



# **Title of report: Anti-Fraud, Bribery & Corruption Annual Report**

**Meeting: Audit and Governance Committee**

**Meeting date: 28 January 2025**

**Report by: Counter Fraud Manager**

## **Classification**

Open

## **Decision Type**

This is not an executive decision

## **Wards Affected**

(All Wards);

## **Purpose**

This report is to provide an overview on all counter fraud activity across the Council's services throughout the previous calendar year and represent an up-to-date account of the work undertaken, including progress and outcomes aligned with our strategy and core objectives.

## **Recommendation**

**That;**

- a) **the annual fraud arrangements be reviewed and confirmed as satisfactory by the committee to provide members with an accurate account of the latest counter fraud activity across services.**

## **1. Alternative Options**

- 1.1 There are no alternative recommendations. The report provides a factual annual report in accordance with the functions of the committee.

## **2. Key Considerations**

- 2.1 All counter fraud work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. The council's Counter Fraud Manager supports the Director of Finance (Section 151) in fulfilling their statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. It supports the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption and other irregularity, including any Money Laundering activity.

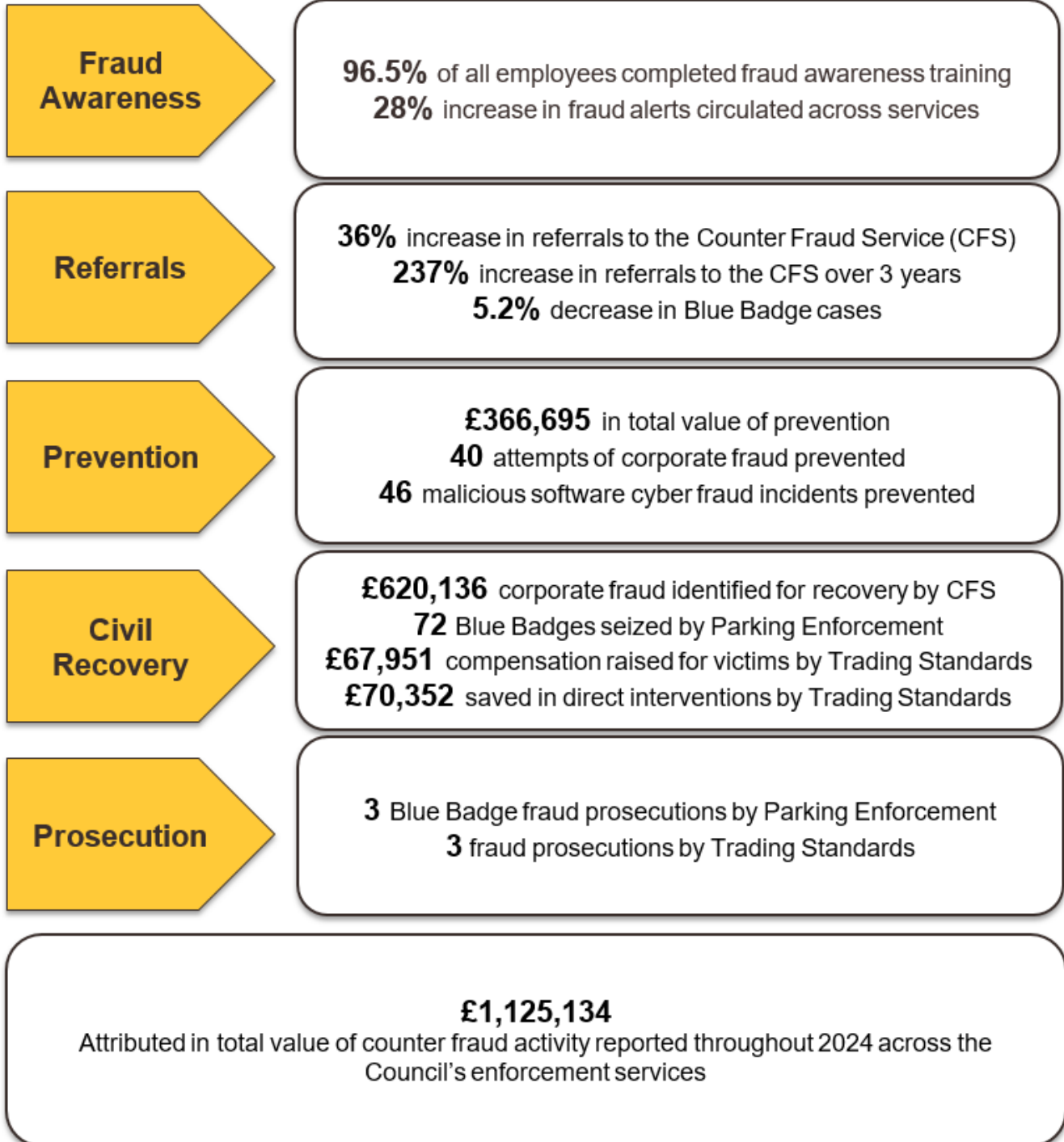
## **3. Transparency Code**

- 3.1 The Local Government Transparency Code requires the council to publish data regarding its fraud arrangements. These are published on the Herefordshire Council website in the [open data principles](#) section.

## **4. Introduction**

- 4.1 Fraud and economic crimes are complex, diverse, quickly changing, and we also know that it is an ever-present challenge for all of local government. The very nature and threat of fraud being committed against the public sector is constantly evolving, and it is an environment that everyone across the council needs to be able to adapt themselves to.
- 4.2 The Public Sector Fraud Authority (PSFA) estimates tell us that the levels of fraud and error in the public sector is between £33 billion to £59 billion each year and that fraud offences still broadly equate to at least 40% of all crime committed in the UK.
- 4.3 Fast paced advances in technology across the UK, such as the rapid development of artificial intelligence (AI) during 2024, and the way in which the council administers systems on an increasingly digital basis, have brought great advantages in how the council delivers public services. However, at the same time, this advancement in AI across the UK increases the risk of creating new opportunities for fraud to be committed, with criminals constantly adapting their approaches and methods. In addition, the cost-of-living crisis has continued to fuel the risk of fraud by increasing the motivation of individuals trying to meet higher financial commitments.
