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FRA FAQs

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Contents

Responsibilities of the grant recipient

Due diligence - Ensure that installers and households meet the scheme's eligibility criteria.

Administration and audit process- The grant recipient must have "sound administration and audit process including internal financial controls to safeguard against fraud"

Notify delivery partner- In case of suspected fraud or error, notify the delivery partner via the Single Point of Contact (SPOC).

Monthly reporting- Include relevant information on fraud and error in monthly GR submissions.

SHDF

Drafting a Fraud Risk Assessment (FRA)

While not required, it is advisable to have an FRA prepared before signing your Grant Funding Agreement.

HUG

Drafting a Fraud Management Plan

Alongside an FRA, a Fraud Management Plan is mandatory for all projects receiving HUG funding.

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Responsibilities of the Grant recipient

What?

Monthly submission of fraud and error information allows you to report potential fraud risks or fraudulent activity to the Delivery Partner for support.

Why?

Reports of fraud and error will help Salix and DESNZ understand what level of fraud or error is affecting the scheme.

This will enable you to escalate issues relating to fraud or error.

When?

Report to be submitted by 10th working day of the month and must cover the previous month. Where concerned, you should raise any potential fraud with your SPOC as soon as possible.

How?

You will submit this report via the risk register which feeds into the Data Management System (DMS) as part of your standard monthly reporting.

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FRA support

Q. I need some help troubleshooting my FRA. How do I access support?

A. Please email fraud@salixfinance.co.uk. Before emailing the inbox, please make sure to check if your questions are addressed in the provided resources.

Q. What are the roles and responsibilities of the Delivery Agent, Partner and the Department in the fraud process?

A.

- Delivery Partner: Fraud assessment and technical support
- Delivery Agent: Fraud assurance and learning support
- The Department: Fraud assessment and policy

Q. How should you respond if you identify potential fraud?

A. If you suspect fraud or improper use of grant funds, you should:

- Report the issue immediately to the appropriate authority and notify the fraud team at fraud@salixfinance.co.uk.
- Investigate the issue internally to understand its root cause.
- Strengthen controls to prevent similar risks from occurring again.
- Review and update your risk management and fraud detection processes.

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Fraud and Error

Q. What is fraud ?

A. Fraud occurs when a person dishonestly:

- Makes a false report: Provides incorrect or misleading information with the intent to deceive.
- Fails to disclose: Deliberately hides or omits important information.
- Abuses a position of trust: Exploits their role or authority to deceive others.

The goal of fraud is to gain an advantage, cause a loss, or expose another party to the risk of loss. This definition is outlined in the UK Fraud Act 2006.

According to the Department for Energy Security and Net Zero (DESNZ), fraud is defined as a dishonest act or omission aimed at depriving, disadvantaging, or causing financial loss to another person or party, with the intention of making a personal gain. It is an intentional act of deception.

Q. What is error?

A. According to DESNZ an error is defined as inaccuracy and incompleteness in the measurement or presentation of information. It is accidental and unintentional.

Errors may sometimes result in financial gain or cause loss or expose others to the risk of loss. They can arise from negligence or a genuine misunderstanding by the individual involved. While errors are not intentional, they can still be due to unacceptable negligence.

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Fraud Risk Assessment

Q. What is a Fraud Risk Assessment?

A. A Fraud Risk Assessment (FRA) is a systematic process used to identify, evaluate, and manage fraud risks within an organisation. According to the Government Counter Fraud Professional Standards and Guidance (2022):

- Purpose: An FRA helps inform risk owners about the fraud risks their organisation is facing, identifying which risks are most urgent and explaining why they require attention.
- Core activities: It involves identifying and assessing individual fraud risks, describing them in detail, and evaluating the effectiveness of existing controls. The assessment also considers any limitations of these controls.
- Outcome: The goal is to develop a comprehensive understanding of fraud risks and ensure that suitable measures are in place to mitigate these risks effectively.

