

## Audit and Governance Committee

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|------------------------------|---|
| Report subject               | <b>Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2018/19</b>  |
| Meeting date                 | 10 October 2019   |
| Status                       | Public  |
| Executive Summary            | <p>This report details counter fraud work carried out by Internal Audit to provide assurance on the legacy Councils response to combating fraud &amp; corruption.</p> <p>Internal Audit have investigated all allegations of suspected fraud or irregularity in a proportionate manner.</p> <p>The following number of whistleblowing referrals for the three legacy Councils were received and investigated by Internal Audit during 2018/19; Bournemouth – one, Christchurch – none, and Poole - none).</p> |
| Recommendation(s)            | <p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee are asked to note the following:</b></p> <ul style="list-style-type: none"> <li><b>a) The counter fraud work &amp; investigations carried out by Internal Audit during 2018/19</b></li> <li><b>b) The whistleblowing referrals received during 2018/19</b></li> </ul> <p><b>for the three legacy Councils (Bournemouth, Christchurch and Poole).</b></p>   |
| Reason for recommendation(s) | To ensure that Councillors fulfil their role in considering the effectiveness of the Council's governance arrangements, in particular the counter-fraud & corruption arrangements including whistleblowing.   |
| Portfolio Holder(s):         | Cllr Vikki Slade, Leader of the Council   |
| Corporate Director           | Julian Osgathorpe – Corporate Director Resources  |
| Report Author(s)             | <p>Nigel Stannard<br/>Head of Audit &amp; Management Assurance<br/>☎01202 451969 / ☎01202 633123<br/>✉ <a href="mailto:nigel.stannard@bcpcouncil.gov.uk">nigel.stannard@bcpcouncil.gov.uk</a></p>   |
| Contributions                | Simon Milne, Deputy Chief Internal Auditor  |

|                |  |
|----------------|--|
| Wards          | All  |
| Classification | For Recommendation/Decision/Update and Information |

## **Background**

1. The purpose of this report is to inform Audit & Governance Committee of counter fraud work undertaken by Internal Audit during the 2018/19 financial year for the three legacy Councils (Bournemouth, Christchurch and Poole).
2. This report also provides a summary of the number, nature and outcome of specific investigations and formal whistleblowing referrals received for the three legacy Councils during the 2018/19 financial year.

## **Internal Audit Counter Fraud Work 2018/19**

3. During the year, Internal Audit have carried out the following work to provide assurance on the three legacy Councils response to combating fraud & corruption:

### ***Strategic***

- Legacy Bournemouth & Poole Council Fraud Risk Registers were reviewed and used to produce a new BCP Fraud Risk Register.
- Produced a new BCP Council Anti-Fraud & Corruption Policy (including Anti Bribery and Anti Money Laundering procedures) and a new BCP Whistleblowing Policy in preparation for Local Government Re-Organisation.  
*NOTE Links to these documents can be found at the end of this report under Appendices.*
- Implemented a new investigation case management system, initially for Bournemouth and Poole Councils and now for BCP Council.

### ***Culture***

- Monitored general employee fraud awareness through completion of the Bournemouth and Poole Council mandatory e-learning modules which covered fraud prevention, bribery and whistleblowing.
- Provided targeted fraud training to specific services and senior management teams as required.

### ***Deterrence***

- Published corporate Fraud Bulletins on Bournemouth and Poole Council intranet pages to promote fraud awareness and give guidance to staff on counter fraud policy/procedures.
- Issued specific 'Fraud Alerts' to relevant service areas (including schools) throughout the year.

### ***Prevention & Detection***

- Participated in the National Fraud Initiative (NFI) data matching exercise 2018/19 for all three legacy Councils. Outcomes to date are as follows:
  - Adult Social Care Homes – one overpayment of approximately £9k identified and recovered (legacy Bournemouth Council).
  - Concessionary Travel Passes – several cases updated with deceased status (legacy Bournemouth, Christchurch and Poole Councils) which should prevent inappropriate/fraudulent use (within the BCP area).
  - Blue Badges – several cases updated with deceased status (legacy Bournemouth and Poole Councils) which should prevent inappropriate/fraudulent use.
  - Council Tax Single Person Discounts (legacy Bournemouth Council) – discounts with a total value of approximately £102k have been removed.
  - Council Tax Single Person Discounts (legacy Christchurch and Poole Councils) - work is ongoing and discounts are expected to be removed for a number of cases.
- Four high risk fraud areas were reviewed across Bournemouth and Poole Councils as detailed in the table below:

| <b>Fraud Risk Area</b>                              | <b>Outcome &amp; Recommendations</b>  |
|---|---|
| Planning Applications<br>(Legacy Poole)             | Reasonable assurance audit opinion.<br>Improvements to authorisations controls, scheme of delegation records and declarations of interest processes were recommended. |
| Pre-employment Checks<br>(Legacy Poole)             | Reasonable assurance audit opinion<br>Improvements to checks for canvassers and employment references were recommended.   |
| Corporate Procurement Cards<br>(Legacy Bournemouth) | Reasonable assurance audit opinion.<br>Improvements to VAT claims, transaction details and policy updates were recommended.   |
| Petty Cash<br>(Legacy Bournemouth)                  | Improvements to controls for several petty cash accounts were recommended.  |

- As part of the 2019/20 BCP Audit Plan the following high level fraud risk areas are planned to be reviewed this year; duplicate payments, income, petty cash and no recourse to public funds.