- 4.4 Whilst the size of the challenge remains significant and the risk of fraud remains high, this presents an opportunity for the council to continue making a positive impact. By continually building a deeper understanding of fraud and the diverse ways in which it is committed across public services, we can strive to innovate, react and prevent fraud.

## 5. Key Performance Summary



## 6. Strategic Approach

- 6.1 Herefordshire Council's Counter Fraud and Corruption Strategy was updated during 2024 to include two new pillars: 'Deterrence' and 'Protect'. This now sets out six core pillars as detailed below, as a blueprint to assist the council and which are aligned to nationally recognised standards. These key principles underpin the Council's strategic approach to support the management of fraud risk and counter fraud activity.
- 6.2 The 'Deterrence' pillar of the Strategy highlights the measures and activity in place to deter attempts of fraud, theft, bribery or corruption across the council's range of services. This is an overarching pillar that is considered to be before the first line of defence.
- 6.3 The 'Protect' pillar of the Strategy guides how the council recognises the impact of fraud both on its own activity, and the lives of residents.



## LINK TO STRATEGY: **DETER**

### 7. Deterrence Arrangements

- 7.1 The council has a nationally recognised Counter Fraud Service (CFS) and this acts as a strong deterrent for potential fraudsters that are seeking to target easy organisations without consequence. The CFS is an important function that by mere presence, has a positive impact for the Council in deterring loss of public funds.
- 7.2 The integration of fraud statements and declarations acts as a further deterrent. During 2024 the CFS continued to work with services across the Council to assist in the process of embedding fraud statements and declarations in grant application forms, tenders, discounts and claims.
- 7.3 Strategic memberships are in place with the National Fraud Initiative (NFI) and the Credit Fraud Avoidance System (CIFAS), and joint working agreements are in place between the CFS and bodies such as the Department for Work and Pensions (DWP) and NHS. The active promotion of cross sector joint working and collaboration, further acts as a deterrence measure.

### 8. Media Engagement

- 8.1 The Council actively engages with media to promote counter fraud activity by publishing articles, and utilises social media to deter and raise awareness of fraud. An example of proactive engagement was during International Fraud Awareness Week (IFAW) 17-23 November 2024, when a press release was issued to promote awareness and encourage public referrals. Further hyperlinks below include articles raised by Trading Standards.
- [Council reaffirms commitment to fighting fraud](#)
  - [Court injunction against family running spray foam loft insulation scam](#)
  - [Plumber receives suspended sentence for Gas Safe registered deceit](#)
- 8.2 During 2024 the CFS, Trading Standards and Parking Enforcement have continued to work closely with the communications department to deter fraud through active media engagement.

