Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	14th July 2022	**AGENDA ITEM NUMBER**
TITLE:	**Counter Fraud Update Report – Strategy & Associated Policies 2022**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Anti-Fraud & Corruption Strategy 2022 Appendix 2 – Whistle Blowing Policy 2022 Appendix 3 – Anti-Money Laundering Policy 2022 Appendix 4 – Anti-Bribery & Corruption Policy 2022		

1 THE ISSUE

1.1 This is an update report to the Committee on the Council's position in relation to Counter Fraud & Corruption. The Council's Strategy and Policy documents have been reviewed and updated where necessary and are being presented to the Committee for consultation purposes. This report also provides the Committee with an update on Counter Fraud work carried out by the Internal Audit Team including the co-ordination of the Council's work related to the National Fraud Initiative (NFI).

2 RECOMMENDATION

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

3 THE REPORT

Local Authority Fraud Risks – Internal Audit Work

3.1 The CIPFA Fraud and Corruption Tracker (CFaCT) survey is the definitive survey of fraud and corruption activity in local government. It tracks the level of fraud and corruption local authorities have detected, the number of investigations carried out and the types of fraud encountered.

The latest edition of the annual CIPFA Tracker Report was published in 2020 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/cipfa-solutions/fraud-and-corruption/fraud-and-corruption-tracker

The tracker report is supported by the National Audit Office (NAO) and the Local Government Association (LGA). The annual financial loss to fraud in the UK public sector is estimated at £40.3bn annually, with £7.3bn of this being in local government.

3.2 Known fraud risk areas in Local Authorities include:

    a.   Council Tax Fraud (Single Person Discount)

    b.   Disabled Parking Concessions (Blue Badge)

    c.   Business Rates

    d.   Housing Fraud

    e.   Procurement Fraud.

3.3 During 2021/22, the Internal Audit Service carried out the following reviews:
    i) Covid19 Restrictions Business Grants
    ii) Tenancy Fraud

3.4 A 'Briefing Paper' on the distribution of £85m of government business grants funding through 2020/21 and into 2021/22 was issued in January 2022. Internal Audit analysed 100% of the data provided using specific data analytical techniques. Analysis was carried out to identify cases which may have been fraudulent or recoverable payments based on the eligibility criteria not being met. The data analytical work carried out by Internal Audit identified circa £95k of recoverable grants, the total recoverable amount which was identified by both Internal Audit and the Revenues Team as at 30th November 2021 was in the region of £240k. It was highlighted that the amount identified for recovery was 0.28% of total amount of grants paid (£85.6M) which was very low and based on that it could be concluded that

the controls and checks administered through the application process were effective.

3.5 The Tenancy Fraud work was carried out based on the knowledge that housing fraud accounts for 51% of the value of all fraud affecting local authorities nationwide. As B&NES Council housing stock was transferred in 1999, the review aimed in particular to work in partnership with the main social housing provider in the B&NES district – Curo. The review was led by an Audit Manager, a qualified investigator and former Tenancy Fraud Investigator.

3.6 In order to build on the anti-fraud approach to tenancy fraud across Bath & North East Somerset, the Internal Audit Team focussed on two areas:
1) Supporting the Council's Housing Team in reviewing matches on the National Fraud Initiative.
2) Supporting Curo's awareness and processes to identify and tackle tenancy fraud – improving co-ordination with the Council.

3.7 Training was provided to the Council's Homesearch Team on reviewing, investigating, and recording results on the NFI matches, along with 1 to 1 support for the Homesearch Advisor tasked with reviewing the matches on the NFI system. As at September 2021, 56 applicants had been removed from the waiting list. It should be noted that the number of waiting list applicants removed increased to 63 based on investigations completed after September 2021 (the table in 3.17 records the latest results re NFI 2020).

3.8 An Anti-Fraud presentation was held with the Operational Managers at Curo in February 2021, along with a more in-depth presentation to the Tenancy Management Team and Accounts Team on prevention, identification, and investigation of Tenancy Fraud. The training covered topics such as tips for frontline staff conducting tenancy visits, methods to request information from organisations for sensitive investigations, and updating policies and practices to prevent and detect fraud. Positive feedback was received from those attending both presentations. Curo were provided with documents to assist the process of requesting information from local authorities and other organisations in line with the Data Protection Act. Documents were also provided to strengthen anti-fraud processes in succession and assignment claims, including good practice application form declarations which allow use of information for anti-fraud checks, and send a clear message about the organisation's strong stance against fraud. Links were also provided to help ensure the adoption of best practice, for example guidance on the National Fraud Initiative. The Council's Housing Services Manager was kept informed of the Internal Audit work with Curo.

3.9 Based on the success of the partnership working (feedback from Curo), the subject of housing fraud was brought to the attention of the West of England Housing Group (a cross-border initiative to share current issues and best practice for social landlords across the West of England Region) and Audit West provided a tenancy fraud presentation.

