

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

17 JANUARY 2011

### REPORT OF THE CHIEF INTERNAL AUDITOR

#### PROTECTING THE PUBLIC PURSE

##### 1. EXECUTIVE SUMMARY

- 1.1. Wirral Council's Internal Audit Team has been commended by the Audit Commission for the impressive work undertaken in the fight against fraud.
- 1.2. In the recent national report '*Protecting the Public Purse 2010*' the Commission noted that although the council had previously identified many areas of good practice in its counter-fraud activities, it had decided to create a corporate counter-fraud team. This team is within Internal Audit. Subsequently, the Council has updated its counter-fraud policies, improved the specialist skills of team members and included fraud, for the first time, in the Council's risk register.
- 1.3. The Commission recommends that others learn from this approach.

##### 2. BACKGROUND

- 2.1. The Audit Commission launched its National Report: '*Protecting the Public Purse 2010*'. The report considers key fraud risks and pressures facing councils and related bodies and identifies good practice for fighting fraud.
- 2.2. It identifies that fraud continues to be a significant problem affecting the whole of the economy and local government in particular, with detected fraud for 2009/10 amounting to £135 million in local government. The report indicates that as councils continue to make significant cuts in budgets, it is essential that they continue to maintain strong defences against fraud. These include:
  - Adopting a zero tolerance policy and doing more to deter fraud
  - Working with partners to overcome barriers to effective fraud fighting
  - Making the best use of information and intelligence; and
  - Taking legal action to recover fraud losses.
- 2.4 The report recommends that councils should:
  - Continue to focus on benefit fraud risks and use the National Fraud Initiative (NFI) and other data matching schemes.
  - Work together in areas to share costs and benefits of tackling Council Tax single person discount fraud.
  - Check claims for all Council Tax discounts are not fraudulent
  - Make sure recruitment processes are secure and effective

- Establish clear policies for Personal Budgets in adult social care and promote Whistleblowing arrangements to encourage the early identification of potential abuse
- Use Chartered Institute of Public Finance Accountancy (CIPFA) and Office of Fair Trading (OFT) advice and guidance on procurement fraud; and
- Maintain comprehensive records of all frauds perpetrated and utilise the Audit Commission checklist to determine if counter fraud systems are effective.

2.5. The report also provides an overview of the continuing fraud threats facing councils and calls on them to reassess their counter fraud plans and to ensure that staff understand, and have faith in, those arrangements. The report includes a checklist to help councils identify areas for improvement.

### 3. **REVIEW AND ACTION PLANNING**

3.1. Internal Audit has reviewed the Council's performance against best practice as identified in '*Managing the Risk of Fraud*' (CIPFA). The conclusion was that the Council was fully compliant and operated some systems of best practice including:

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

3.2. Areas identified for improvement included:

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

Progress is being made on implementing appropriate policies and procedures to achieve these improvements.

3.3. The further development of the Counter-fraud Team as a central point for increasing and monitoring fraud across the Council is key to building on the work already undertaken. Actions planned include:

- Enhancing specialist skills (two members of the team have successfully completed the CIPFA certificate in Investigative Practice).
- Development and effective implementation of the revised Anti-Fraud and Corruption Policy approved by Members in June 2010.
- A fraud awareness campaign for Members and employees.

Regular updates will be provided to this Committee identifying further developments in this area.

**4. FINANCIAL AND STAFFING IMPLICATIONS**

4.1. There are none arising from this report.

**5. LOCAL MEMBER SUPPORT IMPLICATIONS**

5.1. There are no local member support implications.

**6. LOCAL AGENDA 21 STATEMENT**

6.1. There are no local agenda 21 implications.

**7. PLANNING IMPLICATIONS**

7.1. There are no planning implications.

**8. EQUAL OPPORTUNITIES IMPLICATIONS**

8.1. There are no equal opportunities implications.

**9. COMMUNITY SAFETY IMPLICATIONS**

9.1. There are no community safety implications.

**10. HUMAN RIGHTS IMPLICATIONS**

10.1. There are no human rights implications.

**11. BACKGROUND PAPERS**

11.1. Audit Commission National Report: *Fighting fraud against local government and local taxpayers*

11.2. CIPFA publication: *Managing the Risk of Fraud*.

11.3. Internal Audit Report – Managing Fraud.

**12. RECOMMENDATIONS**

12.1. That the report be noted.

12.2. That further developments in the area of counter-fraud be report to Audit and Risk Management Committee.

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