

## **Counter Fraud Policy, Strategy and Risk Assessment**

### **Summary**

- 1 The purpose of this report is to inform members about potential fraud risks that the council is exposed to, and proposed activity to address those risks. The report also details a proposed new counter fraud and corruption policy, and a strategy, for the committee's comments.

### **Background**

- 2 Fraud is a significant issue for all public sector organisations. It is estimated that total fraud loss in the UK amounts to £73 billion a year, of which £19.9 billion relates to the public sector. To effectively combat fraud it is essential that the council has appropriate policies in place and regularly considers the range of fraud risks it faces.

### **Policy and Strategy**

- 3 In the last few years there have been significant changes in the fraud risks affecting local authorities. For example the use of technology and opening up of council data has led to an increase in attacks on council payment systems. In addition, recent high profile attacks on IT systems using "ransom ware" have highlighted further risks. More generally, there has been a growing awareness of fraud risks in the public sector. This has led to the publication of updated guidance for local authorities including the Chartered Institute of Public Finance and Accountancy's Code of Practice on Managing the Risks of Fraud and Corruption. In addition, the council's responsibility for investigating housing benefit fraud has ended. This work transferred to the Department for Work and Pensions (DWP) as part of their Single Fraud Investigation Service (SFIS) project, in early 2016.

- 4 A proposed new counter fraud and corruption policy is included at annex 1, for the committee's review. This sets out responsibilities for counter fraud and investigation work and the actions the council will take in response to fraud. The policy reflects the latest national guidance, and removes the emphasis on benefit fraud in the existing policy. A revised counter fraud and corruption prosecution policy is incorporated as annex A to annex 1.
- 5 Current good practice guidance recommends that councils adopt a counter fraud strategy. The strategy should recognise the fraud risks the organisation faces and set out actions required to strengthen the counter fraud framework. A proposed strategy is included at annex 2. The strategy takes into account both the Code of Practice, and the national local government counter fraud strategy, Fighting Fraud Locally. The strategy is a working document and updates will be brought to the committee for review annually.

### **Risk Assessment**

- 6 A revised assessment of fraud risks faced by the council is included at exempt annex 3. This builds on assessments completed in previous years. It indicates the susceptibility of each area to fraud, and shows any planned action by the internal audit and counter fraud teams.

### **Consultation**

- 7 Not relevant for the purpose of the report.

### **Options**

- 8 Not relevant for the purpose of the report.

### **Analysis**

- 9 Not relevant for the purpose of the report.

### **Council Plan**

- 10 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**

- 11 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**

- 12 The council will fail to comply with proper practice if counter fraud and corruption arrangements are not reviewed periodically.

### **Recommendations**

- 13 Members are asked to;
- comment on the proposed new counter fraud and corruption policy and associated prosecution policy at annex 1 and on the proposed strategy at annex 2.

#### Reason

*In accordance with the committee's responsibility for assessing the effectiveness of the Council's counter fraud arrangements.*

- comment on the fraud risk assessment and proposed priorities for counter fraud work set out in annex 3.

#### Reason

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

## Contact Details

### Author:

Max Thomas  
Head of Internal Audit  
Veritau Limited  
Telephone: 01904  
552940

### Chief Officer Responsible for the report:

Ian Floyd  
Deputy Chief Executive  
Customer and Corporate Services  
Telephone: 01904 551100

**Report  
Approved**



**Date** 28 January  
2017

## Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

## Background Papers

Fighting Fraud & Corruption Locally - The local government counter fraud and corruption strategy 2016 - 2019

The Code of Practice on Managing the Risks of Fraud and Corruption (Cipfa 2014).

## Annexes

Annex 1 – Counter Fraud and Corruption Prosecution Policy

Annex 2 – Counter Fraud and Corruption Strategy and Action Plan

Exempt Annex 3 - Counter Fraud Risk Assessment