## LINK TO STRATEGY: **GOVERN**

### 9. Council Policies

- 9.1 The Council continues to have effective arrangements in 2024/25 to support governance, which includes the following policies, which are in place to support counter fraud measures:
- i. Anti-fraud, Bribery and Corruption policy
  - ii. Whistleblowing policy
  - iii. Anti-Money Laundering policy
  - iv. Debt Recovery policy
  - v. Information Security Policy
  - vi. Employee Interests, Gifts and Hospitality policy
  - vii. Employee Code of Conduct policy

## 10. Counter Fraud Maturity

- 10.1 Effective governance and improvement within the organisation is measured through reviews of the council's counter fraud maturity. The last review was undertaken by SWAP internal audit in 2022/23, during which the Council was reported to have strong arrangements in place. A new and updated assessment will be considered during 2025/26 from internal audit to ensure that oversight of measures remain under scrutiny. This will ensure that best practices are still embedded and will provide further assurance to the committee in future reporting.

## 11. Declarations of Interests

- 11.2 A declaration of interest (DOI) is a formal statement completed by workers, stating that the information provided about their personal circumstances, is both truthful and accurate. During 2024 the CFS updated the mandatory fraud awareness training with specific guidance to all employees on what they need to declare, when they need to declare an interest and what the consequences are for undeclared interests. This aims to ensure all staff across the Council's services are educated on conflicts of interests.

**LINK TO STRATEGY: [ACKNOWLEDGE](#)**

## 12. Risk Management

- 12.1 The CFS has integrated fraud risks into the newly procured case management system to link these risks to live cases and incoming referrals. Whilst there has been significant progression in fraud risk management over recent years, it is acknowledged that further work is required to reach all services across the Council and to consider new emerging risks.

## 13. Training

- 13.1 During 2024 an updated fraud awareness training module was circulated to all employees across the Council and Hoople employees, following the normal bi-annual cycle to staff. Additionally, fraud training continues to be provided to all new starters as part of the council's Induction process.

### o Completion figures for 2024

Herefordshire Council Employees



Hoople Employees



- 13.2 A total of **97%** of Herefordshire Council employees completed the new fraud awareness training course. The total completion rate for Hoople employees currently stands at **96%**. The combined total completion rate across both organisations for the fraud awareness training was **96.5%**.

## LINK TO STRATEGY: **PREVENT**

### 14. Fraud Prevention Summary

14.1	<b>35</b> fraudulent grant applications	<b>£16,700</b> actual	<b>£87,000</b> future
	<b>2</b> fraudulent Council Tax refunds	<b>£2,995</b> actual	N/A
	<b>211</b> fraudulent Council Tax SPD's	N/A	<b>£237,438</b> future
	<b>1</b> external mandate fraud attempt	<b>£1,312</b> actual	<b>£7,872</b> future
	<b>72</b> fraudulent Blue Badges revoked	<b>£2,938</b> actual	<b>£10,440</b> future

\* The term 'actual prevention' refers to the actual value of the fraud attempted and stopped.

\* The term 'future prevention' refers to the estimated value that the fraud could have been, should it have been successful and gone undetected for a period of 6 months thereafter. The savings identified through NFI prevention, is the estimated future savings figure as calculated directly by the Cabinet Office for fraudulently obtained Single Persons Discount (SPD).

### 15. Counter Fraud Support

15.1 The CFS has continued to consider grant fraud risks and where appropriate, implement robust due diligence controls at the earliest opportunities within the application stage of various high risk grant schemes. The grant schemes supported by the CFS, have resulted directly in grant fraud attempts being prevented in 2024.

### 16. Fraud Awareness

16.1 Circulating intelligence alerts is an effective method of increasing awareness and the chances of prevention. Throughout 2024 the CFS raised a total of 32 fraud intelligence alerts across the council's services. This a **28% increase** compared to 2023. Additionally, during the November 2024 International **Fraud** Awareness Week (IFAW), the CFS raised awareness through social media, news articles, the use of digital media screens in offices, and resources were also made available to staff.

### 17. Partnerships and Collaboration

17.1 The CFS and the Department for Work and Pensions (DWP) have continued to work closely in 2024 to jointly investigate cases of Revenues and Benefits (R&B) fraud. This joint working partnership between the Council and DWP has allowed both organisations the scope to investigate R&B fraud, where the alleged offences cross over between Council Tax discounts/reductions, and DWP administered benefits.

