

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	21 st November 2019	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance - Anti- Fraud & Corruption - Strategy & Policies Consultation & Fraud Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 Draft Anti-Fraud & Corruption Strategy 2019 Appendix 2 Draft Whistle Blowing Policy 2019 Appendix 3 Draft Anti-Money Laundering Policy & Guidance 2019 Appendix 4 Draft Anti-Bribery & Corruption Policy 2019		

1 THE ISSUE

- 1.1 This is periodic update report to the Committee on the Council's position in relation to Fraud & Corruption. This includes a refresh of key policy and strategy documents and the revised versions are being presented to the Committee for consultation purposes. This report also provides the Committee with an update on the National Fraud Initiative (NFI) and information related to investigations carried out by the Internal Audit function.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to:
- Review and comment on the updated Anti-Fraud & Corruption Strategy (Appendix 1)
 - Review and comment on the updated Whistle Blowing Policy (Appendix 2)
 - Review and comment on the updated Anti-Money Laundering Policy & Guidance (Appendix3)
 - Review and Comment on the updated Anti-Bribery & Corruption Policy (Appendix 4)
 - Note work carried out by the Internal Audit Team related to Anti-Fraud & Corruption

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

Strategy & Policies

- 4.1 The latest edition of the annual CIPFA Tracker Report 2018 was published in December 2018 and detailed the main themes for national fraud indicators within Local Government. This can be accessed via the CIPFA website - (<https://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>). The Tracker Report is supported by the National Crime Agency (NCA), the National Audit Office (NAO) and the Local Government Association (LGA). The annual financial loss to fraud in the UK is estimated at £200 Billion with £7.8 Billion (19%) linked to public sector fraud.
- 4.2 Known fraud risk areas in Local Authorities include:
- a. Council Tax Single Person Discount Fraud
 - b. Disabled Parking Concessions (Blue Badge)
 - c. Business Rates
 - d. Procurement Fraud
- 4.3 Information regarding known and emerging fraud risks are obtained from a number of organisations and professional bodies. One of these is the National Anti-Fraud Network (NAFN). It is the largest shared service in the country managed by, and for the benefit of its members, and is hosted by Tameside MBC. Its members including B&NES Council share information and NAFN disseminate this to Councils and relevant teams in Councils.
- 4.4 With the increased reliance on IT, exposure to fraud has changed and its necessary to regularly assess risks and the framework of internal controls. It is important for Councils to be aware of the rapidly changing environment of fraud and corruption.
- 4.5 The Chartered Institute of Public Finance & Accountancy (CIPFA) Counter Fraud Centre has produced a Local Government Counter Fraud and Corruption Strategy. This strategy promotes three key themes 'Acknowledge, Prevent and Pursue'. We have adopted these themes in this Council's Anti-Fraud & Corruption Strategy.
- 4.6 The Council's Anti-Fraud & Corruption Strategy is the "umbrella strategy" to bring together all the fraud related policies. The Strategy document and policies have been reviewed during this financial year with the objective of ensuring that the Council is proactive in preventing and detecting fraudulent activities and corrupt practices and take the necessary action to punish those involved and recover losses.
- 4.7 The format of the strategy has been redefined from previous versions to improve its visual appearance, making it easier to read and understand.
- 4.8 The Strategy includes an Action Plan linked to the CIPFA principles- 3 key themes headed Strategic Objectives 2019-20. It will be for the Corporate Audit Committee to monitor implementation of the recorded activities.
- 4.9 Policies linked to the Strategy have been reviewed and the 3 policy documents have been amended as recorded below:
- a) Whistle Blowing Policy 2019 – updated contact details; Prescribed Persons updates (linked to the Public Interest Disclose Order) i.e. those organisations and

individuals a worker may approach outside of their workplace to report wrongdoing; revised reporting form linked to online reporting through the Council's website.

- b) Anti-Money Laundering Policy & Guidance 2019 –updated contact details; updated legislation to include amendments under the Money Laundering Regulations 2017 which recommended that councils maintain internal procedures to prevent the use of services for money laundering and adopting a risk-based approach, particularly in the conduct of due diligence.
- c) Anti-Bribery & Corruption Policy 2019 – Changes limited to amending contact details.