A. Why do you need to complete a Fraud Risk Assessment?

A. Reviewing a Fraud Risk Assessment will help you proactively identify and mitigate risks that could lead to financial loss, reputational damage, or legal penalties. It will enable you to strengthen internal controls and develop strategies to prevent, detect, and respond to fraud.

Reports of fraud and error will help Salix and DESNZ understand what level of fraud or error is affecting the scheme.

This will enable you to escalate issues relating to fraud or error.

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Fraud Risk Assessment

Q. Who should be involved in completing the FRA?

A. You should involve key stakeholders like senior management, internal audit, compliance officers, department heads, and legal counsel. Depending on the complexity, external experts or fraud specialists can also support the assessment.

Q. How often should you review an FRA?

A. An FRA should be reviewed quarterly, as well as when significant changes occur within your organisation or if there are updates to regulatory requirements.

Additionally, in the event of a fraud incident, review your FRA to determine if the nature of the incident is documented. If it is not, consider updating the FRA to reflect this new risk

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Fraud Risk

Q. What is Fraud risk?

A. Fraud risk refers to the potential for an individual or organisation to engage in deceptive actions that result in financial or reputational harm to the organization.

Identifying and assessing fraud risks allows for the implementation of appropriate countermeasures to prevent such damage.

Q. Why is it important to identify and describe fraud risks?

A. The purpose of identifying and describing fraud risks is to understand the potential threats to your organization.

By clearly defining who might commit fraud, the specific fraudulent actions, and the possible outcomes, you can develop strategies to effectively mitigate these risks.

Q. What are the key components of fraud risk?

A. Fraud risks should be clearly structured to include the following elements:

- Actor: Who commits the fraud?
- Action: What is the fraudulent activity?
- Outcome: What is the resulting impact or consequence?

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Fraud Risk

Q. Who is the ‘actor’ in a fraud risk scenario?

A. The actor is the person (or people) who might commit the fraud. It could be an individual or several people working together. Knowing who might be involved helps you focus your efforts on monitoring the right areas and strengthening controls.

Identifying the actor helps you understand who could be involved in a fraud risk and where to concentrate your monitoring and prevention efforts.

Q. What is the ‘action’ in a fraud risk scenario?

A. The action refers to the specific fraudulent behaviour or activity. Clearly defining this helps you identify what actions could lead to fraud, making it easier to develop effective controls and processes for monitoring.

Defining the action helps you pinpoint the behaviours that might pose a risk so you can implement the right controls to prevent fraud.

Q. What is the ‘outcome’ of a fraud risk?

A. The outcome is the result of the fraudulent action, which could be anything from financial losses to harm to your organisation’s reputation.

Understanding the outcome helps you assess how fraud could affect your organisation and plan how to handle or prevent these consequences.

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Countermeasures

Q. What are countermeasures in the context of fraud prevention?

A. Countermeasures are the actions and strategies you put in place to prevent, detect, and respond to fraud risks in your organisation. These measures are designed to reduce the chances of fraud happening and minimise its impact if it does occur.

Q. Why are countermeasures important?

A. Countermeasures create multiple layers of protection against fraud. They help ensure potential fraud is identified early, deterred, or completely stopped.

By having strong countermeasures, you can protect your organisation's assets, maintain integrity, and stay compliant with legal and regulatory requirement

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Countermeasures

Q. How do you assess the countermeasures you have in place?

A.. You should regularly assess your countermeasures to make sure they're effective and efficient. Key areas to evaluate include:

- **Effectiveness:** How well does each countermeasure do its job?

You can check this through regular audits, continuous monitoring, and getting feedback from staff who are involved in the processes.

- **Efficiency:** Are the countermeasures cost-effective?

Assess whether they use resources wisely and whether they affect the overall workflow of the organisation.

- **Adaptability:** Can the countermeasures be adjusted to deal with new or evolving fraud risks?

You should continuously monitor the fraud landscape and be prepared to update your defences as needed.