### 18. Technological Advancement

18.1 Herefordshire Council and Hoople remain active members of the CIFAS fraud intelligence database, which is used to assist to prevent and detect crime across the organisation. In Q1 of 2024 further advancements were made when new a case management system was procured by the CFS, which will enhance best practice governance of fraud referrals and cases.

**LINK TO STRATEGY: PURSUE**

## 19. CORPORATE FRAUD

There have been **160** corporate fraud cases dealt with by the counter fraud department in 2024 relating to fraud against services provided by the council.

**37** cases carried forward from 2023

**135** New referrals received in 2024

**125** cases were closed in 2024

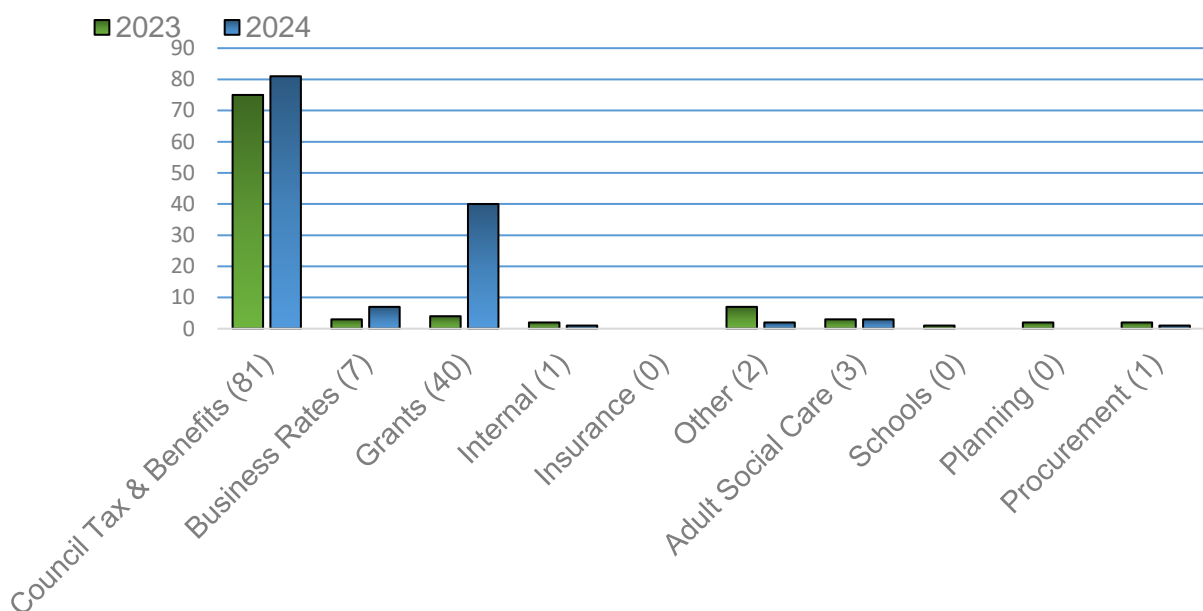
**35** on-going investigations

**12** referrals pending

**36%** increase in new referrals in 2024 compared to 2023

**237%** increase in new referrals over past 3 year period covering 2022, 2023 and 2024

### New referrals (135) received in 2024 categorised by service

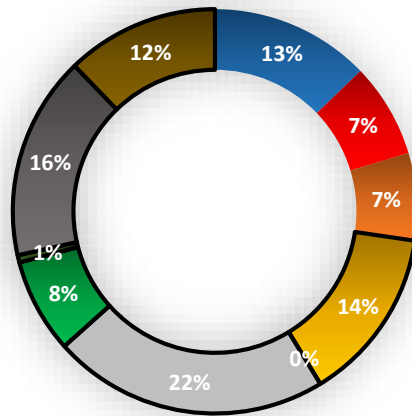


19.1 The highest area of new corporate fraud referrals during 2024 continued to be for Council Tax and Benefits fraud with a marginal increase from 75 in 2023, to 81 referrals in 2024. Of these 81 new referrals, there was a total of 15 allegations of Council Tax avoidance, 4 allegations of undeclared income, 57 undeclared circumstances, 2 impersonation frauds, and 3 referrals relating to other types of allegations.

19.2 The second area that we identified a large increase of cases was external grant applications submitted to the Council. The CFS has worked closely with grant services and, as a result of the robust controls in place, a total of 35 impersonation fraud attempts were successfully prevented during 2024, across two schemes. This high number is reflective of the national picture, whereby individual schemes are subjected to large volumes of organised fraud attempts.



