

AUDIT AND RISK COMMITTEE

8TH April 2014

FRAUD RISK REGISTER

Report of the Monitoring Officer

STRATEGIC AIM:	All
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1. PURPOSE OF THE REPORT

- 1.1 To present proposals for a Fraud Risk Register, which will contain a list of areas where officers believe the Council is susceptible to fraud. This Register will enable the Council to focus on suitable controls to mitigate any subsequent risk. The list at Appendix A has been derived from areas that are defined as a risk by the regulatory sector and other Local Authorities. It is important to note that this list is simply a table of risks at this stage; no controls are included as this will eventually form part of a formal Fraud Register.

2. RECOMMENDATIONS

- 2.1 That the Audit and Risk Committee consider the proposed list, which will provide a basis upon which to form a Fraud Risk Register and contribute as appropriate at this stage to ensure the final document fully captures areas of risk. It is also recommended that the Committee continues to review this process as the Fraud Risk Register develops over the next few months.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 Part of delivering good governance as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Audit Commission is ensuring counter fraud arrangements are in place and operating effectively.
- 3.2 The Council has developed a Counter Fraud Strategy, which has been communicated to and is regularly reviewed by the Audit and Risk Committee. This approach requires the Council, through management, to continuously assess those areas most vulnerable to the risk of fraud to help protect resources.
- 3.3 In developing a Fraud Risk Register, the Council will:

- Help Directorates to meet the requirements of the Counter Fraud Strategy
- Assess fraud risks, on a more formal basis, by identifying areas vulnerable to fraud and mitigating action taken through the provision of a robust control environment
- Strengthen the overall governance arrangements through the management of a comprehensive Register
- Enable the Council to demonstrate to internal and external audit, and other stakeholders, that it is fully aware of fraud risks and communicate these as required
- Help direct proactive work on countering fraud

4. RISK REGISTER

- 4.1 A draft Fraud Risk Register will be developed over the next few months using the following strategy:
- Review of national information on potential fraud areas including information from CIPFA and the Audit Commission.
 - Discussion with officers in Directorates to identify their view on fraud risk areas, controls in place and potential for developing further controls
 - Benchmarking against Fraud Risk Registers produced by other Councils
- 4.2 Ownership of the Register will rest with the Director of Resources. However, individual Directors will take responsibility for reviewing and monitoring their own fraud risks.
- 4.3 Member oversight of the Register will be provided by the Audit and Risk Committee, who will be annually appraised of changes and other developments.

5. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	The recommendation can be implemented immediately within minimal officer input.
Viability	Low	As above.
Finance	Low	There are no direct financial implications arising as a result of this report.
Profile	Low	There may be some public interest in the content but this is unlikely to be significant.
Equality and Diversity	Low	No impact assessment has been carried out as there are no direct implications.

Background Papers
Report No. 18/2014

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**A Large Print or Braille Version of this Report is
available upon request – Contact 01572 722577.**

Proposed areas for inclusion on Fraud Risk Register			
Number	Issue	Potential Perpetrator	Comments
1.	False references/work history/qualifications/right to work visas resulting in inappropriate appointment	Potential/ existing Officer	
2.	Expenses – falsification of expense sheet/receipts to claim more than is due i.e. wrong mileage or expenses not incurred or inflated.	Member/ Officer/ Interview Candidate	
3.	Expenses – false claims for journeys/expenses not incurred.	Member/ Officer	
4.	Payroll - adding additional hours to timesheets for work not delivered	Officer	
5.	Payroll - Phantom employee - setting up false employees on systems	Officer	
6.	Payroll - Phantom employee - setting up false employees on systems	Officer	
7.	Payroll – spurious payments e.g. bonuses.	Officer	
8.	Suppliers – overpayment of suppliers for work not completed, invoiced twice or false invoices	Suppliers	
9.	Suppliers – payments to fictitious suppliers	Officer	
10.	Procurement – bias in selection of suppliers or failing to follow due process.	Officer	
11.	Procurement – accepting corrupt payments from suppliers.	Member/ Officer	
12.	Procurement – not disclosing a conflict of interest or distorting position.	Member/ Officer	
13.	Cash theft/ misappropriation – from safe or from tills where	Officer	

Proposed areas for inclusion on Fraud Risk Register			
Number	Issue	Potential Perpetrator	Comments
	cash is collected e.g. museum		
14.	Cash - Giving invalid 'discounts' and/or 'free' services to family/friends	Officer	
15.	Income – not charging in line with agreed fees and charges	Officer	
16.	Council tax/business rates – obtaining discounts by failing to declare information/changes of circumstances	Customer	
17.	Council tax/business rates – failing to register for billing purposes	Customer	
18.	Benefits – obtaining discounts and/or benefit payments using false or inaccurate information.	Customer	
19.	Blue Badge – obtaining badge/replacement using false or inaccurate information.	Customer	
20.	Banking – transferring money to own account or non-legitimate account (through production of duplicate invoices/ Diversion to another bogus account, for example.	Officer	
21.	Imprest accounts - expenditure vouchers completed for current service users who don't actually request cash, with the money pocketed by the employee	Officer	
22.	Imprest accounts – used for non-business expenditure	Officer	
23.	Card fraud - Misuse of customer credit/debit card details when given to a member of staff to carry out specific requests i.e.	Officer	

Proposed areas for inclusion on Fraud Risk Register			
Number	Issue	Potential Perpetrator	Comments
	shopping, cash deposit from bank etc.		
24.	Income – write off of collectable debt without valid reason	Officer	
25.	Social care - Service users claiming more as a result of failure to notify all assets.	Customer	
26.	Social care - Direct payments – misappropriation of funds or incorrect claim by recipients	Customer	
27.	Residential care - Service users paid for in care homes or their own homes which are no longer in receipt of care.	Supplier	
28.	Residential care - Over payments made by the County Council not reported by care providers.	Supplier	
29.	Residential care - Provider not informing the County Council, or delaying notification of 'deceased' resident and continue to receive payment.	Supplier	
30.	Insurance – false insurance claims	Customer	
31.	Gifts and hospitality - acceptance of overly generous gifts and/or hospitality from suppliers/third parties	Member/ Officer	
32.	Licenses – obtaining licences through provision of false information	Customer	
33.	Assets – misappropriation or theft of council assets by staff/public	Officer/ Customer	
34.	Acquisitions/Disposals – accepting corrupt payments or failing to follow due process.	Officer	

