

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
30th MARCH 2015**INTERNAL AUDIT**
PROTECTING THE PUBLIC PURSE 2014

OPEN	
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APPENDIX	Appendix A ~ Checklist

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is for Members to note the summary of findings and recommendations from the recent Audit Commission National Report "Protecting the Public Purse 2014~Fighting Fraud against Local Government.
- 1.2 To report an assessment of the Council's position against the "Checklist for Councillors and others responsible for governance" and identify any actions required.

2. RECOMMENDATION

The Audit Committee is asked to consider and note:-

- 2.1 **The Audit Commission Report "Protecting the Public Purse" 2014 and the position shown within the completed checklist as attached at Appendix A including any actions required.**

3. BACKGROUND

- 3.1 The Audit Commission through a series of publications entitled Protecting the Public Purse have highlighted the risks posed by fraud to Local Authorities and identified best practice procedures to minimise exposure to these risks.
- 3.2 From 2009 and in light of the recession and introduction of austerity measures, the Audit Commission re-established publication of these reports enabling Local Authorities to actively participate via an annual survey to highlight high risk areas, and provide evidence of best practice.

4. KEY ISSUES

4.1 The Audit Commission's publication "Protecting the Public Purse" (2014) was published in November 2014. The key issues identified within the report are:

→ That whilst the scale of fraud against local government is large and difficult to quantify with precision, the National Fraud Authority had estimated that fraud costs local government more than £2.1 billion a year;

→ Local government bodies have detected fewer cases of fraud, both of housing benefit and council tax benefit fraud as well as non benefit fraud compared with previous years, although the value of frauds has increased;

→ There is evidence that nationally, Councils have shifted their focus from benefit fraud to non-benefit fraud. From 2016, Councils will no longer be responsible for dealing with benefit fraud as all benefit fraud investigations will have transferred from councils to the Single Fraud Investigation Service (SFIS) at the Department for Works and Pensions (DWP). **November 2014 saw the transfer of WFDC benefit fraud investigators to the DWP SFIS.**

→ Moving forward, Councils will need to focus on the non benefit frauds that present the high risk areas of loss.

4.2 The key recommendations from the report are:

→ All local government bodies should use the checklist within the report for Councillors and others responsible for governance to review the councils counter fraud arrangements;

→ Adopt a corporate approach to fighting fraud, to fulfil their stewardship role and protect the public purse from fraud;

→ Actively pursue potential frauds identified through their participation in the National Fraud Initiative;

→ Self assess against the framework in CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption.

4.3 Councils in particular should:

→ Protect and enhance their investigative resources in order to maintain and/or improve their capacity to detect fraud;

→ Be alert to the risk of organised crime, notably in procurement;

→ Be alert to those growing risk areas e.g. Procurement; Insurance

→ Focus on prevention and deterrence as a cost effective means of reducing fraud losses to protect public resources;

→ Focus more on recovering losses from fraud using legislation e.g. Proceeds of Crime Act.

4.4 The Audit Commission report includes a checklist covering the issues and recommendations within their report to enable Councillors and those responsible for governance to review the Council's current position. The checklist has initially been completed by the Principal Auditor in consultation with the Corporate Leadership Team and Senior Managers (WF20).

4.5 The review does provide assurance and endorses the Councils zero tolerance to fraud, acknowledging that there are areas where further work is required to evidence a robust approach to the prevention and detection of potential frauds within the Council, ensuring it fulfils its duty to protect the public purse.

- 4.6 The review does acknowledge that following the transfer in November 2014, of the dedicated 2 Benefit Investigation Officers to the Single Fraud Investigation Service (SIFS) at the DWP, a Compliance Officer role has been established within the Revenues & Benefits Team as the primary liaison between the Council and the SFIS. This role will also undertake proactive analytical and investigative work to ensure compliance across Council Tax and Business Rates to maximise income and minimise losses thus reducing the risk of error and fraud. There was a gap between the transfer of the in house Benefit Fraud Investigation Team and the appointment to the Compliance Officer position. The risk was mitigated by the provision of Benefit Assessors considering evidence of suspected fraud when dealing with claims as part of their daily role. Any suspected fraudulent activity was promptly referred to the DWP as advised by the Corporate Customer Development Manager.
- 4.7 It should be noted that apart from housing benefit/council tax fraud, no other fraud has been detected within the District Council within in the past 5 years that the Council have been contributing to the Audit Commissions publication "Protecting The Public Purse". In respect of those benefit cases for 2013/14 this equated to 41 cases with a proven value of £214,664 of which 29 were taken through to prosecution. None of these cases involved employees or councillors.
- 4.8 There is evidence that the Council do have robust systems in place to mitigate risk as demonstrated by a recent fraud attempt against the Council. The perpetrator had emailed the Finance Team using a valid email account to request payment of a large sum of money. The email was not acted upon as the protocol in place ensured that verification of the validity of the transaction was sought prior to the release of any monies.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit (England) Regulations 2011 section 6(1) require that:

"A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control."

7. EQUALITY IMPACT NEEDS ASSESSMENT

- 7.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the nine protected characteristics.

8. RISK MANAGEMENT

- 8.1 The Internal Audit service is one element of the Council's assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Whilst it is not possible to eliminate or manage all risks all of the time, Internal Audit cover fraud risk as part of the review of council systems in accordance with the risk based audit plan.

- 8.2 The newly implemented Compliance Officer post within the Revenues and Benefits Team will also ensure compliance across Council Tax and Business Rates to maximise income and minimise losses thus reducing the risk of error and fraud. The Compliance Officer will also fulfil the requirement for a “Single Point of Contact” between the Council and the DWP.

9. CONCLUSION

- 9.1 Overall, the review against the checklist is reassuring and endorses the Councils commitment to a zero tolerance of fraud, with a commitment to creating and maintaining an environment where fraud and corruption will not be tolerated. It is acknowledged that there is more that can be done, particularly around awareness and this will be addressed with the current on-going review of Council policies.

10. CONSULTEES

- 10.1 Corporate Leadership Team
Cabinet Member for Resources & Transformation
WF20

11. BACKGROUND PAPERS

- 11.1 Audit Commission ~ Protecting The Public Purse 2014 ~ Fighting Fraud Against Local Government ~ October 2014