

Audit and Governance Committee

13 February 2012

Report of the Assistant Director, Financial Services

Fraud Risk Assessment & Review of Counter Fraud Policies**Summary**

- 1 The purpose of this report is to inform Members about potential fraud risks that the council is exposed to, and proposed counter fraud activity to address those risks. The report also details the outcome of a review of the council's counter fraud policies.

Background

- 2 Fraud is a significant issue for all public sector organisations. Current estimates suggest fraud costs the public purse in excess of £17bn per year. In addition, reports by the Audit Commission, and other authorities, suggest that the risk of fraud is growing due to additional pressures on suppliers, customers and staff in the current economic climate. To help direct counter fraud resources to the areas most needed, it is essential that the council considers the range of fraud risks it faces.
- 3 It is also important for the council to ensure that its overall policy framework for combating fraud continues to reflect best practice.

Risk Assessment

- 4 An assessment of possible fraud risks faced by the council is included at exempt Annex 1. This builds on the assessment completed for the first time last year and gives an indication of the susceptibility of each area to fraud along with planned action by the internal audit and counter fraud teams. This model will continue to be developed in future years as more

information becomes available and new techniques are developed.

Review of Counter Fraud Policies

- 5 The annual review of the council's counter fraud and corruption policy (annex 2) and fraud and corruption prosecution policy (annex 3) has recently been completed. While the policies remain broadly in line with best practice, a number of amendments are required. These include minor wording changes and amendments to job titles. They also include the following.
 - a) Counter Fraud and Corruption Policy:
 - Reference to the requirements of the Bribery Act (2010) – paragraph 2.1.
 - Clarification of the scope of the policy to include fraud affecting third parties where this also impacts on services provided by the council – paragraph 2.2.
 - Extension of expectations about adhering to proper standards to contractors' staff – paragraph 3.1.
 - b) Fraud and Corruption Prosecution Policy:
 - Clarification of the roles of Veritau and council staff for making recommendations and authorising prosecutions and sanctions – paragraphs 1.5 & 1.6.
 - Reflection of the changes to arrangements for considering standards issues, for councillors – paragraph 2.3.

Consultation

- 6 This report is part of the ongoing consultation with stakeholders on priorities for internal audit and counter fraud work.

Options

- 7 Not relevant for the purpose of the report.

Analysis

- 8 Not relevant for the purpose of the report.

Council Plan

- 9 The work of internal audit and counter fraud supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 10 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 11 The council will fail to comply with proper practice if counter fraud arrangements are not based on an appropriate assessment of risk, or if it fails to maintain up to date counter fraud and corruption policies and procedures.

Recommendations

- 12 Members are asked to;
- comment on the fraud risk assessment set out in Annex 1 and proposed counter fraud work

Reason

To ensure that scarce audit and counter fraud resources are used effectively.

- comment on the review of the council's counter fraud and corruption policy and fraud and corruption prosecution policy, and the changes proposed

Reason

To ensure counter fraud procedures and policies are up to date, as part of their responsibility for overseeing the council's overall governance framework.

Contact Details

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**Report
Approved**



Date 1/2/12

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

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For further information please contact the author of the report

Background Papers

None

Annexes

Annex 1 – Fraud Risk Assessment February 2012 (Exempt)
Annex 2 – Counter Fraud and Corruption Policy
Annex 3 – Fraud and Corruption Prosecution Policy