Guide to
Fraud Risk Assessment

DoCS

**NSW Department of
Community Services**

Contents

INTRODUCTION

Creating and maintaining high standards of ethical behaviour is the responsibility of every employee.

This *Guide to Fraud Risk Assessment* is an essential part of the Department's *Fraud Control Plan*, which is designed to raise awareness of fraud in the workplace and provide information and assistance to staff on the prevention, detection and reporting of fraud.

The purpose of the *Guide to Fraud Risk Assessment* is to help managers and staff to assess the adequacy of existing controls and to determine whether additional fraud counter-measures are required.

The fraud risk assessment process outlined in this document does not replace existing standards or manuals such as the *Financial Procedures Manual*.

PURPOSE OF THE GUIDE

The Guide describes a range of:

- possible inherent fraud risks that might occur in a series of typical administrative situations, and

- control measures that could be used to address them

The Recommended Control Measures are a collection of good ideas that would apply to most situations most of the time. But there is no "one size fits all" solution.

Most fraud categories will apply to all units. However, the category relating specifically to Service Providers will be relevant only to Regional Offices and the Head Office unit dealing with service providers.

The Assessment should be revisited regularly to ensure that the fraud risks are minimal and under control.

H O W   T O   U S E   T H E   G U I D E

This is how we suggest you use the Guide to Risk Assessment:

- Focus on one Fraud Risk Category at a time (e.g. Assets on page 5). Consider all Inherent Risks in the first column. Add any others you can think of

- Consider each Recommended Control Measure separately. Indicate in the third column yes or no as to whether or not that control is in place in your unit

- Indicate in the fourth column your rating of how well the Control Measure is working in relation to the possible risks. The Risk Assessment rating can range from 1 to 9, where 1 means lowest possible risk and 9 means highest risk

  (Remember, you are rating each Recommended Control Measure, NOT the Inherent Risks).

Rating	Significance	Definition	Action Required
1	Very Low	Provides no apparent opportunity for fraudulent activity	None
3	Low	Provides a low level of opportunity for fraudulent activity	None – but be aware of any weak spots
5	Moderate	Provides a moderate opportunity for fraudulent activity	Strategy for improvement
7	High	Provides a high opportunity for fraudulent activity	Immediate strategy for improvement
9	Very High	Creates a very high exposure to fraud.	Priority strategy for improvement

(Intermediate ratings eg 2, 4, 6 and 8 may be used for gradation).

HOW TO USE THE GUIDE   (Continued)

For example, under Assets, on page 5, the second Recommended Control Measure is Maintenance of register of portable equipment to keep track of laptops etc. Suppose you indicated that there was no 'Control Measure in Place'. Consider how risky this situation is. If there are no laptops or any equipment of any significant value that staff take away from the office, you might rate the risk as only 1. On the other hand, if there are, and equipment has gone missing in the past, you might rate it 7.

Similarly, on another Recommended Control Measure you may have indicated that the control measure is in place. But you still need to determine the level of risk. For example, consider the first Recommended Control Measure for Assets, New equipment valued>$5,000 immediately given an asset number and placed in assets register etc. Although an asset register exists, it may not have been updated for some time, so you might rate it 5.

- Add any other useful Control Measures that may occur to you and apply the same rating process

- Work out and write down a strategy to address all Recommended Control Measures that you have rated as 5 or more out of 9

- Add up the Rating of Control Measure column for each Fraud Risk Category and write down against 'Sum of risk assessment ratings (a)'. Work out the Average Fraud Risk for each Fraud Risk Category by dividing (a) by the number of Recommended Control Measures

- Transfer the number of Recommended Control Measures and the total at (a) for each Category to page 23. Then determine an overall risk rating for your unit. This will give you a sense of the vulnerability to fraud of your unit as a whole

- But most importantly, **implement your strategies**

1. Administration

FRAUD RISK CATEGORY - ASSETS

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Theft or loss of assets, particularly "attractive" or portable assets such as laptops or other computer equipment • Unapproved removal or disposal of assets eg. because of alleged damage • Loss of control over assets because asset register not being maintained • Inability to explain and/or itemise expenditure on assets	• New equipment valued>$5,000 (or > $500 if portable and attractive) immediately given an asset number and placed in assets register	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Maintenance of a register of portable equipment to keep track of laptops etc that are used by individual staff on a temporary basis	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Where possible, segregation of duties between officers receipting equipment and placing on register	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Regular stocktake of assets performed by officer/s independent of receiving or recording function	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Management approval for all asset disposal	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Stocktake and reconciliation performed prior to any transfer or permanent closures, and assets on hand transferred appropriately	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Regular checks that current stock levels reflect purchases and usage since previous stocktake	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Appropriate, complete expenditure classification on vouchers to facilitate expenditure analysis	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Secure storage of assets	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

