

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2022/23
Meeting date	26 October 2023
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 and corruption.</p> <p>Internal Audit have investigated all allegations of suspected fraud or financial irregularity in a proportionate manner.</p> <p>Six formal whistleblowing referrals for the Council were received and investigated by Internal Audit during 2022/23.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <ul style="list-style-type: none">a) the counter fraud work & investigations carried out by Internal Audit during 2022/23 be noted;b) the whistleblowing referrals received during 2022/23 be noted.
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 Mike Cox, Portfolio Holder for Finance
Corporate Director	Ian O'Donnell, Corporate Director for Resources
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Wards	Council-wide
Classification	For Decision and 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 2022/23 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 2022/23 financial year.

Internal Audit Counter Fraud Work 2022/23

3. Internal Audit have carried out the following work to provide assurance on the Council's response to combating fraud & corruption:

Strategic

- The BCP Council's Corporate Fraud Risk Register was reviewed and updated during the year.
- The BCP Council Anti-Fraud & Corruption, Whistleblowing, Declaration of Interests, Gifts & Hospitality, and the Regulation of Investigatory Powers Act (RIPA) & Investigatory Powers Act (IPA) policies were reviewed and updated in the year as part of the annual evolution process. All have been assessed as performing effectively during 2022/23. These policies are subject to an annual evolutionary review and approval by the Audit & Governance Committee. *NOTE Links to these documents are at the end of this report under Appendices.*
- Internal Audit's investigation case management system was migrated to the Microsoft dynamics environment to provide future resilience and allow for dynamic reporting via Microsoft's PowerBI tool.

Culture

- Monitored general employee fraud awareness through completion of the BCP Council mandatory e-learning modules which covered fraud prevention, bribery and whistleblowing. The table below show the number of courses that have been completed over the last three years and the current year to September 2023:

2020	2021	2022	2023 (Jan-Sep)
527	1671	1822	1424

These figures show that a large number of existing employees, in addition to new employees, have completed the e-learning in the last three years. Human Resources are currently promoting the use of the new learning management system (SkillGate) to further improve completion of all corporate mandatory training (including the fraud awareness module) by the end of 2023.

- Fraud awareness sessions were provided to specific officers and senior management teams as required during the year.

Deterrence

- Corporate fraud communications were published in the year 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. These 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 exercises during 2022/23, outcomes to report to date are as follows:
 - 307 Blue Badges have been cancelled as a result of matches against deceased national records.
 - 537 concessionary travel passes have been cancelled as a result of matches against deceased national records. Work is still ongoing to review the remaining matches.
 - Several matches of employees to company directors have resulted in reminders being issued to some officers of the need to declare potential declarations of interests.

- Work has been postponed on the duplicate creditor payment matches due to prioritising the implementation of the new finance and human resources system. An update will be provided to this committee of any findings in this area.
 - Council Tax Single Person Discounts match – Internal Audit have recently commenced work on this area as part of a pilot to increase council tax yield. To date 15 discounts with a total value of approximately £10k have been removed. Further resource to progress these savings using Internal Audit Practitioner Apprentices will soon be in place.
- Seven high risk fraud areas were reviewed as part of the 2022/23 Audit Plan as detailed in the table below:

Fraud Risk Area	Outcome & Recommendations
Identity Fraud	Reasonable assurance audit opinion. An improvement to officer training and guidance, to assist them with identifying fake physical or electronic identity documents, was recommended.
Grant Award	Reasonable assurance audit opinion. Improvements to processes and controls covering grant award, payments and use of expenditure were recommended across several service directorates.
Declaration of Interests (councillors),	Reasonable assurance audit opinion. Improvements to the process for ensuring interests are promptly declared and register records are fully detailed were recommended.
Right to Buy	Reasonable assurance audit opinion. An improvement to ensure a consistent application process was in operation across the housing service was recommended.
Housing Tenancy Data Matching	Reasonable assurance audit opinion. An improvement to ensure regular internal and external data matching exercises to detect potential housing tenancy fraud was recommended.
Criminal Finances Act Requirements	Substantial assurance audit opinion. No formal recommendations were made.
Anti-Money Laundering Requirements	Reasonable assurance audit opinion. Improvements to the anti-money laundering e-learning module and the corporate fraud risk register were recommended.

- As part of the 2023/24 Audit Plan the following high-level fraud risk areas are planned to be reviewed; contract award, schools admissions, anti-bribery requirements, Regulation of Investigatory Powers Act and Investigatory Powers Act requirements, treasury management payments, housing tenancy, and homecare/residential care payments.

