



Committee and Date

Audit Committee

19 September 2012

2:00 pm

Item

16

Public

COUNTER FRAUD PLAN 2012/13

Responsible Officer Ceri Pilawski

e-mail: ceri.pilawski@shropshire.go.uk

Tel: 01743 252027

1. Summary

The Government has recently released The Local Government Fraud Strategy¹. As part of this strategy, Councils are required to assess and understand fraud risks and hold a fraud risk register. This risk-based approach to fraud enables organisations to manage fraud risk more effectively and target their counter fraud resources more efficiently. Considering fraud risks as part of an organisation-wide risk assessment programme means that local authorities are able to assess their overall vulnerability to fraud, identify areas that are most likely to be affected and target counter fraud resources accordingly.

It is clear that while there will always be the incentive for some people to commit fraud and no more so than in times of pay cuts and economic uncertainty, there is also concern that fewer resources and cost-cutting may result in gaps in the control framework appearing and being breached.

In light of the above, the Council has re-evaluated its fraud risks for 2012/13 so that Internal Audit resources continue to focus on those areas most susceptible to fraud. A fluid fraud risk management process is one of the Council's key weapons in its fight against fraud and is essential for identifying potential fraud threats and weaknesses in controls to prevent fraud. The fraud risk assessment will be subject to an annual review and this will be used to inform future counter fraud work.

Appendix A sets out the methodology used to assess each inherent risk and as a result residual fraud risks have been identified and they are addressed by way of system reviews or appropriate targeted proactive counter fraud and corruption work.

¹ The Local Government Fraud Strategy, NFA 2012

2. Recommendations

The Committee is asked to consider and approve with appropriate comment, the Counter Fraud work plan.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The Council has in place an effective Counter Fraud, Bribery and Anti-Corruption Strategy and proactively encourages the detection of fraud and irregularities and the appropriate management of them. The Local Government Fraud Strategy identifies learning and best practice which if applied, will help to ensure optimum counter fraud management, resulting in fewer losses, lower insurance premiums and a reduction in time spent on investigations.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

- 4.1 There are no direct financial implications; however, strengthening our counter fraud culture and improving detection can only save money lost through fraud. If there are any unforeseen financial consequences, these will be subject of a further report to members.

5. Background

- 5.1 The Local Government Strategy is the result of an eight-month review led by the National Fraud Authority (NFA) and supported by the Department for Communities and Local Government (DCLG), the Local Government Association (LGA), local government representative organisations and council chief executives.
- 5.2 The strategy recognises as an urgent issue facing the country, the need to reduce the deficit. Fraud has a serious effect on all parts of the economy and is estimated to cost the UK economy in the region of £73 billion per year. The cost of fraud to local government is estimated at £2.2 billion a year, this money could be used for local services.
- 5.3 Every local authority is now being encouraged to identify and address their own levels of fraud by conducting a fraud risk assessment to assess their own fraud threat and ensure that counter fraud resources are targeted accordingly.
- 5.4 Provision has been made in the 2012/13 audit plan for Counter fraud work of 30 days, of which 15 days remain. Our fraud risk assessment identifies priority areas as qualification fraud, high overtime, high mileage claims and pool cars for audit review. Work has already begun on pool cars and high mileage claims and

the balance of the work is planned to be delivered over the next few months. The outcomes of this work will be reported to Audit Committee as part of our normal progress reports.

- 5.5 Members should note that the results of this assessment have reinforced the areas that would be traditionally targeted for counter fraud work, based on experience and knowledge of past patterns and has not delivered any surprises.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <p>The Local Government Strategy, NFA, April 2012</p> <p>NFA Fighting Fraud Together, The strategic plan to reduce fraud</p> <p>Annual review of Counter Fraud, Bribery and Anti-corruption Strategy and an update on the Government’s strategic plan entitled ‘Fighting Fraud Together’, Audit Committee, 10 November 2012</p> <p>Fraud Risk Assessment 2012/13</p> <p>Fraud Risk Assessment Methodology 2012/13</p>
<p>Cabinet Member (Portfolio Holder)</p> <p>Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)</p>
<p>Local Member n/a</p>
<p>Appendix A - Fraud Risk Assessment Methodology 2012/13</p>