SUBJECT: **FRAUD RISK REGISTER – ANNUAL REVIEW**

DIRECTORATE: **CHIEF EXECUTIVE AND TOWN CLERK**

REPORT AUTHOR: **AMANDA STANISLAWSKI, AUDIT MANAGER**

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1. Purpose of Report

1.1 To provide Audit Committee members with an update on 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 This review was a light touch exercise following an-depth review in January 2021.

4. Risk register

4.1 The Fraud Risk Register contains 27 risks - none are Red, 14 are Amber and 13 are Green.

The risks and risk levels are;

Risk No	Description	Rating	Likelihood	Impact
1	Contracting / contract management	Green	Possible	Minor
2	Procurement	Amber	Possible	Minor
3	Creditor Payments	Amber	Hardly Ever	Major
4	Income Collection	Green	Hardly Ever	Negligible
5	Debt management	Green	Hardly Ever	Minor
6	Money Laundering	Green	Hardly Ever	Negligible
7	BACS / Cheques	Green	Hardly Ever	Minor
8	Payroll / employees	Green	Hardly Ever	Negligible
9	Treasury management / investments	Amber	Possible	Minor
10	Property, land & equipment	Amber	Hardly Ever	Major
11	Grants (Housing, Economic Support, Covid)	Amber	Possible	Minor
12	False Accounting	Green	Possible	Minor
13	IT / Data / Cyber Fraud	Amber	Possible	Critical
14	Insurance	Amber	Hardly Ever	Minor
15	Council Tax	Amber	Probable	Minor

16	Business Rates	Green	Hardly Ever	Minor
17	Council Tax Support Scheme	Amber	Possible	Minor
18	Housing Benefits	Amber	Possible	Minor
19	Housing	Amber	Possible	Minor
20	Development Management	Green	Hardly Ever	Minor
21	Theft / Asset misuse	Green	Possible	Negligible
22	Refund fraud	Green	Hardly Ever	Negligible
23	Election fraud	Amber	Hardly Ever	Major
24	Bribery & Corruption	Amber	Hardly Ever	Major
25	Scams	Amber	Possible	Minor
26	Identity fraud	Amber	Possible	Minor
27	Fraud (forgery / falsification / non-disclosure / abuse of position)	Green	Hardly Ever	Minor

4.2 No risks have been added or removed.

4.3 There have minor changes to current and target risk scores for two risks;

- Risk 13 – IT / Data / Cyber Fraud. The risk remains Amber (with a Critical Impact) but the target Likelihood score has changed from Hardly Ever to Possible as the Business Development Information Technology Manager feels that the likelihood score can never be reduced.

- Risk 21 – Theft / Asset misuse. The risk remains Green (with a Negligible Impact) but the current Likelihood score has changed from Hardly Ever to Possible as the Chief Finance Officer feels that there is an increased opportunity for loss due to working from home.

4.4 Mitigations are in place for all risks.

Some of the main mitigations for the two highest risks are:

13 - IT / Data / Cyber fraud
- New IT security policies approved and being rolled out in 2022
- Cyber security refresher training for all staff in 2021/22
- Completion of Anti-malware audit recommendations
- IT risk register (risk and mitigation review)
- Public Sector Network (PSN) compliance
- Cyber essentials
- IT Disaster Recovery project ongoing

15 - Council Tax
- The Lincolnshire Counter Fraud Partnership is leading on the introduction of a continuous rolling review. This was due to start during 2021/22 but has been delayed until the second half of 2022/23.

4.5. CIPFA Fraud and Corruption tracker

CIPFA provide a national picture of public sector fraud and corruption activity to help local authorities identify and implement mitigating actions.

The key findings from the latest exercise in 2020 were;

- For local authorities in the UK, the total value of fraud identified and prevented in 2019/20 is approximately £239.4m.
- Council tax continues to be the largest area of identified fraud for councils, with more than 30,600 cases totalling £35.9m in 2019/20
- The two highest perceived fraud risk areas for 2019/20 are again procurement and council tax Single Person Discount.
- 32% of respondents stated their organisation had been a victim of a Distributed Denial-of-Service (DDOS) / hacking attack in the last 12 months, a 5% increase from the previous year.
- In 2019/20 – prior to the COVID-19 grant disbursement – grant fraud represented just 0.3% of the total identified instances of fraud in the UK's local government sector. Valued at an estimated loss of £36.6m, the report reveals only 161 instances of grant fraud occurred in 2019/20.

All the above areas are monitored and considered for review by Internal Audit and the Lincolnshire Counter Fraud Partnership.

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 updated 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?	None
List of Background Papers:	None
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