

Report to: Audit and Governance Committee



Date of Meeting 21 March 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Updated Corporate Fraud, Corruption & Compliance Strategy

Report summary:

This report covers 3 areas:

- The updated Fraud, Corruption and Compliance Strategy for 2024 to 2028. This new strategy incorporates many of the principles from the 'Fighting Fraud & Corruption Locally - a strategy for the 2020's' for local government.
- An overview of some of the key areas of work the team have been focussed on since 2020 and outcomes for 2023/24.
- Next steps – To produce a delivery plan which will include the areas of work to be prioritised for 2024/25.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

1. For Audit and Governance to approve the updated Corporate Fraud and Compliance Strategy for 2024-2028.
2. For delegated authority to be given to the Assistant Director responsible for Fraud and Compliance to finalise the strategy in consultation with the S151 officer and Chair of Audit and Governance Committee.
3. To note the outcomes of the work that has been achieved for 2023/24 and the next steps in producing a Delivery plan.

Reason for recommendation:

Without having a strategy there is no clear robust framework that provides for the Council's approach to managing fraud and the associated risks to the Council. This could potentially mean that the Council's objectives of having a zero-tolerance approach to fraud and corruption is not met, nor would one of the key themes, having a well-managed, financially secure and continuously improving Council that delivers quality services, be supported. Any fraud or error takes money away from services and undermines our ability to deliver against the council priorities.

Adopting the strategy will ensure that we are putting in place a robust framework for managing the risk of fraud and error within East Devon.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Communications and Democracy
- Economy
- Finance and Assets
- Strategic Planning
- Sustainable Homes and Communities
- Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

The strategy has been assessed as low as it provides a framework for fraud, corruption and compliance measures within the Council to ensure we are managing risks effectively. No impact has been identified on people from any of the protect characteristic groups at this stage. It should be noted that any investigation or action on an individual would fall under our Anti-Fraud, Theft and Corruption Policy or our Regulatory Enforcement and Prosecution Policy.

Climate change Low Impact

Risk: Medium Risk; Not having a clear strategy may increase the risk of fraud and error within EDDC.

Links to background information:

- [Annual Fraud Indicator | Crowe UK](#)
- [Fighting Fraud Corruption Locally Strategy 2020s | Cifas](#)

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

Background

- 1.1 Each local authority is self-regulating in respect of how it deals with fraud and error.
- 1.2 The Council's Code of Corporate Governance Policy (Principle F) states that we will ensure effective counter fraud and anti-corruption arrangements are in place.
- 1.3 Fraud and Error on a national level has continued to increase at an alarming rate. The latest estimate is that public sector fraud is around £50.2 billion for 2021 compared to £40.4 billion for 2017, an increase of 25%. Excluding Benefits £8.8 billion relates to local government fraud and error.
- 1.4 The current strategy hasn't been updated since 2020. The main reason for the delay is due to prioritising government grant schemes as a result of the Covid-19 pandemic and the Cost-of-Living Crisis, resulting in resources being diverted to delivering emergency financial support to our residents and businesses. Focus has now been directed at getting compliance issues up to date, including areas such as reliefs and exemptions for Business Rates and Council Tax, completing the National Fraud Initiative and carrying out the Empty Homes review for the New Homes Bonus.

2.0 What is our strategy?

- 2.1 Our strategy reflects the Fighting Fraud Corruption Locally 2020 Strategy (FFCL 2020 Strategy) which is the counter fraud and corruption strategy for local government. This has been produced by senior local authority experts along with partners who work with councils on counter fraud activities. This will ensure that we are putting in place a robust framework for managing the risk of fraud and corruption.
- 2.2 Our strategy draws on the 5 key pillars which are Govern, Acknowledge, Prevent, Pursue and Acknowledge, and details our commitments under each one. These commitments reflect the FFCL checklist which is a practical programme for local authorities to follow.
- 2.3 As part of our Strategy we will be providing Audit and Governance Committee with an annual report on the delivery plan and outcomes of this work.

3.0 Resources to support Fraud & Compliance

- 3.1 The Council has dedicated resource to support fraud and compliance activities:
 - One Full time Fraud and Compliance Officer
 - Two shared Revenues Assistants (work across 3 disciplines – Business Rates, Sundry Debts and Fraud and Compliance)
 - Revenues, Fraud and Compliance Manager (manages 3 disciplines – Business Rates, Sundry Debtors, Fraud and Compliance).

The team sits under the Assistant Director for Revenues, Benefits, Customer Services, Fraud and Compliance which is part of the Finance Directorate and is within the remit of the Portfolio Holder for Finance.

- 3.2 Due to changes in staff personnel we are currently developing the team to make sure that we have the right level of competency to deal with the full range of counter fraud and corruption activities. Our Corporate Fraud & Compliance Officer is currently undertaking the CIPFA Accredited Level 4 Counter Fraud Apprenticeship (includes the Accredited Counter Fraud specialist course). The Revenues, Fraud and Compliance Manager has just finished the CIFAS Accredited Counter Fraud specialist course.
- 3.3 In addition to the above there are also fraud resources available within SWAP (Southwest Audit Partnership) who also support this work. The aim will be to work much more closely with them as part of the delivery plan. For instance, any investigations in relation to employees would be conducted by SWAP to ensure impartiality.
- 3.4 Partner networking is being developed with other fraud teams including DAP (Devon Audit Partnership). An example of an area of work where we are working in collaboration is in relation to carrying out a single person discount review which is being funded by Devon County Council. We recognise the value and wider benefits of doing this.