1. Administration

(Continued)

FRAUD RISK CATEGORY - GENERAL RESOURCES

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Theft of physical resources such as stationery, tools etc • Unauthorised use of cab charge vouchers • Inappropriate use of Departmental phones (including mobile phones), photocopiers, portable and attractive items	• Code of Conduct promoted to all staff	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Managers ensure staff know what the rules are, and model appropriate behaviour	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Internal policies made available to all staff	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Monitoring of usage and expenditure rates on photocopying, taxis, mobile phones etc	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Keep copies of invoices for expenditure on assets, and monitor expenditure and usage	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Secure storage of resources	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

1. Administration

(Continued)

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Unauthorised disclosure of personal or confidential information • Unauthorised access to client records • Theft of client files from Departmental vehicles	• Managers ensure staff are aware of "need to know" policy	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Managers ensure staff are aware of requirements of privacy legislation	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Managers/supervisors to initiate specific controls or guidelines in sensitive areas	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Managers ensure staff are aware of procedures on passwords etc	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Clean desk policy applied for client and personnel files	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Sound security maintained for sensitive or confidential information	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Appropriate and timely storage or disposal of sensitive or confidential information	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Client and other confidential files locked away when not in use	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Random and targeted audits of KiDS access	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

1. Administration

(Continued)

FRAUD RISK CATEGORY - MOTOR VEHICLES

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Unauthorised private use of motor vehicles • Theft of vehicles from parking areas or while garaged at home • Theft or substitution of accessories or tools • Use of petrol card for private vehicle or unauthorised purchases • Falsification of vehicle log	• Supervisors to ensure staff understand policy on careful and authorised use of departmental vehicles • All use of Departmental vehicles to be approved • Clearly understood approval mechanism for use of vehicles • Absences from workplace to be approved by supervisor • Random reviews conducted of vehicle accessories and requisitions to ensure they are still in the vehicle • Regular reviews of vehicle log books • Regular reviews of purchases on petrol cards	Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐	1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

2. Finance

FRAUD RISK CATEGORY - ACCOUNTS PAYABLE

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• False invoices accepted resulting in payment for goods not received • Collusive practice between supplier and purchasing officer resulting in invoice price higher than approved on ordering • System is manipulated resulting in EFT payments to non-existent supplier • False travel claims submitted	• Authorised accounting officer complies with delegation limits	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Invoice prices validated by supporting documentation such as requisitions and purchase orders	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Segregation of duties between purchasing officer and officer authorising payment	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• All payments authorised and made on the basis of valid supporting documentation	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• All travel claims approved by the supervisor	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

2. Finance

(Continued)

FRAUD RISK CATEGORY - PETTY CASH AND CASH RECEIPTS

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Theft or "borrowing" of petty cash	• The adequacy and validity of claims is checked	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Paying officer stamps claims and receipts as "paid"	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Submission of bogus petty cash claims	• Claims not paid without authorisation	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Petty cash claims contain details of the item purchased	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Receipts not issued for money received	• Adequate physical security over cash holdings eg. access to safe and combination limited, safe locked etc	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Under-banking or failure to bank cash receipts			
• Theft of cash following permanent closure or relocation of unit	• Procedure in place to enable regular reconciliation between documentation, cash receipts, and petty cash claims	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Cash count and re-banking of cash on hand immediately prior to permanent closure or relocation of unit	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Using petty cash inappropriately to split orders			
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

3. Purchase of Services from Service Providers

REGIONAL OFFICES AND RELEVANT HEAD OFFICE DIRECTORATES

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• An incidence of fraud has been identified, but processes have not been put in place to reduce the risk of repetition • Fraudulent use of funds provided • Collusive practices resulting in the purchasing process not being sufficiently competitive • Payments for services continue to organisations that do not comply with reporting requirements	• Formal process of background checking of organisations applying to provide service, at the stage of expression of interest	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Reporting, monitoring and accountability system in place to ensure compliance with service agreement	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• System in place to ensure that non-compliance with reporting requirements are flagged prior to payments being made to contracted organisations	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Staff induction programs to include fraud prevention and control	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Manage conflicts of interest of relevant staff and ensure they understand policy	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Personal and/or pecuniary interests of DoCS staff are declared and registered, including any interests in any organisation with which DoCS conducts its business	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

