

Audit Committee – 28 February 2011

Protecting the Public Purse - Fraud Update

Summary of report:

This report presents the council's responses to the Audit Commission publication 'Protecting the Public Purse' October 2010.

Background papers:

Completed publication checklist and survey questionnaire and responses received from directorate officers.

Recommendation:

1. To note the contents of the report.



James Walsh – Assistant Director Finance
10 February 2011

Background:

Audit Commission Publication 'Protecting the Public Purse' 2009

The Audit Commission issued its 'Protecting the Public Purse' document (local government fighting fraud) in September 2009. The document referred to the many actions taken by councils to combat fraud but identified some areas where significant weaknesses remained and needed to be tackled, specifically:

- false claims for single person discount on council tax; and
- recruitment fraud.

The document also referred to concerns in relation to:

- housing and council tax benefit fraud being on the increase;
- large value procurement frauds being identified; and
- social care direct payment misuse.

The publication recognised that actions could be taken by councils to minimise fraudulent opportunities and made a number of recommendations about how

improvements to counter fraud arrangements could be made to prevent and reduce the risk of fraudulent activity.

Within the document, the Commission included a prepared checklist to assist in responding to the recommendations thereby ensuring that governance and counter fraud arrangements were working as intended.

The publication and checklist was issued to relevant council managers for completion. The completed checklist, together with the results of the annual fraud survey, were presented to Audit Committee on 1 March 2010.

Audit Commission Publication 'Protecting the Public Purse' 2010

The Audit Commission issued its updated 'Protecting the Public Purse 2010' document (local government fighting fraud) in October 2010. The document states that:

- Fraud continues to be a significant problem affecting the whole economy.
- For local government, the Audit Commission's survey shows that although detected fraud losses are low compared with total council spending or around £160 billion, significant amounts of money are involved with detected fraud in 2009/10 amounting to £135 million; and 119,000 individual fraud cases.
- In Protecting the Public Purse 2009, the Audit Commission commented on specific fraud. In the 2010 update, the Audit Commission reports on the progress that council's are making, for example, 60 Council's reported that in 2009/10 nearly 1,600 properties with a replacement value of around £240 million were recovered from unlawful tenants; and 48,000 fraudulent claims were stopped in 2009/10 increasing the local tax base by almost £15million.
- Tackling fraud can help council's to get more value from tax payers money, including within specific areas such as the expansion of personal budgets in social care, focusing on housing and council tax benefit where they uncovered around 63,000 frauds and £99million of fraudulent payments; and procurement.
- As council's make significant cuts in budget, it is essential they continue to maintain strong defences against fraud such as adopting a zero tolerance towards fraud and doing more to deter it, working with partners to overcome barriers to effective fraud fighting, making the best use of intelligence; and taking legal action to recover fraud losses.

The publication included the 2009 checklist with a '2010 update' column. The publication and checklist was issued to relevant council managers for completion. The completed checklist with the 2010 update is detailed at **Appendix 1**.

Fraud & Corruption Survey 2009/10

In November 2009 following publication of Protecting the Public Purse the Audit Commission reintroduced an annual fraud survey collecting data on frauds and any acts of corruption in local government and related bodies. The first survey covered the 2008/09 financial year. The October 2010 Protecting the Public Purse update publication covered data for authorities in 2009/10 which was submitted by authorities by 30 June 2010.

Walsall Council completed the survey on line by the due date following receipt of the required information from relevant officers. The following was submitted detailing data for the financial year ended 31 March 2010:

- There was 173 housing and council tax benefit fraud cases identified totalling £590,787.
- 1 case of procurement fraud totalling £51,161.
- 4 cases of payroll and employee contract fulfilment fraud totalling £4,582.
- 2 cases of abuses of position for financial gain totalling £1,717.
- 3 cases of recruitment fraud.
- In 13 cases the fraud value amounted to over £10,000.
- 49 people were prosecuted for housing and council tax benefit fraud, 1 of which involved an employee / councillor.
- 37 housing and council tax benefit prosecutions resulted in a guilty outcome, 1 of these was an employee /councillor.
- There were 2 whistle blowing disclosures made during the period.

Resource and legal considerations:

It is important that effective systems of internal control are in place for the prevention of fraud and corruption. Where fraud or corruption is detected, robust action will always be taken against the perpetrators. There is provision within the approved internal audit plan to undertake irregularity work reported to the service.

Governance Issues / Citizen impact:

Internal audit and the benefit investigation team work is intended to ensure that effective systems of internal control are in place, including those in relation to the introduction of new, or revisions to existing, systems/processes and for the prompt and vigorous investigation of potential irregularities reported to the services. This demonstrates the serious manner in which the council takes its responsibilities in ensuring effective control arrangements are in place and in dealing with reported allegations of fraud and corruption. This also offers protection to the council and its officers and provides an assurance to stakeholders and citizens regarding the security of our operations.

Performance and risk management issues:

Many audit committee activities are an important and integral part of the council's performance management and corporate governance frameworks. The internal audit strategic plan is risk assessed to ensure that areas most at risk are examined as a priority and includes an allocation of time to undertake unplanned irregularity and consultancy work.

Irregularities may be noted during regularity audit reviews or be reported from a number of sources, including council managers, employees, occasionally via the Confidential Reporting Policy (whistle blowing), and externally. Irrespective of how the allegations are reported, however, each will be subject to investigation. Some result in little investigatory time having to be spent, others can take much longer. Relevant action, where found to be appropriate, will always be taken, i.e. disciplinary, court proceedings, police referral and recovery of losses.

Equality Implications:

None arising from this report.

Consultation:

The proposed annual audit work plan is discussed with relevant senior managers before the start of the financial year and includes an allocation for unplanned irregularity/consultancy work. Depending upon the type of irregularity work undertaken, managers may be involved in the investigation and may require their action to be taken on the report findings.

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