

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2019/20
Meeting date	22 October 2020
Status	Public Report
Executive summary	<p>This report details counter fraud work carried out by Internal Audit to provide assurance on the Council's response to combating fraud & corruption.</p> <p>Internal Audit have investigated all allegations of suspected fraud or financial irregularity in a proportionate manner.</p> <p>Four whistleblowing referrals for the Council were received and investigated by Internal Audit during 2019/20.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee are asked to note the following:</p> <ul style="list-style-type: none"> a) The counter fraud work & investigations carried out by Internal Audit during 2019/20 b) The whistleblowing referrals received during 2019/20.
Reason for recommendations	To enable the Audit and Governance Committee to consider the effectiveness of the Council's governance arrangements surrounding counter fraud & corruption including whistleblowing.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard</p> <p>Head of Audit & Management Assurance</p> <p>✉ nigel.stannard@bcpcouncil.gov.uk</p>
Contributions	Simon Milne, Deputy Chief Internal Auditor
Wards	All
Classification	For Information

Background

1. The purpose of this report is to inform the Audit & Governance Committee of counter fraud work undertaken by Internal Audit during the 2019/20 financial year for the Council.
2. This report also provides a summary of the number, nature and outcome of specific investigations and formal whistleblowing referrals received for the Council during the 2019/20 financial year.

Internal Audit Counter Fraud Work 2019/20

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

Strategic

- New BCP Council Fraud Risk Register implemented, reviewed and updated during the year
- BCP Council Anti-Fraud & Corruption and Whistleblowing Policies were reviewed and updated in the year and have been assessed as being effective during 2019/20. A new BCP Declaration of Interests, Gifts & Hospitality Policy was introduced at the end of the 2019/20 year. These policies are subject to an annual evolutionary review and approval by the Audit & Governance Committee. *NOTE Links to these documents can be found at the end of this report under Appendices.*
- Further developed the new investigation case management system for BCP Council.

Culture

- Monitored general employee fraud awareness through completion of the BCP 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 BCP news 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 2019/20. For the Council Tax Single Person Discounts data match, discounts with a total value of approximately £5,000 have been removed to date. Further work is ongoing and discounts are expected to be removed for several additional cases.
- Work is currently ongoing to prepare for the main bi-annual exercise which matches several datasets.
- Five high risk fraud areas were reviewed as part of the 2019/20 Audit Plan as detailed in the table below:

Fraud Risk Area	Outcome & Recommendations
NDR small business rate relief	Data matched using specialist software application (IDEA). Identified incorrect (erroneous) award of small business rate relief for 2 companies; approximate value £15k. Accounts corrected and reminder to follow established procedures issued.
Creditor Duplicate Payments	Data matched using specialist software application (IDEA). Identified payment of 21 duplicate invoices totalling £14,163. All overpayments subsequently recovered.
Cash Income	Improvements to cash income controls across various services were recommended.
Petty Cash (replaced in exceptional circumstances by 'client cash floats')	Improvements to controls for several petty cash accounts were recommended. It should be noted that a corporate decision was made to cease all petty cash accounts w.e.f. 1 st April 2020. All low value expenditure on goods previously purchased using petty cash now more securely paid and controlled using Council p-cards.
No Recourse to Public Funds	Reasonable assurance audit opinion. Improvements to authorisation of applications and transparency in payment calculations.

- As part of the 2020/21 Audit Plan the following high-level fraud risk areas are planned to be reviewed this year; employee subsistence and travel claims, p-cards/credit cards, declaration of interests, planning applications, concessionary travel passes, crisis payments and housing tenancy data matching.

Investigation

- Internal Audit have investigated all allegations of suspected fraud or financial irregularity in a proportionate manner. Details of investigations that have been carried out by Internal Audit during 2019/20 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 2019 to 31 March 2020, Internal Audit have provided specialist investigative resource to support Management with high risk fraud areas.
Note - Single Fraud Investigation Service (DWP) are responsible for taking action with Housing Benefit fraud and BCP Revenues and Benefits or the Stour Valley and Poole Partnership (depending on legacy council locality) are responsible for taking action on Council Tax and NDR fraud.
- Work was carried out with Housing teams to assist in the validation of all Right to Buy and Housing Tenancy Applications. The results of this work are detailed below.

