



Audit and Risk Management Committee

Date:	Monday, 18 January 2010
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

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SUPPLEMENTARY AGENDA

5. **AUDIT COMMISSION REVIEW OF INTERNAL AUDIT 2008/2009
AUDIT (Pages 1 - 10)**

7. **MANAGING FRAUD (Pages 11 - 54)**

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

18 JANUARY 2010

REPORT OF THE DIRECTOR OF FINANCE

AUDIT COMMISSION REVIEW OF INTERNAL AUDIT, 2008/9 AUDIT

1. EXECUTIVE SUMMARY

- 1.1. The Audit Commission is required to review the effectiveness of Internal Audit in all Local Authorities.
- 1.2. A significant part of the review process is a three-yearly comparison of Internal Audit with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit. This has recently been completed and the report is included on this agenda.
- 1.3. The overall conclusion of the Audit Commission is "Internal Audit generally meets the CIPFA Standards but they are not fully met in some areas".

2. BACKGROUND

- 2.1. The Audit Commission Code of Audit Practice requires external auditors to review the arrangements for ensuring adequate and effective systems of internal control. They are also required under the International Standards for Auditing (ISA 610) to consider the activities of Internal Audit and its effect on external audit. This is reinforced by the principle that there should be efficient and effective relationships between internal and external auditors.
- 2.2. The arrangements for reviewing Internal Audit are:-
 - A three-yearly review, assessing the Section against the requirements set out in the CIPFA Code of Practice for Internal Audit.
 - An annual assessment to assess the overall control environment
 - Review of specific items of work by Internal Audit.
- 2.3. The Audit Commission report summarises the outcome of the three-yearly review undertaken during 2009.
- 2.4. All local authorities are required to have an Internal Audit function. Responsibility for this in Wirral rests with the Director of Finance as "Section 151" Officer, who exercises the responsibility through the Deputy Director of Finance. The Chief Internal Auditor (CIA) is the Head of Internal Audit and presents a summary of the programme of work for the year to Members in the Annual Audit Plan which was agreed by this Committee on 7 April 2008 for

2008/9. The Internal Audit Annual Report for 2008/9 was presented to this Committee on 29 June 2009.

3. AUDIT COMMISSION ASSESSMENT

3.1. The Audit Commission states its current assessment was based on:-

- Review of documentation provided by the Council, including the self-assessment completed by Internal Audit to assess compliance with the CIPFA Code standards.
- Review of six individual audit assignment files and five follow-up assignment files.
- Monitoring and review of Internal Audit work carried out on Adult Social Services Charging and the Highways and Engineering Services Procurement Exercise.
- Completion of an online survey for Internal Audit staff to explore aspects of the self-assessment.
- Discussions with the Director of Finance, Deputy Director of Finance, Chief Internal Auditor, Deputy Chief Internal Auditor and Internal Audit Team Leaders.

3.2 Observations

3.2.1 The previous triennial assessment, as reported to this Committee on 28 June 2007 was based on:-

- Cumulative knowledge of the Council possessed by the Audit Commission
- Review of Internal Audit documentation
- Interviews with the Director, Deputy Director, CIA, Deputy CIA, Group and Principal Auditors, other auditors and officers.
- Reports to the Audit and Risk Management Committee
- Review of published comparative information from other Councils.

3.2.2 The Audit Commission had experienced difficulties in completing the 2008/2009 review and I had to remove the anticipated report from the draft agenda for previous meetings of this Committee on several occasions. Consequently I suggested that an "interim" report based on their present knowledge and evidence which they had verified, should be produced so that a report could be presented.

3.2.3 Consequently, the approach adopted by the Audit Commission required Internal Audit to present evidence to challenge conclusions they (the Audit Commission) had drawn from the results of the above sources and included in their draft report. The alternative approach would have been to examine Internal Audit procedures directly and target interviews specifically on the assessment of Internal Audit with appropriate managers.

- 3.2.4 The first draft report was shared with the CIA, Deputy CIA and Deputy Director of Finance who identified forty-three issues and queries. The Audit Commission agreed to make amendments in response to ten of these in the limited timescale. Consequently, there remain several areas where agreement has not been reached.
- 3.2.5 Key areas where there needs to be better mutual understanding are around audit strategy and planning and staffing. The current audit planning process identifies and categorises all identified risks. As is reported to each A&RMC, "it is the deliberate policy of the Internal Audit Section to ensure that all high and intermediate risk audits are completed during the year". This facilitates an appropriate opinion on the control environment. Staffing resources are currently adequate to achieve this; however, there are issues around recruitment of appropriately qualified and experienced staff. Additionally, IA seeks to add value to the Council's beyond the assurance framework; this is a further call on resources, and the risks are managed accordingly.
- 3.2.6 As part of a response to queries on the draft report, the Audit Commission clarified that the discussions upon which the report was based, were mostly the regular liaison meetings with IA staff, management and senior management of the Authority during 2008/9.
- 3.2.7 The Action Plan associated with the previous triennial review was reported to this Committee on 28 June 2007 together with the report. All twelve recommendations were agreed and the actions implemented. There was no formal specific follow-up of the implementation of the action plan during the current review but many of the issues considered related to the recommendations and subsequent actions taken to implement them.

4. MAIN CONCLUSIONS

- 4.1. The Audit Commission's overall conclusion is that Internal Audit generally meets the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, but does not fully meet some requirements in some areas.
- 4.2. There are twelve recommendations, of which two are assigned a high priority by the Audit Commission. All recommendations are listed in the Action Plan together with responses. Meetings will continue with the Audit Commission to ensure that actions to implement the recommendations are agreed.

5. FINANCIAL AND STAFFING IMPLICATIONS

- 5.1. There are none arising from this report.

6. LOCAL MEMBER SUPPORT IMPLICATIONS

- 6.1. There are no local member support implications.

7. LOCAL AGENDA 21 STATEMENT

7.1. There are no local agenda 21 implications.

8. PLANNING IMPLICATIONS

8.1. There are no planning implications.

9. EQUAL OPPORTUNITIES IMPLICATIONS

9.1. There are no equal opportunities implications.

10. COMMUNITY SAFETY IMPLICATIONS

10.1. There are no community safety implications.

11. HUMAN RIGHTS IMPLICATIONS

11.1. There are no human rights implications.

12. BACKGROUND PAPERS

12.1. Previous reports to this committee.

13. RECOMMENDATION

13.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/354/09

Appendix 1 – Action Plan – Internal Audit 2008/09

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<Recommendation Title>					
9	R1 Strengthen the independence of internal audit <ul style="list-style-type: none"> • Review the structure of the Internal Audit department and in particular management and reporting lines and ensure it is shown on the Council's organisation chart. • Consider the results of the IA survey in relation to independence 	2	Director of Finance	Yes	The structure of Internal Audit (IA) is continuously reviewed. See also R4 below. We shall show IA on the Council's organisation chart at the next review of the constitution.	30/6/2010
10	R2 Strengthen arrangements for ensuring ethical standards are met <ul style="list-style-type: none"> • Consider the results of the survey in respect of improving trust and confidence • Improve internal audit knowledge of: • the organisation's aims, objectives, risks and governance arrangements • the purpose, risks and issues of the service area 	2	Deputy Director of Finance and Chief Internal auditor	Yes	We consider the ethics of Internal Audit staff are excellent and their knowledge the service areas and the Council's aims as whole are good. It always possible to improve knowledge. The Deputy Director met all staff individually as part of a series of departmental roadshows during Summer /Autumn 2009 to explain organisational aims and objectives. This is	

