

COUNTER-FRAUD AND WHISTLEBLOWING ANNUAL REPORT

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Wards affected:	(All Wards);
Appendices (attached):	None

Summary

This report provides the Committee with an overview of the governance 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, which outlines the work being undertaken to prevent and detect fraud.**

1 Reason for Recommendation

- 1.1 To provide the Committee with assurance that effective governance is in place regarding the prevention and detection of fraud.

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.¹

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- 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.”² The main legislation covering fraud is the Fraud Act 2006,³ 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.⁴
- 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.⁵ 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.”⁶
- 2.6 The Audit and Scrutiny Committee has “[o]verall responsibility for audit and governance frameworks”, which includes fraud, corruption and whistleblowing policies.⁷ Therefore this report has been brought to the committee to help it fulfil these responsibilities.

3 The Council’s Counter-Fraud Governance

- 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.⁸ These principles can be used to demonstrate what activities the council has in place to manage the risk of fraud.

<p>A. Acknowledge responsibility.</p>	<ul style="list-style-type: none">• Responsibility acknowledged within statements and policies published on a dedicated fraud webpage and intranet page.⁹
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	<ul style="list-style-type: none"> • 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).¹⁰ • Whistleblowing policy incorporated into the employment policies. • Annual report brought to Audit & Scrutiny Committee. • Specific goal for fraud: listed in Service Delivery Plan 2023-2024 – ‘Enhance counter-fraud governance’.
<p>B. Identify risks.</p>	<ul style="list-style-type: none"> • Fraud risks are included in each Service’s risk register. There are no red / high risks. • Divisional assurance statements are 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. • Counter-fraud implications included in the Project Initiation Document (PID) template.
<p>C. Develop a strategy.</p>	<ul style="list-style-type: none"> • Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan. • Mandatory fraud awareness e-learning for staff, which is also included in the refresher e-learning package. <ul style="list-style-type: none"> ○ New starters completions: 2023 – 100%, 2024 to date – 59% to date. ○ Data regarding refresher training completed is inaccurate at present due to a technical issue.
<p>D. Provide resources.</p>	<ul style="list-style-type: none"> • National Anti-Fraud Network (NAFN) member. • National Fraud Initiative. • Environmental health enforcement and PACE interview equipment. • Commissioned neighbouring Borough council to undertake housing fraud reviews/investigations (with the potential for additional fraud work).
<p>E. Take action.</p>	<ul style="list-style-type: none"> • Counter-fraud policies in place:

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	<ul style="list-style-type: none">○ Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan.○ Anti-Bribery Policy.○ Anti-Money Laundering Policy.● Code of Conduct for Members.● Officers' Code of Conduct.● Gifts and hospitality policy and declarations (declarations are recorded individually without a summary document due to the size of the organisation).● Pecuniary interest and conflicts of interest policies and register for Members.● Whistleblowing Policy.● ICT Security & Acceptable Use Policy (inc. cyber).● Password policy.● Segregation of duties for financial transactions.● Cyber: ICT mitigations tested and in place.● External Audit, including financial fraud risk assessments.¹¹● Internal Audit.● National Fraud Initiative data matching.● Revenues and benefits: in-house reviews undertaken, partnership with Department of Work & Pensions, ICT-based checks and balances.● Post-assurance checks completed for Government grants.● Procurement: Strategy, contract standing orders anti-collusion clauses in contracts, officer training, access to credit safe, and procurement oversight Board in place.● Homelessness assessments and eligibility checks, and multi-agency networks.● Housing Allocation Policy and criteria; applications involve supporting documents and ID checks.● Pre-employment checks undertaken, e.g.: right to work, references, DBS checks as appropriate.● A new fraud reporting email address has been setup for employees to use to report potential fraud.● Fighting Fraud and Corruption Locally <i>Knowledge Hub</i> group member.● Cases of corporately reported fraud and/or whistleblowing in the last year:
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	<ul style="list-style-type: none">○ Council Tax: Single Person Discount Review.<ul style="list-style-type: none">▪ Of 9608 accounts identified as receiving a SPD – 466 were flagged as mis-matches with the electoral role records (4.9%).▪ 211 cases were reviewed and deemed to be correct (2.2%).▪ 78 cases had the SPD replaced with another disregard, resulting in no change in charge (0.8%).▪ 177 cases had the SPD removed (1.8%).○ Car parking scams via various means (Aug 23 – Oct 24) e.g. persons offering help to parkers pay and then stealing their credit cards; fake RingGo QR codes; fake text messages saying parkers had outstanding PCNs. Circa 8 reports to the council.○ Housing and homelessness (last 12 months rolling data, to August 2024):¹<ul style="list-style-type: none">▪ Total cases investigated: 326▪ Positive outcomes: 59▪ Total notional savings: £191,160○ Homes for Ukraine Applications: Since Feb 24, 11 out of 17 applications were fraudulent. Mitigations in place include: reporting to Government; reporting to the Police; development of fraudulent host protocol; notifications to intended hosts and guests; direct notification to the residents whose addresses were misused in the 11 fraudulent host applications.○ Whistleblowing: no reports.○ Review of Officer and Councillor’s declarations of gifts, hospitality and interests: no material anomalies found.○ Fraud activities underway / completed in the last year:<ul style="list-style-type: none">▪ Internal audit undertaken of the Council’s: Fraud Framework; outcome of “Reasonable”.▪ Administrative updates to the Counter-Fraud Strategy and Response Plan.
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¹ Data provided by Reigate & Banstead Borough Council, who are commissioned to undertake counter-fraud work on behalf of Epsom & Ewell Brough Council.

