

Fraud Prevention in Somerset Council

Lead Officer: Service Director Finance and Performance, Nicola Hix

Author: Head of Procurement, Risk and Insurance - Claire Griffiths,

Contact Details: claire.griffiths@somerset.gov.uk

Executive Lead Member: Deputy Leader of the Council and Lead Member for Resources and Performance, Cllr Liz Leyshon

1. Summary

- 1.1.** A fraud involves an act of dishonesty, normally through deception or breach of trust, with the intent to either make a gain or cause a loss of money or other property. The Council's approach to fraud is currently set out in the following policies;
 - Anti-Fraud and Corruption Policy
 - Anti-Bribery Policy
 - Anti-Tax Evasion Polic
 - Anti Money Laundering Policy.
- 1.2.** The purpose of this report is to provide Audit Committee with an update on changes in the national fraud landscape and to set out the revised legislative framework within which Audit Committee is required to oversee the fraud prevention, detection and investigation activities of the Council.
- 1.3.** The report also considers work undertaken by the SWAP Internal Audit Partnership in identifying the main fraud risks for the Council and proposes a fraud prevention plan for 2024/25 to prevent, detect and investigate fraud in line with the local government counter fraud and corruption strategy for the 2020s 'Fighting Fraud and Corruption Locally' and the Council's Anti-Fraud and Corruption Policy.

2. Issues for Consideration / Recommendations

2.1. It is recommended that Audit Committee;

- a. Approve the revised Anti-Fraud and Corruption Policy attached in Appendix One;
- b. Agree the case for exempt information for the Appendices 2, 3 and 4, to be treated in confidence, as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information;
- c. Agree to exclude the press and public from the meeting where there is any discussion at the meeting regarding Appendices 2, 3 and 4 (to be treated as exempt information);
- d. Note the following fraud prevention policies in place for Somerset Council and that these are due for review by April 2025
 - Anti-Bribery Policy
 - Anti-Tax Evasion Policy
 - Anti Money Laundering Policy;
- e. Acknowledge the new provision in the Economic Crime and Corporate Transparency Act of “Failure to Prevent Fraud” that will make companies and partnerships liable for failing to stop employees, agents, or others acting on their behalf, for committing fraud for the benefit of the organisation or its customer, including Somerset Council;
- f. Approve the fraud action plan for 2024/25 and notes that an update will be presented to Audit Committee in 2024 following SWAP Internal Audit’s revised fraud baseline assessment and fraud risk register update, to be completed by September 2024;
- g. Approve the publication of information regarding the Council’s counter-fraud activities covering the period 1 April 2023 to 31 March 2024, in adherence to the requirements of the Local Government Transparency Code 2015;
- h. Note a Fraud Officer is to be appointed on an initial 6 to 12-month fixed term contract; and
- i. Note that data on staff completing fraud training will be provided to Audit Committee by April 2025.

3. Background

- 3.1.** The term 'fraud' is an umbrella for crimes that vary in nature. A fraud involves an act of dishonesty, normally through deception or breach of trust, with the intent to either make a gain or cause a loss of money or other property. In England, Wales, and Northern Ireland most offences come under the Fraud Act 2006. Fraud is the largest crime type and levels have grown in recent years. In the year ending December 2022, there were an estimated 3.7 million incidents of fraud in England and Wales – over 40% of all crime (source [Fraud Strategy - GOV.UK \(www.gov.uk\)](#)).
- 3.2.** Somerset Council takes its responsibilities to protect the public purse seriously and is fully committed to ensuring the proper use and protection of public funds and assets and the prevention of fraud. All forms of fraudulent or corrupt behaviour are taken seriously and there are policies and process in place within the Council to deal with fraud, together with details on the web site regarding how fraud can be reported to the Council ([Fraud \(somerset.gov.uk\)](#)).
- 3.3.** At its meeting on 27 April 2023, Audit Committee considered a report regarding the Fraud Policies for Somerset Council, noting that the policies had been compiled from the best practice of the former Somerset County Council and the four district councils. Audit Committee asked that the policies be made known to all members of staff and that training be carried out. In response the intranet and extranet pages have been updated to include the current policies and recently it has been agreed that fraud training on The Learning Centre is mandatory for all staff. However, this is a recent development commencing 1 April 2024 and therefore statistics on training will be available at the end of the financial year 2024/25. The officers currently managing fraud have undertaken this and other fraud training.
- 3.4.** The policies considered and agreed at that time were;
- Anti-Fraud and Corruption Policy and Strategy
 - Anti-Bribery Policy
 - Anti-Tax Evasion Policy
 - Anti Money Laundering Policy
- 3.5.** The policies were introduced as part of the preparation for Local Government Reorganisation in Somerset and are aimed at the prevention, detection and reporting of fraud and corruption. In accordance with the Council's Financial Regulations and acknowledged best practice, these policies remain relevant and are currently due for updating by April 2025, however the over-arching Anti-Fraud and Corruption policy has been updated as per Appendix One for 2024.

