Report on the Governance International Study Visit on Anti-Corruption and Anti-Fraud Strategies

Objectives of the Study Visit

Governance International was requested to design, organise and facilitate a five day study visit to London for the Inspection Board of the Turkish Ministry of Interior.

The objectives of the study visit were to enable the study visit participants:

- to understand how inspection and audit mechanisms are used centrally and locally to fight corruption and fraud;

- to learn how local government can prevent and reduce corruption and fraud;

- to get new ideas how central government and third sector organisations can promote human rights related to child protection;

- to network with senior government officials in the UK; and

- to reflect on the good practices from the UK and their implications for current audit practices of the Ministry of Interior and other government bodies in Turkey.

This report provides a summary of the introductory session by *Governance International* and the visits made during the week.

An outline of the UK Government System

The structure of central government

The United Kingdom is a parliamentary democracy with a constitutional monarch. The current head of state is Queen Elizabeth II who will celebrate the 60th anniversary of her ascendency to the throne as Queen of the United Kingdom of Great Britain and Northern Ireland on 27 April 2012.

The Prime Minister is the actual head of government. Conservative leader David Cameron has become the UK's new prime minister after the elections in 2010. The leader of the Liberal Democratic Party Nick Clegg is his deputy in the first coalition government in 70 years in the UK.

The Prime Minister selects Ministers who belong to a Cabinet that is the supreme decision making committee. Government Ministers are supported by 560,000 civil servants and other staff working in 24 Ministerial Departments.

The Houses of Parliament are made up of:

- An unelected upper chamber , the 'House of Lords';

- An elected lower chamber, where elected Members of Parliament sit – the 'House of Commons'.

Across the country, local government is organised as a mixture of one-tier and two-tier systems. Altogether, there are currently 353 local authorities. This means that there are much fewer local authorities in the UK than in Turkey. These fall into the following categories:

Overview of the local government structure in England

Two-tier areas, including

- **27 county councils** in two-tier areas, providing the major services (education, social services, waste disposal) to 84 per cent of the country by area and 47 per cent by population - mainly in rural areas.

- **201 district councils** in two-tier areas, each county council area is subdivided into districts, for which there is an independent district council responsible for local services such as refuse collection and planning control.

Single-tier areas, including

125 unitary authorities (metropolitan and London borough councils), in general providing all local government services to their areas. These cover approximately 16 per cent of the country by area, and 53 per cent by population – mainly in the cities, urban conurbations and larger towns.

Town and parish councils

In some parts of England there are also town and parish councils, covering a smaller area. They are responsible for services like allotments, public toilets, parks and ponds, war memorials, and local halls and community centres. They are sometimes described as the third tier of local government can be compared to the 'mahalles' in Turkish local government.

Local government spending is about a quarter of all public spending in the UK with

- about 60% of council expenditure coming from central government
- about 20% coming from local taxation – 'council tax'
- about 20% from local fees and charges – 'business rates'.

Local governments can be structured in three different ways:

- An indirectly elected leader and a cabinet - local councillors elect a council leader who then appoints a cabinet. Each cabinet member is usually responsible for a particular sector.

- A directly elected mayor and cabinet - the public vote for a mayor who then appoints their cabinet. So far, only a small number of local governments in the UK have adopted this structure. However, in 2012 local referenda will be held in a number of big cities to ask local voters whether they prefer to change from the current system with an indirectly elected leader to a directly elected mayor.

- A streamlined committee system can be found in rural district councils with populations below 85,000. Under this system the matters are dealt within in full council (e.g. all councillors are involved) or by committee, sub-committee or a council officer. There are no executive members.

Once fully in force the Localism Bill will allow any local government (not just rural districts with populations below 85,000) to adopt a committee system structure.

The local government election system

Councillors, the members of local councils, are elected for four-year terms using the first past the post system which means, the candidate who gets the most votes. While some councils are required to or choose to hold 'whole-council' elections which means elections are held every four years others elect a proportion of members in each year and elect their councillors in a rotational system.

