

Bath & North East Somerset Council

MEETING:	Audit Committee	
MEETING DATE:	30 th April 2025	AGENDA ITEM NUMBER
TITLE:	Counter Fraud Annual Report	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Anti-Fraud & Corruption Strategy 2025		
Appendix 2 - Whistleblowing Policy 2025		
Appendix 3 - Anti-Money Laundering Policy 2025		
Appendix 4 - Anti-Bribery & Corruption Policy 2025		

1 THE ISSUE

- 1.1 The Council's Audit Committee has responsibility, within its terms of reference, for overseeing the risk management framework of the Council, including the arrangements for Counter Fraud and Fraud Prevention.

2 RECOMMENDATION

- 2.1 The Audit Committee is asked to note the Counter Fraud Annual Report, and review and approve the updated Anti-Fraud & Corruption Strategy and associated policies as detailed below:
- i. Note work carried out by Internal Audit in relation to Anti-Fraud & Corruption
 - ii. Review and approve the updated Anti-Fraud & Corruption Strategy (*Appendix 1*)
 - iii. Review and approve the updated Whistleblowing Policy (*Appendix 2*)
 - iv. Review and approve the updated Anti-Money Laundering Policy (*Appendix 3*)
 - v. Review and approve the updated Anti-Bribery & Corruption Policy (*Appendix 4*)

3 THE REPORT

- 3.1 This report outlines the work carried out to review and update the Anti-Fraud & Corruption Strategy and related policies which are being presented for consultation. It also provides the Audit Committee with an overview on the National Fraud Initiative (NFI) and information related to investigations carried out by Internal Audit.

4 NATIONAL PICTURE AND EMERGING FRAUD RISKS

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has a key role in coordinating the fight against fraud and corruption across the public sector.

In 2020 CIPFA, the Local Government Association and key partners published the refreshed Counter Fraud and Corruption Strategy for local government 'Fighting Fraud and Corruption Locally 2020'. This sets out the strategic approach local authorities should take and the main areas of focus (pillars) in response to fraud and corruption risks, as illustrated below:

Pillar	Description
Govern	Having robust arrangements and executive support to ensure anti-fraud, bribery & corruption measures are embedded throughout the organisation.
Acknowledge	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with governance.
Prevent	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its activity and successes.
Pursue	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.
Protect	Against serious and organised crime. Protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to an authority.

- 4.2 Bath and North East Somerset Council's Anti-Fraud and Corruption Strategy (see Appendix 1) acknowledges and includes these pillars in its objectives to ensure that the Council's approach to fraud continues to be in line with best practice.
- 4.3 The CIPFA 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 was last estimated to be £40.3bn annually, with £7.3bn of this total being lost in local government. It is noted that more recent central figures are not published or available for consideration.
- 4.4 Key fraud risks specific to Local Authorities continue to include:
- Council Tax Fraud
 - Disabled Parking Concessions (Blue Badge)
 - Business Rates
 - Housing Fraud
 - Procurement
 - Cyber Fraud

5 FRAUD PREVENTION NETWORKS

- 5.1 The Internal Audit Service obtains information regarding known and emerging fraud risks from a number of sources, organisations and professional bodies. One of these is the National Anti-Fraud Network (NAFN). NAFN are one of the largest shared services in the country, managed by, and for the benefit of its members, and is hosted by Tameside Metropolitan Borough Council. Currently, almost 90%

of local authorities are members, including Bath and North East Somerset Council.

As part of the above arrangement with NAFN, Internal Audit has a process in place for onward sharing and discussion of NAFN alerts. This process is in place to raise awareness across the Council of local and national fraud risks and to highlight or investigate areas of known concern.

- 5.2 One West are also a member of the West of England Fraud Group. This forum is used to share best practice, discuss changes in legislation and emerging fraud risks, and also fraud initiatives across Local Authorities in the West of England. Recent meetings have covered topics such as Council Tax fraud, Airbnb tenancy fraud, career polygamy, and cyber fraud.

6 NATIONAL FRAUD INITIATIVE

- 6.1 The Internal Audit function also co-ordinate the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.
- 6.2 Participation in the NFI in each two-year cycle is mandatory and incurs a fee payable to the Cabinet Office of £3,810 for a Unitary Authority.
- 6.3 The Cabinet Office runs the initiative, an exercise that matches data within and between public and private sector bodies to prevent and detect fraud. Data matching involves comparing electronic records held by the same or another body, data is then matched and (data matching) reports are made available for each participating organisation to review. Where a match is found it indicates that there is an inconsistency which requires further investigation, and at this point no assumption can be made as to whether there is fraud or error. It is then for each organisation to make the necessary enquiries to understand whether the matched data has identified any genuine issues and this is then recorded within the NFI system to enable the effectiveness of the initiative to be monitored.

For Local Authorities such as Bath and North East Somerset Council, example data sets for matching purposes include (but are not limited to): Housing Benefit, Council Tax reductions, Payroll, Adult Social Care Personal Budgeting and Disabled Parking (Blue Badges).

