



Audit & Governance Committee

Counter-Fraud Report 2023/24



Introduction

CIPFA defines fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

Similarly, in *The Investigation of Fraud in the Public Sector* (CIPFA, 1994) CIPFA defined corruption as "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person." Furthermore, the Fraud Act 2006 has defined fraud in law, defining it in three classes:

- fraud by false representation;
- fraud by failing to disclose information; and
- fraud by abuse of position.

Fraud may be committed both from within the organisation and from outside it. Frauds may be complex or simple, opportunistic, pre-planned or continuous.

In the Annual Fraud Indicator 2023 report produced by Crowe, Peters & Peters and the University of Portsmouth overall public sector fraud in 2021 was estimated at £50.2 billion, with £8.8 billion of this relating to local government fraud (excluding benefits). In the public sector, every pound lost through fraud directly affects citizens by increasing national and local taxation or threatening the provision of local services.

The current financial climate, with increased food and fuel prices leading to the recent cost-of-living crisis, has increased the likelihood of fraud being perpetrated against the Council. The Audit & Governance Committee has oversight responsibility for the anti-fraud culture within the Council and receipt of annual Counter-Fraud Report is included in the Committee's agreed workplan.

Fighting Fraud & Corruption Locally

In early 2020, CIPFA published "Fighting Fraud & Corruption Locally – A strategy for the 2020s" (FFCL 2020) which succeeded the previous FFCL strategies written in 2011 and 2016.

In the Executive Summary, it advises:-

- *"Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains"*
- *"Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions may be far reaching."*

The strategy also advises:-

- *“The previous two strategies focussed upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were ‘acknowledge’, ‘prevent’ and ‘pursue’.*

These pillars are still applicable.....However, another two areas of activity have emerged that underpin tenets of these pillars. These are ‘govern’ and ‘protect’.

The pillar of ‘govern’ sits before ‘acknowledge’. It is about ensuring the tone from the top and should be included in local counter fraud strategies.”

- **Govern:** Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.
- **Acknowledge:** Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent:** Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue:** Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

The second new area that has appeared during the research recognises the increased risks to victims and the local community:

- **Protect:** Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.

- *Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:*

- *Culture*
- *Capability*
- *Competence*
- *Capacity*
- *Communication*
- *Collaboration*

- **This strategy**

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community.*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption.*

- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment.*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively.*

With the past work performed on counter-fraud processes and specific high-risk areas, the Council is already well-aligned with the local elements of FFCL. The Council will continue to consider current and emerging fraud risk, both generally and in future service area audits.

Chief Executive Statement

The FFCL 2020 document re-emphasises the 2011 and 2016 message that *“acknowledgement must start at the top and lead to action”*. In response to this, the Council’s then Chief Executive (James Hassett) affirmed that:-

“This Council recognises that fraud is a significant issue nationally and that every successful fraudulent act places an additional financial burden on the honest residents and taxpayers of the District. In collaboration with both central government and our local partners, we will ensure that effective ongoing measures are in place to prevent, detect and pursue fraud against the Council.”

Counter-Fraud Activities

General

The Council is required to provide information on fraud arrangements, etc. in response to the annual request from the external auditors (Ernst & Young LLP), relating to the risks of, identification of and responses to fraud (relevant to ISA 240 – ‘The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements’).

Various publications and briefings on fraud are held by the Council (e.g. from central government, CIPFA, etc.) and the guidance and recommendations in these documents has been used as a basis for counter-fraud work by Internal Audit.

Arun District Council is committed to the prevention, detection and investigation of fraud and corruption. It is expected that all those who work for, serve or deal with the Council will act in a fair and honest way.

The Council has a specific Anti-Fraud, Corruption & Bribery Policy, including the requirements of the Bribery Act 2010, which was reviewed / updated in 2019 and adopted by Full Council in January 2020. There are also other policies and procedures that support and promote this.

The Council’s Whistleblowing Policy (in respect of the Public Interest Disclosure Act 1998) is periodically reviewed and is published on the Council’s web site.

The Council's internal audit service is now provided by the Southern Internal Audit Partnership (SIAP) and any specific fraud concerns would be referred to them for investigations. They also completed a review of the Council's fraud framework (including the policies mentioned above) in 2023 and recommendations for improvement (including review and update of the various policies) is being progressed by senior management.

The Fighting Fraud & Corruption Locally strategy recommended that Councils publicise the risks of fraud and encourage public response. Information on the key fraud risk areas facing the Council and contact numbers for members of the public to report suspected fraud cases / concerns is set up as a 'Fraud' area on the Council's web site. A small number of articles in relation to fraud (e.g. Single Person Discount) have previously been provided by the Council for publication in the local press and updates have also been provided to Members (e.g. in respect of work undertaken on housing fraud).

No fraud and / or corruption investigations have been carried out during the year in respect of Members, under the Code of Conduct.

Benefits Investigations

Until December 2015, the Council had a small, dedicated Benefits Investigations team handling benefit-related fraud and investigations. Under the Welfare Reform Act 2012, benefits investigations were centralised into a 'Single Fraud Investigation Service' operated under the control of the DWP, although the Council is still required to provide data to support DWP investigations. Members of the public are still encouraged to report suspected incidents of fraud via the National Benefit Fraud Hotline or through a link to the appropriate www.gov.uk pages on the Council's website.

Housing Tenancy

As advised in past reports, housing tenancy fraud is an area of significant concern to the Government, and this is now a criminal offence under the Prevention of Social Housing Fraud Act 2013.