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>also an integral part of corporate and departmental induction processes.</p> <p>All audit staff are involved in the development of the Annual Internal Audit Section Plan which supports the Corporate and Departmental Plans. Consequently, all Audit staff are aware of Corporate aims and objectives.</p> <p>Audit staff will be encouraged to continue to build effective working relationships with services, whilst retaining independence. All audit managers attend service department management meetings, initially as part of the planning process, We shall develop this, with a view to acquiring more detailed knowledge of the service, as part of the implementation of the 2010/11 Plan.</p>	30/6/2010
12	R3 Carry out an annual review of the effectiveness of the Audit and Risk Management Committee to demonstrate how it has strengthened the Council's control environment.	2	Director of Finance, Chair of ARMC	Yes	<p>Already undertaken. As considered by the Audit and Risk Management Committee (A&RMC) on 29 June 2009, the Chair – on behalf of the Committee – had undertaken an evaluation of the role and effectiveness of the A&RMC as part of the annual Review of the System of Internal Audit.</p> <p>This process was enhanced by the A&RMC which endorsed a report on the actions resulting from the evaluation on 25 November</p>	

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					2009. A&RMC further resolved that a formal report on its work and performance be undertaken for submission to Cabinet at the end of the municipal year.	30/6/2010
13	R4 Review the organisational structure and staffing of Internal Audit to ensure that it is at an appropriate level to give a safe opinion to management and members on the control environment.	3	Director of Finance/Head of Human Resources	Yes	Financial resources will always limit the ability to achieve ideal structures in all sections. The Audit Plan is dynamic and is subject to amendments as further risks, which may affect the 'safety' of the assurance opinion, are identified. The Plan, taking into account the whole of the identified risk environment – is reported to and monitored by A&RMC. As is clearly stated in each Internal Audit Work Report, "it is the deliberate policy of the Internal Audit Section to ensure all high and intermediate risk audits are completed during the year". Current staffing levels enable this, however it is subject to continuous review and reporting, and the associated risks are managed accordingly. Adequate staffing is also needed to conduct other work that is valuable to the Council.	31/3/2010
13	R5 Review the factors that may be hindering the recruitment and retention of	2	Director of Finance/Head of	Yes	Job Evaluation being conducted by HR.	30/6/2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	appropriate staff		Human Resources			
14	<p>R6 The CIA should strengthen the approach to determining the strategy and risk based planning to focus on including work in the plan to ensure he can demonstrate how he meets his responsibility to provide a safe opinion to the organisation on the control environment. The planning process should take account of:</p> <ul style="list-style-type: none"> the adequacy and outcomes of the organisation's risk management performance management and other assurance processes Internal Audit's independent risk assessment stakeholders views - they should be consulted on the draft plan - but should not determine it the resources required to deliver the strategy and plan. <p>The Plan should differentiate between assurance and other work.</p>	3	Chief Internal Auditor	Yes	<p>We agree the principles of the planning process outlined in the recommendation.</p> <p>However, the current planning process does not take account of the issues listed and we shall consider how it can be improved during the current planning process.</p> <p>Consideration will be given to revising the presentation of the Audit Plan to highlight the work to enable an opinion on the control environment to be given.</p> <p>The Plan is already prioritised.</p> <p>See also R4.</p>	<p>31/3/2010</p> <p>31/3/2010</p>
15	R7 Ensure key issues are consistently brought to the attention of the relevant manager during assignments to enable them to take corrective action and to avoid any surprises at the end of the audit	1	Chief Internal Auditor	Yes	There are no cases of failure to draw such matters to manager's attention but will develop working papers to record occasions when such action is taken.	31/3/2010
15	R8 Spread good practice with regard to testing schedules, such as those used in	1	Chief Internal Auditor	Yes	Testing schedules are part of the standard working papers in Internal Audit . They will be reviewed to ensure best practice is	31/3/2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	the "payroll procedures" file.				consistently followed.	
16	R9 Consider what training is required to improve auditor consideration of evidence, audit skills and judgement.	2	Chief Internal Auditor	Yes	We consider audit skills level in all aspects to be high but always seek to improve.	31/3/2010
16	R10 Review the format of and information contained in the Annual Report to clearly show the actual work completed against the planned work, differentiate between assurance and other work and how quality targets have been met.	2	Chief Internal Auditor	Yes	All Annual Reports have been well received by all stakeholders. They will be consulted on possible improvements as part of the review.	31/3/2010
17	R11 Ensure all reports are quality assured before being finalised and reported to members.	2	Chief Internal Auditor	Yes	All Committee reports from Internal Audit are quality assured by the CIA, Deputy Director and Director of Finance. Depending upon the content , other officers and Directors conduct quality assurance as well. Consideration will be given to any possible improvements.	31/3/2010
17	R12 Ensure adequate supervision and review of all work.	2	Chief Internal Auditor	Yes	All work is supervised and reviewed as appropriate but all managers will be reminded concerning documentation of reviews.	31/3/2010

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

18 JANUARY 2010

REPORT OF THE CHIEF INTERNAL AUDITOR

MANAGING FRAUD

1. EXECUTIVE SUMMARY

- 1.1. Internal Audit have conducted a thorough review of the systems in operation across the Council to manage the risk of fraud. This has involved undertaking a detailed exercise to examine the counter fraud policies that the Council has in place and an evaluation against current best practice contained in the 'Managing the Risk of Fraud – Actions to Counter Fraud and Corruption' publication produced by CIPFA for use by Local Authorities.
- 1.2. A report has been prepared for Chief Officers that identifies the findings of the review including actions required to improve some of systems in operation (Appendix 1). All of the actions identified and a timetable for implementation have been agreed with the relevant Chief Officers.

2. BACKGROUND

- 2.1. The CIPFA Managing the Risk of Fraud – Actions to Counter Fraud and Corruption (Red Book) was published in September 2006 and described what action was needed for an organisation to be effective in countering fraud and corruption. Wirral Council adopted this in the same year.
- 2.2. The publication was further developed and re-released in October 2008 (Red Book 2) and now identifies more detailed definitions, explanations and examples of the different types of fraud. Red Book 2 has been produced by the CIPFA Better Governance Forum Counter Fraud Advisory Panel following wide ranging consultation and contributions from practitioners. It is acknowledged as being current best practice and is aligned to the National Fraud Strategic Authority, considered by the Comprehensive Area Assessments, NHS Performance Indicators and is recommended by organisations such as ALARM and the Institute of Internal Auditors.
- 2.3. Red Book 2 identifies best practice arrangements across 56 different areas relating to the following 5 categories covering an organisation's full range of activities:
 - Adopting the Right Strategy
 - Accurately Identifying the Risks
 - Creating and Maintaining a Strong Structure

- Taking Action to Tackle the Problem
 - Defining Success
- 2.4. In September 2009 the Audit Commission launched its national report entitled 'Protecting the public purse: Local government fighting fraud' which considers the key fraud risks and pressures facing local councils and identifies good practice in fighting fraud.

