Audit and Scrutiny Committee
12 November 2026

COUNTER-FRAUD AND WHISTLEBLOWING ANNUAL REPORT 2026 (FINAL)

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

Summary

This report provides the Committee with assurance on the council's arrangements for preventing, detecting, reporting and responding to fraud, corruption, bribery and whistleblowing. It summarises the governance framework, activity and outcomes during the reporting period, and explains how the arrangements relate to the failure to prevent fraud offence.

Recommendation (s)

The Committee is asked to:

(1) 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 the council has effective governance 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.

2.3 Fraud is commonly understood as an intentional act or omission designed to deceive another person, causing loss or creating a gain. The Fraud Act 2006 establishes the offences of fraud by false representation, fraud by failing to disclose information and fraud by abuse of position. Corruption, bribery, theft and money laundering are distinct forms of wrongdoing governed by separate legal provisions, although they may arise alongside fraud and are appropriately addressed within the council's wider counter-fraud framework.

2.4 The failure to prevent fraud offence in section 199 of the Economic Crime and Corporate Transparency Act 2023 came into force on 1 September 2025. It applies only where the council meets at least two of the statutory large-organisation criteria in the financial year preceding the offence: turnover of more than £36 million, a balance-sheet total of more than £18 million, or more than 250 employees. Where the offence applies, the council may be criminally liable if an employee, agent, subsidiary undertaking or other associated person commits a specified fraud offence intending to benefit the council or, in certain circumstances, a person for whom the associated person provides services on the council's behalf. It is a defence for the council to show that it had reasonable fraud prevention procedures in place, or that it was not reasonable in the circumstances to expect such procedures. The measures in section 3 are mapped against the six principles in the statutory guidance: top-level commitment, risk assessment, proportionate risk-based prevention procedures, due diligence, communication including training, and monitoring and review. A mapping exercise has been completed in 2026 to confirm applicability, test the evidence supporting each principle and identify any gaps. A summary is included in Section 3.

2.5 The local authority Fighting Fraud and Corruption Locally (FFCL) strategy[1] provides a blueprint for prevention and a robust response to fraud and corruption perpetrated against local authorities. The strategy focuses on five pillars of activities or strategic objectives, namely: Acknowledge, Prevent and Pursue, Govern and Protect. The strategy is structured around five core pillars: Govern, providing clear leadership, accountability and oversight; Acknowledge, recognising and understanding fraud and corruption risks; Prevent, putting proportionate controls in place to reduce the opportunity for fraud and corruption; Pursue, ensuring suspected wrongdoing is effectively investigated and appropriate sanctions and recovery action are taken; and Protect, limiting harm, learning from incidents and strengthening controls to reduce future risk.

2.6 A new 2026 edition of FFCL has recently been published (25/10/2026), replacing the 2020 strategy referenced previously in this report. An initial officer review indicates that many of the Council's existing counter-fraud and anti-corruption arrangements are consistent with the updated framework, supported by the recently completed Failure to Prevent Fraud assessment. The new strategy introduces or strengthens expectations in areas including Audit Committee assurance, AI-enabled fraud, collaboration between counter-fraud and cyber-security functions, insider risk and due diligence, declarations of interests, gifts and hospitality, and wider corruption controls. Given the forthcoming transition to East Surrey Council, these areas will be documented as part of the Council's counter-fraud transition arrangements to inform the successor authority's governance and counter-fraud framework (see para. 3.11).

2.7 As set out in the council's Anti Fraud and Corruption Strategy "the Council has a zero tolerance attitude to fraud and is totally opposed to any form of fraud and corruption."[2]

2.8 The Audit and Scrutiny Committee has overall responsibility for audit and governance frameworks, which includes fraud, corruption and whistleblowing. Therefore, this report has been brought to the committee to help it fulfil these responsibilities.

3 The Council's Counter-fraud Governance

3.1 CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption sets out five principles of effective public-sector counter-fraud governance: acknowledging responsibility, identifying risks, developing a strategy, providing resources and taking action.[3] Section 3 uses those principles to organise the council's arrangements and, where relevant, also maps individual controls to the principles in the statutory failure to prevent fraud guidance.

3.2 The capitalised letters at the end of each bullet point refer to the relevant aspect of the sector guidance on the FTPF offence (see para. 2.4).

3.3 As a small borough council, the council applies a proportionate counter-fraud governance model. It does not maintain a large standalone fraud service; instead, responsibility is embedded across service management, Finance, Legal, Human Resources, Procurement, Internal Audit and relevant operational teams, supported by external partnerships and national data-matching arrangements. The framework is designed to reflect the council's size, risk profile and available resources while maintaining appropriate separation of duties, escalation routes and independent assurance.

3.4 Proportionality does not remove the need for effective controls. The council therefore keeps its arrangements under review and targets additional activity, specialist support and management attention towards services, transactions and relationships presenting the greatest fraud risk.

