



APPENDIX A

Managing the risk of Fraud and Corruption Annual Report 2023/24

Introduction

This report shows those responsible for governance how both Councils are looking to fight fraud and corruption more effectively. It brings together in one document a summary of the outcomes of our work to deter, prevent and detect fraud and corruption over the last 12 months.

Although both Councils have traditionally encountered low levels of fraud and corruption, the risk of such losses both internally and externally is fully recognised as part of each Council's operations that need to be managed proactively and effectively.

Levels of officer responsibility

The Head of Internal Audit is responsible for the development and maintenance of a Prevention of Financial Crime Policy and ensuring that Councillors and staff are aware of its content; and ensuring that there is a pro-active approach to fraud prevention, detection and investigation and promotes a council wide anti-fraud culture across both Councils.

Internal Audit will support management by advising on controls to prevent and detect fraud and help build anti-fraud awareness amongst staff. However, ownership of detection and fraud lies with management, and not Internal Audit.

Internal Audit

Fraud and corruption risks are identified as part of the annual planning process and contributes to the overall formation of audit coverage. Under the Public Sector Internal Audit Standards (PSIAS) we consider aspects of fraud risk in planning all audits.

Whilst it is not a primary role of an internal audit function to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud, and where necessary investigating the causes of fraud and responding to whistleblowing allegations.

The annual Audit Plan has an allowance for Internal Audit to undertake irregularity investigations, National Fraud Initiative (NFI) related work, and proactive anti-fraud and corruption work. Currently this is at a level deemed proportionate to the identified risk of fraud within the Councils and is supported by senior management although is under continual review.



Fraud Risk Register

Part of delivering good governance as defined by CIPFA/SOLACE is ensuring counter fraud arrangements are in place and operating effectively.

Internal Audit has produced a Fraud Risk Register, which contains a list of areas where Internal Audit and Heads of Service believe the Councils are susceptible to fraud. The register enables the Councils to focus on suitable internal controls to mitigate any subsequent risk. The register also influences the audit planning process.

Policies and Procedures

The Councils are committed to ensuring that the opportunity for fraud and corruption is minimised, which is supported by the Prevention of Financial Crime Policy.



Pro-active Anti-Fraud Work

Raising awareness

Work continues on raising fraud awareness across both Councils and includes:

- Raising Money Laundering awareness through a series of presentations to all Heads of Service. This was followed up with compulsory online e-learning module for all staff who carry out any financial transactions to complete in 2023. This training has enabled employees to recognise suspicious transactions and what to do if they identify them.
- The completed module will automatically be filed on everyone's personal records. This will also form part of the induction programme for new employees. There are a small number of officers that have yet to commence the course and have been recently reminded of their obligation to complete the e-learning module.
- The developed corporate 'Values' was used as an opportunity to remind staff of the Councils' Whistleblowing arrangements and how we as an organisation want to create an open and supportive culture, where staff feel comfortable in raising concerns when they feel something is wrong without fear of the consequences. In the last 12 months, the Councils have received 3 Whistleblowing reports:

- Tenant residing in Babergh District reporting unprofessional conduct and level of work whilst carrying out electrical work. Following an investigation, the operator was suspended and all work is now validated with before and after photos of work completed.
- Allegation of misappropriation of Communities Infrastructure Levy grant by a charity. A thorough investigation was conducted and no evidence could be found to support the allegation. Case closed.
- Allegation received questioning unprofessional conduct and private use of Council equipment by a senior manager resulting in a member of staff being dismissed and a review of operational working practices.





- Reminder to Councillors and staff on their responsibilities around gifts and hospitalities. This will now include annual checks undertaken by Internal Audit that will also include Declaration of Interests.
- Promoting best practise within the Councils, such as how to encrypt PDFs to prevent records being fraudulently altered.
- Alerting staff of National Fraud Bulletins, where relevant, to ensure that related internal controls are present and operating effectively.
- Subscription to the National Anti-Fraud Network, which provides proactive intelligence of potential fraud and error risks.
- The Councils, through the Shared Revenues Partnership, continue to give out a strong message about fraud in both publicly issued and internal documents regarding Council Tax and Housing Benefit claim forms.
- Fair Processing Notices, which inform the public that we will use their data for the prevention and detection of crime, have been updated as part of the General Data Protection Regulations (GDPR).
- Attending the Organised Fraud and Intelligence Group (OFIG) 'Internal Fraud' webinar and 'WeFightFraud' webinars to alert the Councils to fraud trends nationally and to further strengthen internal controls to mitigate fraud.
- Both Councils are committed to being open and transparent. The Department for Levelling Up, Housing and Communities (DLUHC) Code of Recommended Practice for Local Authorities on Data Transparency has set out data publishing requirements on Local Authorities. This includes publishing information on each Council's counter fraud work.

