

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.

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