

Blackburn with Darwen Borough Council



**Counter Fraud Annual Report
2016/17**

**Audit & Assurance
Finance & IT Department
June 2017**

1. Background

1.1. The Council is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level through a combination of the following:

- Acknowledging and understanding fraud risks, and the harm they cause to the organisation, its objectives and service users, and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response;
- Preventing and detecting fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture; and
- Responding by punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

1.2. The purpose of this report is to present the work carried out during the past financial year to minimise the risk of fraud, bribery and corruption across the Council. This supports the requirements of the Accounts and Audit Regulations (England) 2015 which states that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'.

1.3. The report also sets out planned work for 2017/18 and highlights some of the current areas of fraud risk.

2. Key mechanisms – policies and procedures

2.1. Effective policies and procedures are essential to ensure that all officers and members are aware of their roles and responsibilities in identifying and managing the risk of fraud. All policies and associated documents are available on the Council's intranet.

Whistleblowing Policy

2.2. The Council has an up to date Whistleblowing Policy available to all staff and members.

Counter Fraud Strategy

2.3. The Counter Fraud Policy Statement and Counter Fraud Strategy 2016/21 were updated and approved in 2016.

Fraud Risk Register

2.4. To enable managers to identify and mitigate fraud risks a fraud risk register has been created. An exercise was carried out in 2016/17 to capture fraud risks on the fraud register. Work was undertaken with service managers to carry out initial fraud risk assessments of the potential fraud in their areas. Work is currently ongoing to ensure that all risk owners review and update their fraud risks for which they are responsible.

Reporting and awareness

2.5. Audit & Assurance reports to the Audit & Governance Committee on a regular basis with corporate fraud updates.

- 2.6. The Council subscribes to the National Anti-Fraud Network (NAFN), which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams. These fraud alerts are then cascaded to ensure that key officers receive key messages and take appropriate action where appropriate.
- 2.7. A fraud awareness training course is available on the Council's e-learning portal. This course has been undertaken by 86 people since June 2016 and Audit & Assurance continue to promote the course during its engagements with departments and schools.

3. Risk based planning to minimise the risk of fraud

- 3.1. The annual audit planning process includes consideration of the fraud risk. The Annual Audit Plan, approved by the Audit & Governance Committee, includes provision to support a programme of proactive work that minimises the risk of loss to the Council. The annual plan also includes an allocation of time for reactive investigations.

4. Work and investigations carried out in 2016/17

National Fraud Initiative (NFI)

- 4.1. The Council is required by law to provide set data to the Cabinet Office who administers this national data matching exercise. The returned data matches identify anomalies for further review. Audit & Assurance co-ordinate the exercise and carry out further review of certain reports including Payroll anomalies and suspected fraudulent Council Tax Support claims. The previous exercise, completed in 2016, identified 201 cases of fraud or error with a total monetary value of £259,420. The Council took appropriate steps in respect of these cases with relevant sanctions being applied or recovery action being sought. This included cancellation of any discounts incorrectly claimed and arrangements made for the recovery of any overpayments identified. Data matches from the 2017 NFI exercise were received in January 2017 and work is ongoing in this area. To date, 127 fraud/error cases have been identified with a monetary value of £43,117.
- 4.2. Non-monetary outcomes are also important. Work has resulted in the cancellation of 107 Blue Badge parking permits, from a total of 7,579 current 'live' badges on issue, after it was established that the badge holders were deceased. This prevents the potential misuse of permits by others. The Cabinet Office considers the average value of fraud/error attached to Blue badge parking permits to be £536.66 per case, the monetary value for this area of fraud identified is therefore estimated at £57,422. Further work has led to the removal of 2 taxi licences by the Licensing Section after enquiries with the Home Office confirmed that the drivers had no right to work or remain in the UK.

Direct Payments Fraud

- 4.3. Direct Payments are made to Council service users which allow them to pay for their own assessed social care needs as an alternative to the Council directly providing or commissioning those services. Audit & Assurance undertook several investigations during 2016/17 into suspected Direct Payments fraud. In one case, a decision was made to recover £14,448 from a service user after they falsified evidence used to justify how their Direct

Payments had been spent. A separate case involves overpayments totalling of £42,000, established by Audit & Assurance who obtained evidence of undeclared property ownership by the service user. The Council is pursuing a prosecution in this case in liaison with the Police. The 2017/18 audit plan includes provision to carry out a review of the Direct Payments system to assess the adequacy and effectiveness of the controls in this area.

PBX Fraud (Telephone hacking)

- 4.4. Audit & Assurance supported management to investigate the circumstances of a telephone hacking fraud carried out in December 2016 and to examine the controls in place to prevent future losses from this type of criminal activity. These crimes have been reported to the Police. An audit review of this incident resulted in 19 recommendations designed to improve the control environment. The audit report and the recommendations made have been accepted by management.

Other investigations

- 4.5. Audit & Assurance has also conducted two further investigations which were carried out following complaints made under the Council's Whistleblowing Policy. Neither investigation identified any criminal activity or misconduct by Council officers however recommendations were made to improve internal controls in the areas concerned.
- 4.6. In addition, we have investigated a number of cash discrepancies at various Council locations as well as providing advice on procurement queries. This work highlighted poor administrative practices rather than fraudulent activity. In each case, Audit & Assurance recommended improvements to the control environment which were accepted by management.

5. Priorities for 2017/18

- 5.1. The 2017/18 Internal Audit Plan makes provision for the following counter fraud activity during the year:
- National Fraud Initiative – co-ordination of the exercise and investigation into data matches;
 - A review of the Fraud Risk Register to ensure that risk owners are taking appropriate steps to mitigate risks;
 - Personalised Budgets/Direct Payments audit – this has been identified through a review of the fraud risk register as a high risk area. The audit will focus on the controls in place to deal with this fraud risk;
 - Reactive fraud investigations; and
 - Development of a pro-active plan of work.

6. Conclusion

- 6.1. The range of activities and incidents covered in this report highlights the extent to which fraud and error exist as risks to the achievement of the Council's objectives. Our conclusion is that the Council had effective measures to enable the prevention and detection of fraud and irregularities. Work will continue in 2017/18 to ensure that the Council has all the necessary policies and procedures in place to create and promote an environment where fraud, bribery and corruption are not tolerated.