Suffolk Counter Fraud Group

To help fight fraud and corruption locally each Council across Suffolk have nominated a representative to sit on the Suffolk Counter Fraud Group and meet regularly.

The objectives of the group are:

- Keep up to date with national developments in relation to fraud, e.g., Strategies, Counter Fraud Profession, what other Local Authorities are doing;
- Identify and share emerging national and local fraud risks;
- Explore possibility of sharing and matching data held by Local Authorities to identify possible fraud or error;
- Explore possibility of joint working and sharing resources for proactive exercises utilising limited resources across Suffolk Local Authorities;
- Share material/resources/ideas of promoting fraud awareness amongst staff and Councillors;
- Joint training of staff where appropriate and beneficial;
- Share best practice in relation to working arrangements, investigations and case management; and
- Investigate cases jointly where appropriate.



Councils leading the way in fraud prevention

In conjunction with the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) the SRP use the Verify Earnings and Pensions (VEP) service to ensure data in respect of Housing Benefit claimants is up to date.

Between February 2023 and December 2023 using the data received via VEP alerts SRP have identified **£10,781.86** worth of overpayments for Babergh (**54 cases**) and **£3,295.73** worth of overpayments for Mid Suffolk (**45 cases**). These cases are classified as 'claimant error' for which the councils receive 40% subsidy back from Central Government.

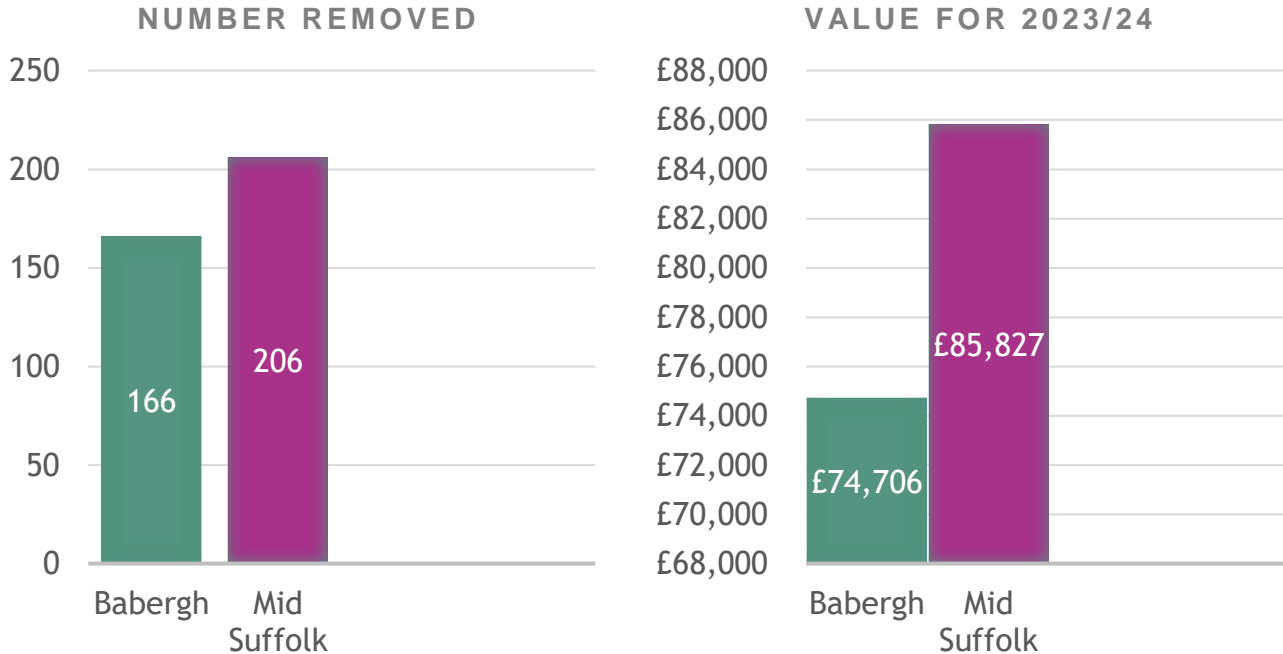
The Councils are also entitled to recover the overpayment of benefit through clawback from existing claimants or through invoice payment arrangements where they are no longer claiming.