Fraud Risk Area	Total 19/20 BCP Council	Total 18/19 (Legacy Councils)
Right to Buy Checks	68	62
Concerns raised	1	2
Cases Refused	0	1
Housing Application Checks	1,089	817
Concerns raised	39	73
Applications withdrawn	33	7

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

Fraud Risk Area	Total 19/20 BCP Council	Total 18/19 (Legacy Councils)
Blue Badge Referrals	40	27
Badges recovered	1	2
Warning letters issued	5	6
Housing Tenancy Referrals	30	33
Tenancy Reviews instigated	6	15
Housing Tenancy ceased	0	2

Counter Fraud Best Practice – CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

7. An annual assessment has been carried out to review the Council's arrangements on managing the risk of fraud and corruption using a tool provided by CIPFA.
8. The assessment outcome states that the Council has reached a good level of performance against the Code of Practice and that the Council has put in place effective arrangements across many aspects and is taking positive action to manage its fraud and corruption risks.
9. The counter fraud resource available during 2019/20 was adequate to enable this outcome to be achieved and the Council has achieved its goal of continually improving its resilience to fraud (as stated in the Anti-Fraud & Corruption Policy).
10. An action plan to further improve arrangements is in place and progress will be reported on next year.

Counter Fraud Best Practice – Fighting Fraud & Corruption Locally 2020

11. Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.
12. The report contains 'live companions' to the strategy document which set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. An assessment against these has been included at Appendix B along with proposed actions to further improve arrangements.

Whistleblowing Referrals 2019/20

13. 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.
14. The Council's Whistleblowing Policy, approved annually by this Committee, requires a summary of the number, nature and outcome of Whistleblowing referrals investigated in the year to be presented to this Committee.
15. Four whistleblowing referrals were received and investigated during the last financial year (April 2019 - March 2020), details are included in Appendix A.
16. 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.
17. Work will continue to be undertaken to monitor, review and assess the effectiveness of the Council's Whistleblowing Policy. The Policy itself will continue to be subject to annual evolution and annual approval by this Committee.

Options Appraisal

18. An options appraisal is not applicable for this report.

Summary of financial implications

19. The Fighting Fraud & Corruption Locally 2020 strategy states "Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community".

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

22. There are no direct environmental implications from this report

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

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

Background papers

None

Appendices

Appendix A – Internal Audit Investigations Carried out During 2019/20 (Confidential)

Appendix B – Fighting Fraud and Corruption Locally - Action Plan

BCP Council Anti-Fraud & Corruption Policy

Internal access -

<https://bcpcouncil.sharepoint.com/sites/Finance/Shared%20Documents/Forms/AllItems.aspx?id=%2Fsites%2FFinance%2FShared%20Documents%2FBCP%20Anti%20Fraud%20and%20Corruption%20Policy%202020%20FINAL%2Epdf&parent=%2Fsites%2FFinance%2FShared%20Documents>

External access –

<https://www.bcpCouncil.gov.uk/About-BCP-Council/Strategies-plans-and-policies/Documents/anti-fraud-corruption-policy-2020.pdf>

BCP Whistleblowing Policy

Internal access –

<https://bcpcouncil.sharepoint.com/sites/Finance/Shared%20Documents/BCP%20Whistleblowing%20Policy%202020%20FINAL.pdf>

External access –

<https://www.bcpCouncil.gov.uk/About-BCP-Council/Strategies-plans-and-policies/Documents/whistleblowing-policy-2020.pdf>

BCP Declaration of Interests, Gifts & Hospitality (for officers)

Internal access –

<https://bcpcouncil.sharepoint.com/sites/Finance/Shared%20Documents/Forms/AllItems.aspx?id=%2Fsites%2FFinance%2FShared%20Documents%2FBCP%20Interests%20gifts%20and%20hospitality%20%20Policy%20V1%20from%201%20April%202020%2Epdf&parent=%2Fsites%2FFinance%2FShared%20Documents>