## 20. Summary of Corporate Fraud case outcomes in 2024



- 22 Civil Investigations (open) - 13%
- 13 Criminal Investigations (open) - 7%
- 12 Referrals Pending (open) - 7%
- 24 Civil Recovery (closed) - 14%
- 0 Formal Warning (closed) - 0%
- 38 Prevented (closed) - 22%
- 13 Referred to Other Agency (closed) 8%
- 1 Included in NFI SPD Exercise (closed) 1%
- 28 No Fraud (closed) 16%
- 21 Insufficient Evidence (closed) - 12%

### 20.1 Ongoing Investigations

Currently there are a total of 35 ongoing corporate fraud cases that remain open, with a further 12 referrals pending. These cases are categorised as the following;

#### ■ 22 Civil Investigations (open) – 13%

- 22 civil cases are pending further investigation. Of these, all 22 cases relate to Council Tax and Benefit allegations.

#### ■ 13 Criminal Investigations (open) – 7%

- 10 cases involve allegations of Council Tax and Benefit fraud and is part of joint working investigations with the DWP.
- 2 cases relate to allegations of financial abuse of Direct Payments with one being jointly investigated with the police, and the other under joint investigation with the NHS.
- 1 internal fraud case remains under joint working with the Police. Due to the sensitive nature of these we are unable to provide any further details at this stage.

#### ■ 12 Referrals Pending (open) – 7%

- 12 referrals are pending review and escalation. A risk assessment is undertaken at an early stage of a referral being received, to determine if it needs prioritisation.

### 20.2 Closed Investigations

During 2024 the CFS investigated and closed 125 corporate fraud referrals. These cases are categorised as the following;

#### ■ 24 Civil Recovery (closed) - 14%

- 22 cases involved fraudulent applications or undeclared circumstances to Council Tax Reduction reliefs and/ or discounts and benefits.

**£131,087** under recovery (Council Tax fraud)

- 2 cases related to business rates avoidance in which the owners/ directors intentionally failed to declare correct circumstances, in an attempt to avoid business rates.

**£48,158** under recovery (Business Rates avoidance)

■ **38 Prevented (closed) – 22%**

- A total of 35 fraudulent grant applications was prevented in 2024, with the total values referred to under sections 14 and 15 of this report. In each of these cases, the Council identified either false or fictitious details being submitted to the Homes for Ukraine scheme and Household Support Fund. None of these fraudulent applications were successful, and this is a direct result of robust controls and effective risk assessments.
- 2 cases of Council Tax fraud was prevented when organised attempts were made to occupy Council Tax accounts using false aliases, in an attempt to obtain tax refunds. Both cases were identified through intelligence alerts circulated by the CFS to the Revenues department.
- 1 external mandate fraud attempt was prevented by the robust controls implemented within the Payroll department.

■ **13 Referred to Other Agency (closed) – 8%**

- A total of 13 cases were referred to other agencies as they were out of the CFS remit to investigate. Of these, 7 allegations were referred to the Valuation Office Agency (VOA) for assessment. A further 2 benefit fraud allegations were referred to the Department for work and Pensions (DWP). 2 allegations of personal financial abuse were referred to the police, 1 case was referred to another Local Authority, and 1 case of alleged tenancy fraud was referred to a Housing Association.

■ **1 Included in NFI SPD Exercise (closed) – 1%**

- 1 case of alleged Single Persons Discount (SPD) fraud was included as part of the NFI SPD exercise. Further details of the outcomes from this review are listed below in section 21.

■ **28 No Fraud (closed) – 16%**

- It should be emphasised that not every referral/ allegation will need to be investigated as some allegations can be false, misleading, or simply incorrect. Every referral is risk assessed and sifted by the CFS to determine next steps. A total of 28 cases were closed, pending no further action after initial enquiries identified that no offence had occurred.

■ **21 Insufficient Evidence (closed) – 12%**

- A total of 21 referrals were closed pending no further investigation due to insufficient evidence. This can occur when the CFS is not able to obtain evidence to either prove or disprove the allegations, either due to no suitable lines of enquiry, or due to insufficient information being provided within the context of a referral.

**21. National Fraud Initiative (NFI)**

- 21.1 The NFI is a national data matching exercise led by the Cabinet Office which Local Authorities are mandated to partake in to assist in the detection of fraudulent and erroneous payments. During 2024 the CFM continued to work collaboratively with the Revenues and Benefits department to undertake data matching exercises and to work through matches identified for investigation.