The frequency of elections is closely related to the number of councillors being elected per electoral division at any particular election. Most wards in all types of local authority, apart from the English counties, are multi-member, but, in those authorities that elect by thirds, only one seat in each of the three-member wards is contested at any particular election. It can be argued that single-member wards are smaller, provide the strongest link between councillors and their constituents, and may encourage higher turnouts. On the other hand, they limit voters' choice of candidates, may leave them feeling inadequately represented if 'their' candidate is defeated, and they may discourage party selection committees from picking women and ethnic minority candidates.

The reality in the UK is that councillors will often have wards with populations of up to 15,000. The directness and extensiveness of the councillor-constituent relationship in such circumstances are inevitably limited, and the fact is that very small numbers of residents know even the name(s) of

their councillor(s). However, by European standards, the UK's local government structure is exceptionally large-scale. Great Britain's population of approximately 60 million elects 22,300 councillors (no substitutes) to just over 400 principal local authorities – which means each councillor represents an average of nearly 3,000 citizens. It is difficult to draw a direct comparison with Turkey, but, taking only the 38,000 elected members of municipal councils and provincial assemblies – that is, excluding all substitutes, muhtars, and councils of elders – the equivalent figure would seem to be around 2,000. The equivalent figure for most major Western European countries is significantly lower: France – 125, Germany – 400, Italy – 600, Spain – 700 (Wilson and Game, 2011, p. 275).

Standards and ethics in UK local government

The Nolan Committee, initially chaired by the judge Lord Nolan, was established by the Conservative government in 1994, following a series of allegations about parliamentarians (such as 'cash for questions', sexual liaisons and alleged dishonesty) and concerns at the cumulative effect of these events on public confidence in politicians and the system of government.

The Committee was established on a standing basis and given a wide remit to examine – "… current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life" (Source: Hansard, 25 October 1994, col. 758). The Nolan principles of public life established by the Committee include the following:

Selflessness   Holders of public office should take decisions solely in terms of the public interest.

They should not do so in order to gain financial or other material benefits for

themselves, their family, or their friends.

Integrity   Holders of public office should not place themselves under any financial or other

obligation to outside individuals or organisations that might influence them in the

performance of their official duties.

Objectivity   In carrying out public business, including making public appointments, awarding

contracts, or recommending individuals for rewards and benefits, holders of public

office should make choices on merit.

Accountability Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness Holders of public office should be as open as possible about all decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership Holders of public office should promote and support these principles by leadership and example.

Source: Committee on Standards in Public Life (1995), p. 14.

The above seven principles are not only enforced in the UK public sector but have strongly influenced codes of conduct in other countries. Some see the standards agenda as a new bureaucracy or pure political window-dressing but behind the agenda are concerns to prevent corruption and improper behaviour.

New developments and challenges to the public sector in the UK

Among European Union countries, the United Kingdom remains a strongly centralised state, even though every new government administration commits itself to decentralisation. Indeed, some progress has been made over time with the Labour Government's devolution of powers in 1998 to the Scottish Parliament, National Assembly for Wales, and Northern Ireland Assembly.

The new Conservative-Liberal Democrat Coalition Government that came into power in May 2010 has published a Localism Bill, which proposes a form of 'double devolution': Westminster should give powers to local government and councils should similarly devolve powers down to local people and community groups. At present, the UK is characterised by a lively debate on the 'Big Society' which is

the Government's vision of "a society where individuals and communities have more power and responsibility, and use it to create better neighbourhoods and local services" (http://www.communities.gov.uk/communities/bigsociety/).

Andy Sawford, Chief Executive of the Local Government Information Unit identifies three powerful forces which will fundamentally change how public services are provided in the UK:

- The first is the drive towards 'localism' to devolve power and decision-making from central government to local government and communities.
- The second is the fiscal context and the unprecedented scale and pace of public sector funding reductions.
- The third are the wider and longer term changes in our society, such as demographic, technological and scientific change, coupled with people's changing expectations.

