

To: Audit & Governance Committee
Date: 24 July 2019
Report of: Head of Financial Services
Title of Report: Organisational Fraud Risk Assessment 2019

Summary and Recommendations

Purpose of report:

To inform Members of the updated Fraud Risk Assessment document and seek approval of the document and the draft Counter Fraud Work Plan

Key decision No

Executive lead member: Councillor Ed Turner

Policy Framework: Efficient & Effective Council

Recommendation(s): That the report be approved

Appendices

Appendix 1 Draft Counter Fraud Work Plan 2019 (exempt from publication)

Background

1. It is important that Oxford City Council understands the risks that it faces in terms of fraud, financial irregularity, bribery and corruption. The first stage in this process is to identify all areas of risk both internal and external to the organisation.
2. Fraud is one of the fastest growing crimes in the UK, especially cyber enabled fraud with the estimated loss to the Public Sector being in excess of £40 billion, and the cost to Local Authorities estimated at £7.8 billion.
3. This report introduces the Organisational Fraud Risk Assessment 2019, which is an update of previous fraud risk assessment documents, but also the first time that the Council has attempted to produce an inherent fraud risk document to identify all areas of risk. The Inherent Fraud Risk Assessment document is an ongoing piece of work.

4. The document captures the risks posed in all key business areas of the Council and therefore can be used to create Fraud Risk Assessment documents at Departmental or even more granular levels. The document enables the Council to establish the highest risks posed; in this case, the top twelve risks.
5. The next stage is to establish a Fraud Risk Measurement document in conjunction with the Council's Finance Team and based on the Council's budget book to understand the levels of money, which may be lost to fraud. This work is on-going and for the purpose of operational response, estimates will be made at a rate of 5% and 10% in terms of fraud loss.
6. The final stage is to identify how to deal with the risks using established fraud control methods and to link these to operational activity of the Council's Investigation Service and to the council's audit activity.
7. There are four acknowledged fraud controls, which are;
 - a. Responsive (or immediate)
 - b. Preventative
 - c. Detective (or investigative)
 - d. Disruptive
8. We have introduced a further control known as 'Educational'. This deals with the education of staff to understand how fraud occurs, and the education of customers to understand their responsibilities when dealing with the Council.
9. A Draft Counter Fraud Work Plan for 2019 is shown at **Appendix 1**. This plan will be used as a basis for counter fraud activity by the Oxford Counter-Fraud Team.
10. For the fraud risk assessment activity to be effective, it is the responsibility of every employee, Member and contractor to be vigilant and to report any incident that may arouse suspicion to the Council's Counter-Fraud Team.

Legal Issues

11. None

Financial Issues

12. The Council's gross budget for income and expenditure for 2019-20 is £156 million and £142 million respectively. Within this budget the council's share of £110 million of collectable business rates income is £9.2 million with the estimated amount charged to council tax being £14 million of the total collected of £90 million. In addition the Council collects around £42 million of rent income and has a budgeted capital programme of £100 million.
13. Increased payments or loss of income from fraudulent activity will both result in a drain on Council financial resources and ultimately the ability of the Council to provide essential services to its residents. As a result in not tackling fraud the Council's Chief Finance Officer would fail in his duty to 'make arrangements for the proper administration of the authorities financial affairs' under Section 151 of the Local

Government Act 1972 and the Council would fail in its fiduciary duty towards the taxpayers of Oxford city.

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List of background papers:

*Annual Fraud Indicator 2017 – University of Portsmouth

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