



Communities and Local Government Committee

Oral evidence: [Local Government Procurement](#), HC
712

Monday 2 December 2013

Ordered by the House of Commons to be published on 2 December 2013.

Written evidence from witnesses:

- [Audit Commission](#)

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Members present: Mr Clive Betts (Chair); Bob Blackman; Simon Danczuk; Mrs Mary Glendon; David Heyes; James Morris; Mark Pawsey; John Pugh; Heather Wheeler; Chris Williamson

Questions 386–420

Witnesses: **Mark Wardman**, Senior Manager, Research, and **Alan Bryce**, Head of Counter-Fraud, Audit Commission; and **Keith Davis**, Director of Cabinet Office and Cross-Government Studies, National Audit Office, gave evidence.

Q386 Chair: Good afternoon. You are all welcome to this sixth evidence session on local government procurement. For our records, could you say who you are and the organisations you represent?

Mark Wardman: My name is Mark Wardman. I am a Senior Manager in the information and analysis group at the Audit Commission.

Alan Bryce: I am Alan Bryce, Head of Counter-Fraud for the Audit Commission.

Keith Davis: I am Keith Davis, Director of Cabinet Office and Cross-Government Studies at the National Audit Office.

Q387 Chair: Thank you very much for coming to give evidence. In taking evidence, we have talked to quite a few local authorities. I suppose the feeling always is that the ones who come to give evidence and speak to you are those who are doing things best, and that is why they want to tell you about it. How do we get a real feel about whether local authorities in general are using best practice in the area of procurement?

Mark Wardman: There is a slight problem for the Audit Commission now in answering a question like that, because we no longer have the route into understanding auditor

assessments and judgments that perhaps we did in the past. I have come along today in part because I have done some work recently with the Local Government Association, which looked at contract management in councils, and from that I have picked up some evidence of their procurement practice, too.

Q388 Chair: But don't they talk to the people who are doing things best as well? They also talk to the authorities who are doing things best.

Mark Wardman: The Local Government Association?

Chair: Yes.

Mark Wardman: In the case of that particular piece of work, we were talking to councils that we felt had shown good practice in that area, that is true, but the councils were keen to explain how they had gone on a journey, overcome some of the barriers to poor procurement and contract management and improved.

Q389 Chair: If the Audit Commission has not got the ability now, has the National Audit Office taken over so it can give us all the information?

Keith Davis: I fear that my answer may slightly frustrate the Committee's question on this one as well. I am here as one of the authors of the recent National Audit Office work on central Government contracting. There are a lot of lessons and principles we can draw out from our experience of looking at that which are equally relevant to local government.

On your specific question, one of the keys perhaps is transparency. It was certainly a big theme of the work we did on central Government that we need a much better understanding of who is spending what, what revenue a contractor is getting, what level of profit a contractor is getting and what level of performance is being delivered on individual contracts. That might be one of the keys to getting a better understanding of what is happening in the local government landscape.

Q390 Chair: But as soon as we got anywhere near those sorts of issues the contractors say it is a matter of commercial confidentiality and they cannot release the information because their competitors will have an immediate advantage in seeing what they are doing. Can you have commercial confidentiality but somehow get a release of useful information in these matters?

Keith Davis: You can. That was not our recent experience. One of the reports we published a couple of weeks ago was based on the portfolio of work that Serco, Capita, G4S and Atos do across the public sector. We engaged with them and asked them for information on revenue broken down by different public sector clients. We asked them for information on their profit, and whether they have open book accounting. We even cheekily asked whether they paid UK tax. In all cases, we got pretty comprehensive answers.

Q391 Chair: Answers to you.

Keith Davis: Yes, and we were able to put the answers and data they gave us into our published report. It is all in here. Contractors might often be willing to go a lot further with this than we sometimes think.