Day One: Visit to the Audit Commission

The role and functions of the Audit Commission

The Audit Commission is an organisation set up in 1983 under the Conservative government of Margaret Thatcher. The mission of the Audit Commission is to appoint auditors to audit local governments, health bodies, local police bodies and other local public services in England, and oversee their work. This means that the Audit Commission has been mainly responsible for the audit of local government, whereas the National Audit Office has been focussing on auditing central government.

What has made the Audit Commission different from most Audit Courts in other European countries is that it has not only acted as a 'control body' which checks whether money is spent efficiently and effectively. As Ian Hickman, Director of Policy, pointed out to the Turkish delegates, it has also acted as an advisory body to local government and other public organisations at the local level by providing authoritative, unbiased, evidence-based analysis and advice. Indeed it has published many reports on good practice which have been very influential in local government.

For the Turkish context it is important to understand that the Audit Commission is completely independent from any political interference of the government. It has been established by an Act of Parliament which also defines the way it is run and its functions. A Code of Audit Practice specifies in great detail how auditors are expected to behave. Over time, the Audit Commission has taken on more responsibilities – as a result, it changed its name into 'Audit Commission for Local Authorities and the National Health Service in England and Wales' in 1990. However, in August 2010 the new Conservative government announced plans to put in place new arrangements for auditing England's local public bodies. Eventually the Audit Commission will be disbanded and its audit functions largely

contracted out to private auditing companies while other responsibilities may be taken over by the National Audit Office.

Performance assessments and local government audits

Sally Hammond, Head of Local Government and Fire, briefed the study visit participants on the evolution of performance assessments and local government audits.

In 2002 the Audit Commission developed the Comprehensive Performance Assessment (CPA) as a new approach to judge local government performance in England. This was created because central government wanted to identify and tackle directly poor performance by local authorities, while at the same time offering some greater 'freedoms and flexibilities' to highly performing local authorities. The assessment brought together information on financial and service performance with a judgement on the ability of the local government as a whole to improve. Overall performance and the ability to improve was rated on a scale of 'excellent', 'good', 'fair', 'weak' or 'poor'. The assessment also provided a score of the so-called direction of travel, ranging from 'improving strongly', 'improving well', 'improving adequately', 'not improving adequately', or 'not improving'. Sally Hammond highlighted how the CPA helped local governments focus their improvement priorities. The central government used the CPA to provide local governments with greater freedom or control them more closely where necessary. As local authority performance improved the Audit Commission developed a harder test.

In 2008, the Audit Commission created the Comprehensive Area Assessment (CAA) as a new assessment framework for local services to replace the CPA. Sally Hammond showed how the CAA was an evolution of the CPA, designed to focus more on what really matters to local people. The CAA involved an assessment of the performance of all sectors and partners and was based on the local area as a whole, in comparison to the CPA, which had an exclusively local government focus. One could say that the CPA focussed on the (past) performance of the 'town hall' whereas the CAA focussed on the (future potential) of the village or town. The CAA was a more sophisticated form of performance audit, that was forward and outward looking, preventative and based on outcomes and identifying innovation rather than assessing organisational performance based on internal strengths and weaknesses.

The CAA assessments sought to build up a picture of what matters locally, what is being achieved, and what the future prospects look like. The CAA looked for:

- High levels of engagement with and understanding citizens;
- Shared vision;
- Strong partnership across public, private, and third sectors;
- Self-awareness and effective performance management;
- Innovation and well-managed risk taking;
- Sustainable improvements in citizen satisfaction, priority outcomes and value for money.

The CAA used 'Red Flags' to indicate significant concerns about outcomes, performance or future prospects not being adequately addressed, and whether more or different action is required for

sustainable improvement. 'Green Flags' were used to indicate innovative or exceptional successes from which others could learn.

