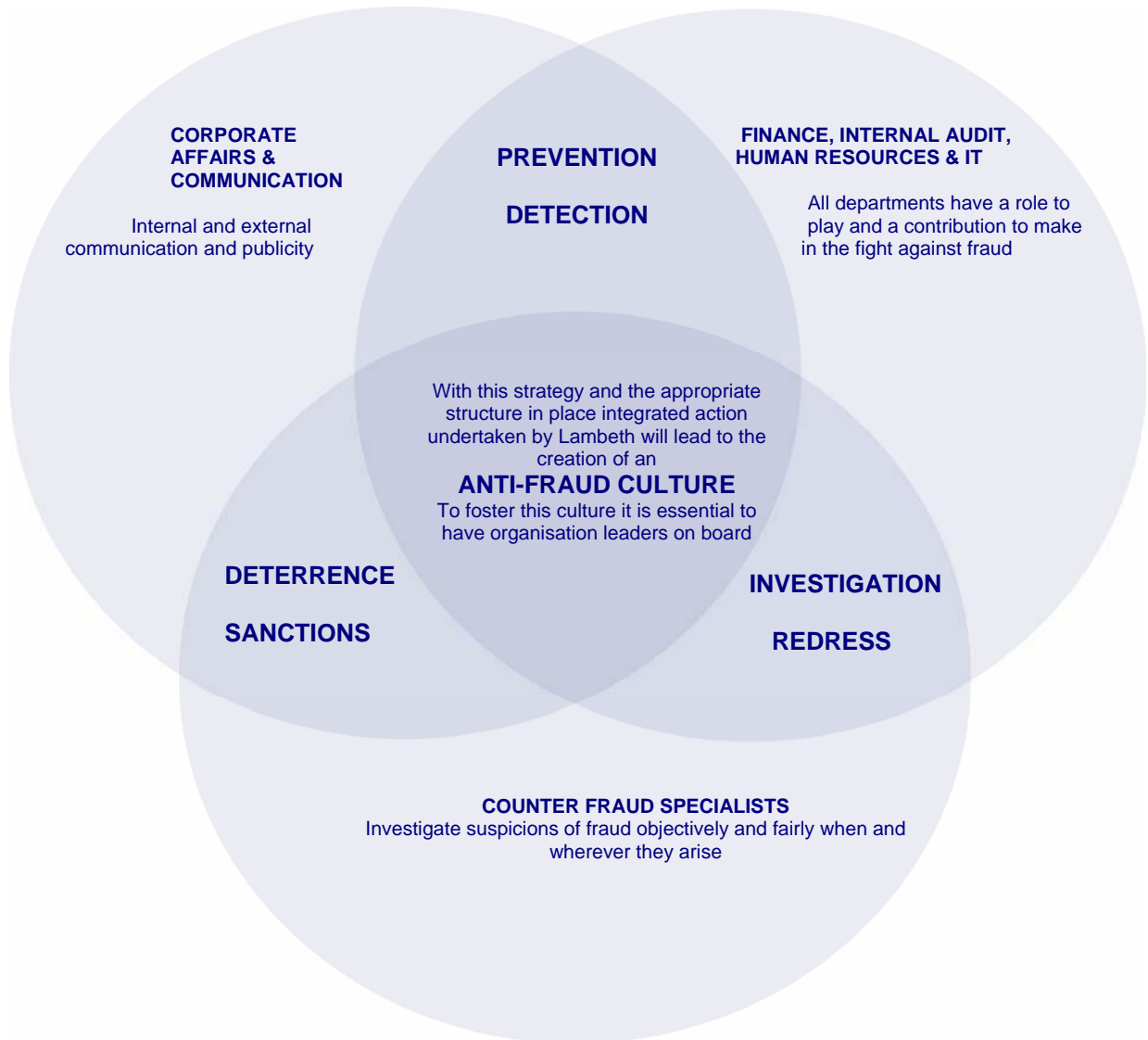
- 6.1 Work to counter fraud has often been undertaken in a solely reactive manner. It is important to undertake each type of action as described below and integrate the work. Where necessary it should be applied proactively.
- 6.2 **Culture**
The creation of an anti-fraud culture is vital if we are to stop the fraud that deprives people of the resources and services they rely on. This means that we need to mobilise the honest majority in defence of the services they depend on and create an environment in which countering fraud is the responsibility of all those living and working within Lambeth.
- 6.3 **Deterrence**
To counter fraud effectively we must ensure the messages that those considering perpetrating fraud see and hear are clear about the processes that are in place to stop and punish fraud within Lambeth.
- 6.4 **Prevention**
Where a fraudster cannot be deterred it is essential that there are measures in place to prevent fraud from succeeding before there is any loss to Lambeth's resources. Preventative measures are applied to the Council's systems to make them less vulnerable to fraud.
- 6.5 **Detection**
Prompt and easy accessibility to services means that it will never be possible to use preventative systems to design out all fraud; the determined fraudster will always find new ways to take resources to which they are not entitled. Lambeth will use human and computerised detection processes to ensure that fraud is uncovered as quickly as possible.
- 6.6 **Investigation**
All investigations will be undertaken by professionally trained counter fraud specialists in an objective and timely manner. Lambeth's counter fraud specialists will use their knowledge and skills to ensure that evidence is collected in accordance with the law in order to maintain its integrity.
- 6.7 **Sanctions**
Lambeth will seek to apply appropriate criminal, civil and disciplinary sanctions to all cases where fraud is proven. No part of the actions set out here are stand alone; they are all inextricably linked. Where a sanction is applied, and it is considered in the interests of Lambeth to do so, the Council will publicise the outcome to act as a deterrent to others.

