


# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2020/21</b>
Meeting date	28 October 2021
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 &amp; corruption.</p> <p>Internal Audit have investigated all allegations of suspected fraud or financial irregularity in a proportionate manner.</p> <p>One formal whistleblowing referral for the Council was received and investigated by Internal Audit during 2020/21.</p>
Recommendations	<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 2020/21</b></li> <li><b>b) The whistleblowing referral received during 2020/21.</b></li> </ul>
Reason for recommendations	To enable the Audit & Governance Committee to consider the effectiveness of the Council's governance arrangements surrounding counter fraud and 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 &amp; Management Assurance</p> <p> <a href="mailto:nigel.stannard@bcpcouncil.gov.uk">nigel.stannard@bcpcouncil.gov.uk</a></p>
Wards	Simon Milne, Deputy Chief Internal Auditor
Classification	All

## **Background**

1. The purpose of this report is to inform the Audit & Governance Committee of counter fraud work undertaken by Internal Audit during the 2020/21 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 2020/21 financial year.

## **Internal Audit Counter Fraud Work 2020/21**

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

### ***Strategic***

- BCP Council Fraud Risk Register was reviewed and updated during the year.
- BCP Council Anti-Fraud & Corruption, Whistleblowing and Declaration of Interests, Gifts & Hospitality Policies were reviewed and updated in the year and have all been assessed as performing effectively during 2020/21. 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.*
- A new BCP Regulation of Investigatory Powers Act (RIPA) was introduced and approved by Audit & Governance Committee on 22 April 2021.
- A new investigation case management system, designed within the Internal Audit Team, was implemented for BCP Council using available Microsoft technology products.

### ***Culture***

- Monitored general employee fraud awareness through completion of the BCP Council mandatory e-learning modules which covered fraud prevention, bribery and whistleblowing. The current position shows that 2808 officers have completed the e-learning (out of a total maximum of 5453 officers on the payroll list). In addition 149, out of 355 new starters (Oct 20-Sep 21) have completed the training. There is a corporate push (including monthly communications and completion monitoring reports being provided to Service Directors) to ensure all mandatory training is completed by relevant officers during 2021/22. Targeted fraud training was provided to specific officers and senior management teams as required during the year.

### ***Deterrence***

- Published corporate Fraud Bulletins in BCP newsletters to staff 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. 'Fraud Alerts' come from a variety of sources including the Council's bank, local authority sector groups and central government entities.

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

- Participated in the National Fraud Initiative (NFI) data matching exercise 2020/21. Key outcomes were as follows:
  - Council Tax Single Person Discounts data match (premium service) - 140 discounts with a total value of approximately £65k have been removed to date. Further work is ongoing, and discounts are expected to be removed for additional cases.

- Concessionary Fares – 1328 passes (NFI valued at £32k) were cancelled using NFI information that the individual had passed away. Also, one pass was identified where the badge had been used after the holder had passed away, the badge was cancelled as a result.
  - Blue badges – 237 (NFI valued at £136k) badges have been cancelled using NFI information that the individual had passed away. This work is being finalised.
  - Work is being completed on the remaining NFI matches.
- Six high risk fraud areas were reviewed as part of the 2020/21 Audit Plan as detailed in the table below:

Fraud Risk Area	Outcome & Recommendations
Employee subsistence and travel claims	Reasonable assurance audit opinion.  Some queries were raised regarding consistency of overtime rates & consistency of mileage claims. A system of introducing compliance checks was recommended to improve arrangements.
P-cards/credit cards	Reasonable assurance audit opinion.  Improvements to cancellation of cards, transaction review & approval processes, submission of receipts, compliance with VAT requirements and delivery controls were recommended.
Declaration of interests	Reasonable assurance audit opinion.  Improvements to policy awareness, submission of declaration forms, declaration approvals and clarification of local service declaration arrangements were recommended.
Planning applications	Reasonable assurance audit opinion.  Improvements to authorisation of work, declarations of interests, meeting records, separation of duties, and fraud awareness training arrangements were recommended.
Concessionary travel passes	Reasonable assurance audit opinion.  Improvements to consistency of application checks and reconciliations were recommended.
Crisis payments	Partial assurance audit opinion.  Improvements to authorisation of payments, supporting evidence, reconciliations, documentation, voucher records, database reports, database records and management reports were all recommended.