Sally Hammond informed the group that there were over 2,014 inspections undertaken by the Audit Commission using these assessment tools between 2000 and 2011. Sally Hammond highlighted the impact of these assessments with weak performance becoming rare, with no councils receiving a 'poor' rating and only 4 'weak' rating in 2008. This was compared to 34 councils being rated as weak or poor in 2002. An independent study by Cardiff University on the CPA in 2006 reported that 88% of local authority officers said the CPA had a significant and positive impact on service improvement. 86% said it had an impact on community leadership and 76% said it had an impact on public confidence. Unfortunately the CAA only ran for one year which was insufficient time for it to create a major impact.

While many local government managers thought that these performance assessment gave them useful feed-back and helped them to improve local services, others voices thought that this was too much control. In particular, there has been criticism of 'management driving by centrally imposed targets' which prevented local government from paying attention to the needs and preferences of local people.

The performance assessments of the Audit Commission have been regarded as good practice in many other European Countries which lacked the transparency on local government performance. The new debate on open government in EU Countries will trigger new demand for more transparency on local government services, their costs and who benefits most from local service provision.

At present, the audit reports provided to local government are quite brief documents, consisting of an annual audit letter which provide feed-back on 'economy', 'efficiency' 'effectiveness' of local government expenditure (the so-called three 'E's')and financial resilience of local government. In addition to the feed-back by the Audit Commission local government can benchmark how efficiently it delivers specific local services through two web-based tools:

- 'Value for Money' profile tool
- Financial ratios analysis tool

Strategies against fraud and anti-corruption

While anti-corruption legislation in the UK goes back more than 100 years the 'Fraud Act' is only five years old. Furthermore, there is now a new Act of Parliament against Bribery.

As Alan Bryce who is in charge of Counter Fraud explained to the participants, the Audit Commission has been publishing an annual report on fraud in local government since 2009. The 'Protecting the Public Purse' reports provide information on the extent of fraud in local government and identify

fraud risks. The reports also describe the action taken by some local governments to tackle fraud and provide links to tools to help local government to combat fraud.

The latest report from 2011 reveals that:

- housing benefit fraud could cost the public purse £900 million each year (estimate);
- local governments detected more than £22 million of false claims for specific council tax discounts;
- housing and council tax benefits fraud losses accounted for more than half of the total fraud losses detected by local governments; and
- local governments detected 145 cases of procurement fraud amounting to £14.6 million.

While there is fraud on social benefits (e.g. social housing) the report shows that a much higher loss to the public purse is caused by fraud not-related to benefits. Indeed, non-benefit related fraud has increased from 10 % of overall fraud in 2009 to 40% in 2011. While it is difficult to estimate the total amount of fraud, current estimates suggest that the loss due to fraud in local government amounts to about 1% of local budgets.

It was interesting to note that most fraud cases are detected through public officers or citizens. As Alan Bryce stressed, the Public Interest Disclosure Act, protects staff reporting about fraud (so-called whistle-blowers). At the same time, there is evidence that the employment of trained anti-fraud specialists in local government has made a difference in detecting fraud. With modern ICT technology, data-mining is becoming increasingly effective to detect fraud. Alan Bryce showed to the participants two practical examples how the comparison of data can reveal inconsistencies and point to fraud cases.

The participants learnt that the two key causes of fraud are:

- failures to observe controls in place,
- the absence of proper controls in local government.

The report shows that the development of an anti-fraud culture in local government is key to preventing fraud. This requires the definition of a number of clear standards so that staff know what behaviours are expected at work. Most importantly, staff need to be made familiar with the standards in place through training and induction of new staff. The Audit Commission has developed an online self-assessment tool in order to help local government to monitor progress with anti-fraud prevention.

Day Two: Visit to the Child Line of NSPCC

The special status of NSPCC

The NSPCC is a famous national charity in the UK with the mission to prevent child abuse and protect children from abuse. It currently employs 2500 people and has a budget of £175 million Pounds. As NSPCC pointed out 90 % of its current budget comes from fund-raising. While this makes the NSPCC independent from government funding, the need to raise external funds is becoming more challenging in difficult economic times.