3. **WORK UNDERTAKEN AND FINDINGS**

- 3.1. A self assessment exercise has been undertaken by Internal Audit across all departments of the Council evaluating the effectiveness of the arrangements in place for all of the 56 areas identified.
- 3.2. A comprehensive internal audit report and action plan has been prepared on this identifying detailed findings for each of the 5 different categories identified in the Red Book 2. A copy of this is attached at Appendix 1. The findings of the exercise indicate that there are many areas of good practice currently in evidence at Wirral that include:
- Well trained professional Fraud Investigators with an agreed Code of Ethics and standardised sanctions in the Housing Benefit fraud section,
 - Excellence in fraud reduction as recognised by the achievements of the Insurance Team in achieving national awards,
 - Established Service Level Agreements between the Housing Benefit Fraud Team and external agencies such as DWP and Merseyside Police,
 - Active involvement in the National Fraud Initiative and National Anti Fraud Network and the purchase of licenses to utilise interrogation software on Council computer systems capable of detecting potential fraud,
 - An Internal Audit Section which demonstrates a commitment to counter fraud through the inclusion of an Anti Fraud Team in the Section and regular representation at regional and national anti fraud events,
 - Written policies on Whistleblowing, Anti Fraud and Corruption, Money Laundering Benefit Investigation, Gifts and Hospitality a Code of Conduct for all staff and a Code of Corporate Governance,
 - Some Pre-Employment Screening.
- 3.3. The review did however identify a number areas of the Council's activities where the existing arrangements could be improved upon to comply with the latest best practice, these include:
- Redrafting the Council's Anti Fraud policy to reflect a zero tolerance to fraud and a commitment to reducing losses, the introduction of a Fraud Awareness campaign covering all aspects of fraud including online or face to face training, production of target specific leaflets and the inclusion of an anti fraud slot in the corporate Induction program

- The visible endorsement of the redrafted policy by the highest level Chief Officers and Members and the requirement for fraud and corruption to be considered when drawing up any new Council policies,
- The inclusion of fraud in the Corporate Risk Register of the Authority and the establishment of some means of measuring and monitoring all fraudulent activity across the Council,
- A Code of Ethics, refresher training and clarification over rights of access for all Nominated and Investigating Officers,
- The pursuit of opportunities to forge greater links between Wirral and external counter fraud professionals in bodies such as Merseyside Police and the NHS.
- The designation of a central point for monitoring potential fraudulent acts including the identification of trends and possible emerging control weaknesses and the management of communications with senior officers of the Council in relation to this advising, of any preventative measures to take.

Actions required to develop and implement systems to address all of the issues identified and ensure compliance with this latest guidance have been agreed with the relevant Chief Officers and significant progress made to date to implement them. This is identified in more detail in the attached Internal Audit report.

- 3.4. A checklist provided by the Audit Commission to accompany the 'Protecting the Public Purse' report has been completed by Internal Audit as part of this exercise and any issues identified included within the attached Internal Audit report and action plan. A report on this was presented to this Committee in November 2009.
- 3.5. A further update on this matter will be brought to this Committee later in the year and identify all of the progress made towards implementing the actions agreed with senior officers to address issues identified and 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. CIPFA Managing the Risk of Fraud – Actions to Counter Fraud & Corruption (Red Book and Red Book 2).

11.2. Audit Commission Report – Protecting the Public Purse: Local Government Fighting Fraud.

11.3. Internal Audit Report – Managing Fraud.

12. RECOMMENDATION

12.1. That the report be noted.

DAVID A GARRY
CHIEF INTERNAL AUDITOR

FNCE/350/09

Internal Audit Report

Anti Fraud Self Assessment

Authority Wide

October 2009

Distribution List:		
For Action		
1.	David Garry	Chief Internal Auditor
2.	Frank Games	Human Resources Officer
3.	Paul Finch	Human Resource Project Manager
For Information		
1.	Stephen Maddox	Chief Executive
2.	Ian Coleman	Director of Finance
3.	Bill Norman	Director of Law, HR & Asset Management

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System	Anti Fraud Self Assessment		
Department	Authority Wide	Date	October 2009
File Reference	AFC/1.8	Auditor	Beverley Edwards

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Assignment Control:	
Draft Report Issued	October 2009
Closure Meeting	October 2009
Management Response to Draft Report Received	October 2009
Final Report Issued	November 2009

System	Anti Fraud Self Assessment		
Department	Authority Wide	Date	October 2009
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1. Introduction

- 1.1 An audit has been undertaken to assess the approach to fighting fraud across the whole Authority. The purpose of the review was to evaluate the adequacy of controls present by a comparison with best practice as put forward in the CIPFA publication, 'Managing the risk of Fraud, actions to counter fraud and corruption'.
- 1.2 This report details the findings and recommendations emanating from this work. The content of the report reflects and summarises the points discussed at the end of audit with Frank Games and Paul Finch from the department of HR Law and Asset Management and the Director of Finance.
- 1.3 Please consider the report and complete the shaded sections of the appropriate recommendations, in consultation with other managers as appropriate, and return a copy to Beverley Edwards by 30 November 2009, being aware of the following:
- If a recommendation is not to be implemented, it will be assumed that the associated potential implications have been accepted. However, any medium and high priority recommendations not accepted will be reported at the next meeting of the Audit and Risk Management Committee, which you may be asked to attend to explain your reasons for non-acceptance.
 - Please ensure that your Departmental Management Team is notified of the findings identified as "High priority" within the Report, so that consideration can be given to their inclusion in the Corporate or relevant Departmental Risk Register.
- 1.4 The Internal Audit Section is keen to provide a quality service to all its clients. This report includes a Customer Satisfaction Survey which provides an opportunity to give feedback on the service you have received. Please ensure that the survey is completed, providing any additional comments, so as to assist our continuous improvement. A manager from Internal Audit may contact you to discuss the responses.
- 1.5 Thank you for your help and co-operation during the audit. Do not hesitate to contact Beverley Edwards if you should wish to discuss any aspect of this report further.

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2. Objectives of the Audit

- 2.1 To appraise the effectiveness of counter fraud and corruption controls authority wide.
- 2.2 To ensure that identified controls are working effectively and are adequate to mitigate the risks identified in the system.

3. Scope of the Audit

- 3.1 The audit considered the Authority's approach to countering fraud and corruption in the areas of
 - Adopting the Right Strategy
 - Accurately Identifying the Risks
 - Creating and Maintaining a Strong Structure
 - Taking Action to Tackle the Problem
 - Defining Success

This was achieved by answering the 56 self assessment questions set out in the CIPFA publication '**Managing the Risk of Fraud, Actions to counter fraud and corruption**' (also widely referred to as 'The Red Book.')

- 3.2 The audit focused on the following:
 - How closely policies practices and procedures in Wirral mirror those identified as best practice by CIPFA
 - Where Wirral deviates from prescribed best practice, how adequate the alternative arrangements are at mitigating risk

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4. Audit Opinion

- 4.1 Every Internal Audit report provides management with a clear assurance opinion on how effectively the system of control manages the risks in the area under review.
- 4.2 In our opinion, from the work carried out in this audit and the evidence obtained, the control environment as currently designed and operated provides a **two** star level of assurance.
- 4.3 In determining the assurance rating issued in an audit assignment, consideration is given to the number and priority of observations and recommendations raised. Four categories of rating are used:

Rating	Explanation
****	There is an excellent system of control in operation designed to ensure the achievement of the service or systems business objective.
***	There is a good system of control in operation that is performing well but improvements are required to demonstrate that all of the objectives of the service or system are being met.
**	There is an adequate system of control in operation, that is getting the basics right, however opportunities exist to enhance this further to ensure that weaknesses do not put the service or systems objectives at risk.
*	The system of control in operation is in need of improvement as existing controls do not meet minimum standards and are currently placing the service or system's business objectives at risk.

