

Subject:	Protecting the Public Purse 2013	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	18 March 2014
Report of:	Head of Internal Audit	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required: No	Attached:	No
Biodiversity Impact Assessment	Required: No	Attached:	No
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1.	RECOMMENDATION(S)
1.1	The Committee is asked to consider the internal audit report on Protecting the Public Purse 2013.

2. PURPOSE OF REPORT

- 2.1 To provide an overview of the Protecting the Public Purse 2013 report issued by the Audit Commission in November 2013 and to report the results of our assessment of the Council's counter fraud arrangements for compliance against the Audit Commission's checklist.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
 - **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 This report is provided for information and to support the Audit and Accounts Committee's role in relation to risk management.

5. BACKGROUND AND OPTIONS

- 5.1 The Audit Commission issued their annual Protecting the Public Purse 2013 report in November 2013, we have highlighted the key themes arising in the report to bring these to the attention of management.
- 5.2 We have also undertaken an assessment of the Council's counter fraud arrangements against the checklist produced by the Audit Commission. The report, at Appendix A, shows the results of our assessment of compliance against the established checklist.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Any financial implications are commented upon in the report.

7. MONITORING OFFICER

7.1 Any legal implications are commented upon in the report.

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

8.1 No Human Resource implications.

9. CONSULTATION CARRIED OUT

9.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective service managers and heads of service prior to reporting.

10. CONCLUSION

10.1 Management progress with implementing our internal audit recommendations is satisfactory.

No background papers

Protecting the Public Purse 2013

1 Background

- 1.1 The Audit Commission issued their annual Protecting the Public Purse report in November 2013. The report highlights the key fraud risks facing local government and identifies best practice on how to minimise these fraud risks.
- 1.2 The report estimates that fraud costs the UK public sector £20billion a year and local government more than £2billion.
- 1.3 The report also highlighted regional variances in the number of frauds detected in each region, whilst London showed a 36% increase the North West reported a 46% reduction. 79 district councils did not detect a single non-benefit fraud.
- 1.4 The report also provides a breakdown of the different types of fraud loss areas in local government which is shown in the table below.

Category	Annual Loss
Procurement	£876m
Housing tenancy	£845m
Housing benefit	£350m
Payroll	£154m
Council tax discount	£133m
Blue badges	£46m
Grants	£35m
Pensions	£7.1m

- 1.5 A copy of the full report can be accessed via the following link
<http://www.audit-commission.gov.uk/2013/11/protecting-the-public-purse-2013/>

2 Report recommendations

- 2.1 The report includes a number of recommendations for local government bodies such as:

All local government bodies should:

- Complete the checklist for councillors and others responsible for governance (see section 3 below); and
- Actively pursue potential frauds identified through their participation in the National Fraud Initiative.

Councils in particular should:

- Actively promote a vigorous counter-fraud culture;
- Develop a clear strategy to tackle fraud;
- Work in partnership to reduce fraud;
- Prepare effectively for the introduction of the Single Fraud Investigation Service;
- Allocate sufficient resources to tackling fraud; and
- Improve their use of data to measure performance in tackling fraud.

3 Checklist for councillors and others responsible for governance

- 3.1 The report includes a checklist for councillors and others responsible for governance to assess their counter fraud arrangements.
- 3.2 The checklist is attached at Appendix A and has been initially completed by the Audit Manager with input from appropriate persons. When completing the checklist the responses provided have been kept proportionate to the fraud risks facing the council.
- 3.3 The checklist shows that the council are compliant with most of the areas of best practice. In response to questions 4 and 17 we are currently developing a fraud risk assessment for the council which will be used to direct counter fraud work as part of the 2013/14 and future audit plans. This will be reported at the next committee meeting.
- 3.4 The committee is asked to note the report and checklist, subject to any comments they may have on the checklist.

