| REPORT TO | DATE OF MEETING | **SOUTH RIBBLE** |
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| Governance Committee | 29th April 2010 | BOROUGH COUNCIL |
| | Report template revised June 2008 | *forward with South Ribble* |

| SUBJECT | PORTFOLIO | AUTHOR | ITEM |
|---|---|---|---|
| Fraud Risk Management | Finance and Resources | G Barclay A Armstrong | |

## SUMMARY AND LINK TO CORPORATE PRIORITIES

The purpose of this report is to inform members of the outcome of an exercise recently conducted by the Risk Team to review the potential exposure to the risk of fraud both corporately and within individual services.

This report impacts on all the Council's priorities but it specifically relates to ensuring that South Ribble is an excellent organisation.

## RECOMMENDATIONS

That members note the report.

## DETAILS AND REASONING

The Audit Commission and the Chartered Institute of Public Finance & Accountancy (CIPFA) have recently published revised guidelines on the measures which councils should have in place to maximise their efforts in preventing fraud and corruption in the conduct of their business. The Risk Team has carried out comprehensive self assessments in respect of them both.

In addition, the Risk Team has conducted interviews with individual service managers to identify any service specific fraud risks and to explore better ways of managing them.

As a result of the review a number of recommendations have been agreed with management to enhance the Council's control environment.

## BACKGROUND

The Council has an excellent track record in preventing fraud and corruption and has experienced very few incidents in that regard. There is, nevertheless, a need to avoid complacency and remain vigilant by upholding best practice and taking new guidance on board.

In recent months the following complementary publications have been issued which require authorities to undertake a self assessment of their compliance with a range of fraud prevention measures:

- Protecting the Public Purse (Audit Commission)
- Managing the Risk of Fraud - "Red Book 2" (CIPFA)
- ICT Fraud & Abuse (Audit Commission)

These publications seek to test the adequacy and effectiveness of corporate level policies and procedures and the Risk Team has conducted comprehensive self assessments in respect of them.

Moreover, when carrying out their review, the Risk Team went beyond the national guidance by interviewing service managers to identify any service specific fraud risks and to explore better ways of managing them.

Whilst the Council's anti-fraud & corruption arrangements were found to be robust a number of recommendations have been agreed with management to further enhance the Council's control environment.

The following paragraphs summarise the results of all 4 assessments:

## PROTECTING THE PUBLIC PURSE

This document highlights the increased fraud risks and pressures facing public bodies as a direct result of the economic recession and contains a self assessment checklist which "those charged with governance" need to complete. This assessment has therefore been undertaken on behalf of the Governance Committee.

Only one issue was identified where some improvement action is considered appropriate to enhance existing arrangements. This involves the review of contract letting procedures against recent Office of Fair Trading guidance on cartel activity.

## CIPFA MANAGING THE RISK OF FRAUD - "RED BOOK 2"

This publication is widely regarded as the most authoritative source of guidance on countering fraud in the public sector and has been adopted as the accepted benchmark standard.

An assessment was completed covering the 5 key areas of strategy, risk identification, culture, taking action and defining success.

No outright gaps were found, however, 4 areas of activity were identified across the board that presented an opportunity to implement improvements to procedures.

These relate to counter fraud training, monitoring of fraud awareness training, embedding fraud resilience and standards of ethical behaviour within partnerships and raising awareness of the Councils Anti Fraud and Corruption Strategy.

## ICT FRAUD AND ABUSE SELF ASSESSMENT

This specialist guidance on identifying the risks associated with the use of technology was used to compile a self assessment checklist, in conjunction with ICT managers, to determine the Council's potential exposure to ICT fraud.

The assessment covered the 10 key issues of viruses, hacking, sabotage, access to inappropriate material, software, privacy, fraud, private work, information theft and general matters.

No issues were assessed as high risk with the majority low risk with several low to medium. In view of the level of overall assurance provided no further actions were considered necessary.

**SERVICE LEVEL RISKS / FRAUD & CORRUPTION RISK REGISTER**

As an innovative and proactive approach the Risk Team also developed an in-house checklist of potential operational fraud risks and interviewed service managers to complete it. The objectives were to make best use of the collective knowledge and experience of managers and to explore better ways of managing the risks identified.

A number of risk areas were identified where it was agreed that additional preventative measures should be introduced and these were compiled into a corporate Fraud and Corruption Risk Register for action by management.

The majority of the issues simply related to raising the awareness of existing procedures and arrangements.

However, a number of new initiatives were also identified, the most prominent of which involved the Benefits Enquiry Unit (BEU) which has recently been instrumental in developing a multi-agency relationship with the Police and other neighbouring authorities to utilise suspected cases of money laundering as a means of identifying potential benefit fraud cases.

Following the referral of a suspected housing benefit fraud / money laundering case to the Serious & Organised Crime Agency (SOCA) by the Council, the BEU has fostered a close working relationship with the Lancashire Police Financial Investigation Team which has led to further caseload for investigation and moreover is now currently being rolled out amongst other Lancashire authorities.


**IMPLICATIONS OF REPORT**

The Governance Committee's terms of reference require it to oversee all aspects of governance including risk management. This report gives members the assurance that the Council is effectively managing its fraud risks by ensuring compliance with current best practice in fraud risk management and the National Fraud Strategy.

All actions from this review will now be monitored and reported to members in accordance with the Internal Audit procedures for the follow up of actions agreed with managers.


**WIDER IMPLICATIONS**

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below.


| *FINANCIAL* | Ensures potential losses are minimized and increases the likelihood of detection. |
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| *LEGAL* | Clearly it is imperative that the Council continues to ensure that everything possible is done to prevent fraud and corruption.<br><br>Any incidents of fraud would not only have serious consequences for the individuals concerned but may also result in reputational damage to the Council – hence it is vital that we have a strong preventative culture in place. |
| *RISK* | Provides a comprehensive review of the Council's resilience to fraud risk using a proactive risk assessment approach to reducing risk exposure. |

| OTHER (see below) | | | |
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| Asset Management | Corporate Plans and Policies | Crime and Disorder | Efficiency Savings/Value for Money |
|---|---|---|---|
| Equality, Diversity and Community Cohesion | Freedom of Information/ Data Protection | Health and Safety | Health Inequalities |
| Human Rights Act 1998 | Implementing Electronic Government | Staffing, Training and Development | Sustainability |

## BACKGROUND DOCUMENTS

Audit Commission - Protecting the Public Purse
CIPFA - "Red Book 2"
Audit Commission - ICT Fraud and Abuse
Fraud & Corruption Risk Register