- 6.8 **Redress**
The recovery of money and resources defrauded from Lambeth is an integral part of this strategy. The message to the fraudster will be clear; fraud does not pay. Whenever resources are lost to fraud Lambeth will actively seek to recover losses.
- 6.9 The seven areas of counter fraud work, as set out above, must be applied professionally if they are to succeed as a part of a holistic strategy. To achieve their aims a fraudster has to circumvent the entire range of action as set out above.
- 6.10 The key to success is to integrate all of the parts of the process making Lambeth the toughest environment for a fraudster to exist within. An integrated strategy produces optimum cost-effectiveness and the best possible return on investment.

Comprehensive range of integrated action

As an **anti-fraud culture** develops so will positive attitudes within Lambeth. This in turn results in corresponding negative attitudes to attempted and actual cases of fraud. Mobilisation of the honest majority against the dishonest minority equates to more referrals to the Lambeth hotline and more whistleblowers.

Effective **prevention** and **detection** systems will feed into one another; technological solutions will detect attempted and committed fraud. This serves to focus where preventative processes need to be channelled. All new Council policies will be fraud proofed and all new staff will be subject to rigorous pre-employment screening.



A **deterrent** effect can be achieved through internal and external communications. The Council can ensure that the anti-fraud message is clear through publicity on the prevention, detection and investigation processes in place and the civil, criminal and disciplinary **sanctions** applied to those found to have committed fraud.

Professional **investigations** collect and maintain evidence which is needed to trace and recover lost funds. They work within a strict legal framework. Effective legal action ensures that all means are used to apply sanctions where a fraudster does not cooperate, thereby resulting in effective **redress** for Lambeth.

7. Delivery

7.1 Freeing up resources for better public services

- 7.1.1 The aim of counter fraud work in Lambeth is very simple. To reduce losses to fraud and corruption and to free up resources for better public services. The vast majority of people reading this document would probably agree that fraud is wrong, however, this work is not being undertaken simply because of that. There are very practical reasons for counter fraud work. Many millions of pounds can be made available to improve Lambeth and the lives of its residents, which may currently be lost to fraud.
- 7.1.2 The full financial benefit to Lambeth will result from fraud recoveries and prevented fraud losses via the following calculations:
- the accurate measurement of fraud losses in high risk areas of expenditure, followed up with action to minimise losses and then re-measured to quantify progress;
 - monies recovered following successful investigations and the application of appropriate sanctions.
- 7.1.3 As stated, a comprehensive, integrated and professionally applied strategy can produce a substantial return on investment as has been seen in other public sector organisations, e.g. the NHS.

