

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

19 SEPTEMBER 2012

SUBJECT	INTERNAL AUDIT COUNTER FRAUD TEAM UPDATE
WARD/S AFFECTED	ALL
REPORT OF	CHIEF INTERNAL AUDITOR
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 To update Members on the activities of the Counter Fraud Team within Internal Audit. The report covers the year 2011/12 and the first half of the 2012/13 financial year to date. Although the Counter Fraud Team works closely and collaboratively with the Fraud Investigation Team within Revenues and Benefits, this report does not include the extensive activities of the benefits fraud team which are reported to Members separately.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The remit of the counter fraud team of 2 people is to:

- prepare relevant best practice policies and procedures;
- change the culture of the organisation by raising awareness amongst the workforce to fraud and corruption and through targeted training.
- proactively manage the risk of fraud to the Council through targeted audits in high risk areas.

Also included within this remit is the investigation of any serious financial frauds perpetrated against the Council and subsequent reporting to senior management.

3.0 COUNTER-FRAUD ACTIVITIES UNDERTAKEN

3.1 ACTIVITIES PRIOR TO 2011/12

- 3.1.1 Following the establishment of the Counter Fraud Team in 2010/11, a number of activities, initiatives and policy introductions were completed in the team's first year of operation.
- 3.1.2 The Anti Fraud Policy was updated and approved by Cabinet on 15 April 2010. This reflected a zero tolerance approach to fraud and included areas of fraud prevention, deterrence, detection, investigation and sanctions.
- 3.1.3 Members of the team successfully completed the CIPFA Certificate in Investigative Practice. This qualification provides a thorough grounding in the legal and other frameworks associated with undertaking investigations as well

as equipping Officers with advanced interviewing techniques such as cognitive interviewing.

- 3.1.4 Five significant investigations were conducted during 2010/11 resulting from referrals from Chief Officers and Members. These investigations absorbed a considerable proportion of the team's available resource and led to a proportion of the team's planned work for the 2010/11 year being re-prioritised and carried into 2011/12. A further 6 such investigations were undertaken in 2011/12 and 7 in 2012/13 to date.
- 3.1.5 The establishment of Wirral Council's Counter Fraud Team was featured by the Audit Commission in the October 2010 edition of its annual publication on fraud, "Protecting the Public Purse," as an example of impressive work from which the Commission recommended others to learn.

3.2 ACTIVITIES IN 2011/12 AND 2012/13 TO DATE

- 3.2.1 During 2011/12 and the year to date the development of the Counter Fraud Team continued with significant progress being made in a number of key areas in accordance with the team's remit:

Prepare relevant best practice policies and procedures

- The Anti- Money Laundering Policy was updated and approved by Cabinet on 2 June 2011.
- The Anti-Bribery Policy was produced and approved by Cabinet on 2 June 2011.

Change the culture of the organisation by raising awareness amongst the workforce to fraud and corruption and through targeted training

- Fraud Awareness Training has been developed and introduced as an on-line training package and promoted to Officers throughout the Council. Uptake of the training began in September 2011 and, to date, the training has been undertaken by 2,354 Council Officers. This represents 48% of the non-school workforce of the Council. The training has been promoted via the Council intranet and direct emailing of staff by the Chief Executive supported by publicity in One Brief. The Council's Learning and Development team are currently working with the Counter Fraud Team to identify those Officers who are yet to take the training in order that they can be contacted individually to encourage them to take up the training with the aim of increasing the rate of uptake towards 100%.
- An in-house anti-money laundering training package has been developed and delivered to a specifically targeted audience of 345 Officers in 28 separate sessions. Officers attending were selected by reference to the importance of knowledge of money laundering for their

particular areas of work e.g. one stop shop staff handling cash, cashiers, council tax and benefits staff, accountancy.

- A dedicated fraud reporting hotline-0151 666 3990-has been set up with an answering service, monitored regularly, on which members of the public or staff can leave messages to report suspected frauds.
- A dedicated counter-fraud email address-counterfraud@wirral.gov.uk- has been set up and advertised on the intranet for Council Officers to report suspected frauds. This will subsequently be extended to the public.

Proactively manage the risk of fraud to the Council through targeted audits in high risk areas.

- The Counter Fraud Team has conducted a number of audits, reviews and investigations, both planned and in response to requests from Chief Officers or Members and as a result of whistleblowing allegations. These are set out below-
 - Tender procedures checklist-Alterations to Pensby Park
 - Tender procedures checklist-Transport service
 - Tender procedures checklist-Town Link Viaduct
 - Care Home Investigation
 - Investigation-Partner Organisation
 - Review of Car Hire Arrangements
 - Advertising Hoardings
 - Payroll testing using data matching
 - Car Mileage
 - Members Expenses
 - Corporate credit cards
 - Overseas travel
 - Travel and subsistence
 - Investigation-whistleblowing allegations
 - Mobile phones
 - Taxis
 - Investigation-staff grievance
 - Investigation-publishing invoice fraud
 - Compromise Agreements
 - Investigation-leisure centres
 - Investigation-staff overpayment
- In addition to the above the Counter Fraud Team provides advice to departmental officers investigating suspected frauds and irregularities in cases where these are investigated within the department. The last year has seen an increasing number of referrals from Departments as the team has become more widely known to management of the Council.

