



Annual Fraud Report 2023 to 2024

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1. Introduction

- 1.1 West Suffolk Council spends millions of pounds of public money each year on essential local services. It is essential that we continue to protect and preserve our ability to provide these services by ensuring assets are protected against risk of loss or damage.
- 1.2 This report summarises the work which has taken place during 2023 to 2024 to prevent and detect fraud, theft and corruption. The council aims to show its commitment to minimising the risk of fraud, theft and corruption and deter any would-be fraudsters by publishing this information.

2. The Risk of Fraud

- 2.1 Fraud, theft and corruption are an ever-present threat to the resources available in the public sector. They are costly, in terms of both reputational risk and financial losses.
- 2.2 The council's mitigating controls include:
 - clear policies and procedures
 - access to specialist and qualified staff to investigate potential areas of fraud
 - active participation in the National Fraud Initiative (NFI)
 - a sound internal control environment as demonstrated by internal and external audit opinions.
- 2.3 Whilst there are mitigating controls in place to manage the risks of fraud, theft and corruption, in common with other public sector bodies these risks cannot be completely eradicated, particularly bearing in mind that fraud is becoming ever more complex and harder to detect. West Suffolk Council recognises the vulnerability to fraud and key fraud risk areas and takes positive action to minimise those risks. Emphasis is placed on preventative and early detection work in areas at greatest risk of fraud.

3. Policies and Procedures

- 3.1 The council has a range of interrelated policies and procedures to provide a corporate framework to counter fraudulent activity. These include:
 - Codes of Conduct for Members and Officers
 - Code of Corporate Governance
 - Constitution – including Contract and Financial Procedure Rules
 - Anti-Fraud and Anti-Corruption Policy

- Whistleblowing Policy
- Anti-Money Laundering Policy
- Recruitment and selection procedures

3.2 Reviews of the Anti-Fraud and Anti-Corruption Policy and Anti-Money Laundering Policy were undertaken in 2022 to 2023 to update references to recent guidance and current legislation.

3.3 Policies are also supported with eLearning training modules which includes anti-bribery and corruption, fraud awareness and anti-money laundering.

4. Corporate Fraud, Theft, Bribery and Corruption Arrangements

4.1 West Suffolk's Anti-Fraud and Anti-Corruption Policy applies to all West Suffolk Council activities and is in place to minimise the risk to the council's assets and good name, promote a culture of integrity and accountability in councillors, employees, and all those that the council does business with, and enhance existing procedures aimed at preventing, discouraging, detecting, and investigating fraud and corruption.

4.2 Fraud awareness messages are published on the intranet to increase staff awareness. This can include topics such as council tax and council tax reduction scheme fraud, mandate fraud, supplier fraud, direct debit indemnity fraud, business rates fraud, housing benefit fraud, money laundering awareness, and bribery awareness. Where appropriate, messages are also posted on the council's social media accounts to alert the public to scams.

4.3 A series of fraud awareness messages was published on the intranet during International Fraud Awareness week in November 2023. These included insider threats such as: polygamous working, where an employee is in full time employment at more than one organisation; and offboarding, where employees are not returning ICT related equipment upon leaving their employment.

4.4 Internal audit receives and takes action on regular alerts from the National Anti-Fraud Network – an organisation recognised as a centre of good practice dedicated to protecting the public purse from fraud, abuse and error. Fraud trend data received from organisations such as Trading Standards, Action Fraud, City of London Police, CIFAS (the UK's fraud prevention community) and local intelligence sources concerning local and national fraud threats are circulated to service areas to further increase staff awareness to take relevant steps in the prevention of fraud.

4.5 Proactive work includes:

- considering fraud risks within internal audit work undertaken

- specific fraud risk assessments in place for grants as required, for example UK Shared Prosperity Fund, Rural England Prosperity Fund and Sustainable Warmth home energy grants
- quarterly review of creditor payment data to employee data, such as bank account or address, to determine if conflicts of interest have been reported and payments are appropriate
- quarterly review to identify duplicate invoice payments

4.6 Emerging fraud trends and concerns are shared with ARP partners and local authorities.

4.7 The Anglia Revenues Partnership (ARP) provides the revenues and benefits service on behalf of five partner authorities, including West Suffolk. The ARP has a dedicated fraud team which internal audit liaises with on a regular basis.