The Council has 3417 properties in its social housing stock and there is a dedicated Fraud Investigation & Enforcement Officer post within Housing. In addition to investigating active fraud leads, the investigator's remit includes prevention - working with other areas of Housing in respect of:-

- the process for verifying Right To Buy entitlement to purchase Council properties.
- exchange and succession requests.
- non-occupation.
- Abandonment.
- illegal sub-letting.

(Prevention of housing tenancy fraud allows the placement of new tenants from the Housing Register and potentially reduces emergency B&B costs).

In 2023/24 the Fraud Investigation & Enforcement Officer advises there were:-

- 306 referrals received.
- 13 properties successfully obtained back.
- 8 mutual exchange applications refused.
- 1 sole to joint application refused.
- 1 right to buy application stopped.
- 2 succession applications refused.
- c. £3,978 of Housing Benefit and Council Tax reclaimed

with an estimated notional financial saving to the Council of c. £2.325M. (The government currently estimates that cases of prevented social housing tenancy fraud are valued at £93,000 per property, based on an average four-year fraudulent tenancy and an estimate of the duration that the fraud may have continued undetected).

Other Investigations

Other than the two above areas, all other fraud work is the responsibility of Internal Audit (except for any electoral fraud issues, which are handled by the Returning Officer / Police).

National Fraud Initiative

The Council is a mandatory participant in the National Fraud Initiative (NFI), which is now part of the data and intelligence service within the Public Sector Fraud Authority (PSFA) launched in 2022. (The NFI was previously operated by the Cabinet Office). This is a data matching exercise that involves comparing records held by one body against other computer records held by the same or another body to see how far they match. An example would be comparing Arun District Council Housing Benefit claimants with the licensed taxi drivers recorded by Arun and other Councils.

In December 2023, Council Tax and Electoral Roll data was again provided for annual Council Tax SPD entitlement checking and the match reports received. Prior to this, the Council's Revenues section commenced a rolling review of accounts claiming SPD and this review is nearing completion. Where queries have been raised and no satisfactory response received from the account holder, the SPD entitlement has been removed and the account re-billed, including backdating where appropriate. Review of the NFI reports is progressing taking account of this and any further queries on entitlement to SPD will be referred to the Revenues section.

From April 2022 the Council has also distributed almost £9M of Government funding in support of national schemes to assist residents with their increased fuel bills, through Council Tax Energy Rebate payments and to qualifying applicants through the Energy Bills Support Scheme (EBSS) Alternative Fund and Alternative Fuel Payments. These have required pre- and post- assurance checking by Revenues and Internal Audit staff in order to meet the Government's requirements for administering the schemes. Final payments under these schemes were made in September 2023.

Other Revenues Activity

The Council's Revenues section also undertakes a number of other checks in order to reduce the risk of fraud in respect of the eligibility for Council Tax and Non-Domestic Rates (NDR) exemption or reduction. These include:-

- inspection of empty business rated properties.
- review of mandatory and discretionary NDR discounts.
- review of entitlement to Council Tax exemptions and other discounts.
- inspection of residential properties that have been empty for more than 2 years. (From April 2025 the Council has taken the decision to charge Council tax on empty properties after 1 year of being empty).
- contact by the Empty Homes Officer with homeowners where the property has been empty for 6-18 months.

In respect of the last 2 points, a further 114 properties have been brought back into occupation and the 'empty' status removed in 2023/24 through the direct intervention of the Empty Homes Officer which has increased the Council's New Homes Bonus grant income and also recommenced billing of Council Tax which had been suspended while empty. This is also reported to Members in Corporate Plan indicator CP22. (It should be noted that New Homes Bonus is to be phased out after 2024/25).

Local Government Transparency Code

The Local Government Transparency Code, *'issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision-making process and help shape public services'* was extended in 2014 to include fraud information.

The Council must now publish information on its website on its counter fraud work (e.g. number of cases and resource used) on an annual basis and this will contain some information that is covered in more detail in this report. [Local government transparency code | Arun District Council](#)

Future Activities

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone cannot guarantee that fraud or corruption will be detected.

Internal Audit (or the Housing Fraud Investigator for tenancy-related cases) should be informed of all suspected or detected fraud, corruption or improprieties for investigation and to allow the effectiveness of any relevant controls to prevent / detect such cases to be reviewed. The implications of any identified fraud and corruption will also be assessed against the Council's overall governance arrangements. Internal audit (now through SIAP) provides an annual opinion on the adequacy and effectiveness of the systems of internal control operating within the Council and any identified cases of fraud or corruption may influence this opinion.

Further to the publication of CIPFA's Code of Practice on Managing the Risk of Fraud & Corruption and the revised Fighting Fraud & Corruption Locally strategy, the

Council has considered the content and the actions to be taken in the coming years and:-

- will monitor the progress of national initiatives and engage in the various consultations that will be required to implement the strategy.
- will continue to examine reports on initiatives undertaken at other local authorities, together with published guidance and advisory documents, to ensure that lessons learnt and emerging fraud risks are considered as part of our counter-fraud activities.
- will continue to assess our current activities against the best practice contained in the strategy for local consideration and ensure that our counter-fraud activities are as effective as possible.
- will ensure that appropriate counter-fraud measures remain in place in service areas impacted by changes from management / operational restructures or efficiency / cost saving initiatives.

SIAP reviewed the Council's fraud framework in 2023 and recommendations for improvement were reported to the Audit & Governance Committee and are being progressed by senior management.

As identified in the report, counter-fraud work is already performed by the Council in a number of areas, in addition to the continual consideration of emerging fraud risks and assessment of the Council's policies and procedures against best practice and appropriate guidance notes.