3.5 **Acknowledge responsibility (A)**

3.5.1 Responsibility acknowledged within statements and policies published on a dedicated fraud webpage and intranet page. [TLC]

3.5.2 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).[4] [TLC]

3.5.3 The Whistleblowing Policy supports workers to raise concerns about wrongdoing in the public interest and reflects the protected-disclosure framework in the Employment Rights Act 1996, as amended by the Public Interest Disclosure Act 1998. It identifies internal reporting routes, explains how concerns will be handled and signposts the option of making an appropriate disclosure to a prescribed person or body. [TLC]

3.5.4 Annual fraud report brought to Audit & Scrutiny Committee. [MR]

3.5.5 Specific goal for fraud: The work completed in 2026/27 is outlined 3.2.5 below. For 2027/28, a specific goal for fraud will be developed as part of East Surrey Council's governance and counter-fraud arrangements. [TLC]

3.6 Identify risks (B)

3.6.1 Fraud risks are recorded in service risk registers. At the reporting date, none were rated red or high under the council's risk-scoring methodology. Risk ratings reflect the council's approved methodology and the controls in place at the time of assessment. The absence of red or high-rated risks does not mean that fraud exposure is absent, and higher-risk services and emerging risks remain subject to review. The 2026/27 review with service managers has tested whether the risks remain current. [RA]

3.6.2 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. [TLC]

3.6.3 Counter-fraud implications included in policy and procurement templates. [PP]

3.7 Develop a strategy (C)

3.7.1 Anti-Fraud and Anti-Corruption Strategy and Fraud Response Plan is in place. [PP]

3.7.2 Mandatory fraud-awareness e-learning is included in the staff induction and refresher programme. For the current reporting period, the completion rate stands at 73.5%. Managers receive reminders identifying completions, and completion performance will continue to be monitored and reported. [T]

3.8 Provide resources (D)

3.8.1 National Anti-Fraud Network (NAFN) member. [C]

3.8.2 The council participates in the National Fraud Initiative. [PP]

3.8.3 Environmental health enforcement and PACE interview equipment in place. [PP]

3.8.4 Commissioned neighbouring Borough council to undertake housing fraud reviews/investigations (with the potential for additional fraud work). [PP]

3.9 Take Action (E)

3.9.1 Counter-fraud policies in place: [TLC]

3.9.1.1Anti-Fraud and Anti-Corruption Strategy & Fraud Response Plan.

3.9.1.2Anti-Bribery Policy.

3.9.1.3Anti-Money Laundering Policy.

3.9.2 Code of Conduct for Members. [TLC]

3.9.3 Officers' Code of Conduct. [TLC]

3.9.4 Gifts and hospitality policy and declarations (declarations are recorded individually without a summary document due to the size of the organisation). [PP]

3.9.5 Pecuniary interest and conflicts of interest policies and register for Members. [PP]

3.9.6 Whistleblowing Policy. [TLC]

3.9.7 ICT Security and Acceptable Use Policy (inc. cyber). [TLC]

3.9.8 Password policy. [PP]

3.9.9 Segregation of duties for financial transactions. [PP]

3.9.10 Cyber: ICT mitigations tested and in place. [PP]

3.9.11 External Audit, including financial fraud risk assessments. [MR]

3.9.12 Internal Audit. [MR]

3.9.13 National Fraud Initiative data matching. [PP]

3.9.14 Revenues and benefits: in-house reviews undertaken, partnership with Department of Work & Pensions, ICT-based checks and balances. [PP]

3.9.15 Post-assurance checks completed for Government grants. [MR]

3.9.16 Procurement: Strategy, Contract Standing Orders, anti-collusion clauses in tender documents and contracts, officer training, access to credit safe, and procurement oversight Board in place. [PP]

3.9.17 Homelessness assessments and eligibility checks, and multi-agency networks. [PP]

3.9.18 Housing Allocation Policy and criteria; applications involve supporting documents and ID checks. [PP]

3.9.19 Pre-employment checks are undertaken according to the risks and requirements of each role, including right-to-work checks, references and Disclosure and Barring Service checks where appropriate. [DD]

3.9.20 Corporate stress risk assessments were delivered in 2025/26, with follow-up workshops in 2026/27. [DD]

3.9.21 Internal fraud reporting email address in place for employees to use to report potential fraud. [PP]

3.9.22 Fighting Fraud and Corruption Locally Knowledge Hub group member. [T]

3.9.23 Procedure notes on how to process potential frauds in place for Contact Centre team [T]

3.9.24 Fraud risk register and counter-fraud performance dashboard in place. [RA]

3.9.25 Fraud transparency data available on the council's website. [C]

3.9.26 Cases of corporately reported fraud and/or whistleblowing in the last year:[5]

3.9.27 Housing and homelessness: For the financial year 2025/26 Reigate and Banstead Fraud Team were able to save Epsom and Ewell a total of £258,240.00 in notional savings. The Team investigated 284 referrals with 50 positive outcomes including 1 eviction.