Anti-Fraud & Corruption and the Internal Audit Function

- 4.10 The risk of fraud and misappropriation is considered during all internal audit planning activity. Firstly, whilst compiling the Annual Audit Plan, i.e. the audit reviews planned to be carried out during the financial year; and, secondly whilst planning the objectives and focus of each audit to be carried out, i.e. the individual audit work programme.
- 4.11 During Internal Audit Investigations the themes of prevent and pursue as recorded in the Anti-Fraud & Corruption Strategy are the focus of the work of the auditor. The key objectives are to:
- a) Identify the breakdown in controls and correct this to avoid further losses.
 - b) Collect evidence to be able to pursue responsible individuals, i.e. through criminal prosecution or a disciplinary route.
- 4.12 The Internal Audit Function also carry out other anti-fraud activity such as co-ordinating the National Fraud Initiative (NFI) on behalf of the Council's S151 Officer.
- 4.13 The NFI is a Cabinet Office initiative matching data from a large number of public and private sector organisations. These organisations provide data from their systems as prescribed by the Cabinet Office. The data is then processed and data matching reports are made available to each participating organisation to review. It is for each organisation to make the necessary enquiries and any identified fraud is recorded within the NFI system to enable the effectiveness of the initiative to be monitored. The current initiative (2018/19) is on-going. For Local Authorities such as B&NES Council example data sets for matching purposes are: council tax single person discount, housing benefit, adult social care personal budgeting and disabled parking (blue badges).
- 4.14 For the 2018/19 initiative the main data sets were extracted during October and November 2018 and then made available to the Cabinet Office representatives for the data to be matched. Data matching involves comparing sets of data electronically against other records held either by the council itself or another body. The data is personal information, for example, date of birth, full name, address, telephone number(s) and national insurance number. The output of the data matching, i.e. each report, is then assigned a rating (High, Medium, Low) based on the quality of the data matched and the likelihood of the report highlighting fraudulent activity. For example, high risk reports would be those where there is a high level of confidence that the data is matched. A low risk match could be where the individual records have matched a similar date of birth.

- 4.15 In total, 7,151 matches between datasets were included in reports received by the Council. Through the secure network, matches have been allocated to named officers in the council for review. For example, personal budgets matches have been allocated to the Care Finance Team for review. The priority is to examine those matches assigned as High Risk. Sample testing (e.g. 10% of matches) will be carried out initially and then the testing sample will be increased if the matches are substantiated as valid matches worthy of further investigations.
- 4.16 By utilising this initiative, it increases the likelihood of fraud and error being detected. It provides the Council with access to data held by other bodies which is of great value in the fight against fraud. As a result of the 2018/19 initiative we can state that at the time of writing this report, Council Tax related investigations has identified potential recoveries of £89,477.66.
- 4.17 Other areas where the initiative has been of value is in Blue Badge Fraud investigation. The NFI has used a mortality screening data set, provided by the Department of Works & Pensions and the General Register Office. The data is high quality and allows the Council to detect if Disabled Parking badges are still being used following the death of the Blue Badge holder. The data matching recorded 219 badges still in circulation after the date of death. It is interesting to note that for the purpose of estimating the cost of fraud, the NFI assume a loss of parking income of £575 for each badge that remains in issue. The estimated cost would seem high but it does provide a basis for estimating the cost of fraud.

Investigations – Financial Irregularity

- 4.18 It is a requirement of the Council's Financial Regulations that Internal Audit are informed of any financial irregularity identified. As stated in 4.11, it is the responsibility of internal audit to investigate any matter reported to ensure system weaknesses are identified and corrected and action is taken against individuals involved.
- 4.19 An example of an investigation carried out during the current financial year will be verbally presented at the meeting. The background to the losses incurred and action taken resulting from the Internal Audit investigation will be presented at the Committee meeting.

5 RISK MANAGEMENT

- 5.1 As the Council continues to seek efficiencies and cost savings to manage services against funding available it is essential that the Council maintains a strong defence against fraud and irregularity. Waste and losses through fraud and other illegal activity results in less resources being available to deliver key services to residents and visitors.

6 EQUALITIES

- 6.1 Embedded within the audit process is consideration of compliant with statutory guidance and regulations which includes those relating to equality and diversity.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for Consultation.

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