3. Purchase of Services from Service Providers

(Continued)

REGIONAL OFFICES AND RELEVANT HEAD OFFICE DIRECTORATES

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Services are purchased from an organisation with a previous fraud history or general record on non-compliance with reporting requirement • Staff involved in decision making or monitoring may have a personal or pecuniary interest in the contract eg. position on the management or steering committee of an organisation	• Regions (Regional Director or Director, Partnerships and Planning) can suspend payments for one quarter for non-compliance with contract and reporting requirements. The Minister is to be informed where the suspension may be controversial or it is proposed to continue the suspension for a second quarter	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Centrally maintained register of organisations with a fraud history or with a record of serious non-compliance	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Assessments of expressions of interest to include officers independent of those involved in administering the program	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Service agreements signed by provider prior to any payment	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

3. Purchase of Services from Service Providers

(Continued)

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Collusive practices between auditor of the financial statement and the contracted organisation • Service coordinator drives organisation for his/her benefit	• Auditor of the Financial Statements must be a registered Company Auditor, Chartered Accountant, Certified Practising Accountant or otherwise suitably qualified to meet the Department's criteria, and not associated with the contracted organisation	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Ethics issues covered in briefing sessions given to service providers	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Management committee signs off on funds agreement, budget, work plans, job descriptions etc	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

4. Human Resource Management

FRAUD RISK CATEGORY - PAYROLL

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Unauthorised staff appointments • Overtime worked without authorisation • Timesheets altered to increase hours, allowances etc • Staff orchestrating call-outs • Payments above approved entitlements • Overpayment of employees	• Appropriate delegations and procedures for appointment of staff • Supervisors, not staff, submit staff timesheets or attendance variation forms to payroll • Regular management reports provided to supervisors • Process in place to ensure data entry and data acceptance done by different staff • Signature of supervisor required before timesheet can be processed	Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐	1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

4. Human Resource Management

(Continued)

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Fraudulent recording of attendance/time • Leave taken exceeds entitlement • Inappropriate rostering, eg favouritism, excessive staff on shifts • Staff claiming for simultaneous shifts in different locations	• Regular management reviews of rosters	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Regular management reviews of major cost fluctuations	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Systemic checks to identify staff working simultaneous shifts	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Managers/supervisors review management reports and monitor trends in overtime, allowances etc. to ensure false claims are not being paid	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

4. Human Resource Management

(Continued)

FRAUD RISK CATEGORY - PERSONNEL

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Applications for employment using false personal details	• Thorough reference checks carried out on recruits before appointment	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• HR staff follow formally documented procedures	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Appointments made other than on merit	• Recruitment panels reminded of need to deal with conflicts of interest	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Collusion between staff to cover unauthorised absenteeism	• Rotation of staff where practical	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Copies of original documentation required to verify personal details of new staff	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Conducting personal business during working hours	• Managers ensure staff are aware of policies on use of departmental resources, including time	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Fraud committed through negligence as a result of manager/supervisor not checking claims for payment	• Suspected fraudulent worker's compensation claims reported and investigated	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
• Fraudulent worker's compensation claims			
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

5. Information Systems

FRAUD RISK CATEGORY - INFORMATION TECHNOLOGY

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Loss of data following disaster or accident resulting in people taking unfair advantage of situation (eg. stealing assets not recorded, demanding inappropriate payments etc) • Inadequate application (software) controls resulting in unauthorised staff accessing systems • Unauthorised release of user name and/or password	• Business Continuity Plan (eg how to operate in the event of floods, fire etc)	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Regular backup and off-site storage of Local Area Network data	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Appropriate level of computer access provided to staff	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Staff reminded not to share logons and passwords	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Staff log out of computers (or lock workstations) at end of day or before extended periods away from computer, to prevent unauthorised use	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Access to Departmental systems is deleted as staff leave employment	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Staff instructed not to use DoCS credit cards to purchase goods over the internet	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		**(a)**
	Average Fraud Risk		**(b)**

5. Information Systems
(Continued)

FRAUD RISK CATEGORY - INFORMATION TECHNOLOGY

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Use of DoCS credit card for purchases over the internet, resulting in misuse of credit card number by vendor • Excessive internet browsing • Misrepresentation of Department by expressing personal views on Departmental e-mail • Installation of illegal (pirate) software on DoCS computers • Downloading of inappropriate material from internet	• Regular reminders to staff on internet use policy • Regular reviews of internet browsing usage to detect potential excessive usage, and where appropriate, reviews of websites visited • Staff advised/reminded of need for discretion when using Departmental e-mail to express personal views to people outside the Department • Staff instructed not to install illegal (pirate) software on DoCS computers	Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐ Y ☐ N ☐	1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