3.9.28 As at 06/10/2026, for the financial year 2026/27 Reigate and Banstead Fraud Team were able to save Epsom and Ewell a total of £71,280.00 in notional savings. The Team investigated 126 referrals with 22 positive outcomes.

3.9.29 A positive outcome is one where a person has either been removed from the register, had their application bypassed, or their homelessness application has been rejected. If a person is subletting or abandons their social housing property and the council or Town and Country receives the keys back, this is also considered a positive outcome.

3.9.30 Whistleblowing: no reports were received during the reporting period. The policy is available to staff via the intranet, and it provides reporting routes, and key teams such as Legal, the Contact Centre and human resources, are aware of how to report possible whistleblowing brought to their attention. The absence of reports should not, in isolation, be taken as evidence that no wrongdoing occurred. Assurance also depends on the accessibility of reporting routes, staff awareness and the arrangements for recognising and escalating concerns.

3.9.31 Review of Officer and Councillor's declarations of gifts, hospitality and interests: no anomalies found.

3.10 Fraud activities underway / completed in the last year:

3.10.1 Fraud risk register reviewed with all service managers. [RA]

3.10.2 Completion of the National Fraud Initiative exercises: at the time of writing, data has been submitted for the national exercise and data for the 'recheck' / council tax single person discount exercise is due in December 2026. Any material findings arising after completion of these reports will be assessed and escalated through the council's established governance arrangements and, where relevant, included in the transition evidence provided to East Surrey Council. [MR]

3.10.3 Failure to prevent fraud (FTPF) mapping exercise: [MR]

3.10.4 The review of the council's arrangements against the Government's guidance on the Failure to Prevent Fraud offence mapped existing policies, procedures and assurance arrangements against the six principles of reasonable fraud prevention procedures: Top-Level Commitment, Risk Assessment, Proportionate Risk-Based Prevention Procedures, Due Diligence, Communication including Training, and Monitoring and Review. Existing governance arrangements were found to provide reasonable assurance, with particular strengths identified in leadership commitment, financial and procurement controls, whistleblowing arrangements, and audit oversight. The assessment took account of the council's size, risk profile and operating model and considered whether the arrangements were reasonable and proportionate in those circumstances.

3.10.5 No significant control gaps were identified, although opportunities were noted to further strengthen documented fraud risk assessment arrangements, supplier due diligence processes and targeted fraud awareness training in higher-risk functions. Given the forthcoming transition to successor local government arrangements, officers do not recommend a standalone improvement programme. Instead, the findings of this review will be made available to support transition planning and provide assurance regarding the effectiveness of the council's existing counter-fraud governance framework. The mapping exercise is a management assurance assessment based on the evidence reviewed. It is not independent certification that the statutory defence would be established in every case.

3.10.6 A summary of FTPF controls is provided in the table below. The existence of a policy or control is not treated as sufficient assurance on its own. The assessment also considers, proportionately, evidence that arrangements are communicated, applied, monitored and escalated through the council's established governance processes. Each control below is given an overall assessment rating using the RAG approach Red: R, Amber: A, Green: G.

Control Area	TLC	RA	PP	DD	C	T	MR	RAG
Anti-Fraud and Corruption Strategy	✓	✓	✓		✓		✓	G
Whistleblowing Policy	✓		✓		✓	✓	✓	G
Members' Code of Conduct	✓		✓		✓	✓	✓	G
Officer Code of Conduct	✓		✓		✓	✓	✓	G
Financial Regulations		✓	✓			✓	✓	G
Procurement Procedure Rules		✓	✓	✓			✓	G
Contract Management Framework		✓	✓	✓			✓	A

Opportunity to improve: Develop enhanced FTPF due-diligence procedures for higher-risk suppliers, contractors and partners.								
Gifts and Hospitality Register			✓	✓	✓		✓	G
Conflict of Interest Arrangements		✓	✓	✓	✓		✓	G
Recruitment and Selection Controls				✓			✓	G
DBS / Vetting Processes				✓			✓	G
Internal Audit Programme		✓					✓	G
External Audit Assurance		✓					✓	G
Fraud Awareness Training			✓		✓	✓	✓	A
Opportunity to improve: Deliver targeted, role-specific FTPF training for managers, procurement, finance and contract management officers.								
Procurement Staff Training		✓	✓	✓	✓	✓	✓	A
Opportunity to improve: Deliver targeted, role-specific FTPF training for managers, procurement, finance and contract management officers.								
Supplier Due Diligence Procedures		✓		✓			✓	A
Opportunity to improve: Develop enhanced FTPF due-diligence procedures for higher-risk suppliers, contractors and partners.								
Fraud Risk Assessment Process		✓					✓	A
Opportunity to improve: Develop and periodically review a FTPF-specific fraud risk assessment.								
Counter-Fraud Annual Report	✓	✓			✓		✓	G