## Investigations

- Internal Audit have investigated all allegations of suspected fraud or financial irregularity\* in a proportionate manner. For Bournemouth & Poole the outcomes have been reported to the relevant legacy Council's Statutory Officer Group (SOG) comprising of the Chief Executive, Monitoring Officer and Chief Finance Officer (Section 151 Officer).
- Details of investigations that have been carried out by Internal Audit during 2018/19 are detailed in Appendix A. This appendix involves exempt information and is submitted as a confidential paper to this report.

NOTE Human Resources are responsible for supporting management with investigations into potential staff misconduct for matters which are non-financial related.

## Corporate Counter Fraud Work

- From the 1 April 2018 to 31 March 2019, Internal Audit have provided specialist investigative resource to Bournemouth and Poole Councils to support Management with high risk fraud areas.

NOTE 1 This work was not applicable for Christchurch Borough Council as they were not responsible for their own Housing stock or Adult Social Care.

NOTE 2 Stour Valley and Poole Partnership continue to be responsible for dealing with Council Tax and NDR related fraud and the Single Fraud Investigation Service (DWP) are responsible for dealing with Housing Benefit fraud.

- Work was carried out with legacy Bournemouth and Poole Housing teams to assist in the validation of Right to Buy and Housing Tenancy Applications. The results of this work is detailed below.

| Fraud Risk Area                   | Bournemouth Borough | Borough of Poole |
|-----------------------------------|---------------------|------------------|
| <b>Right to Buy Checks</b>        | 40                  | 22               |
| Concerns raised                   | 1                   | 1                |
| Cases Refused                     | 0                   | 1                |
|                                   |                     |                  |
| <b>Housing Application Checks</b> | 502                 | 315              |
| Concerns raised                   | 46                  | 27               |
| Applications withdrawn            | 7                   | 0                |

- Work has also been carried out to assist with the investigation of Blue Badge and Housing Tenancy fraud referrals has been carried out as detailed below:

| Fraud Risk Area                  | Bournemouth Borough | Borough of Poole |
|----------------------------------|---------------------|------------------|
| <b>Blue Badge Referrals</b>      | 8                   | 19               |
| Badges recovered                 | 2                   | -                |
| Warning letters issued           | 1                   | 5                |
|                                  |                     |                  |
| <b>Housing Tenancy Referrals</b> | 21                  | 11               |
| Housing Tenancy ceased           | 1                   | 1                |
| Tenancy Reviews instigated       | 7                   | 8                |

## Whistleblowing Referrals 2018/19

- All three legacy Councils (Bournemouth, Christchurch and Poole) had their own Whistleblowing Policy.
- A Whistleblowing Policy exists to ensure qualifying individuals are able to raise concerns they may have safely, without fear of harassment or victimisation. There are certain types of disclosure covered by a Whistleblowing Policy which are specified in the Public Interest Disclosure Act 1998.
- The legacy Council Whistleblowing Policies required a summary of the number, nature and outcome of Whistleblowing referrals investigated in the year to be presented to this Committee.

10. As mentioned in paragraph 3 above, Internal Audit have investigated all allegations of suspected fraud or financial irregularity. These investigations may require following the legacy Councils Whistleblowing Policy to ensure protection for the individual raising the concern.
11. One whistleblowing referral was received and investigated during the last financial year (April 2018 - March 2019) for which details are included in Confidential Appendix A. Other cases have been referred direct by management to Internal Audit (or identified by Internal Audit) during the year rather than reported via the formal whistleblowing process.
12. Use of the BCP Whistleblowing Policy is promoted through reminders in regular 'Fraud Bulletins' to all staff, briefings at officer meetings and as part of the Fraud Prevention e-learning module on the Council's Intranet.
13. Work will continue to be undertaken to monitor, review and assess the effectiveness of the Council's Whistleblowing Policy and related procedures during the year.

#### **Summary of Legal Implications**

14. There are no direct legal implications from this report.

#### **Summary of Human Resource Implications**

15. There are no direct human resource implications from this report.

#### **Summary of Environmental Impact**

16. There are no direct environmental implications from this report

#### **Summary of Public Health Implications**

17. There are no direct public health implications from this report.

#### **Summary of Equality Implications**

18. There are no direct equality implications from this report.

#### **Summary of Risk Assessment**

19. The risk implications are set out in the content of this report.

#### **Background Papers**

None.

#### **Appendices**

Appendix A – Internal Audit Investigations 2018/19

#### **BCP Council Anti-Fraud & Corruption Policy**

Internal access -

<https://bcpcouncil.sharepoint.com/sites/Hosts/BCP/BCPPoliciesandGuidance/Anti%20Fraud%20and%20Corruption%20Policy%202019.docx?web=1>

External access –

<https://www.bournemouth.gov.uk/councildemocratic/AboutYourCouncil/AboutYourCouncilDocs/bcpcouncil-policy-docs/bcp-anti-fraud-and-corruption-policy.pdf>

<https://www.poole.gov.uk/council-and-democracy/strategies-plans-and-policies/anti-fraud-corruption-policy/>

## **BCP Whistleblowing Policy**

Internal access –

<https://bcpcouncil.sharepoint.com/sites/Hosts/BCP/BCPPoliciesandGuidance/Whistleblowing%20Policy%202019.docx?web=1>

External access –

<https://www.bournemouth.gov.uk/councildemocratic/AboutYourCouncil/AboutYourCouncilDocs/bcpcouncil-policy-docs/whistleblowing-policy.pdf>

<https://www.poole.gov.uk/council-and-democracy/strategies-plans-and-policies/whistleblowing-policy/>