Mark Wardman: It is clear that councils have been on a journey on procurement over the last 10 to 15 years. There has been a huge effort to improve guidance for councils on procurement, and a growth in shared services and contracting out. It would be surprising if councils were not improving in this area in that context, but they vary enormously. They have been procuring goods and services for a very long time—as long as they have been in existence—and the fact they have such a wide variety of contracts within each council means there will be variable practice across the piece. My sense is that it is probably improving, but some will be much better at it than others.

Q392 Chair: As a general comment, all local authorities are under enormous pressure to be as efficient as possible and try to make savings on their procurement. On the other hand, the issue of social value is probably coming to the fore in a way it was not 10 years ago. How do local authorities deal with the potential conflict between getting prices down but also adding social value to contracts at the same time?

Mark Wardman: You are alluding to a tension in council procurement, and that existed before the financial crisis and the recent austerity programme to reduce their income. Councils have always had to balance aggregating their demand to get the lowest possible price through economies of scale and fostering a healthy local economy through their procurement.

From the latest research with the Local Government Association on contract management, I am picking up the fact that, of the various social value areas in which councils are interested, they are particularly interested in economic regeneration—perhaps prioritising that over environmental regeneration. For example, through their procurement and contract management they are looking for suppliers who provide apprenticeships for local people, and using local firms in their supply chain, perhaps bringing other things from contractors where they have had difficulty. I think Birmingham persuaded the directors of some companies to act as school governors, for example. They are tying in some of the social value they want in their area to economic regeneration in particular in their contracts.

Q393 James Morris: Both the Audit Commission and the National Audit Office have pointed to the value of collaboration between local authorities. How effective do you think local government is being in collaborating on procurement?

Keith Davis: We did some joint work with the Audit Commission back in 2010 where we made general comments about the scope to go further with collaboration. For our part, we have not looked at local authorities in any way since. It is not part of our remit.

The one thing we have looked at quite recently is police procurement, and certainly we argued there that there were pretty significant missed opportunities around collaboration. Police forces were taking a too localised approach. About half of them still had their own dedicated procurement teams; there were lots of barriers to collaboration around police forces wanting their own particular specification for a uniform or boot and that was getting in the way. If you could move to a place where there is a standard specification for uniforms, to use that example, they would be much more effective in being able to get the benefits of aggregating demand.

Mark Wardman: I absolutely agree. That report did set out how standard specifications, economies of scale and fewer tenders would lead to reduced admin costs. Those things showed that aggregating your demand in a market works.

There is an example in the contract management report which draws on the experience of London councils, led by the London Borough of Camden. It shows how sharing information can make a really big difference. They asked councils how much they were spending on IT procurement, broadly from the same supplier, and found, to everyone's surprise, how much variation there was. Using that information and given that transparency, they were able to negotiate with the supplier, approaching a saving of £2.5 million in one year. Given the success of that initiative, the LGA now wants to roll that out nationwide, or certainly in England.

Q394 James Morris: One of the tensions that has come out in evidence in our inquiry is about whether the Government should mandate in some way a centralised way of local government procuring services, or whether local autonomy should still be an important factor. What is your view, Mr Wardman?

Mark Wardman: Representing the Audit Commission, I think mandation is an issue for the Government rather than us.

Q395 James Morris: Do you think it would enhance the savings which you are pointing to, in terms of collaboration, if there was to be a mandate that said, "We're going to move towards a more centralised procurement process", on the basis of the savings your reports have identified?

Mark Wardman: I preface my response by saying that councils need to be very clear why they do not collaborate. They need to be sure they are getting better value than would be the case, certainly for things like IT, stationery, vehicles, possibly travel and subsistence and consultants, but they could argue that it depends on the scope of mandation and the consequences of failing to comply. There might be very local and specific issues related to contracted-out care for some very vulnerable individuals, for example looked-after children. We need to be careful.

Given the range of services councils provide, mandation might be seen by them as a rather crude weapon, if that is the right expression, to make sure they get the best possible price. They will argue, with some justification, that they need to protect their local requirements and understand their local objectives, but that is not to say everyone should go off and do their own thing. Centralised procurement carries powerful weight.

