

## COUNTER FRAUD & WHISTLEBLOWING

<b>Head of Service:</b>	Andrew Bircher, Interim Director of Corporate Services
<b>Wards affected:</b>	(All Wards);
<b>Appendices (attached):</b>	None

### Summary

This report provides the committee with an overview of the systems and processes the council has in place to prevent, detect and address fraud.

### Recommendation (s)

#### The Committee is asked to:

- (1) The Committee is asked to note and comment on the contents of the report, the measures in place and the work being undertaken to prevent and detect fraud.**

## 1 Reason for Recommendation

- 1.1 To ensure effective monitoring of fraud, corruption and whistleblowing is undertaken.

## 2 Background

- 2.1 In common with all other public bodies, the council is potentially vulnerable to fraud. Receiving an annual report on the council's counter-fraud arrangements is included within this committee's [terms of reference](#).
- 2.2 As stated by the Local Government Association, "[a]ll councils have a duty to protect the public purse and a major part of this is by limiting exposure to fraud and corruption and reducing risk through effective prevention and detection." Fraud can reduce the money available to support local communities.<sup>1</sup>

# Audit and Scrutiny Committee

## 16 November 2023

- 2.3 Fraud can be defined as “any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.”<sup>2</sup> The main legislation covering fraud is the Fraud Act 2006,<sup>3</sup> however there are other specific pieces of legislation which cover particular council activities. Within the Act there are three core sections: fraud by false representation, fraud by failing to disclose information, and fraud by abuse of position. There are other types of fraud that can fall within these definitions, such as corruption, bribery, theft and money laundering.<sup>4</sup>
- 2.4 *Fighting Fraud and Corruption Locally: a strategy for the 2020s*, provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities.<sup>5</sup> The previous two strategies focused upon three pillars of activities or strategic objectives, namely: Acknowledge, Prevent and Pursue. The latest version of the strategy includes additional areas of activity: “Govern” and “Protect”. Govern focuses on those charged with leadership to ensure robust arrangements are in place and that senior leadership and members support antifraud, bribery and corruption measures, and their embeddedness throughout the organisation. Protect is the overarching responsibility to protect the public from fraud.
- 2.5 Nonetheless it remains the case that “[t]he Council has a zero tolerance attitude to fraud and is totally opposed to any form of fraud and corruption.”<sup>6</sup>
- 2.6 The Audit and Scrutiny Committee has “[o]verall responsibility for audit and governance frameworks”, which includes fraud, corruption and whistleblowing policies.<sup>7</sup> Therefore this report has been brought to the committee to help it fulfil these responsibilities.

### 3 What the council has in place

- 3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) published a code of practice in “managing the risk of fraud and corruption” in 2014, which sets out the following principles that embody good governance and effective management regarding fraud.<sup>8</sup> These principles can be used to demonstrate what activities the council has in place to manage the risk of fraud.

A. Acknowledge responsibility.	<ul style="list-style-type: none"><li>• Responsibility acknowledged within statements and policies published on a dedicated fraud webpage and intranet page.<sup>9</sup></li></ul>
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Audit and Scrutiny Committee  
16 November 2023