- Outcomes from individual audits and investigations are reported to Members through the quarterly Internal Audit update reports and the Annual Internal Audit Report. Set out below are outcomes from recent investigations:
 - Fraud involving fictitious invoices for advertising: members of the Counter Fraud Team have worked closely with Cheshire Police in relation to the activities of fraudsters invoicing authority schools for advertising in fictitious publications. A member of the team provided a witness statement based on the team's investigation of the matter and attended Court during the trial as a result of which the perpetrators were imprisoned for 3 years for the fraud against schools in Wirral and other authorities and organisations nationally.
 - Corporate Credit Cards: this review resulted in a number of recommendations for better control and review of expenditure, the cancellation of under-used cards and the cancellation of a card and subsequent further management investigation in a case of apparent inappropriate use.

Data Gathering

- A fraud database has been established to collate details of all reported fraudulent activity across the Council, whether investigated by the Counter Fraud Team or by the relevant department. Chief Officers have been reminded of the requirement that all suspected or proven fraudulent or corrupt activity should be reported to the Counter Fraud Team within Internal Audit as required by Financial Regulations.
- The Counter Fraud Team:
 - Oversees and co-ordinates the Council's participation in the Audit Commission's biennial National Fraud Initiative (NFI). This is a national exercise in using data matching audit techniques. Council-wide data sets covering a wide range of financial and non-financial applications are uploaded to the Audit Commission, which matches the data both with Wirral Council data and with data from other authorities, public bodies and other sources in order to detect potential fraudulent and erroneous transactions. The NFI exercise has resulted in significant savings to the Council, arising largely from payments recovered or stopped. The most frequently detected fraudulent and erroneous transactions are in relation to council tax, housing benefit and deceased pensioners. Exercises have been initiated to identify common themes and recurring types of fraud and error to identify lessons learned and actions being taken to reduce their incidence. The results of the latest exercise in 2011 have recently been reviewed and action taken in respect of potential frauds and errors identified. To date fraud and error amounting to £395,000 has been identified, of which £344,000 is deemed to be recoverable and in the process of being recovered.

- Co-ordinates the annual reporting of frauds perpetrated against the Council to the Audit Commission via the Commission's AF70 reporting requirement. This lists all frauds involving sums greater than £10,000 or involving employees. The bulk of the frauds reported are those handled by the Fraud Investigation Team within Revenues and Benefits which is a separate team from the Counter Fraud Team within Internal Audit.
- Completes the Audit Commission's Annual Fraud Survey on behalf of the Council. This lists all frauds irrespective of amount and also responds to survey questions dealing with anti fraud policies, procedures and controls.
- An exercise has begun to benchmark the activities of the counter fraud team against those of other authorities and the results will be reported to Members at a later date.

4. DEVELOPMENT OF THE COUNTER FRAUD TEAM

- 4.1 During the last quarter of 2011/12 both members of the Counter Fraud Team left the Authority, one person on maternity leave until January 2013 and another to take up a post elsewhere. Since January 2012 these posts have been covered by the appointment of experienced temporary agency staff one of whom is qualified as an Accredited Counter Fraud Manager and Accredited Counter Fraud Specialist and one who is a qualified Accountant with extensive local authority internal audit experience. These staff have completed the 2011/12 plan for the team, assisted in formulating the 2012/13 work plan and continued the pro-active development of the anti fraud agenda in accordance with the team's terms of reference as well as responding to allegations of fraud when they arise. The team is currently engaged in work on investigations as well as undertaking audit work in areas at risk of fraud from the Audit Plan including proactive anti fraud initiatives.

5.0 RELEVANT RISKS

- 5.1 That fraud is not properly addressed and investigated and appropriate actions taken to prosecute perpetrators, recover losses and improve financial controls.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options considered

7.0 CONSULTATION

- 7.1 Members of this Committee are consulted on matters relating to Internal Audit including the development of the Internal Audit Plan and the creation and activities of the Counter Fraud Team.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising from this report.

9.0 RESOURCE IMPLICATIONS

Amounts in the process of recovery following the annual NFI exercise	£344,000
Amount invoiced and being recovered following investigation of a payroll overpayment	£18,431

10.0 LEGAL IMPLICATIONS

10.1 There are none arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No because there is no relevance to equality.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

14.0 RECOMMENDATIONS

14.1 That the report be noted.

14.2 Members take any appropriate action deemed necessary in response to issues raised.

15.0 REASON FOR RECOMMENDATIONS

15.1 To provide Members with assurance that the Council is taking appropriate action to address the risk of fraud and that suspected frauds are investigated and appropriate actions taken to prosecute perpetrators, recover losses and improve financial controls.

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REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Audit and Risk Management Committee	
Report of the Chief Internal Auditor-Managing Fraud	18 January 2010
Report of the Director of Finance-Fraud Prevention	28 September 2011
Internal Audit Updates	Various