Q396 James Morris: Mr Davis, what do you think about that idea?

Keith Davis: It would not be our place to say yes or no to mandation in local government.

Q397 James Morris: In principle, in terms of trying to achieve the objective of collaboration, do you think it needs to be more than just a good idea for local authorities, police authorities or whoever to collaborate, and there needs to be some other mechanism put in place to make sure that happens?

Keith Davis: It is certainly the case that in central Government there have been some benefits from mandation. The idea of the Cabinet Office mandating the main central

Government Departments to buy through particular routes has led to savings. If you are weighing up whether or not to mandate, as Mark hinted at, there is a complicated set of factors to take into account when you go into local government, not least local accountability and what it means.

There is also the behavioural side of it. As human beings, if we are forced to do something that may not always get the best response from us; if we are persuaded to do something because we see some data that show us it is better value for money to go down this rather than that route, we will probably buy in more to collaboration as a principle, so quite a subtle judgment is to be made.

Q398 James Morris: Mr Bryce, presumably this does not cover your area.

Alan Bryce: It does not cover my area of expertise.

Q399 Chair: While mandation to collaborate may not always be right and there will be real problems around it, trying to ensure best practice is passed on to other authorities must, surely, always be right. How are you going to do that? The Audit Commission is no longer there to do it. I am not quite sure what the National Audit Office will be doing in this area, so who is going to do it?

Keith Davis: I can answer a little bit about what the National Audit Office is going to be doing. We are picking up some aspects of the Audit Commission role, as you know, one of which is around the code of audit practice, but perhaps more relevantly here are some aspects of the national studies that the Audit Commission does. We will be doing a small number of those each year. They will not be about making judgments on individual local authorities; they will be about looking across the whole picture and explicitly drawing out good practice as a vehicle for disseminating it. We will be able to make a contribution. Clearly, we are not the only actors in this space; there are a number of other parties, which Mark can probably talk about better than I can, who are well placed to do some of this.

Mark Wardman: The Local Government Association comes to mind as an organisation that will collect good practice, but I suppose your question points to the fact that one of the previous roles for the Audit Commission's national studies was to collate information centrally about what auditors and earlier performance specialists had found. It could use that not only to map the terrain—what we felt was the variability of performance—but also highlight good practice. It was a means of spreading good practice. With us going, we would like to see some means of collating the assessments that auditors make in an easily understandable and digestible way.

Q400 Chair: That is not a role for the National Audit Office, is it?

Keith Davis: We do not have current plans to do exactly that, as far as I understand. I am not close to our group that is taking in parts of the Audit Commission work. I work in a team that leads on work around the Cabinet Office and central Government agenda, but I am not aware of anything there.

Q401 Chair: If I were to ask you whether the National Audit Office was going to have a proper ongoing dialogue with the LGA about how to work together on this area, what would you say?

Keith Davis: I am certain that is the case. We already have a significant dialogue with the Local Government Association and lots of other parties around local government, and I am certain that will include this as a topic.

Q402 Mrs Glendon: Mr Wardman, earlier you said that councillors had been on a journey over the last 10 years on procurement, but both your organisations have been really damning about the lack of skills in central Government and local government to manage complex procurement. What measures should the Government and the local government sector as well be taking to address this deficit in skills?

Mark Wardman: What measures should local government be taking?

Q403 Mrs Glendon: At both national Government and local government level.

Mark Wardman: Local government can draw on a range of sources to help them improve their procurement skills, but, going back to my earlier point, there will be variable practice. For example, some small district councils might find it hard to recruit the specialist procurement expertise they would need. Broadly, I suppose you can define this. I know you will hear from others about what that skill would involve, but, from our point of view, based on our past work, it is certainly a commercial outlook. Understanding procurement means understanding costs, prices, supplier business models, and the creation of an effective business case that looks at costs and benefits of different options. It is about understanding markets.

