

170. INTERNAL AUDIT FRAUD RISK ASSESSMENT- ADVISORY REPORT - MARCH 2019

The Committee considered the advisory report to carry out a Fraud Risk Assessment as requested by the Director of Resources, covering the period November 2018 to January 2019.

Before asking the Head of Internal Audit, Greg Rubins, to comment on findings the Director of Resources provided the background to this report. She informed the Committee that in 2015 Central Government decided to centralise all benefit fraud investigation work, however, this Council decided to retain their own fraud resource with an allocated budget. The result was a combined corporate fraud and planning enforcement resource.

In 2017 the Director of Resources asked for a review to take place, specifically requested by the section 151 Officer, as there were concerns regarding the resource and whether it was focussed on corporate fraud or planning enforcement. The report found that the Council was not doing counter fraud work as the resources were focussed on planning enforcement cases.

Mr Rubins then addressed the report and advised that for best practice purposes BDO had assessed the Council against the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance on counter fraud. He said he had seen both private and public sector organisations adversely impacted by corporate fraud. Furthermore, when going through transformation, there was an increased risk of fraud therefore close control over potential fraud was important. Whilst there was a basic framework in place and the fraud team was both experienced and knowledgeable, resources were inconsistently applied.

Assessment findings demonstrated a need to develop counter fraud resource by putting together a proper risk-based plan, a training plan for both Officers and Members, updated policies and strategies with resources applied to wider areas including procurement, HR and Finance. Alongside these measures regular reporting to Audit Committee on actions taken was crucial. He advised that once investment in this area occurs the Council may see an initial increase in reporting fraud and that this was quite normal as previously staff may not have been aware of fraud or what constituted fraud.

The Director of Resources advised the Committee that, from the outset, the Future Model had a resourced built-in activity to cover this area of work through either staff appointment or external contactor. She said that the review had shown how valuable counter fraud work can be to an organisation as it raised awareness / reporting and shone a light on fraud, which by its nature was hidden.

The chairman put the recommendations to the Committee and they were agreed.

RESOLVED

- (i) That Members reviewed the information as set out in this report and appendix 1 and their views and comments were sought;
- (ii) That it was recommended that the Finance and Corporate Services Committee receive and consider the findings of the Internal Audit Fraud Risk Assessment – Advisory Report – March 2019.