

SUBJECT:	FRAUD RISK REGISTER
DIRECTORATE:	CHIEF EXECUTIVE
REPORT AUTHOR:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 To update members with the latest version of the fraud risk register.

2. Executive Summary

2.1 As part of the Council's fraud strategy a counter fraud risk register is maintained, and members are requested to consider this annual update.

3. Background

3.1 The Audit committee has a responsibility within its terms of reference to monitor the Council's anti-fraud and anti-corruption arrangements including an assessment of fraud risks.

3.2 The register was last updated in December 2019.

4. Risk register

4.1 Highest risks

The register includes a range of Amber risks

Highest Amber risks:

13 - ICT – high (Critical) impact

15 – Council Tax – high (probable) likelihood

Other Amber risks with “possible” likelihood or “major “ impact:

2 -Procurement

3 -Creditor payments

9 -Treasury

10 -Property

11 -Grants

17 -CTS

18 -HB

19 -Housing

23 -Election

24 -Bribery

25 -Scams

26 -Identity fraud

4.2 New risks

There were no new fraud risks included but government covid grants were added to risk 11 “Grants - Housing and Economic Support / Third Sector”

4.3 Removed risks

None

4.4 Changes in risk score

Risk 11 grants - now 2,2 on target risk, was 1,2

Risk 25 scams - now 2,2 on target risk was 1,2

4.5 Mitigation/Actions

Some of the main mitigations for the highest risks are:

15 Council Tax

The latest bulk review was due to be undertaken during April –August 2020 and then on a rolling review from October 2020 onwards (pending successful tender process). However due to COVID the SPD bulk review has been postponed until April – August 2021, with the rolling review starting October 2021 (post tender process).

13 IT/Data/Cyber fraud

Finalise updated IT security policies and roll out
Cyber security training
Anti-malware audit recommendations
Finalise IT risk register
PSN compliance
Cyber essentials
IT projects (relevant security projects)
IT DR project work

(all these actions are included within existing audit recommendations or the ICT project register/risk register)

4.6. Links to CIPFA Fraud and Corruption tracker 2019

The CIPFA fraud and corruption tracker highlights the following as key fraud risks and comparison to our own risk assessment :

CIPFA	ColC Risk Score
Council tax	Amber
Disabled parking	N/A
Housing fraud	Amber
Business rates	Green

And other risks as:

CIPFA	CoIC Risk Score
Adult social care	N/A
Insurance	Green
Procurement	Amber
No recourse to public funds/welfare assistance	Amber
Economic and voluntary sector support and debt	Amber
Payroll, recruitment, expenses and pension	Green
Mandate fraud and manipulation	Amber

The CIPFA survey shows that Council tax fraud represents 78% of the identified instances of fraud with an estimated value of £30.6m followed by disabled parking concession (Blue Badge scheme) and housing frauds representing 10% and 5% of the total cases of UK public sector fraud, respectively

The survey highlights a steady downward trend in the number of housing and tenancy related frauds detected/prevented, decreasing by roughly 20% year-on-year. This trend likely indicates successful efforts by local authorities to tackle housing fraud and remove illegally sublet properties from the system. The main types of housing fraud are Right to buy and Illegal sublet with other tenancy frauds that are neither right to buy nor illegal sublet, and may include succession and false applications.

Business rate fraud in the survey represents 2% of the total estimated number of fraud cases detected or prevented in 2018/19. This represents a marginal increase from the previous year's figure of 1.7% and is reflected in the fact that councils reported it as the fifth highest fraud risk area on a national scale and third highest specific to districts. Examples of business rates fraud include fraudulent applications for exemptions, tax relief and the failure to list properties as being a business address. It often takes a visit from someone in the fraud team to discover the truth. Even with the increased percentage overall, the estimated loss decreased to £8m from £10m the previous year.

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

There are no direct financial implications.

5.2 Legal Implications including Procurement Rules

There are no direct legal implications

6 Recommendation

6.1 That the Audit Committee note and comment on the fraud risk register

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? One

List of Background Papers: None

Lead Officer: John Scott, Audit Manager
Telephone (01522) 873321