Based on my own experience—I cannot give you quantitative data—I know that not all councils have exactly the same levels of skills in those areas. It would be interesting to see whether local government could draw on people with expertise as and when they needed it. The ways they can do that are: they can employ people with a commercial or procurement background; they can use consultants from time to time, although, from the work we did recently, they have different views about the value of consultants, certainly in contract management; they can bring people in to train their staff, but it may well be they just need to bring in some other organisation that might provide specialist help when it is needed. I am not saying I know what that is.

Q404 Mrs Glendon: How could national Government move this along? We are talking about a time of cuts in local council budgets, and making use of consultants and extra training would be very onerous. While it is about how to get the best procurement, the culture is changing because of what has been forced on to councils. Is there anything the Government can do to provide guidance or help?

Mark Wardman: If you take the view, as I would, that the principles of good procurement and contract management apply probably not just across all parts of the public sector but more widely, initiatives like the Commissioning Academy, run by the Cabinet Office, mean that a body of expertise is developing on which councils might be able to draw. Anecdotally, I know that some councils have spoken to the Cabinet Office about that. I am not party to those discussions; I do not know what has taken place, but it seems to me there is a line of communication opening up that could be quite useful.

Q405 Mrs Glendon: Do you know how much the lack of skills is costing the taxpayer locally or nationally?

Mark Wardman: I do not think I would be willing to put a figure on it. Lack of skills means you are much more likely to encounter the risks that good procurement seeks to manage, essentially buying the wrong things, or buying the right things at the wrong price, or buying them at the right price but for the wrong level of quality. It might be too high a quality, depending on your needs. All those sorts of risks could be mitigated by having access to expertise.

Keith Davis: That is right. It is very difficult to get an overall sense of how much lack of skills might cost. There are some case examples from things that have gone wrong in contracts. I agree with Mark that the key area where there is a significant skill shortfall is contract management. The problems that the Ministry of Justice has had with its electronic monitoring contracts are well publicised. We know that the cost has run into tens of millions of pounds. The Ministry of Justice has not yet settled with the two contractors, but there will certainly be a very significant cost to the taxpayer. It may well be that the contractors pay back some or all of that money, but it shows the potential scale or cost of not necessarily having the right contract management skills.

Chair: You were talking about your discussions with Atos, G4S and Serco. You were probably trying to find out how not to do things in terms of contracts, but we will move on.

Q406 Mark Pawsey: I want to ask about how effective local authorities are at managing contracts, in particular how effective they are at managing risk. One of the risks to local authorities in the running of contracts is fraud. Mr Bryce, I am not sure we have heard from you yet. Could you tell us your view on how effective local authorities are at managing risk, and the risk of fraud occurring in contracts in which they are involved?

Alan Bryce: Speaking from the evidence base that the commission collects, Mark made the point that our evidence base has changed. We do collect data on all fraud committed against local government and publish this in our annual report *Protecting the Public Purse*. We published the 2013 version only a couple of weeks ago. I suggest it has some very interesting messages in relation to how we interpret the fraud detection activities, compared with the total amount of fraud and the risks out there.

For example, in 2013 all of local government—local government as a whole submits the data—203 cases of procurement fraud to a value of £1.9 million were detected. To put that into context, nationally all the fraud detected and committed against local government amounted to 107,000 cases, so we are talking about 0.2%. That is probably not unexpected in terms of the cases, because generally procurement frauds tend to be higher value cases but of lower volume compared with the traditional cases of fraud that local government face.

Some interesting trend data are starting to emerge. If I take you back to 2011, there were 145 cases of detected procurement fraud, so that is a 40% increase in only a couple of years. That would tend to indicate a greater focus on this issue, which many organisations such as the Commission have been encouraging, but, given the potential scale of loss due to procurement fraud, it would indicate there is still some distance to go. A number of reasons sit behind that.