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5. Findings

5.1 Areas of Good Practice

A significant number of controls were found to be in place including the following:-

5.1.1 The authority has an armoury of policies codes and procedures to assist in the fight against fraud, such as:

- Financial Procedure rules
- Contract procedure rules
- A Whistle-blowing policy
- An Anti Fraud and Corruption policy
- A Fraud Investigation plan
- Code of Conduct for all officers of the council
- Code of Governance for all officers over PO1 grade
- Gifts and Hospitality policy
- Pre employment screening procedures
- A Money Laundering Policy
- Prosecution Policy (For benefit Fraud)
- A Fraud Hotline for Benefit and Insurance Frauds
- Disciplinary Procedures
- Members Code of Conduct
- Annual Conflict of Interest declarations
- Members' Declaration of Interest procedures
- Enforcement Officers for Blue badge abuse

5.1.2 The Housing Benefit Fraud team hold professional investigation qualifications (PINS) have adequate authority to fulfil their role and act in accordance with a code of ethics. The Housing Benefit Fraud team sign up to the Code of Ethics. Ongoing and refresher training of the Housing Benefit Fraud team ensures that they are fully competent.

5.1.3 The Authority utilises analytical intelligence techniques such as participating in the Audit Commission's National Fraud Initiative and also utilises data analysis software (IDEA) (which facilitates 100% testing) to identify anomalies which require further investigation.

5.1.4 There have been publicity campaigns in conjunction with the DWP (Benefits) and the Loss adjuster (Insurance) to deter would be fraudsters.

5.1.5 The Insurance team have won an ALARM (Association of Local Authority Risk Managers) award for their work to reduce fraudulent claims and are also participants in CUE (Claims and Underwriting Exchange)

5.1.6 The Director of Finance has explicit responsibility to 'develop and maintain anti fraud and anti corruption policies'.

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5.1.7 The Council operates a system of pre-employment screening for all temporary and permanent staff, to comply with the Immigration, Asylum and Nationality Act 2006 to ensure that applicants have the right to work in UK. Where workers are employed through an agency the Council obtains assurance from those agencies that all pre employment screening has been undertaken.

5.1.8 All documentation relating to appointments is returned to corporate Human Resources in order that pre-employment screening can be monitored.

5.1.9 The Housing Benefit Fraud team have service level agreements with Merseyside Police and the DWP as well as being involved in the National Anti Fraud Network.

5.1.10 The Service Level Agreements referred to in 5.1.9 include reference to practicalities about joint working.

5.1.11 The council has a Counter Fraud Audit Team whose remit includes implementing the findings of this review to establish an anti fraud culture involving deterrence, prevention, detection, investigation, sanctions and redress. In addition, specific anti fraud testing is included in the audit plan for the main council functions.

5.1.12 General misconduct Investigations (Including Gross misconduct which may or may not be fraud) are undertaken in a timely manner with a deadline imposed for the completion of investigations.

5.1.13 The Council tax team operate a rolling programme of reviewing all discounts.

5.2 **Key Areas for Development and Improvement**

However a number of areas have been identified where improvement would ensure that Wirral continues to operate to current best practice. These are detailed on the following pages.

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5.2.1

Risk and potential implications

(This risk incorporates the whole ethos of the Red Book)

The Authority does not have robust anti fraud arrangements leading to the potential for the Council to suffer financial loss as a result of fraud.

Finding

Wirral currently has in place a system whereby Housing Benefit Fraud is investigated by a team of professionally qualified Investigators working to a code of ethics who comply with PACE and RIPA and who impose clearly defined sanctions and recovery procedures.

All other fraud is investigated, along with other misconduct, by officers within the departments in which the incident occurs. These investigating officers conduct investigations as an adjunct to their day job. They are appointed by Nominated Officers and they undergo a two day training course.

In other Local Authorities there is a dedicated team of Professional Fraud Investigators responsible for all aspects of Fraud.

Recommendation

Consideration should be given to establishing one central team of skilled professionally trained Fraud Investigators whose remit includes

- the production and communication of policies,
- the linking of policy and operational work
- delivery of fraud awareness training,
- receipt of fraud referrals,
- conduct of Investigations,
- execution of recovery procedures
- maintenance of fraud related statistics and
- monitoring of outcomes such as source of referrals, consistency of sanctions and success of recovery

However, if it is not deemed appropriate to instigate such large scale change, the recommendations attached to the following risks (5.2.2-5.2.17) identify ways in which the existing arrangements can be improved to ensure that Counter Fraud measures at Wirral are as robust as possible.

Priority Level (See Section 6 for explanation)

High

System	Anti Fraud Self Assessment		
Department	Authority Wide	Date	October 2009
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To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Central Anti Fraud team to be established within Internal Audit Section, utilising existing resource. Remit to include all aspects identified.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
Progress:	Implemented/ Partially/ Not Implemented		
Comments:			
Follow Up Report Date:			

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Department	Authority Wide	Date	October 2009
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5.2.2

Risk and Potential Implications

(Red Book reference 1.1, 1.2, 1.5, 1.6, 3.2)

The authority does not have a clear, up to date counter Fraud and Corruption Policy that

- can be clearly linked to the Authority's overall strategic objectives
- has been endorsed at the highest political and executive level,
- is aimed at reducing losses to fraud and corruption to an absolute minimum and
- covers all areas of fraud and corruption across the Authority,.

This may result in the strategy proving impossible to implement and could weaken the fight against fraud.

Finding

Although a Counter Fraud and Corruption Policy does exist (including the Fraud Investigation Plan) it has become slightly out of date and does not explicitly spell out that the Council is committed to reducing losses to fraud and corruption to an absolute minimum covering all areas of the Council. The policy was written before the 2006 Fraud Act came into force and so does not contain a definition of fraud.

The Fraud Investigation Plan also refers to relationships between Internal Audit and Merseyside Police which no longer exist and the inclusion of this statement in the Fraud Investigation Plan could lead to confusion about who is responsible for the Investigation of fraud.

Best practice identified an authority where the re-launch of the Counter Fraud Policy was endorsed by the highest level officer and politician and a considerable publicity campaign drew attention to this fact. In another authority a periodic fraud newsletter, circulated to all staff and displayed in public buildings, carries a message from the Chief Executive in each edition. Wirral's anti fraud policy does have committee approval but there is no signed statement by the leader/chief executive and there is no fraud newsletter.

Recommendation

- The Anti Fraud and Corruption Strategy (Including the Fraud Investigation Plan) should be reviewed to ensure that the policy is up to date and adequately aligns with the objectives of the Council.
- The policy should address the six areas of counter fraud activity ie deterrence, prevention, detection, investigation, sanctions and redress.
- The policy should make reference to the Fraud Act 2006 and contain a clear definition of fraud.
- The highest level of Political and Executive backing should be sought for the revised policy.
- The policy should be launched amid maximum publicity.