4.0 Overview of work completed since 2020

- 4.1 Since March 2020 Covid has had a big impact on the proactive work the team have been able to undertake as they have primarily been focussed on delivering government schemes, initially for Covid-19 and then the Cost of Living Crisis.
- 4.2 The team worked on delivery of the covid grants from March 2020. In total there were 13 different business grant schemes that Councils had to deliver. This work included risk assessments, delivery, management reporting and reconciliation for the Department for Business, Energy & Industrial Strategy (DESNZ) formerly BEIS (Department for Business, Energy & Industrial Strategy).
- 4.3 The final business grant scheme ended on 31 March 22. However, since then the team have had to conduct post payment assurance checks on each business grant scheme, provide documentary proof to evidence certain claims as part of the DESNZ audit, along with recovery of any fraudulent payments claimed:

- A total of 15,856 grant applications were approved across the different business grant schemes.
- £86.5m was paid out to businesses in East Devon
- 560 applications were rejected at application stage, stopping around circa £4.2m of potentially fraudulent grants from being paid.
- 15 grants paid in error that we have either recovered or passed to DESNZ to deal with.

This work was signed off by DESNZ on 1 February 2024.

4.4 The Team have also carried out fraud risk assessments on other grant schemes such as the Energy Rebate Scheme, the Energy Bill Support Scheme and post payment assurance checks using the government recommended fraud tool.

5.0 Outcomes for 2023/24

5.1 **Protect (Compliance work)** - The following areas of work have been carried out:

i) Retail Hospitality and Leisure (RHL)

A review of RHL rate relief was conducted to ensure that businesses in receipt of this relief were still eligible. Initially this scheme had been introduced by the government as a temporary scheme but continually extended support. Due to the value of relief being awarded (£6.8m) to over 1,000 businesses, we recognised the need to carry out a full review to ensure compliance with the scheme.

Outcome:

- Removal of RHL on 38 accounts - 22 removed as over the subsidy limit, opted out or did not qualify and 16 removed as review form not returned.
- £289,706.92 in relief being removed with businesses re-billed.

ii) Unlisted businesses /Under assessed business rates

Since the introduction of the Business Rate Retention Scheme, it is in the Council's interest to ensure that we are identifying business premises that either aren't in the rating list or there has been a material change resulting in an undervalued rating assessment. We use open-source data, internal data sets and regular inspections to identify and review cases as part of our compliance (protect) work.

Outcome:

- £673,090 additional business rates generated in 2023/24.
- East Devon retains £153,486.

iii) Empty Homes Review – New Homes Bonus

New Homes Bonus (NHB) is a grant paid by government to local councils to reflect and incentivise housing growth in their areas. The number of empty homes (unoccupied and unfurnished for over 6 months) are taken into account in the NHB calculation. We undertake a yearly review to ensure that any changes have been reflected on our council tax records in time for the government return, thereby maximising our income from the NHB. There are companies that offer to do this work for Councils as many don't have the resources or prioritise this as an area of work.

Outcome:

- £185,563 of additional New Homes Bonus revenue generated.
- £38k was saved by not using an external company and conducting this review in house. Total £233,653.

iv) National Fraud Initiative (NFI) – data received January 2023

The NFI is a data matching exercise carried out by government. Its primary purpose is to identify and prevent fraud and error in the public sector.

The NFI works by comparing data from various public sector organisations, such as local authorities, government departments, and other public bodies, to identify inconsistencies, discrepancies, and potential cases of fraud or error. The data that is compared includes information on areas like Housing Benefits, Council Tax, and payroll. This is work we are required to review:

Outcome:

- 668 cases reviewed as part of the exercise.
- 1 case currently being investigated.

5.2 Pursue

i) 73 allegations of fraud referrals received and 16 open cases with the Single Fraud Investigation Service within the Department for Work & Pensions (DWP). The breakdown of these is as follows:

- 58 Council Tax (Council Tax Reduction, discounts, etc)
- 4 Business Rates (Rate reliefs, not rated, etc
- 11 Tenancy
- 16 open DWP cases and 2 cases have been passed to Crown Prosecution Service.

Outcome:

- So far 39 cases closed with a combined value of £27,961 in savings.

5.3 In addition to the above the team are working on a review of Small Business Rates Relief, finalising a lengthy rates avoidance/compliance litigation matter, preparing for starting the Council Tax Single Person discount review and working with other teams in relation to our 'prevention measures'.

5.4 In summary the value of the completed work undertaken in relation to 'protect' and 'pursue' from the above is over £1m of additional taxation income. The direct income to EDDC is circa £350K.

6 Next steps

6.1 Recommendation 2 is for delegated authority to be given to the Assistant Director responsible for fraud and compliance to make any final amendments to this strategy in consultation with the Chair of Audit and Governance Committee and the S151 Officer. This is primarily to take account of any feedback from SWAP. The principles and approach of this strategy will remain unchanged.

6.2 Assuming the updated strategy is approved (recommendation 1) the next stage is to produce a Delivery Plan that will sit under this strategy that will take account of the following areas:

- Full assessment against the FFCL checklist to address areas of governance we need to improve upon.
- Ensure that all key findings from the SWAP Fraud Audit (September 2022) have been addressed or reflected in the Delivery plan.
- Areas to be prioritised for 2024/25 such as completing Small Business Rate Review, Single Person Discount Review and Empty Homes Review to maximise New Homes Bonus.

- Input from Strategic Leadership Team on the draft delivery plan

6.2 Our aim is to bring this to the next Audit and Governance meeting on 25 July 2024.

7.0 Conclusion

7.1 With fraud on the increase, it is important that we target our resources to areas that will have the best preventative effect. This strategy together with a Delivery Plan will provide a clear approach and direction to how we will do this over the next four years.

Financial implications:

There is no additional budget request being made, this is an important strategy for the council in relation to income protection and protecting public money.

Legal implications:

It is important that the Council has an up-to-date and fit for purpose Fraud Strategy in place.