The most common explanation we have seen from local government investigators tends to fall around the specific problems of trying to identify and investigate procurement fraud

itself. It is generally far more complex in more traditional areas such as housing benefit fraud. Many of the traditional techniques, for example data matching and data analytics, do not apply, and that puts a lot of emphasis particularly on whistleblowing initially to identify and investigate those frauds, and that starts to create issues around capability. Fifteen or 20 years ago most large internal audit teams in local government would have a contract audit specialist, for example. Very few have that now, so do they necessarily have the capability to tackle this type of fraud and investigate it properly?

There is also an issue of capacity in relation to tackling procurement fraud, particularly going forward. Right now, many of the smaller local government bodies rely on the investigative capacity they already have in dealing with housing benefit fraud investigations. It is an in-house team, but not entirely; some have corporate fraud teams and some have contract audit specialists. Going forward, even though there are relatively few cases of detected fraud in relation to procurement that we are seeing, compared with the totality, the capacity of local government to investigate this type of fraud is likely to fall away considerably with the advent of the single fraud investigation service next year.

Q407 Mark Pawsey: Were the figures you cited cases identified by the local authorities themselves or by auditors?

Alan Bryce: It would be a mix of all fraud detected. The other thing that might be of interest to the Committee—the data bring this out quite clearly—is that, if we rewind a couple of years, the average value of the detected fraud case committed against local government was just over £100,000 per case. If we go forward two years, it is just under £10,000.

Q408 Mark Pawsey: What do we deduce from that?

Alan Bryce: I would suspect that a significant proportion of this is due to the fact we are now starting to see the impact, from a couple of years ago, of one particular type of procurement fraud arising from changes to bank mandate details, which the Committee might well be aware of, and the way in which the transparency agenda and tackling corruption have helped facilitate fraudsters to use publicly-available information to commit fraud. I suggest that local government is responding very well by putting in place the prevention arrangements to stop those types of fraud happening now.

Q409 Mark Pawsey: You are saying there are more cases but on average each case is significantly smaller in size, and therefore the total amount of fraud committed against local authority procurement is less than it was previously?

Alan Bryce: Not committed but detected.

Q410 Mark Pawsey: Are local bodies good at detecting fraud? I suppose that the judgment call I am asking you to make is how much people are getting away with.

Alan Bryce: At the start, I alluded to the fact that detecting this type of fraud is very difficult. Short of whistleblowing, it is very hard to find these types of fraud, despite the fact that there has been a lot of guidance about good practice to assist authorities. There is no academically robust and statistically significant estimate of the scale of procurement fraud against local government. An estimate has been made by the National Fraud Authority. It estimates that £876 million is the likely scale of risk of annual fraud loss in

local government procurement. Therefore, by comparison £1.9 million of detection in total would appear very small, but a couple of points are to be made here.

One is that it suggests that even more can be done by local government. When I talked about the amount detected in one year, that could be running back several years. Therefore, the £1.9 million of detected fraud in local government in the last year is not just the total amount committed in that year. However, when the National Fraud Authority talks about the total annual loss, that is just for one year, so it suggests that in terms of value an awful lot more can be done.

I would put down a marker in respect of that estimate. That estimate is based on an analysis of procurement fraud in the MOD, not local government. Without being an expert in procurement in the MOD, I do not know how directly comparable that is with the fraud prevention arrangements that local government have, so it might be more of an indicator at the top level, but certainly it is difficult to say how true a reflection that is.

Q411 Mark Pawsey: In terms of management of risk, what steps could local authorities take to improve their performance?

Alan Bryce: Fraud can happen anywhere within the process of procurement. Maybe I should explain that every single case of fraud committed against local government valued at over £10,000 crosses my desk. Most of the fraud cases being detected tend to be at the contract implementation stage. There are important issues more generally about the controls in place to prevent and detect fraud, for example traditional issues around segregation of duties.

We have seen an upsurge in the number of cases where the absence of supervisory controls and segregation of duties has enabled these frauds to occur. A review of the controls fundamental to preventing and detecting fraud is required. Not all local authorities, as part of their review of controls more generally, are necessarily considering the key controls to prevent and detect fraud, and I would encourage them to do so.