**215** matches categorised as fraud

**215** cases actioned for civil recovery

**£368,122** SPD civil recovery

**£72,769** CTR/ HB civil recovery

- 21.2 The savings identified for civil recovery relate to the cases where individuals were incorrectly and / or fraudulently in receipt of ineligible Single Persons Discount (SPD) or Council Tax Reduction (CTR) and Housing Benefits (HB).

## 22. Blue Badge Fraud

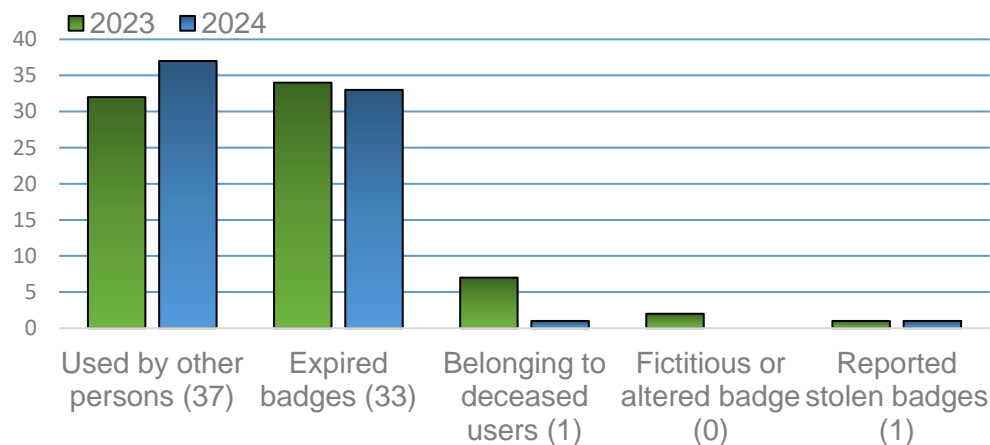
22.1 This section provides details by the parking enforcement team of Blue Badge misuse and Disability Permit fraud. Blue Badges can only be used by the named badge holder, or by a person who has dropped off, or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a Blue Badge in any other circumstances.

**72** new cases in 2024

**5.2%** decrease in new cases in 2024 compared to 2023

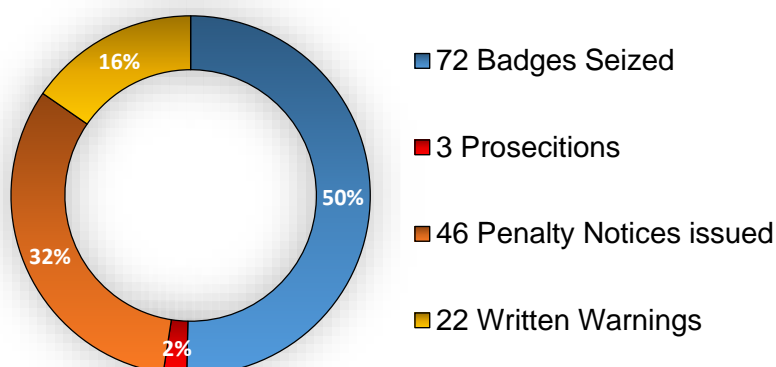
### Blue Badge fraud and misuse case types 2023-2024

During 2024 the Parking Enforcement team experienced a **5.2% decrease** in blue badge cases, down from 76 cases in 2023. Of the 72 new cases the department detected, most case types remained at similar levels compared to 2023 figures, however a slight rise in the number of cases where people had used badges belonging to others, and a reduction in the number of people using either fictitious or badges belonging to deceased users.



## 23. Outcomes of Blue Badge cases in 2024

23.1 The number of badges seized, penalty fines, written warnings issued and successful prosecutions during the year, demonstrates the Council's continued resolve to tackle the issue.

