

Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 The purpose of this report is to summarise the incidence of fraud and fraud prevention activities at Rushcliffe Borough Council (“the Council”) during the year 2022/23. This report is prepared under BDO’s engagement letter with the Council dated 4 February 2020 for internal audit services and it has been prepared strictly for use by the Council.
- 1.2 This report has been prepared by BDO LLP (“BDO”) to summarise the fraud prevention and detection activities undertaken by the Council. For the avoidance of doubt, BDO has not undertaken a full fraud risk assessment or audited any information provided to it (as summarised within this report) by the Council’s officers.
- 1.3 We understand that it will be made available to relevant internal committees within the Council. In all other respects, this interim report is confidential and should not be used, reproduced, or circulated for any other purpose, in whole, or in part, without BDO’s prior written consent. We do not owe a duty of care to anyone other than the Council.

2. Recommendation

- 2.1 It is RECOMMENDED that the Governance Scrutiny Group notes the Annual Fraud Report for 2022/23.

3. Reasons for Recommendation

- 3.1 To provide an annual update to the Governance Scrutiny Group regarding the Council’s fraud prevention environment.

4. Supporting Information

- 4.1 In August 2022, the government launched the Public Sector Fraud Authority (“PSFA”). A key objective of this body is to help ensure a consistent strong approach to counter fraud across the public sector, and to support public sector bodies to better understand and manage their fraud risks. The PSFA is also responsible for maintaining the Government’s Functional Standards for Counter Fraud (GovS 013), which details measures that public bodies should have in place to control fraud and assesses public bodies’ compliance with these.
- 4.2 In March 2023, the PSFA published its 2022 annual report, entitled ‘Cross-Government Fraud Landscape’. This report¹ highlights that:
 - (a) Detected fraud rose from £227m in 2019/20 to £243m in 2020/21 and detected fraud and error rose from £310m in 2019/20 to £525m in 2020/21, with the difference between fraud and error being whether a department or public body has established the intention of the action to a balance of probabilities standard;
 - (b) Prevented fraud and error rose from £388m in 2019/20 to £653m in 2020/21, and recovered fraud and error rose from £92m in 2019/20 to £193m in 2020/21;
 - (c) A key driver in the increasing fraud statistics was found to be fraud identified in pandemic related spending;

¹ Refer to Cross-Government Fraud Landscape, pages 9 and 25



(d) The estimated level of fraud and error in 2020 was between £33.2bn and £58.8bn outside of COVID-19 specific schemes, of which £10.8bn was detected; and

(e) The undetected estimated level of fraud and error in 2020 was equal to between 0.5% and 5.0% of public expenditure.

4.3 Part of the level of detected fraud in the public sector arises from the National Fraud Initiative (“NFI”) exercises. Across England in 2020 to 2022, £56.2m² of fraud was detected and there was an 85% recovery rate. Significant issues identified included misuse of concessionary travel passes and blue badges, as well as incorrect council tax single person discount claims. We discuss the Council’s specific NFI results in **Section 7** of this report below.

5. Preventing and Detecting Fraud

5.1 Fraud and conduct issues can involve Council employees, elected members, partners, customers, and the public. Both conduct and fraud issues can be identified/raised in several ways:

(a) Proactive detection work, undertaken internally or externally, for example as part of the NFI; and

(b) Referral by employees, elected members, partner organisations, or members of the public, or identification by management.

5.2 In carrying out its functions and responsibilities, the Council is firmly committed to dealing with fraud or corruption and will deal equally with attempted and perpetrated fraud or corruption from inside or outside the Council.

5.3 The Council does not have a dedicated fraud prevention resource. However, it is the responsibility of managers within the Council’s teams (“Management”), as part of the internal control environment, to ensure controls are in place to mitigate the risk of fraud. Officers with responsibility for monitoring and reporting levels of housing benefit and council tax fraud (under the NFI) and grant fraud, as described in the report, are located within the finance directorate. These areas are therefore subject to oversight by the same managers and directors, ensuring a level of consistency in the fraud control framework. There have not been any changes to the control environment in 2022/23.

5.4 Whilst it is not their direct responsibility to detect fraud, Internal Audit may identify instances of fraud through their reviews and are available to support Council officers to consider next steps for investigating any allegations of fraud in consultation with BDO’s Forensic Accounting specialists if required. During 2022/23 Internal Audit services were provided by BDO.

5.5 Internal Audit has confirmed that no fraud matters were identified by them during the course of their work in the year. Management is aware of frauds that occur across the sector and engage with Internal Audit and others as appropriate to discuss whether there is any material exposure to the Council from the issues noted in any relevant cases identified. No specific action has been deemed necessary to manage material risks or exposure based on these discussions in year.

5.6 The Council’s Anti-Fraud & Corruption Policy was reviewed during 2019/20 to ensure it is up to date and appropriate. BDO also provided comments as part of their Internal Audit plan in 2020/21 and compared it to the Government Functional Standard for Counter Fraud, Bribery and Corruption. The policy is due for review in 2024. For the avoidance of doubt, no additional work has been undertaken by BDO in relation to fraud risks beyond the scope of this report and the

² <https://www.gov.uk/government/publications/national-fraud-initiative-reports/national-fraud-initiative-report-december-2022-html#fraud-overpayments-and-errors-identified-and-prevented-across-the-uk-1996-to-2022>



activities described within it, and BDO has not undertaken a fraud risk assessment exercise for the Council for the purpose of this report.

6. Whistleblowing Policy

6.1 It is important to any organisation that any fraud, misconduct or wrongdoing by workers or officers of the organisation is reported and properly dealt with. We understand that the Council’s whistleblowing policy encourages all individuals to raise any concerns that they may have about the conduct of others within the Council.