- As part of the 2021/22 Audit Plan the following high-level fraud risk areas are planned to be reviewed; procurement (contract award & payments), pre-employment checks, blue badges, direct payments, serious & organised crime, 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 2020/21 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

- During 2020/21 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 regarding 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 BCP 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 20/21 BCP Council	Total 19/20 BCP Council	Total 18/19 (Legacy Councils)
<b>Right to Buy Checks</b>	75	68	62
Further checks/Concerns raised	1	1	2
Applications withdrawn	1	0	0
Cases Refused	0	0	1
<b>Housing Application Checks</b>	953	1,089	817
Further checks/Concerns raised	25	39	73
Applications withdrawn	24	33	7

- 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 20/21 BCP Council	Total 19/20 BCP Council	Total 18/19 (Legacy Councils)
<b>Blue Badge Referrals</b>	9	40	27
Badges recovered	0	1	2
Warning letters issued	3	5	6
<b>Housing Tenancy Referrals</b>	36	30	33
Tenancy Reviews instigated	9	6	15
Housing Tenancy ceased	1	0	2

## COVID Grant Verification Work

- During 2020/21 Internal Audit carried out a significant amount of assurance work on COVID19 grants as required by government guidance. The detail has been previously provided to Audit & Governance Committee as part of the Chief Internal Auditor's Annual Opinion Report 2020/21 at the July 2021 meeting. A summary is provided below.

#### Pre-Payment Grant Verification Work

8. 2,919 individual claims for business grants were verified by Internal Audit through data matching and analysis of provided business bank statements (total value £28,510,000). Outcomes included the prevention of approximately 20 potentially fraudulent claims and 100 cases where bank details were corrected.
9. Government tools such as Spotlight (for checking business trading status) and the NFI's bank account checking tool have also been used for several types of grants to provide a level of assurance prior to payment. Outcomes of this work included correction of submitted bank account details, grants being refused or not processed.

#### Post Payment Grant Verification Work

10. A significant amount of post assurance work on applications was also carried out including using the government's promoted tools and a separate data matching exercise organised by the NFI. Outcomes of this work included several queries being raised with grant distributors.

#### Grant Investigation Work

11. Investigation work on business grants resulted in the recovery of 3 grants (total value £30k) and assistance being provided to the National Investigation Service (NATIS) for a £25k business grant. 17 'Restart Grants' were refused following due diligence checks and use of intelligence received from the National Anti-Fraud Network (NAFN) and 1 'Restart Grant' was refused due to not being a current tenant and referred to NATIS.

### **Counter Fraud Best Practice**

12. 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.
13. The current assessment outcome has further improved from the previous year and now states:  
*"The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The leadership has acknowledged its responsibilities for managing the risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements in place to carry it out. The organisation is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the organisation and meeting the standards of the counter fraud code contributes to good governance. Whilst no organisation is 'fraud proof', the organisation has taken robust steps to ensure its resilience. This high level of performance should be acknowledged within the organisation's annual governance report."*
14. An assessment was carried out last year against the "Fighting Fraud and Corruption Locally 2020" updated counter fraud and corruption strategy for local government best practice. This has been updated for the current year and forms part of a combined ongoing action plan, with the CIPFA tool, to continually improve the Council's counter fraud arrangements.
15. The counter fraud resource available during 2020/21 has enabled the Council to achieve its goal of continually improving its resilience to fraud (as stated in the Anti-Fraud & Corruption Policy).

## **Whistleblowing Referrals 2020/21**

16. 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.
17. 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.
18. One formal whistleblowing referral was received and investigated during the last financial year (April 2020 - March 2021), details are included in Appendix A.
19. Use of the BCP Whistleblowing Policy is promoted through reminders in 'Fraud Bulletins' to all staff, briefings at officer meetings and as part of the Fraud Prevention e-learning module on the Council's intranet.
20. The Policy will continue to be subject to annual evolution and annual approval by this Committee.