Changes in the National Fraud landscape

- 3.6.** The Online Safety Act and the Economic Crime and Corporate Transparency Act both received Royal Assent on 26 October 2023. The Online Safety Act requires ‘user-to-user’ platforms and search services to put in place ‘proportionate measures’ to protect users from encountering fraudulent material on their platforms. Whilst Somerset Council does not host such a platform, this is an important piece of legislation to be aware of from a fraud perspective.
- 3.7.** The Economic Crime and Corporate Transparency Act (ECCTA) aims to deliver:
- reforms to Companies House
 - reforms to prevent the abuse of limited partnerships
 - additional powers to seize and recover suspected criminal crypto assets
 - reforms to give businesses more confidence to share information to tackle money laundering and other economic crime
 - new intelligence gathering powers for law enforcement and removal of nugatory (of no value or importance) burdens on business.
- 3.8.** Whilst most of the ECCTA focuses on reforming the role of Companies House and improving transparency over UK companies and other legal entities, from Somerset Council’s perspective the most notable implication of the ECCTA is the introduction of a new criminal offence of "Failure to Prevent Fraud".
- 3.9.** This provision will make companies and partnerships liable for failing to stop employees, agents, or others acting on their behalf, for committing fraud for the benefit of the organisation or its customers. *‘The offence applies to all sectors..(and).. Liability can be attached to whichever individual entity within the group was directly responsible for failing to prevent the fraud’.* The new law is yet to come into effect but is anticipated to do so ‘early 2024’ and in doing so will strengthen the current provisions under the Bribery Act 2010 (the Bribery Act), which already contains a “failure to prevent bribery” offence.
- 3.10.** The penalty, if convicted, of failing to prevent fraud is the organisation can receive an unlimited fine. Courts will take account of all the circumstances in deciding the appropriate level for a particular case. So, whilst the Council takes the prevention of fraud seriously, there are potentially significant implications if we do not act accordingly.
- 3.11.** Central government also published a policy paper ‘Fraud Strategy: stopping scams and protecting the public’ in May 2023. The strategy sets out how government, law enforcement, regulators, industry, and charities are required to work together to cut fraud incidents by 10% from 2019 pre-Covid levels by the end of this Parliament.

- 3.12.** The response to fraud against the public sector is led by the Public Sector Fraud Authority (PFSA) who work with fraud professionals across government departments and public bodies to prevent fraud, reduce harms and ensure public services go to those most in need.
- 3.13.** However, from a local authority perspective, Cifas is the pro bono secretariat for Fighting Fraud and Corruption Locally (FFCL), the local government counter fraud and corruption strategy for the 2020s. This strategy is developed by councils for councils, and is specifically aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities. As per Somerset Council's current Anti-Fraud and Corruption Policy (Appendix One), it remains the focus for providing the strategy and guidance on preventing and tackling fraud from Somerset Council's perspective, providing '*a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top*'.
- 3.14.** Whilst it is important to understand the national landscape regarding fraud, the FFCL continues to provide the framework for how Somerset Council should be addressing fraud and taking measures to prevent the risk, under the following five pillars;
- Govern
 - Acknowledge
 - Prevent
 - Pursue
 - Protecting itself and its residents.
- 3.15.** In adopting the FFCL blueprint strategy (the strategy), Somerset Council has committed to;
- develop and maintain a culture in which fraud and corruption are unacceptable
 - understand the harm that fraud can do in the community
 - understand their fraud risk
 - prevent fraud more effectively
 - use technology to improve their response
 - share information and resources more effectively
 - better detect fraud loss
 - bring fraudsters to account more quickly and efficiently
 - improve the recovery of losses
 - protect those at risk.

3.16. Somerset's approach is considered in more detail in Appendix Two, the Council's anti-fraud action plan for 2024/25. It is proposed that this action plan, the Anti-Fraud and Corruption Policy and the SWAP Internal Audit fraud risk assessment guide the fraud prevention, detection and investigation work over the coming year. An additional resource of one FTE is planned to be recruited on an initial 12 month fixed term contract to support this work.

SWAP Internal Audit Partnership support on Anti-Fraud

3.17. In March 2023, SWAP Internal Audit Partnership (SWAP) provided a baseline assessment on fraud for the new unitary council 'Comparison in Relation to Fraud Maturity' that encompassed all five former authorities (Appendix Three).

3.18. The baseline assessment provided actions to take forward to improve Somerset's approach to preventing fraud and these now comprise part of the Council's anti-fraud action plan 2024/25 (Appendix Two). The table in this Appendix provides details of progress to date against the actions.

3.19. During early 2024, SWAP produced a fraud risk register for Somerset. This highlights the main areas of risk for the Council, the controls in place and any further action that is required. The known inherently high-risk areas of fraud have been covered in the assessment and these are summarised in Appendix Four, together with the residual assessments.

3.20. The fraud risk register comprises part of the Council's fraud action plan 2024, providing a focus for our fraud prevention activities.