However, NSPCC is not a charity like numerous other charities with similar objectives in the UK. In England, Wales and Northern Ireland the NSPCC is unique amongst charities as it has statutory powers to intervene on behalf of children. In these nations, only local authorities and the NSPCC can apply to a court for a care, supervision, or child assessment order. We refer to this as having 'Authorised Person Status' (APS) because in law we are described as an 'Authorised Person' to bring such proceedings.

The work of NSPCC is defined by seven priority areas which include:

- neglected children
- sexually abused children
- physically abused children in high risk families
- children under one
- looked after children
- children with disabilities
- minority ethnic children.

This means that the NSPCC works directly with children but also with other people and organisations such as sex offenders and Social Services Units in local government. Apart from providing support and training the NSPCC is also strongly engaged in campaigning to influence changes to legislation, policy and practice related to child protection.

ChildLine as a key service of the NSPCC

ChildLine is the UK's free, confidential helpline dedicated to children and young people which has been in place for 25 years. At ChildLine bases around the UK, trained volunteers are on hand to provide advice and support 24 hours a day.

Children can get in touch with ChildLine by phone and online. Peter Liver told the participants that in total ChildLine processes 1.4 million phone contacts with children per year and 1.2 million contacts online. This means that 3000-4000 children call the ChildLine every day! All this work is done by 1500 volunteers who work in shifts. Due to the development of a quality assurance scheme 95 % of all contacts are answered by phone or email.

The participants were given the opportunity to see the volunteers at work. It was impressive to see how people with various backgrounds and age groups were devoting their time to help children in need after having undergone intensive training. While NSPCC is focussed on the UK, Liz Dempsey has already done some support work in Turkey helping to set up a similar service in Ankara. The

participants were very interested in building on this work in Turkey and strengthening child protection in Turkey.

Day Two: Visit to the Centre of Public Scrutiny

The Centre for Public Scrutiny is a small charity whose principal focus is on scrutiny, accountability and good governance, both in the public sector and amongst those people and organisations who deliver publicly-funded services. Jessica Crowe, the Executive Director of the Centre for Public Scrutiny, told the participants that the organisation was set up in 2000 as a result of a legislative change which replaced the former committee systems in local government by a Cabinet structure and scrutiny committees.

It provides training and support to local councillors and staff working in local government and the health service to help them hold local government to account by asking 'good questions', chairing meetings effectively and gathering the right evidence. For example, the Centre has published a pocket book for members of scrutiny committees called "The Good Scrutiny Guide" which provides practical advice to local councillors.

The work of the charity is mainly funded by:

- The Local Government Association, and;
- The Department of Health.

Jessica Crowe stressed that if there are to be fewer central inspectors and regulators and more devolution and decentralisation, we will still need a way to provide public assurance over service quality and the spending of public money. According to the vision of the Centre for Public Scrutiny, there needs to be different forms of accountability and not just the traditional top-down hierarchical line of accountability in the public sector.

Day Three: Visit to the London Borough of Westminster

The study group visited the London Borough of Westminster to learn more about how performance management works in local government. The London Borough of Westminster has a strong reputation for its performance management in the UK. For example it scored 4 out of 4 for performance in its last Comprehensive Area Assessment, and between 2002 and 2004 had its performance consistently rated as excellent by the Audit Commission's Comprehensive Performance Assessment.

Nick Byrom who hosted the study group outlined why it was important for local councils to use performance management frameworks. Local authorities in the United Kingdom are sizable organisations dealing with large budgets, and provide services that have a major impact upon residents, businesses and visitors to the area. For example, Westminster council has an operating budget of nearly £1 billion and is responsible for the delivery of over 120 services to residents, business, and over a million people who pass through the borough each day. The size of local organisations and their responsibilities necessitate the use of performance management to ensure accountability and high quality decision making. Until recently it was mandatory for all councils in England and Wales to have their performance assessed by the Audit Commission under the Comprehensive Area Assessment framework, and before that, via the Comprehensive Performance Assessment (both explained above). However, council performance is currently undertaken voluntarily as performance assessment frameworks are being reviewed by the current government. Nick Byrom said that the London Borough of Westminster and many other local governments across the UK continue to use performance management systems on a voluntary basis. He highlighted that this was because public managers have recognised that performance management is a very useful tool to improve the quality or efficiency of public services.