The pre-tendering side of fraud risk is even more problematic. In very few of the cases we have seen does detection occur at that stage, which suggests that, if there is to be a proportionate response to tackling this type of fraud, the deterrence aspect probably needs to be considered much more widely.

I can suggest a couple of ways to aid local authority investigations. One is around whistleblowing. The other one, which I am told about consistently by colleagues who are investigating these cases, is that often they feel stymied by the difficulty of obtaining access to information from the organisations providing the service. This has prevented many of the fraud investigations from proceeding. As a result, I understand that many councils often treat what we would probably consider to be procurement fraud as a case of weak contract management. Our message has always been to treat fraud as fraud. That is perhaps changing a little, but there is still that within the system.

Q412 Mark Pawsey: When that fraud occurs, that causes reputational damage to the body involved. The other two types of fraud that the Audit Commission identified were: the dangers of supplier insolvency, where too onerous a contract may push the supplier out of business, and service failure. All of that damages the reputation of the procuring body, in this

case the local council. We have heard quite extensively from Mr Bryce about fraud, but, on those other two risks, are councils sufficiently adept at managing risk, picking up the point made by Mrs Glindon about whether they have the skills to manage it?

Mark Wardman: In some cases, the councils we spoke to that have developed collaborative arrangements with suppliers, for example Solihull, have brought other councils into those arrangements so they can take advantage of the savings. Not just Solihull but others in that report are very alive to the idea of supply failure.

There have been some very high-profile failures, not least in social care, so an organisation like Trafford will, as part of its annual market management, have extensive dialogue with councils. That produces some benefits to them when they come to the vexed question about whether the supplier can share their pain as well as the gains, hopefully, in good times. They have managed to negotiate that, because they understand their supplier market and the business models of different suppliers. Councils are increasingly alive to the idea that you can ask too much of your suppliers.

Q413 Mark Pawsey: To take the example you have just given, does pressure on budgets encourage councils to be at greater risk than they might otherwise be in terms of to whom they give a contract? Are they less diligent or cautious in letting a contract because they are under pressure to deliver at a lower price?

Mark Wardman: I cannot give you a picture of what is going on, but that has to be a risk. One point I wanted to make earlier, which is also relevant to this point and also to fraud, is that we have just published a report called *Tough Times*. That shows that councils are broadly managing within their budgets and set managed budgets, but they are doing that primarily by making savings. About half of the savings councils are having to make are by reducing staff numbers.

Figures from the ONS suggest that since 2009 councils have shed about 19% of their full-time equivalent headcount. In that case the question is: who are they letting go? In the same way as the old days, if councils contract out their service and technical expertise along with the contract, they find that perhaps they are at a loss when it comes to contract management, change of control or re-letting the contract. There is an issue here about skills which it is important for councils to address. They are having to make savings and predominantly they are doing it by letting people go as well as outsourcing contracts. Those two things together present a risk for them if they are not on top of it.

Q414 David Heyes: Mr Bryce has anticipated the line of questioning I was going to pursue on fraud in the very comprehensive and helpful responses we have had so far. You briefly mentioned whistleblowers. Would you say that whistleblowing is the main source of identification of fraud? What proportion is it?

Alan Bryce: I would not have the specific statistics.

Q415 David Heyes: Give us a feel for it.

Alan Bryce: It is probably the single most common way of identifying procurement fraud.

Q416 David Heyes: That poses two obvious questions. What can we do to make that more likely? How can we be more supportive of potential whistleblowers to create a more open

environment? What other things should councils be doing to open up other sources of identification of fraud?

Alan Bryce: As to whistleblowing, this really comes down to a fundamental issue in terms of who is doing the whistleblowing. As we have recognised in other areas, it is important to ensure that the organisations you deal with and the staff involved, who will be the people who blow the whistle, are aware, in a local government context, of to whom they can blow the whistle, not just in their own organisation but the local authorities concerned. I know that as part of contract arrangements some consideration is often given to what the whistleblowing arrangements of the provider organisation are, but I think we could go a lot further than that.

