INTERNAL AUDIT REPORT

COUNTER FRAUD ARRANGEMENTS 2017/18
CIPFA CHECKLIST

Issue Date:	13th October 2017	*Issued to:*	Dawn Garton – Corporate Director
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Counter Fraud Arrangements 2017/18
Consultancy Report

1. Introduction

The Better Governance Forum and CIPFA Counter Fraud Centre have developed a tool designed to help councils measure their arrangements against the Code of Practice on Managing the Risk of Fraud and Corruption (the Code). As part of the 2017/18 review of the Council's overall counter-fraud arrangements Internal Audit has applied the tool based on its cumulative knowledge of the Council with input from the Corporate Director and Interim Monitoring Officer. The outcome of the assessment is presented in this report for information. Officers should consider any actions that may be necessary or desirable to strengthen the Council's current arrangements to achieve best practice.

2. Summary of findings

The conclusion from the CIPFA assessment is, as follows:

'Overall, the Council is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The leadership has acknowledged its responsibilities for managing the risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements in place to carry it out. The organisation is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the organisation and meeting the standards of the counter fraud code contributes to good governance. Whilst no organisation is 'fraud proof', the organisation has taken robust steps to ensure its resilience. This high level of performance should be acknowledged within the organisation's governance report.'

See exhibit 1 below and details of performance against each of the principles for further information.

Exhibit 1. Summary of overall assessment

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70%
60%
50%
40%
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10%
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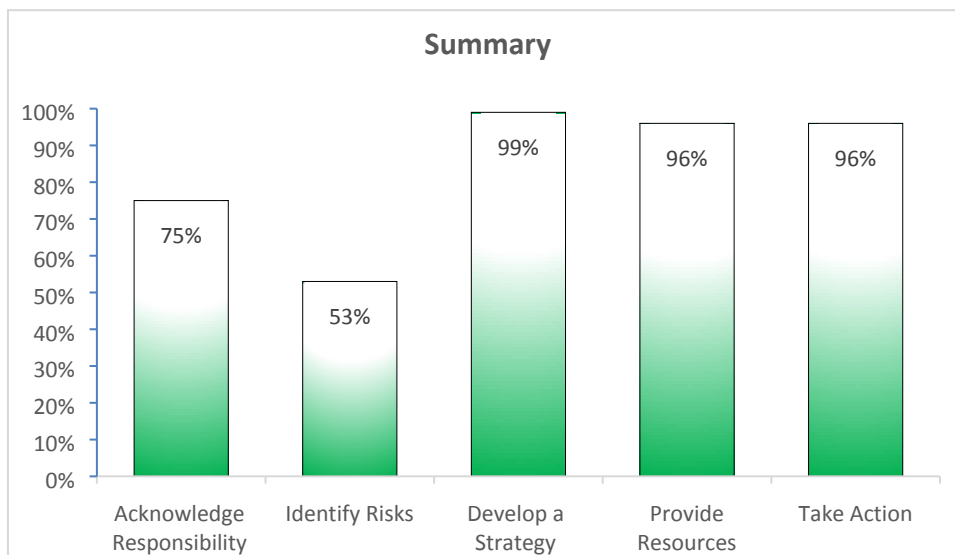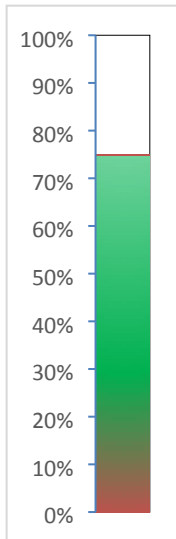
Principle A – *The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.* **Score: 75%**

The Council has reached a good level of performance against Principle A of the Code. The leadership team is acknowledging the risks and demonstrating positive leadership to help build an anti-fraud culture and proactively manage risk. There are some areas where more could be done on a regular basis to ensure the focus is maintained and publicly demonstrate the Council's anti-fraud commitment. For example:

- To pro-actively improve use of the partnership arrangement with Leicester City Council to maximise the use of specialist resources available;
- Ensuring that the harm that can arise from fraud is clearly identified in statements from the leadership team e.g. in publicity following fraud cases; and
- Including an assessment of how effectively the Council manages its fraud and corruption risks in the AGS.

