

Blackburn with Darwen Borough Council



Counter Fraud Annual Report 2018/19

**Audit & Assurance
Finance & Customer Services Department
May 2019**

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 2019/20 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 which is available to all staff and members via the intranet.

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 has been undertaken with service managers in 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 during the year.

- 2.7. The Principal Internal Auditor (Counter Fraud) is also a member of the North West Chief Auditors Counter Fraud sub group. This group has met on a regular basis during the year to consider the scope for joint working across the region on areas such as business rates and personal budgets, as well as to develop a common approach to key fraud risks and share best practise.
- 2.8. A fraud awareness training course is available on the Council's e-learning portal. This course has been undertaken by 309 people since its introduction (127 people during 2018/19) 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 2018/19 Annual Audit Plan, approved by the Audit & Governance Committee in April 2018, 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 2018/19

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 follow up and review by the Council to determine and actions required. 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 4,716 data matches were initially received in February 2019 from the Cabinet Office as part of the 2018/19 exercise. The results of work undertaken show that 394 data matches have been processed to date. A total of 36 errors have been found, so far, resulting in savings of £95,997. The table below illustrates the main areas of activity and where savings have been identified to date. Work on this area will be on-going during 2019/20.

Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)	8	£20,395
Private Residential Care Homes	28	£75,602
TOTAL	36	£95,997

- 4.2. The Council received additional reports from the Cabinet Office in February and March 2019 which included 4,673 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 follow up and 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 into suspected Direct Payments fraud in the past, including a case during 2018/19. The case, which is currently ongoing, involves an overpayment of £20,000. The Police are supporting the Council with this investigation.

Other investigations and counter fraud activity

- 4.4. During the year Audit & Assurance carried out an investigation into an alleged fraud following a complaint made under the Council's Whistleblowing Policy. The complainant suggested that a contractor was overcharging the Council for the services it provided. We found no evidence of fraud or overcharging and confirmed that effective contract management arrangements are in place.
- 4.5. A separate complaint made by a member of the public that his bank account details had been falsely used by someone to set up a Direct Debit Instruction for a Council service led to an investigation by Audit & Assurance. As part of the investigation, we reviewed the procedures for setting up Direct Debit Instructions online and face to face. The investigation concluded that there was no evidence to suggest any staff involvement in the fraud and confirmed that the Council has appropriate processes in place to handle payments via Direct Debit. The review made one recommendation to further strengthen internal controls and this was accepted by management and has been introduced.
- 4.6. Audit & Assurance conducted a review in a service area due to concerns raised by the Director into procurement practices and as a result of a complaint received from an external source regarding the inappropriate disposal of Council assets. Whilst no evidence of fraud was found we identified several issues concerning non-compliance with the Council's Standing Financial Instructions and Contract and Procurement Procedure Rules. The findings have been reported to management along with several recommendations to improve the control environment and ensure compliance.

- 4.7. A separate investigation was carried out by Audit & Assurance as a result of a whistleblowing allegation concerning the disposal of Council assets. This investigation found no evidence of fraud and established that equipment had been disposed of in an appropriate manner.
- 4.8. During the year Audit & Assurance also reviewed the petty cash procedures at two locations following the report of missing money. Whilst fraud/theft was suspected, insufficient evidence was available to confirm that this was the case. In one case we identified several issues concerning non-compliance with the Council's Standing Financial Instructions. The findings have been reported to management along with several recommendations to improve the control environment and ensure compliance. The Head of Audit & Assurance has also provided on-going support to the Head of Governance to investigate various matters which were raised in a complaint received by the Chief Executive. The investigation did not find any evidence of fraud.
- 4.9. Audit & Assurance dealt with an investigation following an allegation made by a member of the public that staff had falsified documents relating to property rental payments due to the Council. We found no evidence to substantiate the allegations.
- 4.10. As part of its proactive plan of counter fraud work, Audit & Assurance undertook an exercise to validate the VAT status of its suppliers to ensure that VAT is only paid where the supplier is VAT registered. The results of the exercise confirmed that VAT payments are accurate and are only made in appropriate circumstances.

5. Priorities for 2019/20

- 5.1. The 2019/20 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 2019/20 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.