5. Internal Audit

5.1 Fraud and corruption risks are identified as part of the annual audit planning process and flexibility is included within the annual internal audit work plan to undertake irregularity investigative work, coordination of the National Fraud Initiative (NFI) data matching exercise and proactive anti-fraud and anti-corruption work, including raising awareness.

5.2 The internal audit team is a member of the Suffolk Counter Fraud Group which aims to:

- identify and share emerging national and local fraud risks
- explore the sharing and matching of data within Suffolk authorities to identify fraud and error
- share best practice and explore joint working for proactive counter fraud exercises

5.3 Internal audit also attends fraud prevention webinars to maintain knowledge on local authority fraud threats.

6. Reported Frauds and Suspensions

6.1 The internal audit team has a responsibility to investigate suspected irregularities resulting in potential loss to West Suffolk resources and monies, or money laundering concerns. The activity for 2023 to 2024 includes:

6.1.1 Mandate fraud, sometimes known as 'payment diversion fraud' or 'business email compromise', occurs when someone purporting to be from a genuine supplier contacts the council with a request to change bank account details that payments are made to. If the request is actioned, the payments will then be made to the fraudster's bank account.

In July 2023 the council was subject to a bank mandate fraud resulting in payment of approximately £52,000 being made to a fraudster who had taken control of the genuine email account of a supplier. This cyber-attack of its email account was unknown to the supplier or the council at the time. While this incident was extremely regrettable many organisations are unfortunately affected by such scams, and this was the first time the council had been defrauded in this way.

This fraud incident was previously reported to the Performance and Audit Scrutiny Committee in the [Internal Audit Mid-Year Progress Report 2023-24](#) with additional information as requested by members provided in the [Internal Audit Report on Bank Mandate Fraud](#) in January 2024.

Internal audit quickly carried out an investigation which covered the circumstances around the fraud, what controls are in place to assist in the prevention of mandate fraud, where these controls had failed, and what actions should be taken to reduce the risk of any such further frauds. Internal audit also confirmed that staff were not involved in perpetrating the fraud.

Follow up work was undertaken by internal audit in November 2023, and this confirmed that a number of actions had been taken to reduce the risk of any similar future fraud. This was reported to the January 2024 PASC meeting, and recommendations made by the committee were also carried out, including looking at further ways with the bank to prevent this from happening. Further audit work specifically focused on this area was also undertaken between April and May 2024 to provide assurance that controls relating to bank account changes are being followed and operating as intended. This audit work concluded that appropriate controls relating to creditor bank account changes are in place and are being followed, including service areas undertaking the required checks and finance validating the changes prior to payments being made.

It is worth noting that in an average month, the council can receive around 750,00 inbound emails, a significant number of which are picked up and blocked by firewalls and filters as unwanted or malicious before staff even see them, and that over 5,000 emails a month can specifically be phishing attempts (when criminals use scam emails, text messages or phone calls to trick their victims).

- 6.1.2 Over the year, the daily routines undertaken by the Finance Team identified suspicious entries on two bank accounts. Enquiries established that fraudulent cheques, printed with the council's bank account and sort code, had been presented to the value of £41,916.

The cheques did not originate from the council and are counterfeit, detailing other organisations as the payer, do not have the approved signatory and have cheque numbers which are not consistent with the council's cheque stock.

The bank accounts that these transactions are from do not issue cheques.

The timely identification of this resulted in no financial loss to the council and additional controls as suggested by the bank are being introduced to reduce future attempts, including removal of cheques being cashable at all on a number of our accounts.

- 6.1.3 Credit card chargebacks were received for a council tax account, these are transactions reported as unauthorised by the cardholder.

The council's Finance Team identified that numerous cards had been used in attempts to pay the council tax bill, with some payments being successful.

