

Audit and Governance Committee

14 February 2011

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 Counter fraud work is part of the role of both the internal audit and counter fraud teams. However, there has historically been no separate assessment of fraud risks facing the council. Fraud is one element of the overall risk assessment undertaken by internal audit. The allocation of audit resources also takes account of a wide range of other factors. This means, for example, that lower value but high fraud risk services may not be reviewed by internal audit. In addition, the work of the counter fraud team has tended to be reactive and to focus on specific areas of known high fraud risk (eg benefit fraud). As awareness of the range of different fraud risks faced by councils has grown over the last few years, it has become apparent that there are areas of fraud risk that are not being properly addressed.
- 5 An initial assessment of possible fraud risks faced by the council is included at exempt Annex 1. This includes an indication of the susceptibility of each area to fraud, and further action required. This is a

relatively simple model and it is anticipated that the basic assessment set out will be built upon in future years as more information becomes available and new techniques are developed¹. One of the main issues that the exercise has highlighted is the lack of readily available information in some areas.

Review of Counter Fraud Policies

- 6 A review of the council's counter fraud and corruption policy and counter fraud and corruption prosecution policy has recently been conducted. This found that the draft policies reported to the Audit and Governance Committee in February 2010 and approved by the Executive Member for Corporate Services in March 2010 remain in line with best practice. However, some minor amendments to job titles are required to keep the policies up to date and it is recommended that the policies are updated to reflect these changes.

Consultation

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

Options

- 8 Not relevant for the purpose of the report.

Analysis

- 9 Not relevant for the purpose of the report.

Corporate Priorities

- 10 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. In doing so it contributes to the corporate objective of making the council an effective organisation.

Implications

- 11 There are no implications to this report in relation to:
- **Finance**
 - **Human Resources (HR)**
 - **Equalities**
 - **Legal**

¹ There is currently little advice available about how to assess fraud risks. However, many organisations are now going through this process and it is likely that new techniques and methods of assessment will emerge over the next few years.

- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 12 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

- 13 Members are asked to;
- comment on the fraud risk assessment set out in Annex 1 and the proposed priorities for 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.

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Report Approved



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

None

Annexes

Annex 1 – Internal Audit & Fraud Service Fraud Risk Assessment 2010/11(Exempt)