The Councils' Shared Revenues Partnership team has been recognised by the Department for Working Pensions (DWP) for their work to reduce fraud and error in Housing Benefit payments.



Fraud update from the Shared Revenues Partnership (SRP)

The SRP secured funding from Suffolk County Council to carry out a review of single resident discount during 2023/24. The current number of discounts removed and the value of debt created since April 2023 is shown below:



The removal of these discounts will generate additional income to be shared between preceptors.

The percentage of single resident discounts as a proportion of the overall taxbase is **30.71%** (BDC) and **28.54%** (MSDC). The national average is **32.94%**.

Fraud Referrals to the Councils

In the last 12 months the Fraud Referral platform and Customer Services has received a total of 20 fraud referrals from the general public relating to Babergh District Council and Mid Suffolk District Council areas.



| Category | BDC | Outcomes | MSDC | Outcomes |
|------------------------------------|-----------|---|-----------|---|
| Single Person Discount Council tax | 6 | 2 discounts removed. Saving BDC: £1,173.90. 4 confirmed eligible for discount. | 6 | Confirmed eligible for discount. |
| Tenancy Services | 1 | No fraud confirmed | 0 | N/A |
| Other | 3 | 1 referred to DWP. 1 referred to SRP regarding business rates and resolved. 1 referred to Planning as relates to an ongoing Planning investigation. | 4 | 2 referred to Trading Standards. 1 referred to Dog Licensing and resolved. 1 no fraud confirmed. |
| Total | 10 | | 10 | |

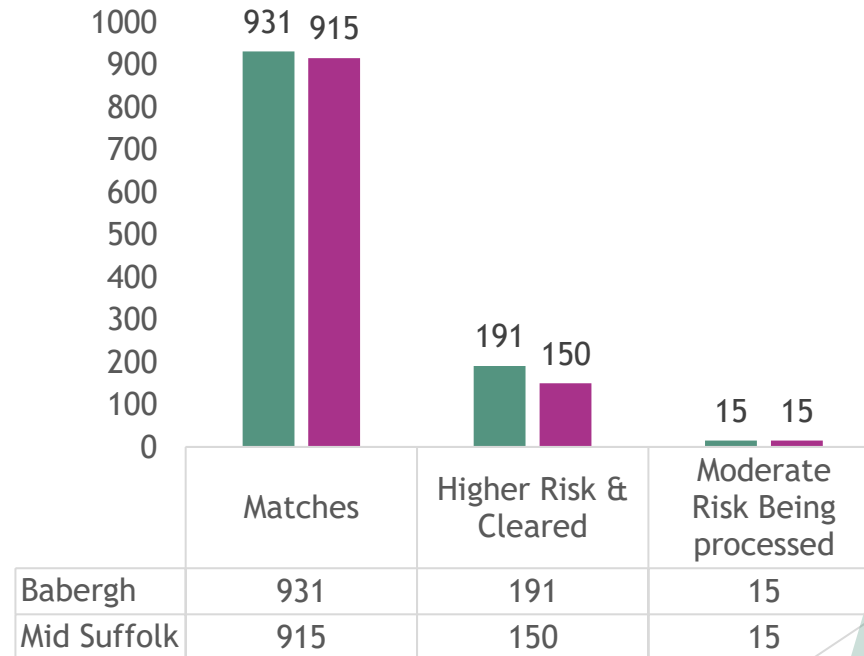
National Fraud Initiative (NFI)

The NFI is an exercise that matches electronic data held within, and between public and private sector bodies to prevent and detect fraud. All mandatory participants, including Councils, must provide data for matching with other organisations.

The NFI exercise takes place every two years, with the latest main data extraction completed in December 2022, as part of the 2022/23 exercise.

- 931 matches were generated for Babergh District Council. All of the 191 matches prioritised as 'Higher Risk' have been cleared. Another 15 'Moderate Risk' cases are currently being processed. No direct financial savings identified at the time of this report.

- 915 matches were generated for Mid Suffolk District Council. All of the 150 matches prioritised as 'Higher Risk' have been cleared. Another 15 'Moderate Risk' cases are currently being processed. No direct financial savings identified at the time of this report.