In the end, the danger of that approach is ticking a box that virtually everybody will be able to tick—"I have some whistleblowing arrangements, or a policy as such." Any organisation would be able to say that. What is more important is the extent to which that is embedded; the culture of staff in a private sector organisation, of which care homes are a very good example; and whether those providing the care—this goes further than fraud—would feel confident to blow the whistle to the council rather than their own organisation if they saw something of concern, and there are detrimental aspects to this for them individually. Strengthening the requirement around that and putting greater emphasis on assurance around the whistleblowing arrangements in provider organisations would be very helpful.

This Committee might not have had the chance to consider it yet, but the leading whistleblowing charity, Public Concern at Work, published its Whistleblowing Commission report last week. They make a number of very helpful recommendations that address that specific point, which is wider than just fraud, and include a code of practice. That is something private bodies might want to consider in the future.

Keith Davis: That echoes what we said about whistleblowing in our report a couple of weeks ago. We framed it in terms of public sector procuring authorities seeing it very much as part of the dialogue they are having with contractors, saying to them, "If you want to do business with us, we want to see your whistleblowing policy; we want to understand how that works in practice; we want you to convince us that there is a culture within the organisation where whistleblowing is not trampled down and is genuinely encouraged."

We would look almost for third-party reviews of whistleblowing policies to give public sector customers extra confidence in these contractors. I agree with everything Alan said. Whistleblowing is absolutely crucial to combating fraud.

Q417 David Heyes: There is perhaps an irony in this. If you depend so heavily on whistleblowing to identify fraud, you almost depend on the fraud taking place for the whistleblowing to be effective. What other things should be happening to nip the fraud in the bud before we become so dependent on whistleblowers?

Alan Bryce: There are other very effective techniques to identify fraud. I go back to my earlier response. Probably the one consideration we really should be giving thought to is around deterrence. There is relatively little deterrence from the perspective of fraud currently in the system, by which I mean that to have effective deterrence you must have a

reasonable capacity to identify and detect fraud initially; and, more importantly, there should be an investigator who would be able to investigate this and the local authority would take action appropriately, including potentially criminal sanction.

Looking at the data we have right now on detection, if an organisation really wanted and was encouraged to attempt some form of procurement fraud, currently there is a very good chance that they would not be identified. One gets back to the point made earlier in the Committee. How do we start to address the capacity and capability to investigate this? Most important of all, if you are to have deterrence there must be a change of mindset.

As the public sector, we should be shouting from the rooftops every time we find a procurement fraud and celebrate that fact, because the only thing that aids fraudsters if we all keep quiet about it. There is a cultural aspect here, and, to get to the heart of your question, tackling fraud culture and the way we talk about the issue would be a very significant step forward.

Q418 Chair: Mr Bryce, you made a point about the resistance of service providers to co-operate in this. How can we ensure that more pressure is put on them to do so? Should things be written into contracts to ensure that service providers do thoroughly co-operate? Indeed, when somebody whistleblows in a private sector organisation should there be a requirement to release that information automatically to the public sector body that is paying for the service?

Alan Bryce: I have not given consideration to the legal requirement to whistleblow. The approach we have always taken is to encourage a strong culture. Consideration could be given to that aspect, and it is such an important source of information. On the principal issue you asked me about, which is the contractual side, if you really want to investigate these matters and tackle it across the sector all local authorities should be looking for their investigators to have access to the necessary financial information that these provider companies have.

Q419 Chair: That would be written into the contract to make it absolutely clear from the beginning.

Alan Bryce: That would certainly be the most effective way. What I am hearing from the sector is that that is variable. Some local authorities do require that; others do not, and that lack of consistency means that the local government sector as a whole is finding it more difficult to tackle this type of fraud.

Q420 Chair: Would you like to think about the “whistleblowing” point and whether something could be written in, and perhaps come back to us on that?

Alan Bryce: Indeed.

Chair: Thank you all very much for coming and giving evidence to us.