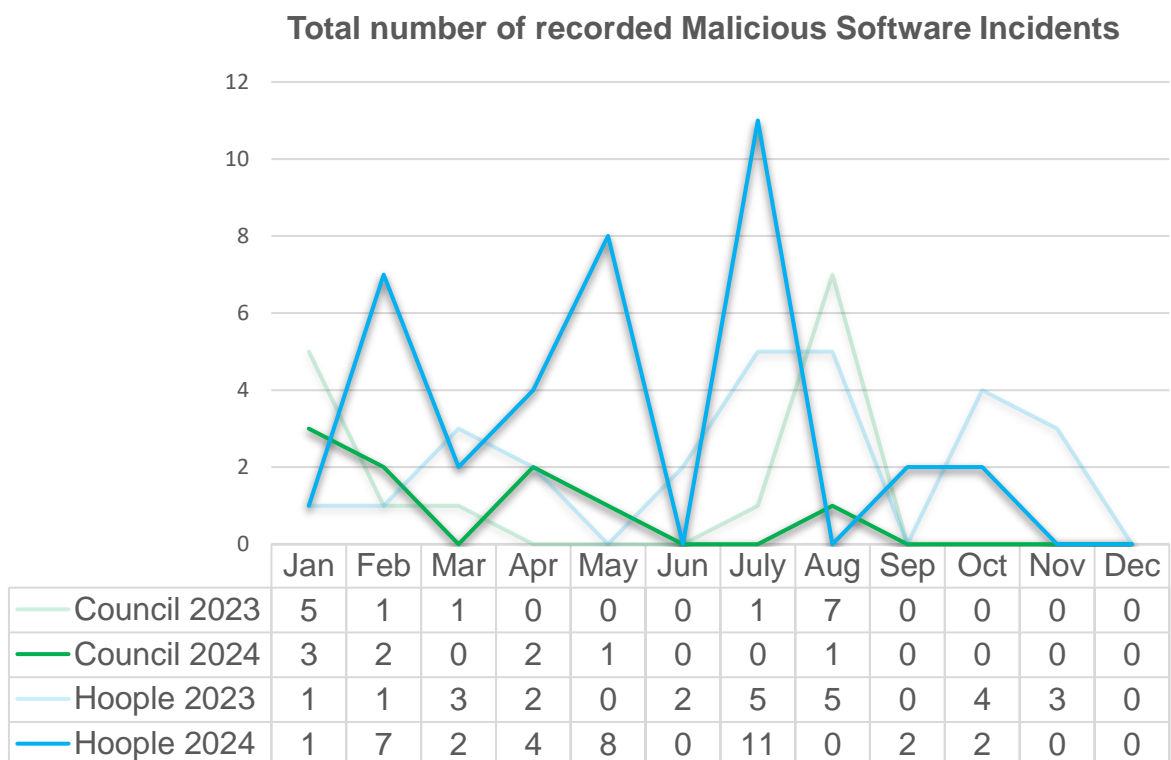


## 24. Cyber Fraud

24.1 This section relates to instances of cyber related fraud attempts against Herefordshire Council and Hoople services as recorded by the Information Governance department. An example of cyber fraud could be a ransomware attack or a phishing email.

**9** recorded malicious software incidents for Herefordshire Council in 2024

**37** recorded malicious software incidents for Hoople in 2024



24.2 The graph above displays the total number of recorded malicious software incidents for both Herefordshire Council and Hoople over the past 2 year period, showing the number of incidents on a monthly timeframe.

24.3 In 2024, there was a slight increase in reported malicious software incidents, with a total of 46 cases for both Herefordshire Council and Hoople, up from 41 in 2023, reported by users and security products. More specifically, Herefordshire Council noted a 40% drop in incidents from 15 in 2023, down to 9 in 2024. Whilst Hoople showed a 42% increase in malicious software attempts against the organisation from 26 rising to 37. It is important to note that none of these malicious software incidents caused any significant or major disruptions.

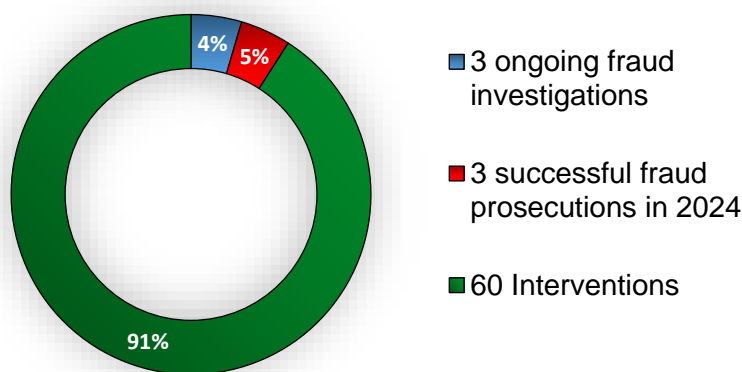
24.4 Various security products successfully blocked most threats, with the 46 cases requiring additional intervention which included rebuilding affected devices, restoring device to their pre-incident state, changing passwords, and addressing false positives. The 46 incidents involved additional actions taken as a precautionary measure and are part of lessons learned. This demonstrates the effectiveness of current security measures, while also highlighting the importance of staying vigilant and proactively responding to emerging threats.