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	<ul style="list-style-type: none">▪ Administrative updates to the Whistleblowing Policy.▪ Procedure notes for fraud reporting created for the Contact Centre.▪ Fraud dashboard and risk register created in officers' performance management system.▪ Fraud transparency data added to the council's website.
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4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

4.1.1 No direct implications.

4.2 Crime & Disorder

4.2.1 The contents of the report refer to fraud risks.

4.3 Safeguarding

4.3.1 No direct implications.

4.4 Dependencies

4.4.1 No direct implications.

4.5 Other

4.5.1 None.

5 Financial Implications

5.1 Fraud prevention work helps to avoid related costs. For example, within the housing service it is estimated that fraud prevention work has helped the Council to avoid £191,160 expenditure in the last year.

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

6 Legal Implications

6.1 No direct implications.

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

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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:** No direct implications.

7.4 **Sustainability Policy & Community Safety Implications:** No direct implications.

7.5 **Partnerships:** Reigate and Banstead Borough Council's fraud team.

8 Background papers

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

Previous reports:

- Epsom & Ewell Borough Council, *Counter-Fraud and Whistleblowing Annual Report*, Audit & Scrutiny Committee, 16th November 2023. Online available: <https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=157&MIId=1499> [last accessed 11/10/24].

Other papers:

¹ Local Government Association [LGA] (2017) *A councillor's workbook on bribery and fraud prevention*, p. 4.

² 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 [last accessed 11/10/2024].

³ HM Government (2006) *Fraud Act 2006*. Online available: <https://www.legislation.gov.uk/ukpga/2006/35/contents> [last accessed 11/10/2024].

⁴ Ibid., LGA (2017).

⁵ 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 11/10/2024].

⁶ 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 11/10/2024].

⁷ EEBCb (2023) *Constitution: Appendix 3 – Terms of Reference for Full Council and Committees*, p. 5. Online available: <https://democracy.epsom->

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[ewell.gov.uk/ieListMeetings.aspx?CId=205&info=1&MD=Constitution](https://www.ewell.gov.uk/ieListMeetings.aspx?CId=205&info=1&MD=Constitution) [last accessed 11/10/2024].

⁸ 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 11/10/2024].

⁹ EEBCa (2023) *Anti-fraud and anti-corruption strategy*. Online available: <https://www.ewell.gov.uk/council/about-council/anti-fraud-and-corruption-strategy> [last accessed 11/10/2024].

¹⁰ EEBCc (2023) *Constitution of Epsom and Ewell Borough Council: Appendix 1 – Members Code of Conduct*. Online available: <https://democracy.ewell.gov.uk/ieListMeetings.aspx?CId=205&info=1&MD=Constitution> [last accessed 11/10/2024].

¹¹ 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.ewell.gov.uk/documents/s23311/External%20Audit%20Plan%20Appendix%202.pdf> [last accessed 11/10/2024].