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Priority Level (See Section 6 for explanation)

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Anti Fraud and Corruption Policy to be updated by new Internal Audit Anti Fraud Team and presented to Members and Chief Officers for approval and endorsement.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
Progress:	Implemented/ Partially/ Not Implemented		
Comments:			
Follow Up Report Date:			

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5.2.3

Risk and Potential Implications

(Red Book reference

1.3,1.4,2.2,2.3,4.13,4.21,4.22,4.25,4.26,4.28,4.29,4.30,4.31,4.32,4.34)

The Council's counter fraud arrangements are disjointed and as a result

- Trends cannot be identified
- The nature and scale of losses cannot be monitored
- Systems weaknesses which enabled the fraud to occur may not be identified or remedied
- Sanctions may be applied in an inconsistent manner in different departments
- The usefulness of sanctions and recovery procedures cannot be monitored
- Policy work (to develop a counter fraud culture) and operational work (to detect and investigate fraud) may be inadequately linked
- Identified fraud risks may not be communicated to all departments

Finding

Responsibility for the investigation of any level of misconduct, including general fraud under the heading of Gross Misconduct, rests with the management of that department. Each department has a small number of Nominated Officers who appoint an Investigating Officer to complete an investigation into any level of alleged misconduct (which may or may not be fraud). Investigating Officers are therefore carrying out these investigations as an adjunct to their 'day jobs'. Human Resources officers have sight of reports appertaining to Gross Misconduct but only to ensure that the disciplinary procedure has been applied appropriately.

Departmental Nominated Officers receive advice about appropriate sanctions and recovery procedures from Human Resources officers but it is the Nominated Officers who make the final decision about the action to take.

There is no method in place to identify the nature and scale of losses to general fraud and as a consequence the effectiveness of actions in reducing losses year on year cannot be measured and counter fraud resources cannot be targeted at the areas of greatest need.

There is no mechanism in place to monitor the effectiveness of sanctions in reducing losses year on year.

There is no mechanism in place whereby trends can be identified. Systems weaknesses which gave rise to a fraud in one department may be evident in another but there is no mechanism in place to ensure that lessons learned in one department are shared with another.

There is no mechanism to ensure the consistent application of sanctions or recovery procedures. Moreover the Fraud Investigation Plan states that

'The DoF will make the final decision about whether to refer a case to the Police'

However, the system currently in operation means that the DoF is not always aware of investigations that are taking place.

With regard to countering General fraud, the Council conducts policy and operational work separately. That is to say, operational work is conducted as detailed above while policy work, to develop an anti fraud culture is taking place through the Internal

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Audit Section (through undertaking this assessment for example) In addition, policy work appertaining to the Confidential Reporting (Whistle-blowing) policy and the disciplinary procedure takes place in the corporate Human Resources division of the HR Law and Asset Management department.

In contrast, the Housing Benefit Fraud team have a clearly defined Prosecution Policy which is consistently applied. This results in appropriate recovery action being taken and leads to criminal proceedings where appropriate.

Housing Benefit Fraud statistics are prepared and monitored and reported to members.

Recommendation

Consideration should be given to having all fraud investigation reports returned to Internal Audit to ensure that there is a consistent approach to countering fraud across the Council and to ensure that any lessons learned are communicated to all departments. Returning reports to audit will also enable the identification of the source and scale of losses and facilitate year on year comparison of fraud losses.

Priority Level

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to develop a system to ensure that all fraud investigation reports are returned to Internal Audit Anti Fraud Team.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
Progress:	Implemented/ Partially/ Not Implemented		
Comments:			
Follow Up Report Date:			

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5.2.4

Risk and Potential Implications

(Red Book reference 4.15)

There are no effective Whistleblowing arrangements in place and consequently Fraud cannot be reported to professional investigators.

Finding

The Council does have a Whistleblowing policy (now entitled the Confidential Reporting (Whistle-blowing) Policy.) The policy is on the intranet on the Human Resources Handbook and is advertised periodically in the 'One Council' staff magazine. A contact officer is identified for each department on the Intranet. These officers are not trained counter fraud specialists but they do provide a point of contact to which fraud can be reported. However for workers with no access to the Intranet the Whistle-blowing policy may be difficult to locate. It is several years since the policy was last publicised through posters.

Housing Benefit fraud can be reported on the Fraud Hotline which goes straight through to the Housing Benefit Fraud Investigation team (with an answer machine for out of office hours referrals). Collaborative poster campaigns have been undertaken in the past, between the DWP and the Council (for Housing Benefit cheats) and the loss adjuster and the Council (for Insurance fraudsters). However during the audit it was established that not all One Stop Shops still have the posters displayed. Similarly credit card sized leaflets which advertise the benefit fraud hotline, are not available in all One Stop Shops.

Recommendation

- A poster campaign should be undertaken to maximise awareness of the Whistleblowing policy
- It may be appropriate to utilise advertising space on payslips to further advertise the policy
- Where Insurance and Benefit fraud posters have been removed from One Stop Shops these should be replaced and the credit card sized leaflets placed on the counters

Priority Level (See Section 6 for explanation)

Medium

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>IA Anti Fraud Team to liaise with the Head of Human Resources to facilitate the implementation of this recommendation.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

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Verification of Implementation

To be completed by auditor at follow up audit:			
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Progress:	Implemented/ Partially/ Not Implemented		
Comments:			
Follow Up Report Date:			

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5.2.5

Risk and Potential Implications

(Red Book reference 1.3,1.4, 4.1, 4.11)

The Council does not adopt a targeted, holistic, fully integrated approach to countering fraud which includes deterrence, prevention, detection, investigation, prosecution and recovery of losses.

Finding

The council has in the past produced deterrent material such as the DWP and Loss Adjuster posters referred to elsewhere in this report. Where the Council has taken fraudsters to court, proceedings are sometimes reported in local press. However where the judge has been lenient this may be viewed as counter productive. However the fact that the Council did prosecute does send a deterrent message to would be fraudsters. Preventative action includes having sound systems of internal control which are continuously reviewed by Internal Audit.

Would-be insurance fraudsters are detected through the use of the CUE system. Housing Benefit fraud is generally identified through the Fraud Hotline, DWP referrals or NFI data matching. General Fraud may be detected through the Whistle-blowing policy, audit testing, including extensive use of interrogation packages, NFI data matches or some other means. The Council's use of fair processing notices ensures that information held can be used for the prevention and detection of fraud.

Investigation of benefit fraud is undertaken by the Fraud team. General fraud, along with any other form of misconduct, is investigated in departments. Prosecution and recovery of losses will always ensue where housing benefit fraud is proven. HR always advise Nominated Officers to prosecute and recover losses. However this advice may not always be heeded.

With the clear exceptions of Housing Benefit and Insurance fraud, the overall impression with regard to the six aspects of an integrated approach to countering fraud is that of a disjointed process.

Many of the Councils presented as demonstrating good practice in the Red Book, have a central team of professionally trained fraud investigators (who have had PINS training) who address all aspects of counter fraud work.

Recommendation

If the current system of Investigating and Nominated Officers continues there is a need to ensure that those officers involved in investigations are well briefed on all aspects of the counter fraud process including the Council's commitment to recovery of losses wherever possible.

Priority Level (See Section 6 for explanation)

Medium

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To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to liaise with the Head of Human Resources with regard to this recommendation.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
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Progress:	Implemented/ Partially/ Not Implemented		
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Follow Up Report Date:			

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5.2.6

Risk and Potential Implications

(Red Book reference 2.1)

Fraud and corruption risks are not considered as part of the Authority's Risk Management arrangements. The potential implication is that the Authority will take action to counter fraud that is not based on the perceived risk of fraud i.e. a risk based approach to fraud will not be adopted.