Protecting the Public Purse

Checklist for councillors and others responsible for governance

Question	Yes/No	Comments
General		
1. Do we have a zero tolerance policy towards fraud?	Y	Councils approach included in the Anti-Fraud and Corruption Strategy.
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i> ?	Y	
3. Do we have dedicated counter-fraud staff?	Y	Housing Benefit Fraud Investigator resources are in place. Internal Audit plan includes contingency amount for investigation work.
4. Do counter-fraud staff review all the work of our organisation?	Partly	The audit plan covers all financial risks and as part of each audit the risk of fraud is considered. However a fraud risk assessment will be completed to ensure all fraud risks are considered.
5. Does a councillor have portfolio responsibility for fighting fraud across the council?	Y	Whilst there is no portfolio responsibility for fighting fraud the Audit and Accounts Committee Terms of Reference includes reference to considering the assurance provided over the council's anti-corruption arrangements.
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	Y	Internal Audit Progress reports include updates on the NFI exercise.
7. Have we assessed our management of counter-fraud work against good practice?	Y	

<p>8. Do we raise awareness of fraud risks with:</p> <ul style="list-style-type: none"> ■ new staff (including agency staff); ■ existing staff; ■ elected members; and ■ our contractors? 	Y	
<p>9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?</p>	Y	<p>The internal audit service participate in a number of national and local networks. These include:</p> <ul style="list-style-type: none"> - National Anti Fraud Network - CIPFA workshops - Lancashire District IA meetings - PwC Fraud Academy
<p>10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?</p>	Y	See above
<p>11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?</p>	Y	Outstanding recommendations are reported to the Audit and Accounts Committee.
<p>12. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?</p>	Y	The council participates in the NFI exercise and a summary is reported as part of the Internal Audit Annual Report.
<p>13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?</p>	Y	
<p>14. Do we have effective arrangements for:</p> <ul style="list-style-type: none"> ■ reporting fraud?; and ■ recording fraud? 	Y	Whistleblowing policy in place and has been recently communicated to staff.
<p>15. Do we have effective whistle-blowing arrangements? In particular are staff:</p> <ul style="list-style-type: none"> ■ aware of our whistle-blowing arrangements? ■ have confidence in the confidentiality of those arrangements? ■ confident that any concerns raised will be addressed? 	Y	

16. Do we have effective fidelity insurance arrangements?	Y	
Fighting fraud with reduced resources		
17. Have we reassessed our fraud risks since the change in the financial climate?	Partly	Fraud risks are considered as part of the annual Internal Audit Plan. A fraud risk assessment will be carried out and will drive future counter fraud work.
18. Have we amended our counter-fraud action plan as a result?	Y	No separate counter fraud plan – included in Internal Audit Plan. See above action.
19. Have we reallocated staff as a result?	N/A	
Current risks and issues		
20. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	N/A	
21. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	N/A	
22. Are we satisfied our procurement controls are working as intended?	Y	Audit plan includes a review of Accounts Payable.
23. Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels, and compared them with best practice?	Y	Due to the low level of contracts for the council this is not a significant risk. The current contracts register is being extended to ensure it covers all capital projects.
24. Are we satisfied our recruitment procedures: <ul style="list-style-type: none"> ■ prevent us employing people working under false identities; ■ confirm employment references effectively; ■ ensure applicants are eligible to work in the UK; and ■ require agencies supplying us with staff to undertake the checks that we require? 	Y	
25. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	N/A	This is a county council responsibility
26. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that	N/A	As above

they may raise concerns about the financial abuse of personal budgets?		
27. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	Y	
28. When we tackle housing benefit fraud do we make full use of: <ul style="list-style-type: none"> ■ National Fraud Initiative; ■ Department for Work and Pensions Housing Benefit matching service; ■ internal data matching; and ■ private sector data matching? 	Y	
29. Do we have appropriate and proportionate defences against emerging fraud risks: <ul style="list-style-type: none"> ■ business rates; ■ Right to Buy; ■ Social Fund and Local Welfare Assistance; ■ council tax reduction; ■ schools; and ■ grants? 	Y	