7.2 Enhancing Lambeth's reputation

- 7.2.1 Lambeth always seeks to meet the highest standards of conduct in public life. Public confidence requires transparency, honesty and integrity. Countering fraud and corruption plays an important part in ensuring Lambeth's reputation is not put at risk.
- 7.2.2 Value for Money and cost effectiveness lies at the heart of good government and is what the citizens of Lambeth expect in terms of the use of their money.
- 7.2.3 The proper context for counter fraud work is the delivery of a positive solution to a pernicious problem, implemented by skilled professionals for the benefit of the citizens of Lambeth.
- 7.2.4 The aim of this work is to achieve financial benefits which represent a clear multiple of the time and money invested in this work. Evidence of this is seen in the NHS where multiple returns on investment have been achieved.

8. Conclusion

- 8.1 This Strategy document puts Lambeth at the cutting edge of new developments to counter fraud and reflects the determination of the Council to provide the best possible services, not weakened by losses to fraud and corruption.
- 8.2 Lambeth's public services are relied on by its citizens to help sustain a good quality of life; they need proper protection against fraud and corruption and the Council is determined to mobilise and work with the vast honest majority to this end.
- 8.3 Every pound lost to fraud is a pound that cannot be spent on ensuring Lambeth's residents get the best services they deserve
- 8.4 The only way to successfully reduce fraud is through a strategic approach, ensuring that all involved in both the provision and use of the services are engaged in countering fraud and corruption.
- 8.5 Defining the problem, creating a strategy and putting in place an effective structure, will allow Lambeth to take action and reduce losses to fraud to an absolute minimum.
- 8.6 This Strategy document puts Lambeth at the cutting edge of new developments to counter fraud and reflects the determination of the Council to provide the best possible services, not weakened or threatened by losses to fraud and corruption.

Appendix i – real examples of fraud

Lambeth's citizens can commit fraud and corruption in a number of ways including:

- Failing to declare that they have returned to work and continue to claim housing benefit;
- Attempting to use the Right to Buy a Council home fraudulently;
- Abusing the disabled parking concessions thereby fraudulently obtaining a service to which they are not entitled;
- Failing to notify the Council that a pension beneficiary has died and take the money to which they are not entitled;
- Sub-letting Council property without consent.

Lambeth Council's staff and managers can commit fraud and corruption in a number of ways including:

- Obtaining cash from tenants in respect of arrears and fail to account for it;
- Giving a glowing reference for an officer who had been dismissed for fraud;
- Manipulating purchase orders in order to obtain equipment which they then retain.

Contractors and suppliers to Lambeth can commit fraud and corruption in a number of ways including:

- Submitting invoices and are paid for work that had not been undertaken; and
- Paying bribes to Council Members and/or employees to obtain a contract to undertake work or supply goods.

Civil society organisations can commit fraud and corruption in a number of ways including:

- Submitting grant applications for funds with misleading information; and
- Their officers misusing the funds that they have been granted to obtain a personal benefit.

Appendix ii – further reading

Attorney-Generals Office (2006), *Fraud Review Final Report*, London: Crown

Chartered Institute of Public Finance and Accounting (2006), *Managing the Risk of Fraud*, London: CIPFA

Department of Health (1998), *Countering Fraud in the NHS*, London: Crown

Levi et al on behalf of the Association of Chief of Police Officers (2007), *The Nature, Extent and Economic Impact of Fraud in the UK*, London: ACPO

National Audit Office and HM Treasury (2004), *Good Practice in Tackling External Fraud*, London: NAO

European Healthcare Fraud and Corruption Network (2004), *Countering Healthcare Fraud and Corruption in Europe: A Declaration*, London: EHFCN

Appendix iii – what to do if you suspect fraud

If you have any substantive information to indicate that fraud or corruption may be taking place please contact the relevant team:

Housing Benefit/Council Tax/Tenancy	020 7926 1111
Internal fraud investigations & Fraud prevention	020 7926 9481/9892
Pre-employment screening	020 7926 9591
Parking Services	020 7926 8771
Insurance Claims	020 7926 9260
Whistleblowing Hotline	07984 405 201

Calls to any of the numbers above will be treated in confidence.

If you would prefer to write to us please send any information to the address below:

Internal Audit and Corporate Anti-Fraud Team
Finance and Resources Department
London Borough of Lambeth
Olive Morris House
18 Brixton Hill
London
SW2 1RL