

AUDIT & ACCOUNTS COMMITTEE
30 SEPTEMBER 2020

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 2020.

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 2020 is attached at Appendix A.

3.0 Work Undertaken

3.1 All of the services provided by the Council have been reviewed to understand whether there are any new areas where fraud might occur. The types of fraud have also been considered to determine if there are any new risks to the Council.

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.

3.3 Estimates of potential fraud losses have been calculated based on rates of fraud identified by the National Fraud Authority.

3.4 The final part of the exercise was to consider whether any new controls had been put in place during the year, whether the further controls identified last time had been implemented and whether there were any new controls that could be put in place to further reduce the risk.

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 none of the risk scores needed to change from the assessment carried out during February 2019.

4.3 The further actions that have been implemented up to February 2020 which will help to mitigate fraud risks include:

Procurement and Contracts Fraud (Contracts)

- Future housing capital expenditure previously managed by Newark and Sherwood Homes are to be channelled through the Council's Proactis e-tendering platform;

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

Credit income and refund fraud:

- Joined up refund process review across services

Housing Benefit:

- Further Collaborative working with other areas of the Council;
- Consider taking part in the DWP Accuracy Initiative (October 2020)

Procurement and Contracts Fraud (Contracts):

- All procurements to be entered onto the Councils contract system;
- Annual review of contract management performance of a selection of key contracts;
- Spot checks to ensure CPR's compliance
- Actions from lessons learned

Procurement and Contracts Fraud (Payments)

- Review "off contract" spend through use of transparency data
- Proactive reviews of Interests, Gifts and Hospitality register

Bank Fraud

- Issue bank mandated fraud guidance to relevant staff

Employment (Recruitment Fraud):

- Review of processes around agency workers (claims etc) to ensure robustness
- Extend pre-employment checks to reduce risks around possible employment of those that have been subject to people trafficking

Employment (Payment Fraud):

- Data analysis of payroll information and costs

Money Laundering

- Communications and training to embed updated policy once complete

Cyber Fraud

- Benchmark against National Cyber Security Centre – 10 Steps to Cyber Security

4.5 Twelve of the risks have achieved their target score. For the ten that are still above the target score, in most cases this is due to the Council being able to do little to prevent the likelihood of the fraud occurring.

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 Covalent 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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