3.10 A meeting was arranged with the Tenancy Services Manager at Curo in August 2021 to review progress (the benefits of the partnership working) and to consider next steps. Two key outcomes were identified from a Curo perspective:
- Greater staff awareness of tenancy fraud
- More robust evaluation of claims for succession to a tenancy.

In addition, the Tenancy Services Manager provided detailed feedback on how the work had supported the organisation in its anti-fraud stance, including the usefulness of training to frontline colleagues who undertake tenancy audits and tenancy visits.

3.11 The proposed next steps for tackling tenancy fraud across B&NES were:
- Maintain formal lines of communication ensuring that key officers from the different organisations meet regularly to maintain a joined-up approach to anti-fraud activities, i.e. between Curo and B&NES Council Housing Service.
- Work with Internal Audit and/or Housing Services of Authorities in the West of England region (Bristol City Council, North Somerset Council and South Gloucestershire Council) to share best practice on tackling tenancy fraud.
- Consider investment in capacity for tackling tenancy fraud at B&NES Council, for example employment of an 'Authorised Officer' to enable gathering of evidence on behalf of local housing providers.
- Expand scope to support other housing providers with properties in the B&NES area, through training and guidance.

3.12 In addition to monitoring well established areas of fraud risk there is a need to maintain a knowledge of any emerging risk areas and also consider current circumstances such as the current cost-of living crises. Experiencing hardship can increase the likelihood of individuals trying to take advantage of any internal control weaknesses. In terms of emerging fraud risks and maintaining an awareness of risks, organisations and professional bodies are in place to assist. One of these is the National Anti-Fraud Network (NAFN), hosted by Tameside MBC. Currently, almost 90% of local authorities are members and information is shared with members to help combat fraud (prevent / detect).

3.13 Data analytics is used effectively to detect fraud.

National Fraud Initiative
3.14 The Internal Audit function co-ordinate the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.

3.15 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 matched and data matching reports are made available for each participating organisation to review. Involvement in the Initiative is mandatory and the

Cabinet Office charge £3,900 for a Unitary Authority. 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.

3.16 For Local Authorities such as Bath & North East Somerset Council, example data sets for matching purposes include; Housing Benefit, Adult Social Care Personal Budgeting and Disabled Parking (Blue Badges).

Results from 2020/22 NFI Exercise

3.17 The results from the latest exercise (as at 14th June 2022) were as follows:

Report title	Total matches	Processed	In Progress	Frauds / errors	Identified loss	Estimated Savings
Housing Benefits	48	36	0	0	£0.00	£0.00
Council Tax Reduction Scheme	894	723	0	9	£1,711.41	£1,001.49
Payroll	23	12	0	0	£0	£0
Blue Badges	380	291	0	127	£0	£73,025
Waiting List	359	227	1	63	£0	£204,120
Creditors	1561	661	0	0	£0	£0
Procurement	23	0	0	0	£0	£0
Pensions	1015	385	0	1	£5,457	£2,425
Resident Parking Permit	8	8	0	0	£0	£0
Covid-19 Business grants	32	0	0	0	£0	£0
TOTAL	**4343**	**2343**	**1**	**200**	**£7,168.48**	**£280,571.93**

Council Tax Single Person Discount *	10877	122	34	68	£18,175	£29,393

*- Annual exercise 2021/22

3.18 Members of the Committee were asked to attend a presentation from Audit West on xxxx to discuss the NFI exercise and findings.

Investigations – Financial Irregularity
3.19 During Internal Audit investigations, the themes of prevent and pursue as recorded in the Anti-Fraud and 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.

Staff Awareness
3.20 The Internal Audit Team have continued to publish Fraud Bulletins (made accessible through general staff communications) to maintain awareness of the risk of fraud and scams. A Fraud Awareness 'online' training course is

accessible through the General Skills training modules on the Learn & Develop HR intranet webpages.

Strategy and Policy Updates

3.21 The 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. The 2016-19 strategy promoted three key themes; 'Acknowledge, Prevent and Pursue', which was then adopted locally within the Council's 2019 Anti-Fraud & Corruption Strategy.

3.22 The 2020 Fighting Fraud and Corruption Locally strategy has built upon the pillars of 'acknowledge', 'prevent' and 'pursue' and added two more areas of activity, these being 'Govern' and 'Protect'. Accordingly, the Council's Anti-Fraud and Corruption Strategy has been refreshed and updated to include these two new pillars in order to ensure the Council's approach to Fraud continues to be in line with best practice.

3.23 The Council's Anti-Fraud & Corruption Strategy is the "umbrella strategy" that brings together all fraud related policies. Its objective is to ensure that the Council is proactive in preventing and detecting fraudulent activities and corrupt practices, and takes the necessary action to punish those involved and recover losses.

3.24 Policies linked to the Strategy have also been reviewed and the following three key policy documents have been updated:
- **i)** Whistle Blowing Policy
- **ii)** Anti-Money Laundering Policy and Guidance
- **iii)** Anti-Bribery & Corruption Policy

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIFPA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

6.1 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.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	