Joint working between Finance, Internal Audit and ARP identified that the move-in notification, payment, and move-out notification for the council tax account occurred in a short space of time. This resulted in the account going into credit and refunds being requested by the fraudster.

It appears that cloned cards had been used to make these payments and there was no loss to the authority or the genuine cardholders for whom chargebacks were received from.

ARP identified a number of council tax accounts had been opened in the fraudsters names across the country. The relevant authorities were alerted to this fraud.

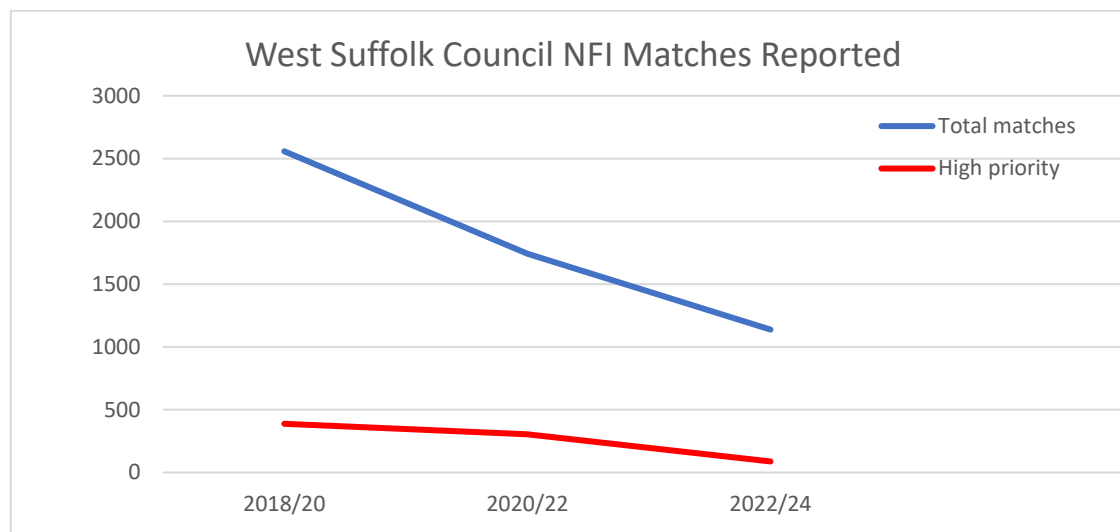
- 6.1.4 Salary mandate fraud occurs when someone purporting to be the employee contacts HR or Payroll with a request to change bank account details that salary payments are made to. Five such attempts were detected and prevented.

- 6.1.5 Three fraud referrals were received from the SCC fraud reporting portal, these were related to housing benefit and council tax concerns and subsequently referred to ARP for investigation.

7. National Fraud Initiative

- 7.1 The National Fraud Initiative (NFI) is a mandatory exercise run by the Cabinet Office to match and compare electronic data within and between public and private sector bodies to prevent and detect fraud and error. The NFI works with around 1,100 organisations from across the UK, including police authorities, fire and rescue authorities, NHS, local authorities, housing associations, Department of Work and Pensions (DWP), HM Revenue and Customs (HMRC) and a number of other public sector bodies. Where a match in data is found, this indicates that there may be an inconsistency in the application, claim or payment which needs further investigation.
- 7.2 The main exercise takes place over a two-year period, matching records such as housing benefit, local council tax reduction scheme, student loans, payroll, companies house data, pensions, creditor payments, housing register waiting list, housing tenants, right to buy, and resident parking permits.

The current NFI exercise saw the majority of data matches being released between January and March 2023, with supplementary matches released from May 2023 to January 2024. This produced a decrease in the number of matches previously reported as data matching improves and the NFI continues to enhance data matching capabilities and broad data sharing opportunities across the public and private sector.



A fraud risk score is given to matches by the NFI, those with a high-risk score are prioritised for review with a sample of other matches also being reviewed. Matches are reviewed by internal audit and ARP.

A separate annual exercise to match electoral register data to single person discount (SPD) records is also undertaken to identify where SPD may not be applicable as there is more than one liable person living at the property.