The Elections and Single Person Discount Council tax data annual upload was completed in December 2023. The release of the matches was 22 January 2024 and are currently being processed.

Internal Audit take a leading role in co-ordinating this exercise across both Councils and with the Shared Revenues Partnership (SRP) working across service areas to support staff in providing data and subsequently investigating and recording the results of matches. Resource levels do not allow all NFI matches to be investigated and an assessment of those that appear to be of a higher risk for examination must be carried out. Higher risk matches are those defined as having a strong match that identifies an individual, e.g., same Date of Birth and National Insurance number.

The results of these exercises will be reported later in the year when matches have been reviewed and processed by all service areas.



Housing tenancy fraud investigations

One Housing Tenancy fraud was detected in 2021/22. The fraud was in relation to fraudulent medical records for another person to live in a property, in order to obtain a larger home than Gateway to Homechoice policy would allow.

Officers were able to obtain confirmation from the GP that the document was false and it was reported to the Police by them. The applicant was informed and the application rejected. The person who allegedly was going to live in the property with the existing family pleaded guilty to the offense and in November 2023 was sentenced at Ipswich Magistrates Court for Fraud by false representation - Fraud Act 2006.

The guilty party was sentenced to various rehabilitation programmes and compensation was awarded to Babergh District Council by the court in the sum of £1928.50.

A further 4 fraud cases relating to alleged sub letting were reported directly to Tenant Services. 3 cases were proven to be untrue and 1 case was referred to Temporary Housing team for review.



Right to Buy (RTB)

No Right to Buy concerns have been reported during 2023/24.

COVID-19 implications

In response to COVID-19, the Government provided funding through Local Authorities to support businesses. A member of the Internal Audit team is continuing to support the Business Cell in the post-event assurance undertaken by liaising and reporting to HMRC and the Department for Business, Energy & Industry Strategy (BEIS). This work will continue until all grants have been verified by BEIS.

Energy Grant repayments

The Finance Team take the lead for paying these grants (£150). A member of the Internal Audit team supports the Energy Grant business cell, ensuring the appropriate governance arrangements are in place.

It is likely that local authorities will be expected to provide the same level of assurance as the COVID-19 business grants. To that effect, the Councils have applied their debt recovery process where grants have been paid and it has later been discovered the receiving parties did not qualify.



This resulted in:

Babergh District Council

| | Invoices | Total Value £ |
|---|----------|---------------|
| Total Invoiced | 27 | 4,050 |
| Paid invoices | 19 | 2,850 |
| Invoices cancelled (As the recipients were able to provide further evidence of their eligibility) | 2 | 300 |
| Unpaid invoices | 6 | 900 |

Mid Suffolk District Council

| | Invoices | Total Value £ |
|---|----------|---------------|
| Total Invoiced | 21 | 3,150 |
| Paid invoices | 15 | 2,250 |
| Invoices cancelled (As the recipients were able to provide further evidence of their eligibility) | 1 | 150 |
| Unpaid invoices | 5 | 750 |



Attempts will continue to liaise with the recipients who have not yet cleared their debts. Should this not be successful, the debt will be passed to BEIS as per guidelines, and the Councils will not be liable for the debt.



Flooded Property and Flood Recovery Grants



In response to Storm Babet, the Government provided funding through Suffolk County Council to support businesses and residents. Babergh and Mid Suffolk has administered this grant locally. A member of the Internal Audit team is supporting the Business Cell in the governance undertaken by Babergh and Mid Suffolk District Councils. This work will continue until all grants have been verified by BEIS. A similar approach to previous Covid-19 grants is anticipated with post-payment assurance required.

Conclusions

The Councils remain committed to providing services carried out in accordance with the highest ethical standards and takes steps to investigate all concerns arising.

Looking ahead / Future developments

Some areas where a focus can be expected for 2024/25 follows:

- **Continue ongoing NFI exercise;**
- **Ongoing COVID-19/Omicron support work around business grants**
- **Ongoing Flood Recovery governance support work of grants**
- **Ongoing Energy rebate governance support work of grants**
- **Supporting both Councils to improve levels of awareness of fraud risks amongst staff;**
- **Continue collaborating with neighbouring councils to share knowledge and expertise on anti-fraud and corruption measures through the Suffolk Fraud Group; and**
- **Continue to coordinate and manage the online fraud referral platform on our website and through Customer Services to mitigate fraud within our districts.**