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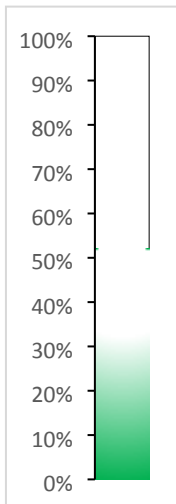
Principle B – *Fraud risk identification is essential to understand specific exposure to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.* **Score: 53%**

The Council has reached a basic level of performance against Principle B of the Code. This includes the identification of some risks. To improve, more would need to be done to ensure there that is a regular review of fraud risks to the organisation's principal activities and ensure arrangements for reporting and escalation of risks are robust. The organisation should ensure that it is regularly reviewing external evidence of fraud risks and supporting fraud risk awareness amongst its managers and staff. Specific actions could include:

- To include consideration of fraud risks in the planned review of the risk management strategy and corporate risk register; and
- To work with Internal Audit to undertake annual fraud risk assessments which can inform the Audit Planning process and take into account any national trends and increasing risks.
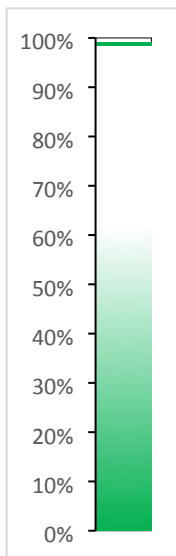
Principle C – *An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.* **Score: 99%**

The Council is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle C. The organisation has put in place a robust strategy to address its fraud and corruption risks and has defined responsibilities for implementation and oversight. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.
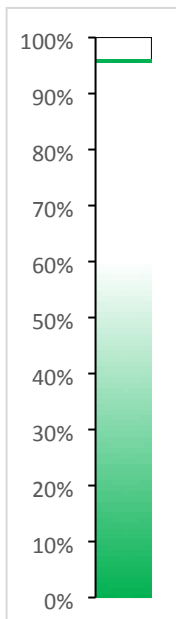
Principle D - *The organisation should make arrangements for appropriate resources to support the counter fraud strategy.* **Score: 96%**

The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle D. The organisation has put in place a robust process for reviewing its capacity and capability and aligns to its counter fraud strategy. The organisation's high level of performance in this area means it is taking robust steps to improve and maintain its resilience to fraud.
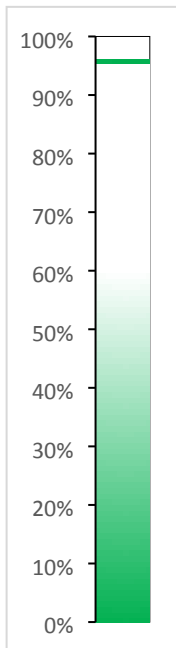
Principle E - *The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.* **Score: 96%**

The Council is meeting the standard set out in the CIPFA Code of Practice for Principle E. It is actively implementing the actions identified in its counter fraud strategy and responding effectively to the risks emerging. It reviews its performance and has arrangements in place to provide assurance and accountability. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.

3. The way forward

An action plan has been compiled based on the areas highlighted by this assessment and is provided in the Appendix. This should be a document that remains subject to ongoing review to continually strive to achieve best practice in fraud prevention and to reflect latest trends.

The assessment should be used to support the Council's review of its overall governance arrangements and preparation of the Annual Governance Statement (AGS).

4. Limitations to the scope of the audit

This assessment was supported by Internal Audit as an advisory or 'added value' service for the Council. It is not an assurance audit and consequently no opinion is provided on the effectiveness of the Council's arrangements and no formal recommendations for improvement have been made.

The conclusions given have been generated by the CIPFA toolkit.

The Auditor's work does not provide any guarantee or assurance against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.