6. Procurement

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Theft of goods • Unauthorised disposal of goods	• Adequate physical security of stores	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Regular reviews of the reasonableness of orders for stores	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Regular stocktakes with results documented and reported to manager	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Persons independent of the stores to be involved in stocktakes where possible	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Manager's approval required for disposal of goods	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

6. Procurement

(Continued)

FRAUD RISK CATEGORY - PROFESSIONAL SERVICES (Consultants etc)

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Staff involved in decision making may have a personal or pecuniary interest in the contract resulting in biased tender evaluation • Specification briefs based on information supplied by a contractor • Lack of physical security over tender opening procedures • Payment of fraudulent claims • Repeated use of same contractor • Collusive practices which influence the tender and selection process	• Personal and/or pecuniary interests are declared and registered including any interest in any organisation with which DoCS conducts business	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Manager to ensure any conflicts of interest are managed appropriately. Staff with conflict should not be involved in decision-making	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Selection and monitoring of professional services complies with Premier's Department Circular 2000/47 and Premier's Department Circular 2004-17, Engagement and Use of Consultants, which updates the financial levels applicable	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Research market and obtain a number of quotes or use government contracts	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Consider panel of pre-qualified providers for regular services eg. psychologists, and allocate work fairly	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Check all claims carefully before approval	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	• Use standard contracts where possible	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

6. Procurement

(Continued)

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Staff with a personal/pecuniary interest in purchase or contract • Collusive practices between supplier and purchasing officer • Purchase of goods for private use • Officers with delegation for requisition/purchase orders also signing for goods delivery	• Personal and/or pecuniary interests are declared and registered including any interest in any organisation with which DoCS conducts business • Manager to ensure any conflicts of interest are managed appropriately. Staff with conflict should not be involved in decision-making	Y ☐ N ☐ Y ☐ N ☐	1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		**(a)**
	Average Fraud Risk		**(b)**

6. Procurement

(Continued)

FRAUD RISK CATEGORY - PURCHASING

Inherent Risks - what could go wrong	Recommended Control Measures	Control Measure in Place (YES/NO)	Risk Assessment Rating of Control Measures (Please circle-refer to table on page 3)
• Orders fraudulently changed • Kickbacks or spotting fees paid to staff for preferential selection • Splitting orders to avoid obtaining quotes or to get around delegation limits	• Use purchasing guidelines based on the *Public Sector Management (Goods and Services) Regulation 1995* • Segregation of duties between officers ordering goods and signing for delivery of goods	Y ☐ N ☐ Y ☐ N ☐	1 2 3 4 5 6 7 8 9 1 2 3 4 5 6 7 8 9
Additional Inherent Risks:	Additional Control Measures:	Y ☐ N ☐	1 2 3 4 5 6 7 8 9
	Sum of Risk Assessment Ratings		(a)
	Average Fraud Risk		(b)

Overall Fraud Risk Assessment Rating

Fraud Risk Category	Column 1 No. of Control Measures rated in each Category	Column 2 Transfer (a) from each Fraud Risk Category	Average Risk Divide Column 2 entry by Column 1 entry for each Category
Administration: • Assets • General Resources • Information • Motor Vehicles **Finance:** • Accounts Payable • Petty Cash and Cash Receipts **Service Providers:** **Human Resource Management:** • Payroll • Personnel **Information Systems:** • Information Technology **Procurement:** • Inventory • Professional Services • Purchasing			
Total	Column 1 Total:	Column 2 Total:	
Divide Column 2 Total by Column 1 Total	**Overall Fraud Risk Exposure**		

Evaluation

Your comments will assist in refining the assessment process.

- Using the scale below, please indicate with a cross (x) how useful the fraud risk assessment exercise has been in determining your fraud risk profile.

Very High	High	Moderate	Low	Very Low

- Please comment on the relevance of the fraud risk categories and their groupings into the functional areas. (Please insert response).

Evaluation

(Continued)

- Is there a particular fraud risk category that you believe should be added to the present list? (Please insert response).

- How could the fraud risk assessment process be improved? (Please insert response).

Please forward your Assessment, and any other comments, to the Manager, Business Assurance, by internal mail or by faxing to (02) 9716 2111.

NSW Department of
Community Services