Nick Byrom said that the London Borough of Westminster, like any other large organisation, has to develop good business plans, ensuring services are correctly resourced, prioritised and have clear goals. It is also crucial that all levels within an organisation know what they are trying to achieve. Performance management is used by public sector organisations to control and plan their operations to ensure that they meet defined objectives and targets.

Nick Byrom emphasised that clear communication between councillors and staff at different levels throughout the local government means that all individuals understand their specific work priorities and how these contribute to the council working effectively. Furthermore, the performance management framework outlines which council employees are responsible for delivering particular targets and ensure these individuals are sufficiently resourced and supported to achieve these targets.

Day Four: Visit to the London Borough of Haringey

The London Borough of Haringey has won numerous awards for its excellent procurement system. As the participants had learnt at the Audit Commission this continues to be a local government activity which is high risk in terms of fraud and corruption.

The head of procurement of the London Borough of Haringey made the participants familiar with the anti-fraud measures and procedures put in place in vendor management, payments of contracts and tenders.

In particular, provisions have been set up to avoid conflicts of interest. For example, the separation of duties ensures that people who process payments are not involved in selecting contracts. Money is only released after a three-way system match. Specialist software is now being use to check possible duplicate payments. As far as tenders are concerned sealed bids are opened and signed by two officers. Late bids after deadline are not accepted and no exceptions are made. All bids are handled by multiple evaluators and all contracts require two signatures.

Haringey has also developed a policy to facilitate SME participation in tenders, while still ensuring that all tenders comply with the EU legislation, UK regulations and internal procurement safeguards. In particular, Haringey encourages SMEs to bid in groups, ensures quick payment of contracts to help with cash flow and organise Open Days to inform suppliers.

Day Five: Visit to the London Borough of Barnet

The objective of this visit to another London borough was to allow participants to learn how internal audit works in local government in practice. The London Borough of Barnet enjoys a national reputation for several successful anti-fraud initiatives which is the reason *Governance International* chose Barnet for the study visit.

Good practice risk management in local government

Maryellen Salter introduced the risk management framework of the London Borough of Barnet to the participants. As she pointed out several things can go wrong in local government:

- Timescales may not be met;
- The budget may be overspent;
- The objectives of projects may not be achieved;
- Staff may lack capabilities and support;
- Managers may be dependent on other things which they cannot control.

The participants learnt that each unit is asked to identify and evaluate risks related to the activities of the respective unit. The risks are assessed on the basis of two dimensions:

- The chance of an event taking place (this may reach from 'rare' to 'almost certain');
- The impact of the event on the local government (starting from 'negligible' to 'catastrophic'.

In a second step, each unit has to develop an action plan for high risk areas and report the implementation of the action plan to the top managers and local council on a regular basis. The governance structure of Barnet shows that the chief executive has the main responsibility for risk management. As Ms Salter stressed 'risk management is a leadership task'.

The role of internal audit and the new transparency agenda

Clair Green continued to outline the role of internal audit to identify inadequate controls and risk management within local government and to coordinate other quality assurance activities. The London Borough of Barnet has developed an audit plan to ensure that processes and services receive the right level of audit rather than subjecting all activities of the local government to the same level of audit.

Ms Green also explained the changes resulting from the new transparency agenda in the UK which means that at least in theory, a resident can inspect local government information and audit the council as an 'armchair auditor'. Like other local governments in the UK, Barnet has to comply with new legal requirements on publishing data, including for example,

- all expenditure over £500,
- contracts and tenders,
- member allowances,
- grants to the voluntary sector.

