

**Joint Report of the Chief Constable and Chief Executive to the Chair  
and Members of the Audit & Internal Control Panel  
26<sup>th</sup> November 2009**

**Executive & Presenting Officer: Mrs Ann Hall, Assistant Chief Officer  
(Finance & Commissioning)**

**Status: For Decision**

**Audit Commission Fraud Initiative 2009**

**1. Purpose**

- 1.1 To inform members of the Audit Commission's National Report: *Protecting the public purse: local government fighting fraud*, and to implement the recommendations applicable to policing in order to assist the Force and Authority with a review of fraud prevention.

**2. Recommendations**

- 2.1 Members agree to a review of the current counter-fraud plans in line with the relevant recommendations in the Audit Commission's report (3.4 below).
- 2.2 Members agree that the relevant questions in the Audit Commission's counter-fraud *Checklist for those responsible for governance* (Appendix A) be completed as part of this review.

**3. Reasons**

- 3.1 The Audit Commission published its report on key fraud risks for local authorities and related bodies in September 2009, which is an overview of the threats of fraud facing local authorities. It calls upon local authorities to urgently review and re-assess their counter-fraud plans and to ensure that staff understand, and have faith in, whistle-blowing arrangements.

- 3.2 The report states that fraud is likely to increase because of the recession as economic distress increase incentives to fraud and public sector cost cutting may decrease controls to prevent and detect fraud.
- 3.3 Although the report has a main focus on fraud associated with social housing tenancy and council tax discounts, it also covers areas of particular interest to the Force and Authority; namely fraud associated with procurement, recruitment, abuse of position and insurance claims against the police. It is these areas of potential fraud, together with the ability of staff to report suspected fraud, that are most relevant to this Force and Authority.
- 3.4 The report's main recommendations relevant to policing are as follows:-
  - 3.4.1 Consider the possible impact of the recession on the risk of fraud and amend the counter-fraud plans if necessary;
  - 3.4.2 Ensure that the vetting procedures for recruiting permanent and temporary staff accord with meet the requirements of 'Protecting the public purse';
  - 3.4.3 Ensure contract letting arrangements are sufficiently robust to reduce the risk of procurement fraud and follow the latest Office of Fair Trading guidance to lessen the risk of illegal practices such as cartels;
  - 3.4.4 Use information from the Audit Commission's National Fraud Initiative (biennial data sets) to the full to help focus the fight against fraud;
  - 3.4.5 Improve staff awareness of money-laundering regulations and how they can report suspicions of money laundering and criminal activities;
  - 3.4.6 Seek to identify areas where internal controls may not be effective or operating as intended;
  - 3.4.7 Review the Authority's involvement in counter-fraud partnerships;
- 3.5 These recommended checks and actions can be carried out by the joint team responsible for the Use of Resources and Annual Governance Statement process for 2009/10.
- 3.6 The Audit Commission will in turn maintain the National Fraud Authority and the National Fraud Strategy by, amongst other things, undertaking annual surveys of existing and emerging risks, including the collection and collation of fraud data.

## **4. Implications**

### **4.1 Financial Implications**

The review will be undertaken using existing resources as part of the annual PURE and AGS process.

### **4.2 Diversity and Equal Opportunities**

There are no diversity and equal opportunities implications in this report.

### **4.3 Human Rights**

There are no human rights implications in this report.

### **4.4 Sustainability**

There are no sustainability implications arising from this report.

### **4.5 Risk**

The ethos of fraud prevention is to mitigate many of the financial and reputational risks faced by the business.

## **5. Conclusions**

- 5.1 This report is part of an ongoing process within both Force and Authority to embed effective fraud prevention processes and procedures.

Sean Price  
Chief Constable

## Appendix A: Counter-Fraud Governance Checklist

Item	Yes	No	Details	Actions Proposed
1. Have we committed ourselves to zero tolerance against fraud?				
2. Do we have appropriate strategies, policies and plans?				
3. Do we have dedicated counter-fraud resources?				
4. Do the resources cover all of the activities of the organisation?				
5. Do we receive regular reports on fraud risks, plans and outcomes?				
6. Have we assessed our management of counter-fraud resources against good practice?				
7. Do we raise awareness of fraud risks with:- <ul style="list-style-type: none"> <li>• New staff (incl. temps)?</li> <li>• Existing staff?</li> <li>• Members?</li> </ul>				
8. Do we join in appropriately with national, regional and local networks or partnerships to ensure that we are up to date with current fraud risks and issues?				
9. Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud?				
10. Do we identify areas where internal controls may not be performing as intended/				
11. Do we maximise the benefits of our participation in the Audit Commission NFI and receive reports on outcomes?				
12. Has there been a reassessment of fraud risks because of the recession and has the counter-fraud action plan been amended as a result?				
13. Have we reviewed our contract letting procedures against the good practice guidance issued by the Office of Fair Trading to reduce the risk of illegal practices such as cartels?				
14. Are we satisfied that our recruitment procedures are;- <ul style="list-style-type: none"> <li>• Preventing the employment of people working under false identities?</li> <li>• Validating employment references effectively?</li> <li>• Ensuring that applicants are eligible to work in the UK?</li> </ul>				
15. Do we have a report mechanism that encourages our staff to raise their concerns of money laundering?				