	<ul style="list-style-type: none"> <li>• Member’s and officer’s codes of conduct incorporated into the council’s constitution and employment policies respectively. Codes include reference to principles such as the seven principles of public life, declaration of interests, gifts and hospitality and political neutrality (for officers).<sup>10</sup></li> <li>• Whistleblowing policy incorporated into the employment policies.</li> <li>• Annual report brought to Audit &amp; Scrutiny Committee.</li> <li>• Specific goal for fraud: listed in Service Delivery Plan 2023-2024 – ‘Enhance counter-fraud governance’.</li> </ul>
<p>B. Identify risks.</p>	<ul style="list-style-type: none"> <li>• Fraud risks included in each Service’s Business Plan. The risks have been disaggregated from the previous standalone register to provide greater visibility to fraud risk owners and Heads of Service. The risks have been reviewed as part of fraud risk exposure meetings with each team; there were no red / high risks.</li> <li>• Divisional assurance statements completed as part of the production of the Annual Governance Statement. The statements confirm that Heads of Service are aware of their responsibilities to report upwards any unresolved matters of concern about internal control or fraud, and to deal with any matters reported to them in an expeditious manner.</li> <li>• Counter-fraud implications included in new corporate policy and Project Initiation Document (PID) templates.</li> </ul>
<p>C. Develop a strategy.</p>	<ul style="list-style-type: none"> <li>• Anti-Fraud and Anti-Corruption Strategy &amp; Fraud Response Plan.</li> <li>• Mandatory fraud awareness e-learning for staff, which is also included in the refresher e-learning package.</li> </ul>
<p>D. Provide resources.</p>	<ul style="list-style-type: none"> <li>• National Anti-Fraud Network (NAFN) member.</li> <li>• National Fraud Initiative.</li> <li>• Environmental health enforcement and PACE interview equipment.</li> <li>• Commissioned neighbouring Borough council to undertake housing fraud reviews/investigations (with the potential for additional fraud work).</li> </ul>

# Audit and Scrutiny Committee

## 16 November 2023

<p>E. Take action.</p>	<ul style="list-style-type: none"><li>• <a href="#">Counter-fraud policies</a> in place:<ul style="list-style-type: none"><li>○ Anti-Fraud and Anti-Corruption Strategy &amp; Fraud Response Plan.</li><li>○ Anti-Bribery Policy.</li><li>○ Anti-Money Laundering Policy.</li></ul></li><li>• Code of Conduct for Members.</li><li>• Officers' Code of Conduct.</li><li>• Gifts and hospitality policy and register.</li><li>• Pecuniary interest and conflicts of interest policies and register for Members.</li><li>• Whistleblowing Policy.</li><li>• ICT Security &amp; Acceptable Use Policy (inc. cyber).</li><li>• Password policy.</li><li>• Segregation of duties for financial transactions.</li><li>• Cyber: ICT mitigations tested and in place.</li><li>• PCN Compliance.</li><li>• External Audit, including financial fraud risk assessments.<sup>11</sup></li><li>• Internal Audit.</li><li>• National Fraud Initiative data matching.</li><li>• Revenues and benefits: in-house reviews undertaken, partnership with Department of Work &amp; Pensions, ICT-based checks and balances.</li><li>• Post-assurance checks completed for Government grants.</li><li>• Procurement: Strategy, contract standing orders anti-collusion clauses in contracts, officer training, and access to credit safe in place.</li><li>• Homelessness assessments and eligibility checks, and multi-agency networks.</li><li>• Housing Allocation Policy and criteria; applications involve supporting documents and ID checks.</li><li>• Pre-employment checks undertaken, e.g.: right to work, references, DBS checks as appropriate.</li><li>• A new fraud reporting email address has been setup for employees to use to report potential fraud.</li><li>• Ongoing counter fraud action plan (see Paras. 3.2 and 3.3)</li></ul>
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# Audit and Scrutiny Committee

## 16 November 2023

	<ul style="list-style-type: none"> <li>• Cases of corporately reported fraud and/or whistleblowing in the last year:             <ul style="list-style-type: none"> <li>○ 4x related to fake parking tickets /blue badges. Actions taken: PCNs issued and reported to blue badge issuing authorities.</li> <li>○ 1 x fake invoice: payment prevented; improvement made to highlighting potentially fraudulent email addresses. Work also underway on phishing prevention tests.</li> <li>○ Housing and homelessness (Q1 23/24):<sup>1</sup> <ul style="list-style-type: none"> <li>▪ Referrals: 73</li> <li>▪ Total cases investigated: 64</li> <li>▪ Positive outcomes: 10</li> <li>▪ Financial savings: £32,400</li> </ul> </li> </ul> </li> </ul>
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### 3.2 Status of the counter-fraud actions that were highlighted in last year's report.

