

Annual Fraud Report 2023/24**1. Summary**

- 1.1 The purpose of this report is to summarise fraud prevention activities and any known incidence of fraud and at Rushcliffe Borough Council (the Council) during the year 2023--24.
- 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 This report is prepared under BDO's service level agreement with the Council dated 4 April 2024 for internal audit services and it has been prepared strictly for use by the Council. BDO understands that it will be made available to relevant internal committees within the Council. In all other respects, this 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. Supporting Information

- 2.1 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.
- 2.2 In March 2023, the PSFA published its 2021-2022 Annual Report, entitled 'Cross-Government Fraud Landscape', which was the latest large-scale review of levels of public sector fraud. This report¹ highlighted that in 2021--22, reported levels of detected fraud and error increased by 52% from the prior year (rising from £541m to £823m) and that a significant proportion of the increase was linked to COVID related fraud. In November 2023, the PFSA published its latest Annual Report, which focused on progress against its objectives in its inaugural year. This report² highlighted that the PFSA had surpassed its target of achieving £180 million of savings for the taxpayer in its first 12 months by preventing and

¹ Refer to Cross-Government Fraud Landscape, pages 6 and 12

² https://assets.publishing.service.gov.uk/media/6554919250475b000dc5b5e0/Public_Sector_Fraud_Authority_Annual_Report_2022-2023.pdf

recovering £311 million. Approximately 50% of the amount prevented and recovered was in relation to COVID and Bounceback loan schemes.

- 2.3 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, £56.2m³ 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. Updated detailed results for the period since 2022 have not yet been released. However, the PFSA 2022--23 Annual Report highlighted that, in 2022--23, the NFI data matching exercises delivered benefits of £171m. We discuss the Council's specific NFI results in **Section 5** of this report.

3. Preventing and Detecting Fraud

- 3.1 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.
- 3.2 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.
- 3.3 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 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 2023--24.
- 3.4 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 2023--24 Internal Audit services were provided by BDO.

³ <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>

- 3.5 Internal Audit has confirmed that no incidents of fraud directly associated with the Council were identified during 2023--24. However, during a review of grant management controls Internal Audit identified an incident whereby a subcontractor requested payment for services covered by a grant, this is discussed in more detail in **paragraph 8.1**.
- 3.6 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. Management have informed us that during the year it was identified that a taxi driver did not have a Rushcliffe Borough Council issued licence, the value of this fraud was immaterial, and the matter was resolved. Management is not aware of any further incidents of fraud that have occurred in 2023--24.
- 3.7 This year, following recommendations arising from the 2022--23 Fraud Report, the Council has undertaken a fraud risk assessment to assess and document its exposure to fraud risk. We will review this assessment and report on this at the next meeting.
- 3.8 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 its Internal Audit plan in 2020--21 and compared the Policy to the Government Functional Standard for Counter Fraud, Bribery and Corruption. The Policy is scheduled for review in 2024.
- 3.9 The Council is a member of the Nottinghamshire Fraud Partnership, which was formed in 2023. This Partnership aims to bring organisations together to protect individuals and businesses against fraud, respond to emerging threats and support victims through collaboration and sharing of information. The Partnership meets quarterly and is facilitated by the Office of the Police and Crime Commissioner for Nottinghamshire⁴.
- 3.10 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 activities described within it, and BDO has not undertaken a fraud risk assessment exercise for the Council for the purpose of this report.

4. Whistleblowing Policy

- 4.1 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.
- 4.2 There are no specific awareness campaigns, such as posters advertising the Whistleblowing Policy. However, employees are made aware of the

⁴ <https://www.nottinghamshire.pcc.police.uk/Our-Work/Nottinghamshire-Fraud-Partnership.aspx>

whistleblowing procedures on the staff intranet page and managers also encourage an open culture and encourage their teams to discuss any concerns with them. In addition, staff are reminded of financial issues through internal newsletters.

- 4.3 The Whistleblowing Policy applies to all employees and those contractors working for the Council, on Council premises, for example, agency staff and contractors. It also covers suppliers and those providing services under a contract with the Council on their own premises.
- 4.4 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 9**.
- 4.5 There have been no whistleblowing concerns reported during 2023--24. 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.

5. National Fraud initiative (NFI)

- 5.1 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.
- 5.2 The Council conducted a review in respect of single person discounts via the NFI in November 2023. The results of this exercise were as detailed below:

2023--24	2022--23	2021--22	2020--21	
109	800	517	721	Number of cases identified by NFI
109	69	23	591	Number of live cases investigated
1	69	17	81	Number of cases where the discount was removed
£18,915	£17,163	£2,146	£24,222	Value of extra council tax billed

- 5.3 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. In November 2023, the Council forwarded details of 16,930 single person discount cases to an external contractor to conduct a review. The records of the single person discounts were matched with financial data, and as a result 3,350 cases were identified for further contact. Of these cases 463 had their single person discount removed, which generated additional council tax revenue of £175,000.
- 5.4 All council tax 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. In addition, the Council is reviewing National Non-Domestic Rates (NNDR) reliefs, such as discretionary reliefs. 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.
- 5.5 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.
- 5.6 The NFI data-matches relating to housing benefit are completed every two years and the next results in this area will be included in the 2024-25 Fraud Report.

6. Internal Investigations 2023-24

- 6.1 The only known instance of fraud during 2023-24 is the taxi licence related matter described in **paragraph 3.5 to 3.6**. There have been no other internal fraud investigations during the year. However, as noted in **paragraph 4** above, the internal whistleblowing hotline is not actively promoted, which could impact the reporting rate.

7. Benefit Fraud Investigations Conducted by the Counter Fraud and Compliance Directorate

- 7.1 The Council no longer investigates housing benefits frauds. These are undertaken by the Department for Work and Pensions (DWP) Counter Fraud and Compliance Directorate (CFCD).

- 7.2 The DWP has a suite of management information that allows local authorities (LAs) 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.
- 7.3 As was the case in the prior year, no data has been made available to the Council at the time of preparing this report.

8. Grants Administered by the Council

- 8.1 During the year 2023-24, Internal Audit undertook a review into grant management controls. This review concerned the grant income received by the Council to support energy efficiency measures and low carbon heating. One instance of potential fraud was found where a subcontractor requested payment of £200 from a resident for services paid for by the grant. This highlighted a weakness around preventative fraud communications for grants. Further details of this incident are included within the Internal Audit Report which has been separately reported to the Council.

9. Fraud Awareness and Strategy

- 9.1 No fraud awareness training has been provided to Council employees during 2023-24, with such training last being delivered during 2022-23, when a session was delivered by BDO. The Council should consider offering fraud awareness training to staff on a regular basis, 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.
- 9.2 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.

10. Fraud Risk Assessment

- 10.1 The Council has prepared a fraud risk assessment (FRA) during the year, and we have been asked to undertake a limited review of this and provide comments as part of this fraud report. Our review of the FRA will be provided to the next GSG.