

Blackburn with Darwen Borough Council



Counter Fraud Annual Report 2017/18

**Audit & Assurance
Finance & Customer Services Department
July 2018**

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 2018/19 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 was created in 2016/17. Work was undertaken with service managers in 2017/18 to ensure that risk owners review and update the 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. In addition, the Lancashire Chief Audit Group shares information and alerts regarding potential scams which are being attempted, or have been carried out in the region, as and when these are identified locally. These are also cascaded to relevant departments and highlighted on the Council's website where appropriate. Fraud cases are also discussed at the Group's meetings.

- 2.7. A fraud awareness training course is available on the Council's e-learning portal. This course has been undertaken by 182 people since its introduction (96 people during 2017/18) and Audit & Assurance continue to promote the course during its engagements with departments and schools. Members of the Audit & Governance Committee have also been provided with a copy of the CIPFA Counter Fraud Workbook for Councillors during the year. This has been produced by CIPFA and the Local Government Association. It is designed as a learning aid on this area for elected members and includes guidance, challenges cases studies and links to other information on this area.

3. Risk based planning to minimise the risk of fraud

- 3.1. The annual audit planning process includes consideration of the fraud risk. The 2017/18 Annual Audit Plan, approved by the Audit & Governance Committee in April 2017, included 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 2017/18

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. A total of 8,837 data matches were received from the Cabinet Office as part of the 2017 exercise. Of these, 4,402 were highlighted as 'recommended matches' which the Cabinet Office suggests are prioritised for review. The results of work undertaken show that 2,581 data matches have been processed to date. A total of 467 fraud/errors have been found resulting in savings of £229,413. The table below illustrates the main areas of activity and where savings have been identified.

Summary of Results

Area	No. of Frauds/Errors	Value (£)
Benefits (Housing/Council Tax Support)	28	£60,904
Council Tax Single Persons Discount	323	£87,348
Private Residential Care Homes	2	£10,778
Taxi Licences revoked	3*	N/A
Blue Badges/Residents Parking Permits	107	£57,423*
Housing waiting list*	4	£12,960

TOTAL	467	£229,413
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*Taxi Licences revoked after it was established the holders had no leave to remain/right to work in the UK.

*The value attached to the Blue Badges/Residents Parking Permits has been determined by the Cabinet Office which considers the average loss of fraud/error to be £536.66 per case.

*B-with-us (Together Housing Group) manages the housing waiting list across a Pennine Lancashire sub-region which includes BwD. We identified 4 cases which required the removal of the applicant from the housing waiting list. The Cabinet Office attaches a financial value of £3,240 per case where the applicant is removed from the waiting list. This figure is used in the table above.

- 4.2. The Council received additional reports from the Cabinet Office on 23 February 2018 which included 5,716 Council Tax Single Person Discount data matches for further review. The reports were generated after council tax records were matched with various data sets including the electoral register. The matches indicate that entitlement to Single Persons Discount is incorrect and further enquiries need to be made. The reports have been forwarded to the Revenues section for further action.

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 has undertaken several investigations in the past into suspected Direct Payments fraud, including a case during 2017/18. In one case, the Council is pursuing a prosecution in relation to a suspected overpayment of £40,000. A decision is awaited from the Crown Prosecution Service regarding this. The 2017/18 audit plan made provision for a review of the Direct Payments system to assess the adequacy and effectiveness of the controls in this area. An audit was carried out and a report was issued to management in January 2018. The report highlighted a number of issues surrounding compliance with internal controls and a limited assurance opinion was given. The report contained 14 recommended improvements, all of which were accepted by management who provided an action plan to implement the recommendations.

Grant Fraud

- 4.4. Audit & Assurance investigated a suspected grant fraud following a whistleblowing complaint made in April 2017. The allegation concerned the over-ordering and selling on of materials for profit by a contractor. The review identified a small overstatement of materials ordered to what was actually used on jobs. Given the size of the scheme this was considered to be within an acceptable tolerance range and there was no evidence to suggest fraud.

Other investigations and counter fraud activity

- 4.5. Audit & Assurance has also conducted two further investigations which were carried out following the receipt of Members Conduct Complaints. One complaint related to potential financial irregularities and the other included an

allegation of corruption and fraud. In both cases, there was no evidence of fraud or corruption found. In one case, several recommendations were made to improve the financial controls and administrative practices surrounding the management of an annual supported Council event. The recommendations were accepted by management.

- 4.6. During the year Audit & Assurance also investigated the circumstances relating to a petty cash discrepancy of £286, which was identified during the performance of the monthly reconciliation process in a Department. We considered if this had occurred as a result of misappropriation of funds. The cause of the discrepancy could not be determined because of a number of weaknesses which were identified in the controls and procedures in place and a number of recommendations were made to address the issues raised.
- 4.7. We also carried out a review of the financial controls and procedures in operation in a Nursery setting at the request of Children's Services. Although our work identified a number of significant weaknesses in the financial controls and procedures in place we did not find any evidence that these had led to any fraud occurring. The report on the findings contained a number of recommendations to strengthen the internal control framework in place.
- 4.8. Audit & Assurance is currently undertaking an investigation concerning the management and approval of Council expenditure and the disposal of Council assets. An update will be provided to Members of the Audit Committee in due course.

5. Priorities for 2018/19

- 5.1. The 2018/19 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 Counter Fraud Strategy;
 - 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 2018/19 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.