- 7.6 350 single person discount cases, with a potential lost income value of £349,775 were identified through NFI work during 2023 to 2024 for the council. This is where the household was found to be no longer eligible for single person discount but had not informed ARP. The potential lost income value is calculated from when the eligibility is removed, the liability for the remainder of the current year plus another year. This is an increase of 119 cases with a value of £142,346 in 2022/23 due to the NFI Premium SPD services being utilised. The Premium service also matches to credit agency data, resulting in increased matches being produced and reviewed during 2023 to 2024. The ARP post to resource this work was funded by Suffolk County Council and is anticipated to be a biennial exercise.
- 7.7 Where fraud or error is found, recovery is made by way of the housing benefit overpayment process, credits obtained from suppliers (for example for duplicate invoice payments) or revised council tax bills are issued.

8. Anglia Revenues Partnership (ARP) Fraud Arrangements

8.1 ARP are tasked to identify and prevent fraud in the following areas:

- Local Council Tax Support
- Single Person Discount
- Council Tax fraud
- Non Domestic rates fraud

8.2 Housing Benefit frauds are passed to DWP to investigate.

8.3 The ARP Fraud and Visits Team work with the Housing Options Team and also with Housing Associations to tackle Right to Buy and subletting abuse. The ARP Fraud and Visits team also forge close working relations with service areas in an attempt to prevent and detect fraud and error, this includes a joint working approach with Planning Enforcement, Public Health and Housing (for example in relation to Houses in Multiple Occupation).

8.4 Proactive work includes:

- checks are made on single person discount (SPD) applications by the ARP Fraud Team to proactively prevent discounts being incorrectly granted, this approach also contributes to the reduced number of SPD matches reported in the NFI exercises
- identifying potential tax evasion due to properties not on the Council Tax or business rates databases
- new staff recruited to the ARP revenues and benefits team are given an induction session, to include training on fraud awareness, key documents, and the role of the ARP Fraud Team
- working with housing teams and social housing providers to recover properties
- investigating referrals from West Suffolk Council as requested

8.5 The data below has been provided by ARP to summarise some of the fraud work undertaken by them during 2023 to 2024 for the council.

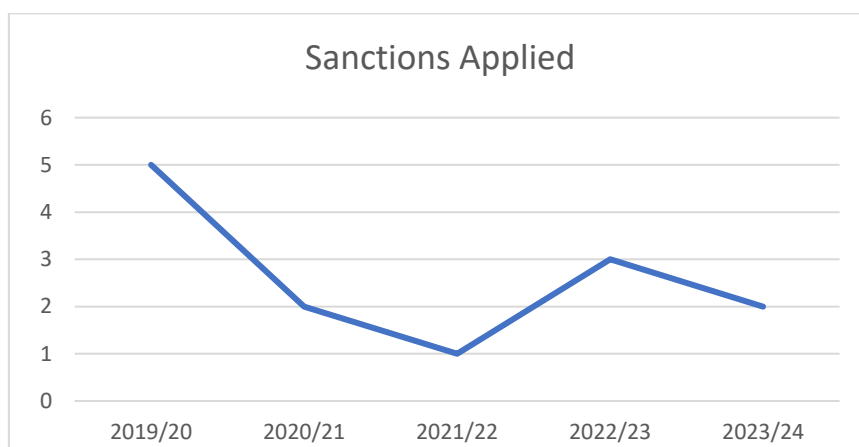
Council Tax Reduction Scheme

8.5.1 Every effort is made to recover debt caused by fraud in line with DWP guidance. New council tax bills are issued for the period in question to enable collection to be made.

8.5.2 56 cases of ineligible council tax reduction scheme awards were identified with potential lost income of £68,359 calculated. The increase is a consequence of the NFI Premium SPD review which, whilst targeting single person discounts, can subsequently identify where council tax reduction requires amending or removing. Potential lost income is calculated from the actual overpayment plus 21 weeks as per DWP methodology.