Action	Update
Updating the Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan	<b>Completed:</b> Updates have been made to the Strategy, and also the Anti-Bribery, Anti-Money Laundering and Whistleblowing Policies. These have been published on the council's website, with some officer contact details redacted. It is recommended that committee members acquaint themselves with the policies, all of which can be downloaded at this website address: <a href="#">Anti-Fraud and Anti-Corruption Strategy</a> .
Issue refresher e-learning training to officers and members.	<b>Ongoing:</b> The counter-fraud e-learning module was included in the refresher e-learning package for staff. This has been issued to officers in the year, and the annual reminder is due to be sent in November 2023. A release to councillors is in progress.

<sup>1</sup> Data provided by Reigate & Banstead Borough Council, who are commissioned to undertake counter-fraud work on behalf of Epsom & Ewell Brough Council.

# Audit and Scrutiny Committee

## 16 November 2023

<p>Scoping work being undertaken to explore how we could use data and publicise fraud information to strengthen our corporate approach to fraud</p>	<p><b>Completed:</b> Counter-fraud meetings have been completed with each team in the council. These meetings have included discussions on whether it would be appropriate for the team to have fraud KPIs, and that we are keen to publish successful fraud preventions and convictions. We are having the same conversations with our Borough counter-fraud partner. The data we are focusing on over the coming year will be that coming from our fraud partner (referrals and successes), fraud reporting into the new fraud reporting mailbox, and a trail KPI on housing benefit fraud referrals.</p>
<p>Internal Audit of Ethical Governance.</p>	<p><b>Completed:</b> Received “Reasonable Assurance” from our internal audits. Several management actions were agreed to enhance our arrangements. All actions pertinent to this report, which have not been completed to-date, have been included as actions below in Para. 3.3.</p>
<p>Review of officers’ declarations of interest forms and processes.</p>	<p><b>Ongoing:</b> this action was refined following the Ethical Governance audit and remains in progress as part of the updates being made to the Officers’ Code of Conduct. It expected completion date is March 2024.</p>

3.3 As part of its business as usual operations and counter-fraud self-assessment, the Council has the following counter fraud governance activities underway or planned:

Activity	Description
<p>Members Code of Conduct</p>	<p>Review the Members Code of Conduct. This is underway, updates are due at Standards and Constitution Committee in December 2023.</p>
<p>Officers Code of Conduct</p>	<p>Review the Officers Code of Conduct.</p>

# Audit and Scrutiny Committee

## 16 November 2023

Gifts and hospitality register	<p>Councillors' declarations of interests, gifts and hospitality can be viewed with reference to their personal page on the internet. It is the responsibility of each elected Member to ensure that they keep their declarations up to date.</p> <p>An officer declaration of interests, gifts and hospitality register will be held internally but will not be open to the public as there are concerns regarding the protection of personal data in doing so.</p>
Fraud risk meetings	<p>Work through any actions from the fraud risk exposure meetings that have not been completed to date.</p>

#### 4 Risk Assessment

##### Legal or other duties

##### 4.1 Equality Impact Assessment

4.1.1 No implications for the purposes of this report.

##### 4.2 Crime & Disorder

4.2.1 The report provides an overview of the council's counter fraud activities.

##### 4.3 Safeguarding

4.3.1 No implications for the purposes of this report.

##### 4.4 Dependencies

4.4.1 No implications for the purposes of this report.

##### 4.5 Other

4.5.1 None.

#### 5 Financial Implications

5.1 None for the purposes of this report.

5.2 **Section 151 Officer's comments:** None arising from the contents of this report.

#### 6 Legal Implications

# Audit and Scrutiny Committee

## 16 November 2023

6.1 None for the purposes of this report.

6.2 **Legal Officer's comments:** None arising from the contents of this report.

### 7 Policies, Plans & Partnerships

7.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.

7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

7.3 **Climate & Environmental Impact of recommendations:** Not applicable.