Investigations

- Internal Audit have investigated all allegations of suspected fraud or financial irregularity in a proportionate manner. Details of investigations that have been led or carried out by Internal Audit during 2022/23 are detailed in Appendix A. This appendix involves exempt information and is submitted as a confidential paper to this report. An additional list of all thefts of Council equipment reported to the Insurance Team has also been included in Appendix A.

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 2022/23 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 22/23	Total 21/22	Total 20/21
Right to Buy Checks	36	80	75
Applications withdrawn	1	3	1
Cases Refused	0	0	0
Housing Application Checks*	822	691	953
Nominations withdrawn	1	7	24

*This check is carried out at the point of nomination to a property i.e. at the stage of being offered a property. The Housing Service carry out a similar check at the application stage and it has been agreed for 2023/24 onwards that Internal Audit will provide an advisory/sample check service only for this fraud risk area.

- 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 22/23	Total 21/22	Total 20/21
Blue Badge Referrals	25	21	9
Badges recovered	1	0	0
Warning letters issued	1	3	3
Housing Tenancy Referrals	32	49	36
Property recovered	1	1	1
Property succession refused	1	0	0

COVID Grant Verification and Investigation Work

- Some residual assurance work was carried on Covid-19 grants as required by government guidance and/or requirements using government promoted tools e.g. Spotlight for business trading status and the NFI for bank account validation and trading status.
- Two referrals were received during the year regarding Covid grants to individuals or companies that were alleged to be erroneous or fraudulent. After investigation no further action was required on the basis the grant recipients met all government criteria for the grant award.

Local Government Transparent Code 2015

9. The Transparency Code requires the annual publication of data relating to the Council's counter fraud work. The table below reproduces the information published on the Council's website (for information).

Mandatory Publication Level	2022/23	2021/22	2020/21
Number of occasions that powers have been used under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.	0	1	0
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	Headcount 4 FTE 2	Headcount 5 FTE 2.1	Headcount 6 FTE 2.2
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	Headcount 2 FTE 1.25	Headcount 3 FTE 1.35	Headcount 4 FTE 1.45
Total amount spent by the authority on the investigation and prosecution of fraud. (aggregate salaries + on-costs)	£96,139	£110,712	£115,501
Total number of fraud cases investigated.	176	206	132

10. The 176 total cases investigated in 2022/23 is broken down by type in the table below along with a comparison to the previous year 2021/22:

Investigation Type – Fraud, financial irregularity or whistleblowing	2022/23	2021/22
Council Tax Discount – public tip off, usually anonymous	67	69
Housing Tenancy - public tip off, usually anonymous	34	46
Blue Badges - public tip off, usually anonymous	25	18
Internal Audit led investigations (confidential Appendix A)	22	35
Fraud referrals not related to BCP Council (after initial investigation)	12	17
Unpaid Non Domestic Rates - public tip off, usually anonymous	5	6
Housing Applications - public tip off, usually anonymous	4	6
Direct Payments misuse - public tip off, usually anonymous	0	2
Other miscellaneous	7	7
TOTAL	176	206

Counter Fraud Best Practice

11. 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.
12. The current assessment outcome (93%) 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.”*

13. To further improve arrangements an action plan is in place which considers best practice contained in this CIPFA assessment and also the “Fighting Fraud and Corruption Locally 2020” updated counter fraud and corruption strategy for local government.
14. The counter fraud resource available during 2022/23 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 2022/23

15. 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.
16. 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.
17. Six formal whistleblowing referrals were received and fully investigated during the last financial year (April 2022 - March 2023), details are included in Appendix A. All these cases were resolved in line with the Whistleblowing Policy.
18. 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.
19. The Policy will continue to be subject to annual evolution and annual approval by this Committee.

Options Appraisal

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

Summary of financial implications

21. 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”.
22. 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.
23. The total amount spent by the Council on the investigation and prosecution of fraud is summarised in the Local Government Transparency Code 2015 table in paragraph 9 above.

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 and Thefts of Council Equipment reported to Insurance Team 2022/23 (Confidential)

BCP Council Anti-Fraud & Corruption Policy

[Internal access](#)

[External access](#)

BCP Whistleblowing Policy

[Internal access](#)

[External access](#)

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

[Internal access](#)

BCP RIPA and IPA Policy

[Internal Access](#)

[External access](#)