Sanctions Applied



8.5.3 Investigations can be closed without a sanction because it is considered to be a genuine error, there is insufficient evidence of fraud, or it is not in the public interest to pursue the fraud. In these instances, the benefit is corrected, and the action taken is recovery action in respect of an overpayment; whilst this is not recorded as a fraud, there is a saving to the taxpayer.

8.5.4 Two administrative penalties for Council Tax Reduction Scheme were applied with a value of £1,937.57. Administrative penalties can be offered for lower value offences where sufficient evidence is held for prosecution but it would not be in the public interest to prosecute.

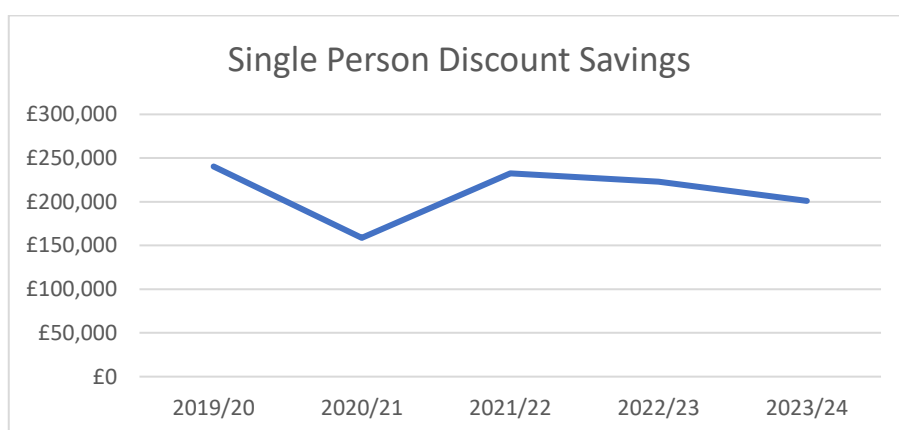
Housing Benefit

8.5.5 Housing benefit fraud is investigated by the Single Fraud Investigation Service (SFIS) which is a partnership between the DWP Fraud Investigation Service, HMRC, and local authorities. ARP will also regularly conduct joint working

investigations with the DWP to ensure that frauds are dealt with in the most efficient and cost-effective manner and are informed if there is to be a change to the housing benefit award at the conclusion of the investigation.

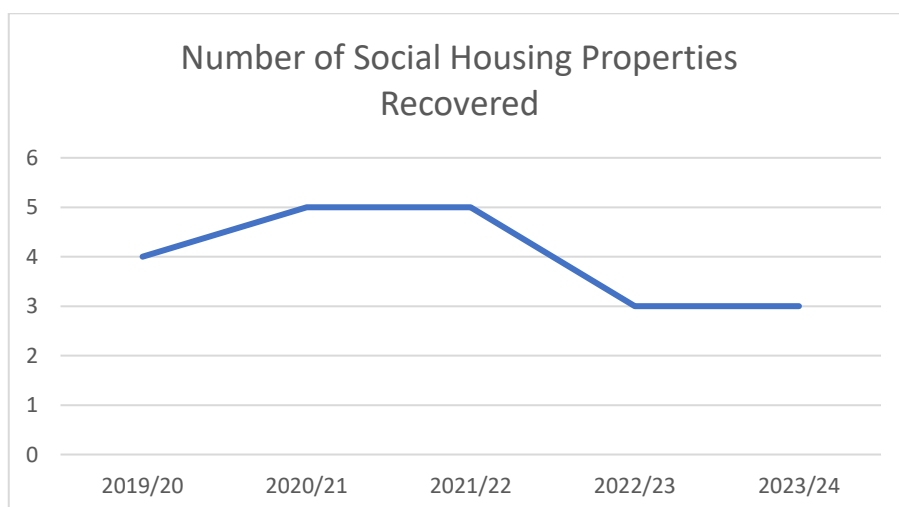
Single Person Discount Fraud

- 8.5.6 A rolling fraud prevention programme of work is undertaken to review single person discount against credit data to determine if the discount is appropriate. 262 cases were identified, with potential lost income of £200,947 calculated. In line with NFI guidance, the potential lost income is calculated from when the eligibility is removed, the liability for the remainder of the current year plus another year.