3.21. SWAP Internal Audit will undertake a review of the fraud risk register in Quarter Two of 2024/25 (see 3.26 below) and progress will be reported to the subsequent Audit Committee.

3.22. The Department for Works and Pensions single fraud investigation service was introduced nationally between July 2014 and March 2016. DWP now conducts single welfare benefit fraud investigations to one set of policies and procedures so this is excluded from Somerset's action plan.

Fraud transparency

3.23. Somerset Council is required by the Local Government Transparency Code 2015 to publish information regarding its counter-fraud activities on an annual basis. As a new Authority, the first set of data for Somerset Council will be published in April 2024 on the web site covering the period 1 April 2023 to 31 March 2024.

This will cover:

- a) number of occasions we use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers = two subletting cases (both legacy Sedgemoor District Council matters), one not proven, one proven and the Council has ended the tenancy
- b) total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud = Somerset Council has no full-time employees undertaking investigation and prosecutions of fraud, the services of SWAP Internal Audit are retained and they work across a number of authorities
- c) total number (absolute and full time equivalent) of professionally accredited counter fraud specialists = two SWAP employees are ACFE (certified fraud examiners) and one is PINS (professional in security training) qualified
- d) total amount spent by the authority on the investigation and prosecution of fraud = the time is included in the overall specification for audit and fraud services provided by SWAP Internal Audit
- e) total number of fraud cases investigated:
 - 9 x Revenue and Benefits referrals - either were closed with no further action and one is currently the subject of an investigation
 - 1 x debtor invoice fraud currently the subject of an investigation
 - 1 x school change of staff bank details for payroll currently the subject of an investigation
 - 2 x subletting cases as per above, one not proven one tenancy ended
 - 1 x housing voids currently the subject of an investigation
 - 1 x purchase card fraud (losses recovered from bank).

3.24. This data is provided by SWAP Internal Audit and will be updated at year end prior to publication on the web site.

Counter Fraud Proactive Reviews

- 3.25.** SWAP Internal Audit undertakes counter fraud proactive reviews on behalf of Somerset Council. This includes monthly checks on Cifas regarding Blue Badges, to check continued eligibility. To date for 2023/24 this has resulted in 35 badges being cancelled, including identifying 14 individuals who had passed away. Further checks were made on an additional 31 Blue Badge holders due to high-risk markers identified on Cifas.
- 3.26.** Plans have been agreed for further proactive work in 2024/25 to include;
- Expansion of Cifas checks to Procurement and Insurance
 - Revisiting the Fraud Risk assessment in Quarter 2
 - Revisiting the Fraud Baseline assessment in Quarter 1.

Consideration is currently being given to Recruitment and Selection checks and all agreed actions will be included in future updates to the anti-fraud action plan in Appendix Two.

Training

- 3.27.** The Learning Centre provides training on the fundamentals of fraud, bribery and corruption, to ensure officers can understand the broad nature of fraud and why preventing it is important and how bribery affects employees and the business as a whole.
- 3.28.** From April 2024 this training will be mandatory for every officer and the level of take up will be monitored and reported to Audit Committee, the first report being after the first full year in 2024/25 but will be monitored during the year to ensure Council-wide take up.
- 3.29.** As part of the recruitment for a 12-month fixed term post for a Fraud Officer, the Council will ensure that they have the necessary experience, skills, training and support to manage and deliver an effective fraud prevention and investigation service. This will be in line with the Government's Fraud Prevention Professional Competency Framework.

4. Consultations undertaken

- 4.1.** SWAP Internal Audit has been consulted on and contributed to the content of this report.

5. Implications

- 5.1.** There are no implications arising as this report is for information.

6. Background papers

- 6.1.**
- Fraud Policies Audit Committee report 27 April 2023
 - [Online Safety Act 2023 \(legislation.gov.uk\)](https://legislation.gov.uk)
 - [Online Safety Act: new criminal offences circular - GOV.UK \(www.gov.uk\)](https://www.gov.uk).
 - [Economic Crime and Corporate Transparency Act 2023 \(legislation.gov.uk\)](https://legislation.gov.uk)
 - [Factsheet: Economic Crime and Corporate Transparency Bill overarching - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
 - [Factsheet: failure to prevent fraud offence - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
 - [Fraud Strategy - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
 - [FFCL - Strategy for the 2020s.pdf \(local.gov.uk\)](https://local.gov.uk)
 - [National Fraud Initiative - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

Note: For sight of individual background papers please contact the report author

7. Appendices

- 7.1.**
- Appendix One – Anti-Fraud and Corruption Policy 2024
 - Appendix Two – CONFIDENTIAL Somerset Council anti-fraud action plan 2024/25
 - Appendix Three – CONFIDENTIAL SWAP Internal Audit Partnership SCC fraud baseline assessment
 - Appendix Four – CONFIDENTIAL SWAP Somerset Council Fraud Risk Assessment Summary