3.11 Summary of recommendations for East Surrey Council: formal adoption of Fighting Fraud and Corruption Locally 2026 and annual use of its Audit Committee checklist; strengthened Audit Committee reporting and assurance; review of controls relating to AI-enabled and cyber-enabled fraud; enhanced assurance over corporate integrity arrangements, including declarations of interests, gifts and hospitality and outside employment; completion of the improvements identified through the Failure to Prevent Fraud assessment (section 3.10.6 above), particularly fraud risk assessment, due diligence and targeted training; and a specific self-assessment of bribery and corruption risks and controls. These areas will be captured through transition arrangements to help inform the development of the successor authority's counter-fraud and governance framework.

4 Overall assurance conclusion

4.1 The council has an established counter-fraud framework comprising policies, risk assessment, preventative controls, reporting routes, investigation arrangements, training and independent assurance. At the time of writing the National Fraud Initiative exercises are in progress and on track.

4.2 This conclusion provides reasonable rather than absolute assurance. It is based on the policies, controls, management information and assurance activity described in this report and should not be interpreted as confirmation that fraud has not occurred.

5 Risk Assessment

Legal or other duties

5.1 Equality Impact Assessment

5.1.1 No direct implications.

5.2 Crime & Disorder

5.2.1 The report supports the council's work to prevent and detect fraud and related economic crime, protect public funds and maintain effective reporting and investigation arrangements. Its contents therefore contribute positively to the council's crime and disorder responsibilities.

5.3 Safeguarding

5.3.1 No direct implications.

5.4 Dependencies

5.4.1 None.

5.5 Other

5.5.1 If committee members have detailed questions on particular elements of this report (including its appendices), it is requested that these be submitted in advance of the meeting where possible, to enable officers time to prepare complete answers in consultation with the relevant service manager.

6 Financial Implications

6.1 Effective fraud prevention, detection and recovery arrangements help protect council income, assets and expenditure.

6.2 Section 24 considerations: No direct implications.

6.3 **Section 151 Officer's comments**: There are no direct additional financial implications arising from this report. However we welcome the assurance

provided by the council's counter fraud arrangements, which support effective financial governance and the protection of public funds. The identified areas for improvement should be progressed proportionately and reflected in the transition arrangements for East Surrey Council.

7 Legal Implications

7.1 The report engages legal duties and risks relating to fraud, bribery, money laundering, protected disclosures, data protection, investigatory powers and the failure to prevent fraud offence under the Economic Crime and Corporate Transparency Act 2023.

7.2 **Legal Officer's comments**: As mentioned above.

8 Policies, Plans & Partnerships

8.1 **Council's Key Priorities**: The following Key Priorities are engaged: N/A.

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

8.3 **Climate and Environmental Impact of recommendations**: No direct implications.

8.4 **Sustainability Policy and Community Safety Implications:** No direct implications.

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

8.6 **Local Government Reorganisation Implications:** From 1 April 2027, responsibility for counter-fraud and whistleblowing governance will transfer to East Surrey Council. Relevant policies, risk registers, case records, performance information, investigation protocols, partnership arrangements and evidence supporting the failure to prevent fraud framework will be identified, retained and transferred in accordance with legal, information-governance and transition requirements.

9 Background papers

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

Previous reports:

- Epsom & Ewell Borough Council (2025) *Counter-Fraud and Whistleblowing Annual Report 2025*, Audit & Scrutiny Committee, 13th November 2025. Online available: Epsom and Ewell Democracy.

Other papers:

- In-text references:

[1] Fighting Fraud and Corruption Locally (2026). This strategy has been recently updated and made available through the counter-fraud knowledge group 25/10/26. The previous version can be found at https://www.cifas.org.uk/insight/public-affairs-policy/fighting-fraud-corruption-local-authorities [last accessed 26/10.26].

[2] Epsom and Ewell Borough Council (2026) Anti-fraud and anti-corruption strategy. Online available: https://www.epsom-ewell.gov.uk/council/about-council/anti-fraud-and-corruption-strategy [last accessed 05/10/2026].

[3] 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 05/10/2026].

[4] Epsom and Ewell Borough Council (2026) *Constitution of Epsom and Ewell Borough Council: Appendix 1 – Members Code of Conduct*. Online available: https://democracy.epsom-ewell.gov.uk/ieListMeetings.aspx?CId=205&info=1&MD=Constitution [last accessed 05/10/2026].

[5] Data provided by Reigate and Banstead Borough Council, who are commissioned to undertake counter-fraud work on behalf of Epsom and Ewell Borough Council.