- 6.4 Matches may be closed by identification of fraud (resulting in recovery where possible), error, or recorded as no issue. Closed matches result in a value assigned by the Cabinet Office, recorded as 'co-estimated savings'. These figures reflect the anticipated savings and reduction of likely losses made by identifying and amending anomalous record keeping and reducing and removing fraud risks.
- 6.5 The matches from the 2024-25 NFI exercise were released in December 2024, with additional matches released in January 2025. Investigation of these matches is ongoing and the full results of the NFI exercise will be reported to the Audit Committee upon full completion of the task.

7 INTERNAL AUDIT TARGETED WORK AND INVESTIGATIONS

- 7.1 The risk of Fraud is considered during all internal audit planning activity and members can see evidence of this throughout this annual report. This includes right from initially building the Annual Audit Plan (i.e. the audit reviews planned to

be carried out during the financial year) through to considering the objectives, fraud risks, controls and focus of each review to be carried out, i.e. each individual audit work programme.

7.2 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.

7.3 In 2024/25 the Internal Audit Service carried out investigations into salary payments being made to an individual who was set up on the Council's payroll system as a new starter and received salary payments despite not actually starting their employment, fraudulent claims for Early Years Entitlement from a child carer, and a reported loss of cash from the one stop shop in Bath.

In addition to identifying the amount of the 'overpayments' and taking recovery action, work was carried out to identify the internal control failures and to implement actions to avoid a repeat.

8 DATA ANALYTICS

8.1 Data analysis and data matching are important tools for identifying fraud and error in local government. The Fighting Fraud and Corruption Locally Strategy for the 2020s recommends that local authorities should share data across its own departments and engage in the use of data analytics as a key response to fraud.

8.2 Data Analytics at Bath and North East Somerset Council incorporates participation in the National Fraud Initiative (see section 6), and data matching undertaken as part of audit testing for individual audit reviews using spreadsheets or more advanced internal audit data analytics software (IDEA).

Examples of audit reviews reported in 2024/25 that have involved an element of Data Analytics include Payroll Variations and Creditor Payments.

9 STAFF TRAINING AND AWARENESS

9.1 Fraud information and awareness is promoted and communicated to staff throughout the year. The Staff Engagement updates circulated via email are a key channel for this communication.

9.2 'International Fraud Awareness Week' took place between 17th-23rd November 2024 and a special article was published outlining all the key fraud prevention information that is available to Council officers. Up to date information and articles were also provided as follows:

- What is Fraud?
- Protecting Bath and North East Somerset Council
- Mandatory Fraud Awareness Training & 'Five Minutes of Fraud' Training Videos
- Council Strategy and Policies
- Examples of Known Fraud Risks

- Internal Fraud Risks
- Focus on Corporate Credit Cards
- Whistleblowing: Speak Up, Protect Our Organisation
- What You Can Do

- 9.3 Internal Audit also produced several other articles for staff, one of which was an important reminder that all Council employees are required to undertake mandatory general fraud prevention training and should retake training as a refresher if desired.

10 STRATEGY & POLICY FRAMEWORK

- 10.1 Nationally, the Fighting Fraud and Corruption Locally 2020 document is the most recent counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.
- 10.2 Bath and North East Somerset Council's own Anti-Fraud & Corruption Strategy takes the national strategy and adopts it at a local level. This is therefore the "umbrella strategy" that brings together all fraud related policies within the Council. Its objective is to ensure that the local authority is proactive in preventing and detecting fraudulent activities and corrupt practices and takes the necessary action to punish those involved and recover losses. The Council's Anti-Fraud and Corruption Strategy has been newly refreshed, updated, and is presented for approved at this Committee meeting (see Appendix 1).
- 10.3 Policies linked to the Strategy have also been reviewed and updated, and are also presented for approval. These include the Whistleblowing Policy, the Anti-Money Laundering Policy and Guidance, and the Anti-Bribery & Corruption Policy (see Appendix 2, 3 and 4 respectively).

11 STATUTORY CONSIDERATIONS

- 11.1 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 CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

12 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 12.1 This is an information and update report so there are no direct implications arising from this report.

13 RISK MANAGEMENT

- 13.1 No decision or recommendation is being made and this report details the council's approach to risk management. As a result, there are therefore no new significant risks to consider in relation to this report.

14 EQUALITIES

- 14.1 An equalities impact assessment has been considered using corporate guidelines and no significant issues have been identified.

15 CLIMATE CHANGE

- 15.1 There are no direct climate change implications related to this report. In terms of risk management, risks associated with the Council's roles in respect of climate change are captured at different levels, including in the CRR and other risk registers.

16 OTHER OPTIONS CONSIDERED

- 16.1 None.

17 CONSULTATION

- 17.1 The Audit Committee is asked to note the Counter Fraud Update Report and approve the updated Anti-Fraud and Corruption Strategy and associated policies.

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