

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	8 th December 2016	AGENDA ITEM NUMBER
TITLE:	Fraud & Corruption Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Counter Fraud Strategy Appendix 2 – Anti Bribery Policy Appendix 3 – Anti-Money Laundering Policy		

1. THE ISSUE

This report outlines progress and future work in the BaNES Counter Fraud Action Plan 2016-17, to align the policies and procedures for counter fraud at both BaNES and NSC. It also outlines the progress with the National Fraud Initiative 2016-17 and presents to the committee the updated Counter Fraud Strategy, Anti-Bribery Policy and Anti-Money Laundering Policy for comments.

2. RECOMMENDATION

The Corporate Audit Committee is asked to:

- a) Review and comment on the Counter Fraud Strategy (*App 1*)
- b) Review and comment on the updated Anti-Bribery Policy (*App 2*)
- c) Review and comment on the updated Anti-Money Laundering Policy (*App 3*)

3. FINANCIAL IMPLICATIONS

There are no direct financial implications from this report as it is an update report.

4. THE REPORT

4.1. National Picture & Emerging Fraud Risks

The latest edition of the Local Government Fraud Strategy, “Fighting Fraud and Corruption Locally 2016-19” was published in March 2016 by CIPFA. This identified that fraud may be costing £20.6 billion in the Public Sector in the UK. Of this, £2.1 billion is the estimated cost of fraud affecting local government.

The most common types of fraud risks recognised by CIPFA that a local authority are exposed to are many and diverse, they include:

- Council Tax
- National Non Domestic Rates (NNDR)
- Procurement
- Blue Badges
- Schools
- Internal Fraud
- Personal Budgets
- No recourse to public funds
- Identity assurance
- Money laundering
- Insurance Fraud
- Disabled Facilities Grants
- Concessionary travel schemes
- Commissioning of services
- Cyber and e-enabled fraud

It is important for local authorities to be aware of the rapidly changing environment of fraud and should continuously be scanning for new and developing fraud risks. In the last 12 months there has been a substantial increase in cyber related scams and attempted frauds at a national level and this requires a proportionate response from a counter-fraud perspective.

Therefore, we continue to review information both nationally and locally and liaise with regional fraud groups to keep abreast of current fraud risks, with work completed and best practice shared between the group members.

Fraud risks are considered within all audit reviews. Where necessary, recommendations have been made to strengthen controls to help prevent fraud from occurring.

4.2. NFI Position

The outcomes of the 2014/15 National Fraud Initiative (NFI) exercise were reported to the Audit committee last December. Further to the reported figures, the annual NFI Council Tax Single Persons Discount data match (uploaded in December 2015) identified additional billings for £5225 on cases where the Single Persons Discount was removed.

The first full NFI exercise since the move to the Cabinet Office is now underway. Data for the biennial NFI Matches was extracted and uploaded in October and the resulting matches are due to be released January/February 2017. In addition to this, the data for the annual Single Person Discount NFI matches is due to be extracted and uploaded in December, and the matches released by January 2017.

The matches will be assigned to the relevant teams for Blue Badges, Concessionary Fares, Housing Benefit, Council Tax, Personal Budgets, Pensions and Insurance. Payroll matches will be retained within the Internal Audit team for completion.

4.3. IA Targeted Work & Investigations

Within the last twelve months, Internal Audit have been involved in three new investigations. Two of these are still ongoing and the one closed investigation has resulted in disciplinary action. Brief details of the investigations are listed below:

1. Use of a Council Purchasing Card to purchase 3 laptop computers for a service area from PCWorld Online. Swift intervention by Internal Audit following 'whistleblowing' identified that the laptops were still in an unopened condition and that based on the PCWorld Online Terms & Conditions the laptops could be returned for a full refund.

The transaction was in contravention of the Purchasing Card Terms and Conditions which states that IT equipment cannot be purchased using the card without the express permission of the Council's Head of IT. The breach of the Purchasing Card Terms resulted in a breach of the Council's Financial Regulations (Section 21).

The Council's informal disciplinary process was used and the employee received a formal written warning.

2. Inappropriate deputyship payment to a 3rd party. The Council Officer carrying out Adult Client Deputyship role under Court of Protection Order processed two large payments to the step children of a client who had inherited monies based on the death of her husband in March 2014. The processing of the payments only came to light 18 months after the payments had been processed and the client herself had died.

This investigation was complicated further as the Deputyship Officer responsible had left the Council's employment in March 2015. A report is being prepared and will be submitted to the Office of the Public Guardian (Court of Protection) to decide whether any further action should be taken.

3. Potential inappropriate disposal of Council assets to fund a digital imaging project. A 'whistleblower' raised concerns over the sale and disposal of council assets, role of third parties and the associated decision making processes. Following an investigation no specific action was considered necessary against any employee however a number of key recommendations were made in relation to the governance, management and disposal of certain historic assets.

4.4. Policies & Procedures

Policies have been reviewed during the year to ensure that they are still current and where necessary updated versions have been produced. As a result of this work, the Anti-Money Laundering and the Anti-Bribery policies have been revised. These are included at *Appendix 2 and 3*.

Work has also been undertaken to create and implement a Counter Fraud Strategy (*Appendix 1*), which is the 'umbrella strategy' to bring together all the other policies. This strategy is in line with the "Fighting Fraud Locally 2016-19" to ensure that we are working to current best practice.

To further support to the review of policies, work has been undertaken to review and update the counter fraud information available on the intranet, considering any

changes in best practice and current fraud trends. This is an ongoing task and will further be updated with the release of the new policies and strategy.

Ensuring that all staff have sufficient understanding about fraud and corruption, including knowing the tell-tale signs to look for and their responsibility in the prevention of fraud is a key element in taking active steps to prevent, detect, correct, punish and deter fraud.

To provide this, a Fraud Awareness e-learning module has been developed and implemented and was made available to all staff in September 2016.

4.5. Priorities for Next 12 Months

Counter Fraud is an ongoing process and we will continue to identify and assess the fraud risks that BaNES face.

The updated Counter Fraud Action Plan, is included within the *Counter Fraud Strategy 2016 (pages 6-8)* for consideration by the Audit Committee. The work will continue to be focused around aligning policies and procedures at BaNES and NSC and also ensuring that staff receive appropriate training and information to enable them to identify and report any suspicions of irregularity/fraud.

As part of the planned work, we are continuing work to identify areas in which we can undertake innovative data matching, not only to identify fraud and error, but to be informative and add value to the council as a whole.

Test work was completed in August/September in North Somerset Council and we are in the process of replicating this work at BaNES to see whether it identifies the same benefits and issues. This will then be used to inform the audit planning process to identify where data analytics can be used to provide added value. We will also consider how data analytics can be used to perform more regular matching exercises to prevent and detect fraud and/or error.

Another main focus of work for the coming year will be to develop an online reporting system for the public and/or staff of partner/contractors to anonymously report their concerns in regards to potential fraud and irregularities as well as looking at our approach to cyber-fraud and email scams.

5. RISK MANAGEMENT

It is recognised by Government that the current economic climate in the United Kingdom and the Government policy of significantly reduced public spending have the potential to increase the risk of fraud and irregularity as never seen before in the public sector.

As the Council makes significant cuts in its current and future budgets, it is essential that it continues to maintain strong defences against fraud and irregularity, directing its resources most effectively to mitigate the areas of highest risk.

6. EQUALITIES

A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7. CONSULTATION

None.

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Background papers	
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