

Meeting  
07/05/10

Agenda Item  
22

Reference No  
HEFCW/10/51

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## **1 Issue**

As a basis for establishing HEFCW's procedures for the management of fraud risk and developing and promoting an anti-fraud culture within the organisation, Council approved HEFCW's first Fraud Policy Statement and Fraud Response Plan in December 2009. This was to be followed by establishing and embedding a fraud risk register as part of HEFCW's routine procedures for the management of risk.

## **2 Rationale for paper**

The contents of this paper were presented to and discussed by the Audit & Risk Committee at its meeting in March 2010. It sets out the results of the first annual fraud risk review carried out by all teams. It also reports on a self-assessment of HEFCW's fraud risk management procedures to provide a review of progress made to date and to set out further steps to be taken for improvement.

## **3 Recommendations**

### **3.1 Council is invited to:**

- i. Note the outcomes of the first annual fraud risk review carried out by teams. This has not identified any fraud risks above the reporting threshold to be included in a Corporate Fraud Risk Register;
- ii. Note the contents of the self-assessment report and the proposed actions arising for 2010-11.

## **4 Timing for decisions**

- 4.1 Council is not required to make any decisions as this paper is for information purposes only.

## **5 Council members' interests**

- 5.1 No conflicts of interests have been declared in advance of the meeting.

## **6 Further information**

- 6.1 Further information can be obtained from Nick Williams (Tel 029 20682299 ; E-mail: [nick.williams@hefcw.ac.uk](mailto:nick.williams@hefcw.ac.uk).)

## **7 Background**

At the October 2009 Management Board meeting, it was agreed that the approach to establishing a Corporate Fraud Risk Register should be proportionate to the potential risks and should avoid duplicating existing effort or documentation. It was also agreed that each team would need to hold their own fraud risk register which could work as a 'subset' of their current risk registers.

Each team was required to assess the organisation's vulnerability to fraud, identifying their areas of activity most vulnerable to fraud and then to evaluate the scale of fraud risk.

## **8 Outcome of fraud risk review by teams**

- 8.1 No team has identified any fraud risk above the risk tolerance boundary which would necessitate its inclusion in a Corporate Fraud Risk Register for presentation to the Audit & Risk Committee and to Council.
- 8.2 In order to allow the Committee and Council to review and agree the findings of each team, a record of their discussions and outcomes is attached. The format and method of recording team findings varies, some using the HEFCW standard risk register format, others using note form. The Committee may wish to agree on the method or methods used by teams to record fraud risk review findings in order to provide assurance to the Committee that the process has been carried out effectively and to enable each annual review to assess any change. (It was agreed by the Committee at the March meeting that standardised reporting should be required from teams in future).
- 8.3 Because of the nature of their activities, the Resources' team has recorded its findings covering Finance & Payroll and HR in the standard format of the HEFCW operating risk register. Only those which have been considered to be sufficiently vulnerable to fraud have been recorded in the register (see Annexes A1 & A2).
- 8.4 The Business, Research and Communities' team has also recorded its fraud risks in the format of the HEFCW risk register (see Annex B). The Governance, Leadership and Information team has summarised its approach in Annex C attached but has also included the details of its fraud risk as part of its operating team risk register. The Strategy, Learning and Funding and Estates and Procurement teams have opted to summarise their findings in note form (see Annexes D & E).
- 8.5 The 'internal' risks identified by the teams other than the Resources' team have all been addressed within the Finance and HR sections of the Resources' fraud risk register.
- 8.6 Many references to 'external risks' recorded by teams note the assurance we get from sources such as internal audit reports on the financial controls which exist at HE institutions in respect of funding claims, funding allocations or data returns. (At its March meeting, the Committee was satisfied that all such risks have been properly recognised and that our controls are operating efficiently).

## **9 Outcome of a self-assessment of HEFCW's fraud and risk management procedures**

- 9.1 This self-assessment is based upon the document 'Managing the Risk of Fraud' produced by the CIPFA Better Governance Forum and enables us to gauge our rate of progress in putting arrangements in place to counter fraud and corruption.
- 9.2 The report 'Managing the Risk of Fraud – Actions to Counter Fraud and Corruption' (see Annex F) has been completed by the Head of Resources. This report addresses the various stages in the process of managing the risk of fraud. ie Adopting the right strategy; accurately identifying the risks; creating and maintaining a strong structure; taking action to tackle the problem; and defining success.
- 9.3 The outcome of this self-assessment indicates that we now have many of the basic procedures in place to manage the risk of fraud, but not surprisingly, there are a number of additional actions we should consider taking to build on these initial steps taken. (A number of potential action points were discussed at the March Committee meeting and those agreed are set out below).
- 9.4 Action points for 2010-11 arising from the self-assessment report are:
- Link the counter fraud and corruption strategy to HEFCW's overall strategic aims (report reference 1.1).
  - Arrange formal (professional) training for the Head of Resources who is one of the officers responsible for fraud risk management and the implementation of the Fraud Response Plan (ref 3.4).
  - Review of HEFCW's Fraud Policy Statement and Fraud Response Plan in late 2010 (ref 4.1).
  - Combine a 'raising fraud awareness' seminar with a 'general operating risk' seminar for HEFCW staff to develop a culture of anti-fraud and corruption (ref 4.1).

## **10 Next steps**

- 10.1 Implement the agreed action points above in 2010-11.
- 10.2 Teams to review fraud risk annually, subject to any significant operational changes, and a Fraud Risk Update Report to be presented to the Committee in March 2011 and to Council in May 2011.

## **11 Financial implications**

- 11.1 Other than some potential additional external training costs (see 9.4 above), there are no other financial implications arising from this paper.

## **12 Communications implications**

- 12.1 There are no communications implications arising from this paper.

### 13 Diversity and equal opportunities implications

13.1 This paper has no implications for age, disability, gender, race, religious belief, sexual orientation or the Welsh language.

### 14 Risk Assessment

RISK	ACTION TO ADDRESS RISK
HEFCW does not comply with public sector governance requirements to put in place arrangements for preventing, countering and dealing with fraud.	The development of a Corporate Fraud Risk Register and a process of team fraud risk reviews will reinforce HEFCW's arrangements to prevent, counter and deal with fraud.

### 15 Further information

For further information contact Nick Williams (Tel 029 2068 2299; e-mail: [nick.williams@hefcw.ac.uk](mailto:nick.williams@hefcw.ac.uk)).

### Annexes

Annexes A1 & A2 – Resources' team fraud risk register

Annex B – Business, Research and Communities' team fraud risk register

Annex C – Governance, Leadership and Governance team fraud risk summary

Annex D – Strategy, Learning and Funding team fraud risk summary

Annex E – Estates and Procurement fraud risk summary

Annex F – HEFCW self-assessment report 'Managing the Risk of Fraud – Actions to Counter Fraud and Corruption'