7.4 **Sustainability Policy & Community Safety Implications:** Not applicable.

7.5 **Partnerships:** as stated in the main body of the report.

### 8 Background papers

8.1 The documents referred to in compiling this report are as follows:

#### **Previous reports:**

- Epsom & Ewell Borough Council (2022) *Counter Fraud & Whistleblowing*, Audit and Scrutiny Committee, 17<sup>th</sup> November. Online available: [Epsom and Ewell Democracy \(epsom-ewell.gov.uk\)](https://www.epsom-ewell.gov.uk) [last accessed 24/08/2023].

#### **Other papers:**



# Audit and Scrutiny Committee

## 16 November 2023

- <sup>1</sup> Local Government Association [LGA] (2017) *A councillor's workbook on bribery and fraud prevention*, p. 4. Online available: <https://www.local.gov.uk/publications/councillor-workbook-bribery-and-fraud-prevention> [last accessed 18/07/2022].
- <sup>2</sup> The Institute of Internal Auditors et al. (no date) *Managing the Business Risk of Fraud: A Practical Guide*, p. 6. Online available: [https://www.iaa.org.uk/media/158775/managing\\_the\\_business\\_risk\\_of\\_fraud.pdf](https://www.iaa.org.uk/media/158775/managing_the_business_risk_of_fraud.pdf) [last accessed 18/07/2022].
- <sup>3</sup> HM Government (2006) *Fraud Act 2006*. Online available: <https://www.legislation.gov.uk/ukpga/2006/35/contents> [last accessed 18/07/2022].
- <sup>4</sup> Ibid., LGA (2017).
- <sup>5</sup> CIFAS (2020) *Fighting Fraud and Corruption Locally*. Online available: <https://www.cifas.org.uk/insight/public-affairs-policy/fighting-fraud-corruption-local-authorities/ffcl-strategy-2020> [last accessed 22/08/2022].
- <sup>6</sup> Epsom & Ewell Borough Council [EEBC]a (2023) *Anti-fraud and anti-corruption strategy*. Online available: <https://www.epsom-ewell.gov.uk/council/about-council/anti-fraud-and-corruption-strategy> [last accessed 18/07/2022].
- <sup>7</sup> EEBCb (2023) *Constitution: Appendix 3 – Terms of Reference for Full Council and Committees*, p. 5. Online available: [Appendix 3 - Terms of Reference for Full Council and Committees.pdf \(epsom-ewell.gov.uk\)](https://www.epsom-ewell.gov.uk/council/about-council/constitution/appendix-3-terms-of-reference-for-full-council-and-committees.pdf) [last accessed: 24/08/2023].
- <sup>8</sup> CIPFA (2014) *Code of practice on managing the risk of fraud and corruption*. Online available: <https://www.cipfa.org/policy-and-guidance/reports/code-of-practice-on-managing-the-risk-of-fraud-and-corruption> [last accessed 18/07/2022].
- <sup>9</sup> EEBCa (2023) *Anti-fraud and anti-corruption strategy*. Online available: <https://www.epsom-ewell.gov.uk/council/about-council/anti-fraud-and-corruption-strategy> [last accessed 18/07/2022].
- <sup>10</sup> EEBCc (2023) *Constitution of Epsom and Ewell Borough Council: Appendix 1 – Members Code of Conduct*. Online available: [Appendix 1 - Members Code of Conduct.pdf \(epsom-ewell.gov.uk\)](https://www.epsom-ewell.gov.uk/council/about-council/constitution/appendix-1-members-code-of-conduct.pdf) [last accessed 24/08/2023].
- <sup>11</sup> Grant Thornton (2022) *Informing the audit risk assessment for Epsom & Ewell Borough Council 2021/22*, Audit & Scrutiny Committee 7 April 2022. Online available: <https://democracy.epsom-ewell.gov.uk/documents/s23311/External%20Audit%20Plan%20Appendix%202.pdf> [last accessed 19/07/2022].