Finding

The Authority's Risk Management Strategy does make reference to fraud as a potential risk. However the risk of fraud is not included in either any departmental or the Corporate Risk Register. Similarly the risk of failing to promote a counter fraud culture is not included in the risk registers.

Recommendation

Consideration should be given to including fraud and corruption as a risk in the risk registers.

Priority Level (See Section 6 for explanation)

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to liaise with Risk Manager to consider this recommendation and take any appropriate action.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
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5.2.7

Risk and Potential Implications

(Red Book reference 3.1)

Those charged with countering Fraud and Corruption do not have the necessary authority to pursue their remit. Without authority to access information/people /places investigators may fail to obtain evidence. (Similarly officers successfully accessing financial and personal records without explicit authority to do so could pose a security threat for the Council)

Finding

Housing Benefit Fraud Investigators do have the necessary authority to pursue their remit. The Financial Regulations of the Council (section 4.3.6) give Internal Audit a right of access to all staff/documents/meetings/data and events of the Council. Investigating Officers who carry out investigations after being asked to do so by a Nominated Officer are referred to in section 4 of the Fraud Investigation Plan but do not have the explicit rights of access referred to in the Financial Regulations which are uniquely afforded to Internal Auditors. Currently Investigating Officers do request access to records/ systems etc but should any officer of the council refuse to give information there is no authority laid down to ensure that the information is forthcoming. Similarly having non-audit officers accessing all records of the Council also undermines the rights of Internal Audit.

Recommendation

Where there is a suspicion of a financial irregularity, consideration should be given to having Nominated Officers, who instigate an investigation required to first log the investigation with Internal Audit. The investigation could then be allocated an identification number and Internal Audit could be advised of which officers are involved in the investigation and record this in a central log, against the investigation number. In this way any officer of the Council who is approached for information could be referred to Internal Audit to ensure that the officer asking for information is acting on a legitimate investigation and has been approved to do so by the Nominated Officer. (Where the financial aspect of the allegation is significant, the investigation will be conducted by professionally trained Fraud Investigators from Internal Audit)

Priority Level (See Section 6 for explanation)

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to liaise with the Head of Human Resources to explore all of the implications of this recommendation.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

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5.2.8

Risk and Potential Implications

(Red Book reference 3.4, 3.5)

Those undertaking fraud and corruption investigations are not professionally trained for the role. Without professional training there is a risk that mistakes will be made which will hinder the investigation and may lead to inadmissible evidence if the case should proceed to court.

Finding

Officers investigating Housing Benefit fraud, have all undertaken appropriate (PINS) training. However officers investigating other alleged misconduct (including fraud) in departments have no formal Fraud training. There is a two day Investigating officer course which concentrates on interview techniques but which makes no reference to the preservation of evidence, Police and Criminal Evidence (PACE), the Proceeds of Crime Act (POCA), Regulation of Investigatory Powers Act (RIPA) or sanctions and recovery arrangements. The training is not assessed. Moreover the number of trained investigating officers is high and as a result any one officer may have forgotten all that they learn on the course by the time they have to put their training into practice.

Currently refresher training for Investigating Officers is only available on request. Nominated Officers have a separate training course. This does not include any instruction on POCA or PACE. A questionnaire circulated to all Nominated Officers confirmed that not all of them have completed the training.

Recommendation

- Investigating Officer and Nominated Officer training should be reviewed to ensure that it adequately prepares the officers for their roles.
- All Nominated Officers should attend the Nominated Officer training
- All training should have a shelf life which triggers Refresher training for all officers involved in Investigations

Priority Level (See Section 6 for explanation)

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to liaise with the Head of Human Resources to explore all of the implications of this recommendation.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

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5.2.9

Risk and Potential Implications

(Red Book reference 3.6)

Officers do not work to a clear ethical framework with excellent standards of personal conduct.

Finding

Whilst the Housing Benefit Fraud Investigators subscribe and adhere to a Code of Ethics and auditors subscribe to their personal professional body's code of practice (CIPFA Code of Practice for Internal Audit in Local Government/ IIA Code of Ethics) there is no such code for Investigating or Nominated Officers. All officers of the council subscribe to a Code of Conduct and all officers over the grade of PO1 have to adhere to the Code of Corporate Governance and while these documents do refer to integrity and honesty there is nothing explicit about the conduct of an investigation.

Recommendation

A Code of Ethics should be drawn up for all Investigating and Nominated Officers, which they are required to sign prior to beginning an investigation.

Priority Level (See Section 6 for explanation)

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to liaise with the Head of Human Resources to implement this recommendation.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
Progress:	Implemented/ Partially/ Not Implemented		
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Follow Up Report Date:			

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5.2.10

Risk and potential implications

(Red Book reference 4.16)

External information about potential frauds is not acted upon, resulting in financial loss to the Authority and criticism from External Auditors.

Finding

Wirral participates in the Audit Commission's National Fraud Initiative which is a sophisticated data matching exercise that aims to detect fraud.

Matches identified by the 2008 exercise have been available for the officers responsible to follow up since February 2009. Many of the responsible officers are diligent in their commitment to follow up all matches identified by the NFI exercise. Other responsible officers have not engaged with the follow up exercise at all, leading to whole areas of matched data which has yet to be opened for investigation.

Recommendation

Consideration should be given to the quarterly monitoring of NFI follow up by Internal Audit to be reported to DMT and where necessary any non-compliance reported from there to COMT.

Priority Level (See Section 6 for explanation)

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit to add an additional category, 'NFI Progress', to the report which is already presented to DMT on a monthly basis.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
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5.2.11

Risk and Potential Implications

(Red Book reference 3.7,3.8)

Adequate pre employment screening may not be undertaken leading to the employment of individuals who do not have the qualifications they purport to hold.

Finding

Pre- employment screening is undertaken and following a recent audit, candidates are now asked to produce **original** (not photocopied) certificates at interview. However neither the memorandum sent to the panel nor the M22 successful candidate checklist refers to the need for **original** documents to be viewed and the panel could therefore accept photocopies.

Recommendation

The memorandum sent to the interview panel should remind them that all applicants must produce original certificates where this is an essential requirement of the post.

Priority Level (See Section 6 for explanation)

Low

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to liaise with the Head of Human Resources to facilitate the implementation of this recommendation.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
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Follow Up Report Date:			

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5.2.12

Risk and Potential Implications

(Red Book reference 3.7, 3.8)

Wirral Council may be employing people who do not have a right to work in UK

Finding

Pre-employment screening is carried out for everyone who started working for the Council after the introduction of the right to work in UK legislation. However people employed before that date have not been checked and may not have the right to work in UK.

Recommendation

Where existing staff who have not previously undergone 'Right to Work in UK' screening, change jobs within the council, consideration should be given to asking them to prove their right to work in UK, in the same way that external applicants do.

Priority Level (See Section 6 for explanation)

Medium

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to liaise with the Head of Human Resources to facilitate the implementation of this recommendation</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
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Follow Up Report Date:			

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5.2.13

Risk and Potential Implications

(Red Book reference 4.2, 4.8, 4.9, 4.10)

There is no specific programme of work to create and publicise a real anti fraud and corruption and zero tolerance culture which tells the fraudster that there is a professional team at work dedicated to thwarting their efforts, therefore the message is lost.

Finding

The Council does have Whistle-blowing and Anti Fraud and Corruption policies. However, these are not communicated very publicly or frequently to all staff and clients of the Council. There has been no specific fraud awareness training for officers of the Council.

