



BANANA SHIRE COUNCIL

Procedure

TITLE	FRAUD RISK ASSESSMENT PROCEDURE
RELATES TO POLICY	FRAUD AND CORRUPTION POLICY FRAUD AND CORRUPTION PLAN
APPROVED BY CEO	28 February 2018
REVIEWED/AMENDED	
NEXT REVIEW DUE	January 2020

PURPOSE

It is important to understand the fraud and corruption risks Council could face. An effective way to do this is by undertaking a fraud and corruption risk assessment.

It also forms a basis for developing and implementing actions to further mitigate the risks.

OVERVIEW

A fraud and corruption risk assessment involves identifying key areas of exposure within Council and rating the likelihood and consequence of each risk, taking into consideration any mitigating internal controls.

An important part of a fraud and corruption risk assessment is the identification of mitigating strategies to help prevent or detect the risks identified. Typically such an assessment should be conducted at least every two years and involve a cross-section of staff.

While the incidence of fraud or corruption may not be very high, fraud can occur when least expected. When it does occur, fraud can be disruptive to the daily activity and morale of the organisation that has been affected, and on occasions can be quite devastating.

RISK ASSESSMENT PROCESS

Fraud and corruption risks often occur in a broad range of administrative support functions under the following categories:

- Administration
- Finance
- Human Resource Management
- Information Technology
- Procurement and
- Other

A risk assessment identifies and documents possible inherent fraud and corruption risks that might occur in a series of typical situations, and recommended control measures that could be used to address them.

The three typical methods to identify and assess fraud and corruption risk are:

- Independent assessment of processes and procedures including one-on-one interviews with relevant personnel from each council function, and review of internal control documentation
- Use of questionnaires to survey fraud and risk corruption risk
- Facilitated or consultative workshop approach involving maximum input of council staff to identify and assess risks.

PROCESS STEPS

Australian Standard AS 8001:2008 covers a seven stage process of risk assessment:

Communicate and consult	It is essential to consult and communicate with everyone in your organisation's functions, activities and events.
Establish the context	Gain understanding of council's: <ul style="list-style-type: none">• External context – jurisdictional and regulatory requirements, community and broader environment• Internal context – nature of business, culture, key stakeholders, history of fraud and corruption, key business drivers, information systems and control environment.
Identify risks	Develop list (risk register) of fraud and corruption risks and their sources that could have a potential impact on achieving council objectives.
Analyse risks	Analyse the consequences or impact of identified risks and their likelihood in light of the effectiveness of the range of controls present.
Evaluate risks	Prioritise identified risks and determine whether risks are tolerable or intolerable and whether they require treatment or not.
Treat risks	Decide most appropriate treatment options for each fraud and corruption risk.
Monitor and review	Regularly monitor and review any changes to the context, risk environment and the effectiveness and efficiencies of controls. Periodically review progress of implementing agreed fraud and corruptions treatments and their effectiveness at managing the risks.

The assessment process includes:

- Preliminary assessment of identified risks to consider which risks should be subject to more detailed assessment
- Evaluation of existing processes and internal controls that act to minimise risks
- Assessment of consequences for council if risk did occur
- Assessment of likelihood of the event occurring in the context of the existing strategies and controls
- Estimate of the level of risk combining the consequences and likelihood.

Key questions to ask include:

- What can happen? List risks, incidents or accidents that might happen by systematically working through each function or activity to identify what might happen.
- How and why it can happen? List the possible causes and scenarios or description of the risk, incident or accident.
- What is the likelihood of them happening?
- What will be the consequences if they do happen?

FRAUD TO BE INCLUDED IN RISK REGISTER

The Council's risk register includes fraud and corruption risks faced by Councils.

APPENDIX A

Council has adopted the following risk matrix that will be applied when undertaking risk assessments.

Risk Matrix					
Likelihood	Consequences				
	Low	Minor	Moderate	Major	Critical
Almost Certain	Medium (11)	High (16)	High (20)	Extreme (23)	Extreme (25)
Likely	Medium (7)	Medium (12)	High (17)	Extreme (21)	Extreme (24)
Possible	Low (4)	Medium (8)	High (13)	High (18)	Extreme (22)
Unlikely	Low (2)	Low (5)	Medium (9)	High (14)	High (19)
Rare	Low (1)	Low (3)	Medium (6)	Medium (10)	High (15)

Risk treatments and mitigations will be applied as follows:

Colour	Risk Number	Action
	21-25	First priority based on highest number first
	13-20	Second priority based on highest number first
	6-12	Monitor, only implement risk treatments where failure to do so may increase risk to 13 or above
	1-5	Accept risk except with failure to implement risk treatments will increase risk to 13 or above

APPROVED

CHIEF EXECUTIVE OFFICER
BANANA SHIRE COUNCIL

9.3.18

DATE