

# Fraud Update 2023/24

## Audit & Scrutiny Committee 24<sup>th</sup> September 2024

Report of: Director of Resources

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Purpose: For information

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Publication status: Unrestricted

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Wards affected: All

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### Executive summary:

This report updates on the Council's arrangements in respect of tackling fraud, including through the joint working agreement with Reigate and Banstead Borough Council, supplementing local arrangements and improved practices.

The report is intended to support Members of the Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by providing a full-year summary of activity for 2023/24. The report continues the process of regularising fraud reporting to the Committee as part of an ongoing process to improve reporting arrangements, which commenced in November 2023.

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**This report supports the Council's priority of:** Financial prudence and sustainability

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### Recommendation to Committee:

That Committee note the full-year Fraud report for 2023/24.

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### Reason for recommendation:

The "Fraud Update Mid-Year 2023/24" to the Committee in November 2023 began the process for regularising reporting of Fraud-related matters to Committee to ensure oversight and adequate opportunity for scrutiny.

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## **Introduction and background**

1. The Council has a duty to protect the public funds under its control against fraud, bribery and corruption both from within the Council and from external sources.
2. In the current climate of reduced funding and financial hardship it is more important than ever that losses to the Council because of fraud, bribery and corruption are kept to a minimum to ensure that its limited resources are used for their intended purpose.
3. As reported to the Committee's meeting in September 2023, the Anti-Fraud, Bribery and Corruption Policy ('Policy') provides a clear framework alongside the Council's Anti-Fraud Strategy Statement Strategy ('Strategy'), for the Council to undertake necessary, legal and proportionate actions wherever the evidence supports a fact-finding investigation into an allegation of fraud, and to seek recovery of defrauded monies through all possible legal means.
4. This report follows up the *Fraud Update Mid-Year 2023/24* to this Committee in November 2023.
5. The Director of Resources (S151 Officer) is ultimately responsible for the Council's approach to fraud, including its anti-fraud policies and anti-fraud training arrangements. The Director of Resources works closely with the Monitoring Officer and other Officers to discharge these responsibilities.
6. Overarching capacity for managing fraud is delivered through a joint working agreement with Reigate and Banstead Borough Council. This was developed by the Head of Housing with further input from the S151 Officer. The agreement is governed by a S113 Agreement (Local Government Act 1972) which allows one authority to discharge functions on behalf of another. The agreement was finalised in December 2022.

## **Activity During 2023/24**

7. The *Fraud Update Mid-Year 2023/24* to this Committee in November 2023 set out three specific incidents:
  - Potential Refund Fraud / Money Laundering.
  - Supplier Payment Attempted Fraud.
  - Laptop Theft.

This report does not duplicate the detail previously provided on these specific activities. No further individually noteworthy incidents took place in 2023/24 or in the first 5 months of 2024/25.

8. The November 2023 report also set out an example of the regular update reports received from Reigate and Banstead Borough Council in respect to

fraudulent activity detected and addressed. The full-year report is provided as Appendix A, summarised as follows:

	Total cases looked at in quarter	Total Positive Outcomes in Quarter	Total Notional Savings in Quarter	Total Cashable savings in quarter	Referrals	Total savings for quarter
<u>Quarter 1</u> 01/04/2022 to 30/06/2022	3	0	£0.00	£0.00	5	£0.00
<u>Quarter 2</u> 01/07/2022 to 30/09/2022	51	2	£6,480.00	£0.00	83	£6,480.00
<u>Quarter 3</u> 01/10/2022 to 31/12/2022	136	13	£123,080.00	£0.00	132	£123,080.00
<u>Quarter 4</u> 01/01/2023 to 31/03/2023	184	14	£46,420.25	£14,415.62	157	£60,835.87
<b>Total for year</b>	<b>374</b>	<b>29</b>	<b>£175,980.25</b>	<b>£14,415.62</b>	<b>377</b>	<b>£190,395.87</b>

9. The agreement delivered cashable savings of £14k in 2023/24 with notional savings (costs avoided) of £176k, totalling £190k. Whilst the non-cashable savings are hard to quantify accurately and are based on assumed costs avoided.
10. The agreement commenced in earnest during Quarter 2 of 2023/24 and so activity built as the year commenced. Quarters 3 and 4 will be used as benchmarks against which to assess performance of the agreement in future.
11. The Joint Working Agreement with Reigate and Banstead Borough Council totalled £56k per year, with costs managed based on the amount of work delivered to Tandridge District Council.
12. The agreement delivered cashable savings of £14k in 2023/24 with notional savings (costs avoided) of £176k, totalling £190k. Whilst the non-cashable savings are hard to quantify accurately and are based on assumed costs avoided.
13. The Joint Working Agreement also provides training, advice and strategic oversight, including ensuring that policies are compliant.

## **Key implications**

### **Comments of the Chief Finance Officer**

The Council should take a proportionate approach to mitigating the risk of financial and other losses through fraudulent activity. The financial implications in terms of cost and savings are set out above. This will be kept under review by Officers in 2024/25 and future years.

### **Comments of the Head of Legal Services**

The Local Government Transparency Code 2015 requires local authorities to publish details of their counter-fraud activity. The risk of serious fraudulent activity would be included in the Council's Corporate Risk Register. The cause is articulated as a lack of adequate governance arrangements including key controls and fraud awareness. Therefore, in such an instance the Council would seek to actively enhance its governance arrangements by reviewing the Council's Anti-Fraud Strategy Statement and policy.

Similarly, the Economic Crime and Corporate Transparency Act 2023 (the "Act") has changed how corporate criminal attribution works for economic crimes and adds a new failure to prevent fraud offences to hold organisations to account if they profit from fraud committed by their employees. Failure to prevent fraud offences applies to organisations doing business in the UK with a turnover of over £36m, a balance sheet total of over £18m, or more than 250 employees. This means local authorities are included.

Under the new offence, an organisation will be liable when an employee or agent commits a specified fraud offence for the organisation's benefit, and the organisation does not have reasonable fraud prevention procedures in place.

The aim is to discourage organisations from ignoring fraud by employees that may benefit them. The offence will encourage more companies to implement or improve prevention procedures, driving a significant shift in corporate culture to help reduce fraud.

There is a defence to having reasonable procedures in place to prevent fraud, and the suggested guidance follows six principles of compliance: top-level commitment, Risk Assessment, robust but proportionate procedures, due diligence, communication (including whistleblowing) and training, and monitoring and review.

### **Equality**

No implications.

### **Climate change**

No implications.

## **Appendices**

Appendix A - Fraud Referrals by Type and Quarter for 2023/24

## **Background papers**

None

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