

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

25 NOVEMBER 2009

REPORT OF THE CHIEF INTERNAL AUDITOR

PROTECTING THE PUBLIC PURSE

1. EXECUTIVE SUMMARY

- 1.1. Internal Audit have undertaken a review of the governance and counter fraud arrangements in operation across the Council to ensure that they are working as intended and are in compliance with the 'Audit Commission National Report: *Protecting the public purse: Local government fighting fraud*' launched in September 2009.
- 1.2. Findings of the review indicate that there are many areas of good practice in operation although some areas where controls can be improved to ensure that all potential risks to the Council are minimised. These areas have already been identified by the Council following a more detailed self assessment review conducted by Internal Audit over the previous three months against the CIPFA publication 'Managing the Risk of Fraud'. The nature of the review work undertaken and the detailed findings including actions required to address issues identified and improve existing systems are included in a draft internal audit report currently being discussed with Chief Officers. A detailed report on this will be presented to the next meeting of this Committee.

2. BACKGROUND

- 2.1. The Audit Commission launched its National Report: *Protecting the public purse: Local government fighting fraud* in September 2009. The report considers key fraud risks and pressures facing councils and related bodies and identifies good practice for fighting fraud. A summary overview of this report produced by the Audit Commission is attached at Appendix 1.
- 2.2. The report identifies specific risks that are often not adequately addressed including the following areas:
 - Housing Tenancy Fraud – conservatively estimated to have reduced available social housing for allocation in England by nearly 50,000 properties worth over £2 billion.
 - False Claims for Single Person Discount on Council Tax – estimated to cost taxpayers £2 million a week.
 - Recruitment Fraud – can have severe outcomes and which fraudsters often exploit to commit other types of fraud.

- 2.3. The report also provides an overview of the continuing fraud threats facing council's and calls on them to urgently reassess their counter fraud plans and to ensure that staff understand, and have faith in, whistleblowing arrangements. To assist councils in undertaking this work a Checklist for those responsible for governance has been provided with the report and officers are encouraged to utilise this to attempt to identify any areas in need of improvement.

3. **WORK UNDERTAKEN AND FINDINGS**

- 3.1. The self assessment Checklist has been completed by Internal Audit and attached at Appendix 2. This indicates that the Council is fully compliant in many areas and operates some systems that are regarded as best practice, including:

- Well trained professional Fraud Investigators in certain areas,
- Excellence in some areas of fraud reduction,
- Established Service Level Agreements, with various external agencies,
- Active involvement in the National Fraud Initiative and Anti Fraud Network,
- An Internal Audit Section committed to counter fraud,
- Extensive written counter fraud policies.

However, a number of procedures and practices were identified as being in need of improvement to ensure continued compliance with the latest best practice available. These include:

- Redrafting the Anti Fraud policy to reflect a 'zero tolerance' to fraud,
- The visible endorsement of the redrafted policy by Officers and Members,
- The inclusion of fraud in the Council's Risk Registers,
- A Code of Ethics and refresher training for all relevant officers,
- The pursuit of opportunities to forge greater links with external counter fraud professionals,
- The identification of a centralised point for managing and monitoring fraud,
- The provision of fraud awareness training for all officers.

- 3.2. The issues identified as being in need of improvement are actually already being considered by the Council following an extensive review by Internal Audit over the previous three months to evaluate the effectiveness of the Council's counter fraud arrangements. This exercise involved utilising the CIPFA 'Managing the Risk of Fraud' publication, currently regarded as being the most up to date best practice available for council's in this area. The findings of this exercise are currently being discussed with Chief Officers and a timetable for implementing actions required to improve existing systems and reduce risks posed is in the process of being agreed. A report on this exercise is elsewhere on the agenda for this Committee entitled 'Managing Fraud' and includes detailed findings and a copy of the Internal Audit report.

3.3. A further update on this matter will be brought to this Committee later in the year identifying progress made by senior officers to address issues identified and any progress being made to improve existing arrangements.

4. FINANCIAL AND STAFFING IMPLICATIONS

4.1. There are none arising from this report.

5. LOCAL MEMBER SUPPORT IMPLICATIONS

5.1. There are no local member support implications.

6. LOCAL AGENDA 21 STATEMENT

6.1. There are no local agenda 21 implications.

7. PLANNING IMPLICATIONS

7.1. There are no planning implications.

8. EQUAL OPPORTUNITIES IMPLICATIONS

8.1. There are no equal opportunities implications.

9. COMMUNITY SAFETY IMPLICATIONS

9.1. There are no community safety implications.

10. HUMAN RIGHTS IMPLICATIONS

10.1. There are no human rights implications.

11. BACKGROUND PAPERS

11.1. Audit Commission National Report: *Protecting the public purse: Local government fighting fraud*

11.2. CIPFA Managing the Risk of Fraud publication.

11.3. Internal Audit Report – Managing Fraud.

12. RECOMMENDATION

12.1. That the report be noted.

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