However, the London Borough of Barnet intends to go beyond legal requirements by publishing information on gifts and hospitability received by senior officers in order to increase trust of local people.

The role of the Corporate Anti-Fraud Team

The participants also learnt that Barnet has set up a small but highly effective Anti-Fraud Team to investigate cases of internal fraud or corruption which works closely with the Internal Audit and Risk Management Teams. Staff of the Anti-Fraud Team benefit from unrestricted access to all information and have the right to interview all local government staff in order to carry out an investigation. As Ms Green stressed, investigations are not initiated by the Home Office but the responsibility for detecting anti-fraud lies with Heads of Service. The most common fraud and corruption cases involve false representation and abuse of position. The London Borough of Barnet carries out awareness-raising training with staff on a regular basis which is considered to be a very effective prevention strategy. Most importantly, all staff need to sign a 'declaration of interest' when they take up work in local government and need to declare their interests which would conflict with the interest of local government. Stricter rules apply for higher graded staff, in particular, staff and local councillors involved in planning decisions are closely monitored whether they comply with the *Code of Conduct on Conflicts of Interests*.

Day Five: Visit to the Local Government Association

The objective of this brief visit to the Local Government Association was to allow participants to learn about the experiences with standards of conduct in local government. Drago Djekovic, a Senior Advisor of the European and International Unit of the LGA, first made the participants familiar with the structure of local government in England and Wales which is quite complex.

As the Turkish delegates learnt during their visit to the Local Government Association, the government agency Standards for England ceased to operate from 31 January 2012. Established as a result of the Local Government Act 2000, the agency was responsible for promoting high ethical standards in local democracy. In particular, it oversaw the Code of Conduct, which covers elected and co-opted members of local councils, and other public agencies. When the Code of Conduct came into force, in the beginning every week at least one local councillor had to be suspended which showed the need for training. Furthermore, local government had to provide an annual report on breaches of the Code of Conduct and the sanctions involved.

The new government considered this system to be too expensive and complicated. However, the overwhelming majority of local councils have opted to keep their Standards Committees. At present, there is a lot of debate on two new sets of Standards with a simpler but more vague version and a more demanding set of standards.

Day Five: Visit to the National Fraud Authority (NFA)

The study visit concluded with a visit to the NFA in the Home Office. As Grant Sidey, a Senior Manager of the NFA pointed out to the participants, the key challenge for combating fraud was that activities in the UK have been fragmented with lots of different agencies being involved in different anti-fraud initiatives. A national review conducted in 2007/2008 resulted in the launch of the National Fraud Authority which has the mandate to coordinate anti-fraud activities in England and the public, private and voluntary sectors. The NFA has a budget of £4million and a budget of £4million for Action Fraud and has a team of 50 specialists with different skills. As Mr Sidey told the participants he used to be a Scotland Yard Officer before joining NFA.

The strategic objectives of NFA can be summarised as follows:

- **AWARENESS:** We will prevent more fraud by achieving a step change in awareness of fraud among the general public and organisations in the private, public and voluntary sectors and in their ability to protect and safeguard themselves.
- **PREVENTION:** We will prevent more fraud through stronger systems and controls in our businesses and public and voluntary services.
- **ENFORCEMENT:** We will strengthen our response to be tougher on fraudsters by disrupting and punishing them more efficiently and effectively.

Given that fraud is a hidden crime and underreported, detected fraud is a small proportion of fraud that lies hidden. As Mr Sidey stressed, the amount of fraud identified and reported is very small in comparison to estimated overall levels of fraud. The objective of the NFA, through the Anti-Fraud Initiative work with other organisations, is to raise awareness and to illuminate the bigger hidden picture.

One of the key issues in combating fraud is to improve the sharing of information between organisations. For example, the NFA worked with the insurance industry and Department of Work and Pensions to verify National Insurance numbers to minimise insurance fraud. The NFA is now also working with local authorities to set up a system which allows to check the validity of household addresses.

The presentation showed that anti-fraud activities can only be successful if done in partnership across sectors and organisations.

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