

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

26 January 2010

### Joint Report of the Chairman of the Audit Committee and Chief Internal Auditor

#### Part 1- Public

#### Delegated

## 1 REVIEW OF CIPFA MANAGING THE RISK OF FRAUD

### Summary

This report records the outcome of the self assessment against the principles set out in the CIPFA publication “Managing The Risk Of Fraud”. This self assessment was completed at an informal meeting between the Audit Committee members and the Chief Internal Auditor. Members are recommended to adopt these principles as part of the overall governance arrangements of the Council.

### 1.1 Introduction

1.1.1 CIPFA published their Managing the Risk of Fraud – Red Book 2 in October 2008. The book was prepared by their Better Governance Forum. The Better Governance Forum is a CIPFA Group set up to promote governance and is financed through a membership scheme. These aims are achieved through a dedicated website where best practice examples are available and through training sessions.

1.1.2 Another publication from CIPFA was “Audit Committees – Practical Guidance For Local Authorities (2005)”. This document was commonly used as the basis for setting up Audit Committees and included within this document was a checklist to measure the effectiveness of Audit Committees. Included within this checklist was the requirement for Audit Committees to adopt the CIPFA Managing the Risk of Fraud publication.

### 1.2 Managing the Risk of Fraud – Red Book 2

1.2.1 The publication is made up of a series of questions referenced to examples of considered best practice. Unfortunately, the best practice examples are contained within a secure website of the CIPFA Better Governance Forum website and to obtain access requires membership of this forum costing in excess of £2000 per annum. Membership of this forum had been considered previously but was considered not to be cost effective.

1.2.2 In order to enable the Audit Committee to consider whether they should adopt the principles set out in the Red Book 2 a checklist was prepared of the questions contained within and an informal meeting was held between Members of the Audit Committee and the Chief Internal Auditor on 8 December 2009 to consider these questions and the level of assurance that could be placed upon the controls in place at Tonbridge & Malling.

1.2.3 The results of this review are contained in the attached checklist. **[Annex 1]**

1.2.4 As can be seen from the checklist responses it is considered that the Council is compliant with all of the principles within the Red Book 2 and there were no action points identified as the result of reviewing this publication. It is therefore considered appropriate for the Audit Committee to adopt the publication.

### **1.3 Legal Implications**

1.3.1 There are no legal implications arising from this report.

### **1.4 Financial and Value for Money Considerations**

1.4.1 Adopting the principles contained within this publication recognise that these principles are designed to minimise the risk of loss through fraud and corruption. There are no additional costs identified with adopting these principles as it is considered that the Council is already compliant with them.

### **1.5 Risk Assessment**

1.5.1 Failure to have adequate measures in place to prevent fraud and corruption could lead to a high likelihood of losses occurring. It is considered that the current level of activity is sufficient to meet the principles of the Big Red Book 2 and therefore to minimise losses through fraud and corruption.

### **1.6 Recommendations**

1.6.1 It is recommended that the Audit Committee adopt the principles for managing the risk of fraud as set out in the CIPFA Managing the Risk of Fraud – Red Book 2.

Background papers:

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Managing the Risk of Fraud – Red Book 2 –CIPFA  
London 2008

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