## **Options Appraisal**

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

## **Summary of financial implications**

22. 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".
23. It is recognised that fraud against the Council harms residents and taxpayers of Bournemouth, Christchurch and Poole and for that reason fraud and corruption will not be tolerated.

## **Summary of legal implications**

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

## **Summary of human resources implications**

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

## **Summary of sustainability impact**

26. There are no direct environmental implications from this report

## **Summary of public health implications**

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

## **Summary of equality implications**

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

## **Summary of risk assessment**

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

## **Background papers**

None

## **Appendices**

### **Appendix A – Internal Audit Investigations Carried out During 2020/21 (Confidential)**

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

Internal access –

<https://bcpcouncil.sharepoint.com/sites/Finance/Shared Documents/Forms/AllItems.aspx?id=%2Fsites%2FFinance%2FShared Documents%2FAnti Fraud and Corruption Policy%2Epdf&parent=%2Fsites%2FFinance%2FShared Documents&p=true&originalPath=aHR0cHM6Ly9iY3Bjb3VuY2lsLnNoYXJlcG9pbmQuY29tLzpiOi9zL0ZpbmFuY2UvRWNELWVjeEM2OTFjdFdyOtiaGdNRzRCY2lmUlg0N01MUDV mNHl4S3JVVWUszZz9ydGltZT15bUo3ZzZPQjJVZw>

External access –

[Anti-Fraud and Corruption Policy \(subject to annual evolution\) \(bcpcouncil.gov.uk\)](#)

#### **BCP Whistleblowing Policy**

Internal access –

<https://bcpcouncil.sharepoint.com/sites/Finance/Shared Documents/Forms/AllItems.aspx?id=%2Fsites%2FFinance%2FShared Documents%2FWhistleblow ing Policy%2Epdf&parent=%2Fsites%2FFinance%2FShared Documents&p=true&originalPath=aHR0cHM6Ly9iY3Bjb3VuY2lsLnNoYXJlcG9pbmQuY29tLzpiOi9zL0ZpbmFuY2UvRVFNamcw cE94ekZLc1B3a25oX2NNczBCd1RDQksWZ1IGbHgwN2R3dmJvLUhjdz9ydGltZT1ZNhFhXbXFPQjJVZw>

External access –

[Whistleblowing Policy \(subject to annual evolution\) \(bcpcouncil.gov.uk\)](#)

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

Internal access –

<https://bcpcouncil.sharepoint.com/sites/Finance/Shared Documents/Forms/AllItems.aspx?id=%2Fsites%2FFinance%2FShared Documents%2FInterests Gifts and Hospitality Policy%2Epdf&parent=%2Fsites%2FFinance%2FShared Documents&p=true&originalPath=aHR0cHM6Ly9iY3Bjb3VuY2lsLnNoYXJlcG9pbmQuY29tLzpiOi9zL0ZpbmFuY2UvRWZyaVd0 R3F0WFJManJ3TnNmal9oTVV CUDV OOE s5MmpLbW MxWUhw MDZlNk9mdz9ydGltZT1hVEdRdTZPQjJVZw>

#### **BCP RIPA Policy**

Internal Access –

<https://bcpcouncil.sharepoint.com/sites/Finance/Shared Documents/Forms/AllItems.aspx?id=%2Fsites%2FFinance%2FShared Documents%2FApproved BCP RIPA Policy by AG Commiteee%2Epdf&parent=%2Fsites%2FFinance%2FShared Documents&p=true&originalPath=aHR0cHM6Ly9iY3Bjb3VuY2lsLnNoYXJlcG9pbmQuY29tLzpiOi9zL0ZpbmFuY2UvRVJ5VGho ZkdodGxOazJndU8xZ3ExNGtCZXd0c2E0R2JZV dCdKlSdK5OU1Rfdz9ydGltZT00aW51UDhLQjJVZw>

External access –

[Regulation of Investigatory Powers Act Policy \(bcpcouncil.gov.uk\)](#)