## LINK TO STRATEGY: **PROTECT ITS RESIDENTS**

### 25. TRADING STANDARDS

25.1 This section outlines details by the Trading Standards department specifically relating to fraud and interventions undertaken to protect local residents. Herefordshire Trading Standards Service work in collaboration with many different partner organisations, to help protect consumers and businesses by providing advice and safeguarding known scam victims.

**65** referrals relating specifically to fraud and unfair trading in 2024



#### 25.2 Direct Interventions

Money saved for Herefordshire residents by direct intervention in 2024 was **£70,352.00**. This has been a result of the following types of intervention undertaken;

- Rapid response e.g. immediate visits to victims' homes while rogue traders are on site doing work. Trading Standards (TS) ensures no money is handed over and that the trader leaves.
- For retrospective work, TS can sometimes persuade the trader to refund some of the money.
- Assisting vulnerable consumers with credit card claims against banks to recover money paid for poor/ unnecessary work, or for scams when the bank has initially rejected their claim.

#### 25.3 Criminal Prosecutions

Herefordshire Council Trading Standards obtained court injunctions against those involved in the running of Airtech Insulation Ltd, which fraudulently targeted home owners all over the country for unnecessary spray foam loft insulation. This left many unable to sell their homes and having to pay thousands to have the foam removed. In this case against Airtech, the judge ordered 5 of the defendants to pay a total of **£66,129.00 in compensation** for their victims. This covered full refunds and the cost of having the foam removed.

A Herefordshire plumber received a **four month suspended sentence and ordered to pay £1,822.66 compensation** after dishonestly claiming to have been Gas Safe registered.

A local builder received a **six month suspended sentence** after being convicted of three counts of fraud and one offence under the Consumer protection from Unfair Trading Regulations (CPR)

#### 25.4 Ongoing Investigations

There are 3 ongoing criminal fraud investigations. Two of these cases relate to allegations of offences under the Fraud Act 2006 and CPR. The third case relates allegations of a multi-million pound loft insulation scam, targeting older and vulnerable people.

## **26. Community impact**

26.1 Counter fraud activity supports the code of corporate governance principle which states that:

Implementing good practices in transparency, reporting, and audit to deliver effective accountability. Herefordshire Council must ensure that those making decisions and delivering services are accountable for them. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner.

## **27. Environmental Impact**

27.1 The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

## **28. Equality duty**

28.1 Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

28.2 Counter fraud activity undertaken across the Council's services can have a positive equality impact to members of the public. For example, enforcement of correct usage for disability parking permits (blue badges) has a positive impact on disabled people who are genuine holders, as it maximises their opportunity to use available car parking spaces. In addition, counter fraud activity can have a positive equality impact on many other services, such as Adults Social Care and Council Tax. By ensuring that individuals are not falsely claiming disability reliefs or benefits through these services, we help to provide assurance that public funds are only provided in support of those with genuine needs.

## **29. Resource implications**

- 29.1 Counter fraud activity supports the best use of Finance, ICT, Human Resources and Property resources. The recovery of funds also prevents the financial support of illegal activities.
- 29.2 The Council's Section 151 Officer is responsible for ensuring that resources allocated to counter fraud, are sufficient to meet the demands of increased fraudulent activity.

## **30. Legal implications**

- 30.1 The Terms of Reference for the Committee includes monitoring the effectiveness and operation and the anti-fraud and corruption strategy (para. 3.5.12 of Constitution). There are no direct legal implications other than those already disclosed in this report.

## **31. Consultees**

- 31.1 None

## **32. Appendices**

- 32.1 Appendix 1 – Glossary of abbreviations and terms

## **33. Background papers**

- 33.1 None identified

### **Report Reviewers Used for appraising this report:**

Governance	Jen Preece	Date 14/01/2025
Finance	Judith Tranmer	Date 15/01/2025
Legal	Sean O'Connor	Date 14/01/2025
Communications	Luenne Featherstone	Date 14/01/2025
Human Resources	Tracey Sampson	Date 15/01/2025
Equality Duty	Harriet Yellin	Date 15/01/2025
Procurement	Claire Powell	Date 15/01/2025
Risk	Jessica Karia	Date 15/01/2025

Approved by	Rachael Sanders	Date 20/01/2025
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