

AUDIT AND ACCOUNTS COMMITTEE

21 APRIL 2021

FRAUD RISK ASSESSMENT

1.0 Purpose of Report

1.1 This report is to inform Members of the update of the Fraud Risk Register undertaken during February 2021.

2.0 Background Information

2.1 A fraud risk assessment was first undertaken in June 2014 and a fraud risk register produced and presented to the Committee.

2.2 The fraud risks are reassessed periodically and the register updated. The amended Fraud Risk Register as at February 2021 is attached at Appendix A.

3.0 Work Undertaken

3.1 All of the existing risks have had an in depth review by the Business Manager – Financial Services and the risk owner. These were all considered as to whether there are new fraud types within the risk and whether the controls reflected the current environment.

3.2 The risk scores were then reviewed to determine whether the impact or likelihood of any of the frauds occurring has changed since the last review.

3.4 The final part of the exercise was to consider whether any further actions were appropriate which would lead to further controls being in place. These further actions are measureable and were given a timeframe for completion.

4.0 Results

4.1 Eighteen areas of the Council's activities are considered to be at the risk of fraud, four of which have sub-categories within them. The type of risk is dependent on the service. Based on the existing controls, of those risks, seven are currently considered to be medium risk (amber) and fifteen are low risk (green).

4.2 During the assessment process, it was felt that three of the risk scores needed to change from the assessment carried out during February 2020. The three that changed were:

NNDR Fraud – it was felt that the likelihood of fraud occurring in this area was heightened in the current environment, whilst the controls that we have in place mitigate the potential impact.

Economic and Third Sector Fraud – it was felt that the likelihood of this fraud occurring was heightened due to the current grant claim process for business grants. There have been a number of attempts of fraud which officers have found whilst administering the grants on behalf of Government, and hence the opportunity for fraud to occur is greater.

Cyber Fraud – It was felt that whilst the impact is major on the organisation in terms of reputation and potential penalties, that the likelihood was possible, as the mitigations and controls that the ICT Business Unit have in place would reduce the likelihood of a successful attack.

4.3 The further actions that have been implemented up to April 2021 which will help to mitigate fraud risks include:

Housing Benefit Fraud

- Verification of National Insurance number, proof of employment, residence, financial standing and dependents within the household

Procurement & Contract Fraud (Contracts)

- External Procurement Team independent to the Council assists with procurements
- Electronic tender system used for receipt of tenders

Employment (Recruitment Fraud)

- IR35 assessment in place and regular reminders/refreshers sent to all managers on the engagement of agency workers and consultants

Electoral Fraud (Electoral Registration)

- Controls within Electoral software in order to flag unusual registration activity

Insurance Fraud

- External claim handlers have specialist software to identify fraudulent claims
- Letter included within insurance pack when sent through to claimant detailing their responsibilities regarding fraudulent claims

Housing Fraud

- Participation in the National Fraud Initiative through supply and matching of application, tenancy and Right to Buy data
- Tenancy Audit Programme provides an ongoing detection and prevention of tenancy fraud through, checking, verifying and updating records of tenants and occupants

Economic & Third Sector Fraud

- Use of NFI and Spotlight for pre and post payment checks for Business Grants
- Verification of business on Business Rates system for Business Grants

4.4 There are a number of new actions that need to be put in place:

Housing Benefit Fraud:

- Refresh Housing Benefit Anti-Fraud Strategy by March 2022
- Training on Housing Benefits processes to the Housing Management Business Unit by September 2021
- Review website for communications and publicity by December 2021

Council Tax Support Scheme:

- Review the use of the powers available under the Local Government Finance Act 1992 in respect of Local Council Tax Support and present to Management for approval by December 2021

Council Tax Fraud

- Review all s13A exemptions and discounts for appropriateness and continued eligibility by 31st March 2022

NNDR Fraud

- Proactive NNDR review – Use analytical approach to target main business rate payers in line with best practice by December 2021

Credit Income and Refund Fraud

- Review current credit balances and suspense, and return to monthly reviewing from October 2021
- ‘joined up’ refund process review across all Council services by October 2021

Procurement and Contracts Fraud (Contracts):

- Annual review of contract management performance of a selection of key contracts
- Spot checks to ensure CPR’s compliance by July 2021
- All staff to receive fraud awareness e-learning by May 2021
- Review Contract Procedure Rules by March 2022

Procurement and Contracts Fraud (Payments)

- Review “off contract” spend through use of transparency data by July 2021
- All staff to receive fraud awareness e-learning by May 2021

Bank Fraud:

- All staff to receive fraud awareness e-learning by May 2021
- Sign up to NAFN for fraud updates by May 2021

Investment Fraud:

- All staff to receive fraud awareness e-learning by May 2021

Assets (Land and Property)

- Adoption of Acquisition and disposal policy by September 2021

Assets (Equipment)

- Adoption of Acquisition and disposal policy by September 2021
- All staff to receive fraud awareness e-learning by May 2021

Employment (Recruitment Fraud)

- Request to see copies of new starters' bank statements to satisfy ourselves that monies paid are receipted into their accounts by April 2021
- Ensure managers know the signs of trafficking so they can raise concern as appropriate by providing annual refresher training by September 2021

Employment (Payments)

- Data analysis of payroll information and costs by July 2021
- All staff to receive fraud awareness e-learning by May 2021

Insurance Fraud

- All staff to receive fraud awareness e-learning by May 2021

Money Laundering

- All staff to receive fraud awareness e-learning by May 2021

Electoral Fraud (Elections)

- Update control documents and instructions for all election type activities by April 2021

Electoral Fraud (Electoral Registration)

- Update integrity Plan by July 2021

Development Management

- All refunds where the application has been made through the Planning portal, to be refunded through that process, where all other refunds will require an image from the bank account to show originating bank details by June 2021
- Implement Uniform processes for Enforcement cases to counter potential bribery and corruption by December 2021
- Refunds of application fees to be authorised by Business Manager – Planning Development or Planning Technical Support Manager by April 2021
- Investigate Uniform software for planning cases to ensure case officer cannot sign off and issue their own decision by September 2021

Housing Fraud

- Develop relationship between Housing & Revenues and Benefits to enhance sharing of information in order to have a collaborative approach to fraud detection by June 2021
- Inclusion of the annual number of sub-letting reports in the Council's approved performance monitoring framework by September 2021.

4.5 Twelve of the risks have achieved their target score. For the ten that are still above the target score, there are actions in place to mitigate further.

4.6 The Fraud Risk Register will be updated and reported to the Committee annually. The risks, controls, current risk scores and target scores, and further actions, will be added to the Pentana system to ensure regular monitoring is undertaken. Progress on implementing further actions will be reported in the bi-annual Counter-Fraud activity report to the Committee.

5.0 Equalities Implications

5.1 There are no equality implications in the report.

6.0 Financial Implications (FIN20-21/4959)

6.1 The further actions detailed in the Fraud Risk Register can be achieved without impacting on current Council budgets. Fraud, if it occurs, could be a serious drain on the Council's resources.

7.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

To promote a strong counter-fraud culture, it is important that Members are aware of the Council's fraud risks and the controls in place to mitigate them.

Background Papers

None

For further information please contact Nick Wilson on Ext 5317

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