Recommendation

There should be a programme of work undertaken aimed at ensuring that the counter fraud message is communicated effectively. This should include but not be limited to

- The redrafting of the Counter Fraud and Corruption policy which will spell out that the honest majority will not tolerate the fraudster and draw attention to the professionalism of the investigators and the sanctions and redress which the council will take to punish offenders and recuperate losses.
- The message should also be delivered through **online fraud awareness training**, (Meritec and LRI have been identified by Internal Audit as potential providers of this service)
- Face to face awareness sessions for those staff members who do not have access to the intranet,
- Special arrangements for schools staff and
- Presentations at the corporate Induction day.
- In addition the Whistle-blowing posters referred to elsewhere in this report would give publicity to the campaign.
- A periodic Fraud Newsletter could carry details of the number of fraud referrals/prosecutions etc Payslips could be used to maximise publicity.
- The most important thing is that Counter Fraud professionals have a high profile within the Authority. They should be visible and accessible.

Priority Level (See Section 6 for explanation)

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments: <i>Internal Audit Anti Fraud Team to fully implement all aspects of this recommendation.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

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5.2.14

Risk and Potential Implications

(Red Book reference 4.3, 4.4, 4.5)

There is no measurement of how many of the Council's employees are fraud aware or how well the anti fraud culture is developing throughout the Council. Training may therefore be misdirected leading to potential waste of council resources while other areas of the Council's operation could be susceptible to fraud.

Finding

There is currently no counter fraud awareness training for staff.

Recommendation,

Following the introduction of online and other fraud awareness training, statistics should be kept to identify the percentage of staff that have undergone the training and identifying where these people are based. The success of the training should also be monitored using pre and post awareness training questionnaires. The take up of fraud awareness training could be reported in a periodic fraud newsletter.

Priority Level (See Section 6 for explanation)

Medium

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>Internal Audit Anti Fraud Team to develop a database system to maintain relevant statistics to fully implement this recommendation.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
Progress:	Implemented/ Partially/ Not Implemented		
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5.2.15

Risk and Potential Implications

(Red Book reference 4.16)

Data analysis techniques are not used to their full effect which is a waste of Council resources and may result in fraud being allowed to continue.

Finding

The Council has 6 licences for the use of IDEA data analysis software. However not all officers with access to the software have received training in its use.

Recommendation

Internal Audit should continue to include IDEA testing on all main systems of the Council and when requested to do so provide IDEA advice to other user departments.

Priority Level (See Section 6 for explanation)

Medium

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: <i>Sept 2009</i>			
Client Comments:			
<i>This recommendation has been implemented by Internal Audit who have developed a system to ensure that detailed testing is undertaken periodically of all the main financial systems utilising the IDEA software. A number of user departments are also currently being trained in its use..</i>			
Manager Name:	<i>DOF</i>	Signature	
Date:	<i>Dec 2009</i>		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
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Follow Up Report Date:			

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5.2.16

Risk and Potential Implications

(Red Book reference 4.18 and 4.19)

There are no arrangements in place to ensure that suspected cases of fraud or corruption are reported promptly to the appropriate person for further investigation to allow a disciplined investigation within a prescribed timescale

Finding

There are several sources of advice on the intranet which spell out the arrangements to be adopted to ensure that suspected frauds are investigated. Whilst they do not completely contradict each other they are slightly confusing as the fraud policy says the first point of contact should be the line manager, Chief Officer or Internal Audit or that the Whistle-blowing policy should be used. The Whistle-blowing policy says that the line manager, Chief Executive, departmental Chief Officer, departmental Confidential Reporting Officer or Internal Audit should be notified and the Fraud Code states that, 'Any financial irregularity or suspected irregularities should be reported to the Departmental Chief Officer to enable a report to be made to the Director of Finance in accordance with standing order 62(4) or if this is not possible direct contact can be made with Internal Audit.' In addition the Fraud Investigation plan refers to established links with MPA and states that the DoF will make the final decision about whether to refer a case to the Police.

In reality the procedure which is adopted is that described in the Human Resources Handbook under Disciplinary Procedure where a Nominated Officer appoints a trained Investigating Officer to investigate the allegation and then hears the case.

In addition there are clear instructions on the intranet and internet about how to report a housing benefit fraud ie via a national or local hotline number or via e-mail.

Once an investigation has been instigated there ARE clear guidelines about timescales to be adopted.

Recommendation

- After the Anti Fraud and Corruption policy has been reviewed an exercise should be completed to ensure that there is no conflicting advice on the intranet and to ensure that one simple approach to reporting a suspicion is widely advertised.
- The exercise should also ensure that there can be no ambiguity about how to raise a concern by cross referencing all the relevant policies.

Priority Level (See Section 6 for explanation)

Medium

System	Anti Fraud Self Assessment		
Department	Authority Wide	Date	October 2009
File Reference		Auditor	Beverley Edwards

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>The Internal Audit Anti Fraud Team will review all existing policies and procedures for accuracy, consistency and the provision of clear guidance for reporting concerns.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
Progress:	Implemented/ Partially/ Not Implemented		
Comments:			
Follow Up Report Date:			

System	Anti Fraud Self Assessment		
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5.2.17

Risk and Potential Implications

(Red Book reference 4.23)

Officers undertaking investigations do not have the necessary authority to do so in law and/or internal policies and procedures.

Finding

(See also 5.2.6 regarding internal authority)

Wirral Council uses surveillance and in so doing is subject to review by the office of the Surveillance Commissioners. An Internal Audit following up on a review of the Commissioner found that many of the recommendations of the Commissioner's report of July 2007 had not been implemented and there was a danger that, as a consequence, evidence obtained through surveillance may be inadmissible in court.

Recommendation

The findings of the Internal Audit into the Regulation of Investigatory Powers Act should be implemented.

Priority Level (See Section 6 for explanation)

High

To be completed by client:			
Recommendation agreed?			Yes
Target date for implementation: 31/03/2010			
Client Comments:			
<i>The Internal Audit Anti Fraud Team will liaise with the Head of Legal and Member Services to facilitate the implementation of this recommendation. This will include undertaking a further Follow Up audit to confirm implementation of all outstanding recommendations.</i>			
Manager Name:	DOF	Signature	
Date:	Dec 2009		

Verification of Implementation

To be completed by auditor at follow up audit:			
Follow Up Audit Date:		Auditor:	
Progress:	Implemented/ Partially/ Not Implemented		
Comments:			
Follow Up Report Date:			

System	Anti Fraud Self Assessment		
Department	Authority Wide	Date	October 2009
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6. Recommendation Summary

In order to assist management in using our reports, we categorise our recommendations according to their level of priority:

High	Medium	Low
Fundamental and material to the system of internal control for the area under review.	Improvements in control needed to reduce the risk of loss, error, irregularity or inefficiency.	Matters that merit attention and would improve the overall control levels.