6.2 There are no specific awareness campaigns, such as posters advertising the whistleblowing policy. However, employees are made aware of the whistleblowing procedures on the staff intranet page and managers also encourage an open culture and encourage their teams to discuss any concerns with them. Furthermore, staff are reminded about the whistleblowing arrangements as part of counter fraud training (see **Section 11** below).

6.3 The whistleblowing policy applies to all employees and those contractors working for the Council, on Council premises, for example, agency staff, builders. It also covers suppliers and those providing services under a contract with the Council on their own premises.

6.4 BDO has not reviewed the Council’s whistleblowing policy for the purpose of this report. Our comments in relation to staff awareness and training are included at **Section 11** below.

6.5 There have been no whistleblowing concerns reported during 2022/23. It is not possible to determine the reason for the lack of reports, i.e., whether there is a genuine absence of concerns and therefore nothing to report, or whether the absence of reports is due to a lack of awareness of the policy within the employee base.

7. National Fraud initiative (NFI)

7.1 The NFI is a data matching exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. A national exercise is undertaken every two years, although electoral roll and council tax data is required to be submitted annually. Once the data-matching process for each exercise is completed, the NFI makes the output available to the relevant participating body for consideration and investigation via the secure NFI software. Participating bodies are then responsible for investigating any matches.

7.2 The Council started a review in respect of single person discounts via the NFI in December 2022. The results of this exercise were:

2022/23	2021/22	2020/21	
800	517	721	Number of cases identified by NFI
69	23	591	Number of live cases investigated
69	17	81	Number of cases where the discount was removed
£17,163	£2,146	£24,222	Value of extra Council Tax billed

7.3 The number of cases investigated, and the additional council tax billed, are shown above. The cases identified by the NFI are split into two reports (one relating to rising 18-year-olds and the other a data match with the Electoral Register). Only the report relating to rising-18-year-olds was investigated by the Council in year. The Electoral Register report (702 cases) was due to be investigated as part of a larger review of the discount in 2022/23. However, due to other work pressures and resource constraints, with resources being diverted to Council Tax Energy Rebates payments and other energy grants this review was not started before the end of the year. Council is planning to undertake a Single Person Discount review during 2023/24.

7.4 Housing Benefit awards and localised Council Tax Support awards were also reviewed in 2022/23:

2022/23	2021/22	2020/21	
122	93	182	Number of matches reviewed
0	0	0	Number of frauds identified
1	3	3	Number of errors identified
£473	£14,496	£2,374	Amount of Council Tax errors identified

7.5 All discounts awarded (except single person discounts due to the volume) are reviewed on an annual basis and applicants are advised that they should inform the Council of any changes. The Council does not undertake any wider exercises to publicise measures taken against residents who have incorrectly claimed a discount to act as a deterrent, with the annual reminders instead relied upon to remind residents of their obligations.

7.6 Where it is discovered that a discount has been incorrectly claimed, the discount is removed on the billing system and the correct charge raised (these amounts are included in the value of extra council tax billed quoted in the tables above). The discount is removed from the customer's account from the date that they are no longer entitled to it. The charge is then recovered as unpaid Council Tax, subject to reminders/summons as per the Council's recovery policy.

8. Internal Investigations 2022/23

8.1 There have been no allegations of fraud reported in 2022/23. However, as noted in paragraph 6.2 above, the internal whistleblowing hotline is not actively promoted, which could potentially impact the reporting rate.

9. Benefit Fraud Investigations conducted by the Counter Fraud and Compliance Directorate

9.1 The Council no longer investigates Housing Benefits frauds. These are undertaken by the DWP Counter Fraud and Compliance Directorate ("CFCD").

9.2 The DWP has a suite of management information that allows local authorities ("LA"s) to monitor the progress of referrals made to CFCD and enables LAs to see the outcomes CFCD are achieving on their behalf. Additionally, it enables LAs to make a comparison of the volume of referrals that they have made against the national average.

9.3 For the third year running due to COVID-19, no data has been available from the DWP at the time of this report.

10. Grants administered by the Council

10.1 In 2021/22, the Council has administered significant levels of grants and therefore information on these was included in the equivalent fraud report for that year. However, we understand that the level of grants awarded this year was not significant since COVID grant schemes have now ceased. We have also confirmed that Internal Audit has not undertaken any work on grants in 2022/23. We therefore do not comment further on grants in this report.

11. Fraud awareness and strategy

11.1 During 2022/23, BDO undertook fraud awareness training to staff across the council, as was recommended in the Annual Fraud Report for the previous year. The Council should consider



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continuing to offer regular training to its staff, which should include reminding staff of the whistleblowing arrangements. Senior officers should also consider making use of employee engagement sessions to promote counter fraud messages.

11.2 The Council may also wish to test levels of awareness of counter fraud arrangements amongst staff by, for example, inclusion of questions relating to this area in staff surveys.

11.3 We understand from Internal Audit that a fraud risk assessment has not been undertaken by the Council in the period in which BDO has provided Internal Audit services, therefore since at least April 2020. The Council may wish to consider undertaking a fraud risk assessment in the near future to help inform its judgement as to the appropriateness and effectiveness of its fraud risk strategy.

12. Other Options Considered

12.1 Not Applicable.

13. Risk and Uncertainties

13.1 If recommendations are not acted upon there is a risk internal controls are weakened, and the risk materialises.

14. Implications - Finance

14.1 None.

15. Implications - Legal

15.1 None.

16. Corporate Priorities

16.1 Not applicable.

17. Other Implications

17.1 None.

For more information contact:	Peter Linfield, Executive Manager - Finance and Corporate Services plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices:	None