Social Housing Fraud

- 8.5.7 Joint working with the housing team and housing associations to tackle fraud such as Right to Buy and sub-letting abuse. This resulted in three properties being recovered and the removal of an individual from the housing waiting list. These properties can then be offered to those who are eligible for social housing.



Other Fraud Activity

8.5.8 Work continues to identify properties which are not on the business rates or council tax database. This can occur as the property has not been declared to the Valuation Office or incorrect information on the property status has been declared; officer vigilance can often identify these properties. Backdated bills are raised for these properties:

- one non-domestic rates (NDR) property was identified as not being on the database in 2023 to 2024; the value of the retrospective bills raised for the property is £1,330. A more proactive approach is planned for 2024/25 to use open-source data to identify undeclared commercial addresses.
- 15 cases of council tax avoidance, either through not being on the council tax database or properties no longer being eligible for discounts and exemptions were identified in 2023 to 2024 with bills to a value of £45,335 being raised. A more proactive approach is planned for 2024 to 2025 to use open-source data to identify undeclared residential addresses.

9. Failure to Prevent

9.1 The Failure to Prevent Fraud offence is expected to come into force during 2024.

9.2 This new offence means an organisation, including local authorities, will be liable where a specified fraud offence is committed by an associated person (employee, third party or subsidiary of the organisation, including wholly owned companies) for the organisation's direct or indirect benefit and the organisation did not have reasonable fraud prevention procedures in place.

9.3 The Government has announced it will issue guidance on what reasonable fraud prevention procedures are during 2024 and the offence will then come into force immediately, with no grace period.

9.4 Consideration is being given to the possible implications of the above and any required actions, however until further guidance is issued our existing fraud prevention procedures and associated policies are assumed to be satisfactory and the risk to the council is currently expected to be low.

10. Fighting Fraud and Corruption Locally

10.1 The 'CIPFA Fighting Fraud and Corruption Locally 2020s' is the counter fraud and corruption strategy for local government and succeeds the previous strategies written in 2011 and 2016. This estimated that fraud costs local authorities £7.8bn a year.

10.2 The strategy and its tools provide ways for local authorities to further develop and enhance their counter-fraud response by ensuring that it is

comprehensive and effective and by focusing on the key changes that will make the most difference.

- 10.3 The strategy includes a checklist to make a proper assessment of fraud and corruption risks. This checklist has been reviewed, confirming that arrangements and performance, which includes resources available through ARP, are satisfactory.

11. CIPFA Code of Practice – Managing the Risk of Fraud and Corruption

- 11.1 The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption provides five key principles and expectations to embed effective standards for countering fraud and corruption.

- 11.2 The five principles and the results of our assessment of compliance are:

- **Acknowledge the Responsibility**
Compliance with this is considered to be satisfactory through the range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity.
- **Identify Risks**
All audit work considers fraud risks as stated in the Internal Audit Charter. The fraud self-assessment is reviewed regularly to assist in directing the anti-fraud work.
The highest risk area (by volume) is considered to be within the revenues and benefits services which have a continual fraud work programme and dedicated fraud team.
- **Develop a Strategy**
The Anti-Fraud and Anti-Corruption Policy applies to all council activities and outlines the commitment to creating a culture of zero tolerance of fraud, theft and corruption. The Policy is intended to support and enhance the council's ability to deliver priorities.
- **Provide Resources**
The Internal Audit Plan includes staff resources for review and investigations; this is also complemented by qualified ARP resources who undertake revenue and benefits related fraud and can assist in housing application investigations and advise on corporate fraud investigations.
- **Take Action**
The council takes action to prevent, detect and investigate fraud and participates in data matching exercises. The Fraud Response Plan has incorporated the CIPFA Code of Practice guidance.

- 11.3 Having considered all the principles, assurance can be given that the council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain vigilance to tackle fraud.