5.2 Ref.	Recommendation	Priority Level	Responsible	Agreed Y/N (To be completed by client)
1	<p>Consideration should be given to establishing one central team of skilled professionally trained Fraud Investigators whose remit includes:</p> <ul style="list-style-type: none"> the production and communication of policies, the linking of policy and operational work delivery of fraud awareness training, receipt of fraud referrals, conduct of Investigations, execution of recovery procedures maintenance of fraud related statistics and monitoring of outcomes such as source of referrals, consistency of sanctions and success of recovery 	High	Director of Finance	Y
2	<ul style="list-style-type: none"> The Anti Fraud and Corruption strategy (including the Fraud Investigation Plan) should be reviewed to ensure that the policy is up to date and adequately aligns with the objectives of the council. The policy should address the six areas of counter fraud activity ie deterrence, prevention, detection, investigation, sanctions and redress. 	High	Director of Finance	Y

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5.2 Ref.	Recommendation	Priority Level	Responsible	Agreed Y/N (To be completed by client)
	<ul style="list-style-type: none"> The policy should make reference to the Fraud Act 2006 and contain a clear definition of fraud. The highest level of Political and Executive backing should be sought for the revised policy. The policy should be launched amid maximum publicity. 			
3	Consideration should be given to having all fraud investigation reports returned to Internal Audit to ensure that there is a consistent approach to countering fraud across the Council and to ensure that any lessons learned are communicated to all departments. Returning reports to audit will also enable the identification of the source and scale of losses and facilitate year on year comparison of fraud losses.	High	Director of Finance	Y
4	<ul style="list-style-type: none"> A poster campaign should be undertaken to maximise awareness of the whistle-blowing policy. It may be appropriate to utilise advertising space on payslips to further advertise the policy. Where Insurance and Benefit fraud posters have been removed from One Stop Shops these should be replaced and the credit card sized leaflets placed on the counters. 	Medium	Head of Human Resources Director of Finance	Y Y
5	If the current system of investigating officers and nominated officers continues there is a need to ensure that those officers involved in investigations are well briefed on all aspects of the counter fraud process including the Council's commitment to recovery of losses wherever possible.	Medium	Head of Human resources	Y

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5.2 Ref.	Recommendation	Priority Level	Responsible	Agreed Y/N (To be completed by client)
6	Consideration should be given to including fraud and corruption as a risk in the risk register.	High	Director of Finance	Y
7	Where there is a suspicion of a financial irregularity, consideration should be given to having Nominated Officers, who instigate an investigation required to first log the investigation with Internal Audit. The investigation could then be allocated an identification number and Internal Audit could be advised of which officers are involved in the investigation and record this in a central log, against the investigation number. In this way any officer of the Council who is approached for information could be referred to Internal Audit to ensure that the officer asking for information is acting on a legitimate investigation and has been approved to do so by the Nominated Officer. (Where the financial aspect of the allegation is significant, the investigation will be conducted by professionally trained Fraud Investigators from Internal Audit)	High	Director of Finance And Head of Human Resources	Y
8	<ul style="list-style-type: none"> Investigating Officer and Nominated Officer training should be reviewed to ensure that it adequately prepares the officers for their roles. All Nominated officers should attend the Nominated Officer Training All training should have a shelf life which triggers Refresher training for all officers involved in Investigations 	High	Head of Human Resources	Y
9	A code of ethics should be drawn up for all Investigating and Nominated officers, which they are required to sign prior to beginning an investigation.	High	Head of Human Resources	Y
10	Consideration should be given to the quarterly monitoring of NFI follow up by Internal Audit to be reported to DMT and where necessary any non-compliance reported from there to COMT.	High	Director of Finance	Y

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5.2 Ref.	Recommendation	Priority Level	Responsible	Agreed Y/N (To be completed by client)
11	The memorandum sent to the interview panel should remind them that all applicants must produce original certificates where this is an essential requirement of the post	Low	Head of Human Resources	Y
12	Where existing staff who have not previously undergone 'Right to Work in UK' screening, change jobs within the council, consideration should be given to asking them to prove their right to work in UK, in the same way that external applicants do.	Medium	Head of Human Resources	Y
13	<p>There should be a programme of work undertaken aimed at ensuring that the counter fraud message is communicated effectively. This should include but not be limited to:</p> <ul style="list-style-type: none"> The redrafting of the counter fraud and corruption policy which will spell out that the honest majority will not tolerate the fraudster and draw attention to the professionalism of the investigators and the sanctions and redress which the council will take to punish offenders and recuperate losses. The message should also be delivered through online fraud awareness training, (Meritec and LRI have been identified by Audit as providers of this service) Face to face awareness sessions for those staff members who do not have access to the intranet, Special arrangements for schools staff and Presentations at the corporate induction day. In addition the whistle-blowing posters referred to elsewhere in this report would give publicity to the campaign. A periodic fraud newsletter could carry details of the number of fraud referrals/prosecutions etc Payslips could be used to maximise publicity. The most important thing is that Counter Fraud professionals have a high profile within the Authority. They should be visible and accessible. 	High	<p>Director of Finance</p> <p>Director of Finance</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>Head of Human R</p> <p>Director of Finance</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

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5.2 Ref.	Recommendation	Priority Level	Responsible	Agreed Y/N (To be completed by client)
14	Following the introduction of online and other fraud awareness training, statistics should be kept to identify the percentage of staff that have undergone the training and identifying where these people are based. The success of the training should also be monitored using pre and post awareness training questionnaires. The take up of fraud awareness training could be reported in a periodic fraud newsletter.	Medium	Director of Finance	Y
15	Internal Audit should continue to include IDEA testing on all main systems of the Council and when requested to do so provide IDEA advice to other user departments.	Medium	Director of Finance	Y
16	<ul style="list-style-type: none"> After the Anti Fraud and Corruption policy has been reviewed an exercise should be completed to ensure that there is no conflicting advice on the intranet and to ensure that one simple approach to reporting a suspicion is widely advertised. The exercise should also ensure that there can be no ambiguity about how to raise a concern by cross referencing all the relevant policies. 	Medium	Director of Finance Director of Finance and Head of Human Resources	Y Y
17	The findings of the Internal Audit into the Regulation of Investigatory Powers Act should be implemented.	High	Head of Legal and Member Services	Y

For Audit Use Only	
File Reference	AFC/1.8
Auditor	B Edwards
Date of Report	October 2009
Date Received	

7. Customer Satisfaction Survey

Audit of: Anti Fraud Self Assessment – Authority Wide

I am responsible for providing you with a quality Internal Audit Service and I want to ensure that your audit continues to be effective. A number of performance indicators have been adopted and one of the most important of these is your view of the service you receive.

Please spare the time to complete and return this form. This is an opportunity for you to provide your views on the level of service you received during your recent audit. Your answers will help me to develop and maintain the highest level of service possible.

THANK YOU FOR YOUR HELP.

David A Garry C.P.F.A
Chief Internal Auditor

QUESTIONNAIRE			
WERE YOU SATISFIED WITH:	<u>Yes</u>	<u>No</u>	<u>Comments</u> (please continue overleaf if you wish)
1. <u>TIMING:</u>			
• Advance notice of the audit?			
• Duration of the audit?			
2. <u>COMMUNICATION:</u>			
• Courtesy of the auditor(s)?			
• Level of auditor(s) knowledge?			
• Consultation on the findings?			
• Method of report delivery?			
3. <u>AUDIT REPORTS:</u>			
• Format of the report?			
• Speed of production of the report?			
• Relevance of the recommendations?			
• Value of the recommendations?			
• Audit opinion?			
4. <u>QUALITY OF SERVICE:</u>			
• Usefulness of the audit?			
• Professionalism of the audit?			
• Professionalism of the auditor?			

If you would like to comment further on the conduct, outcome or how you feel I could improve the Internal Audit Service please do so overleaf, or telephone me on 666 3387.

Completed by: Signed: Date:

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