- **Documentation and Review:** Keep detailed records of all countermeasures and your assessments.

Regularly review and update them to ensure they stay relevant and continue to be effective.

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Countermeasures

Q. What makes countermeasures effective?

A. Countermeasures are effective when they achieve their intended goal of preventing or detecting fraud.

You should regularly test their effectiveness by conducting audits, gathering feedback, and making sure your team is following the processes correctly.

Q. How can you ensure your countermeasures are efficient?

A. To ensure efficiency, you should check that your countermeasures are not only preventing fraud but doing so in a way that's cost-effective and doesn't slow down your operations.

This might involve comparing the resources used with the risks they mitigate and finding ways to streamline processes without weakening your defences.

Q. Why is adaptability important in countermeasures?

A. Fraud risks are constantly evolving, so your countermeasures need to be flexible.

You should regularly review the latest fraud trends and adjust your countermeasures to tackle new or changing threats.

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Countermeasures

Q. How often should you review and update countermeasures?

A. You should review and update your countermeasures regularly, at least quarterly or whenever there are changes in your organisation or in the fraud landscape.

Keeping thorough documentation will help you track what's working and what needs to be adjusted.

Residual Risk

Q. What are residual risks?

A. Residual risks are the risks that remain even after you've applied all your preventive and mitigating measures. These are the risks that still exist, despite having controls in place.

Each residual risk requires a designated owner responsible for monitoring, managing, and implementing further actions to reduce the risk as much as possible.

Q. Why does each residual risk need an owner?

A. Assigning an owner to each residual risk ensures that someone is directly responsible for monitoring and managing that risk. This accountability helps prevent residual risks from being overlooked and supports proactive efforts to reduce them further.

Q. Who can be a risk owner?

A. A risk owner is typically someone with the authority and knowledge to manage the specific area where the risk exists. This could be a department manager, project lead, or individual team member who understands the impact of the risk and can take steps to address it.

Q. How do you identify residual risks?

A. To identify residual risks, you need to review the risks that have been controlled and check whether any risks remain.

This involves looking at how effective your existing controls are and spotting any gaps or weaknesses that might leave some risks unaddressed.

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Residual Risk

Q. How can you manage residual risks?

A. You can manage residual risks by using additional measures such as:

Monitoring and auditing: Regular monitoring and audits help you catch any instances of fraud that might not have been detected by your initial controls. Continuous oversight ensures that you stay on top of any emerging risks.

Training and awareness: Providing ongoing training for your team helps keep everyone up to date on the latest fraud detection techniques. This also reinforces the importance of due diligence and ensures that staff remain vigilant.

Q. Why is it important to monitor residual risks?

A. It's important to monitor residual risks because no control system is perfect, and there's always a possibility that something could slip through the cracks.

By continuously monitoring and auditing your processes, you can catch any issues early and address them before they cause significant harm.

Q. What is the assessment of residual risk?

A. The assessment of residual risk involves evaluating

- how likely fraud is to occur
- how frequently it might happen
- how long it could go undetected
- and how severe the impact would be, even after you've implemented all preventive measures.

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Residual Risk

Q. How do you score the likelihood of fraud occurring?

A. The likelihood of fraud happening can be scored as follows:

Score	Description	Example
1	Unlikely	Strong controls are in place, with no history of incidents.
2	A possibility it will happen	Controls are effective, but there are minor weaknesses.
3	Likely to happen	Some controls exist but aren't rigorously enforced.
4	Quite certain to happen	Controls are weak or often bypassed.
5	Certain to happen	Few or no controls are in place.

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Residual Risk

Q. How do you score the likelihood of fraud frequency?

The frequency of potential fraud can be scored like this:

Score	Description	Example
1	Likely to be an occasional occurrence	Fraud happens rarely, in unique cases.
2	A few instances likely to occur	Some systemic issues allow fraud to occur periodically.
3	A few instances likely to occur	Known weaknesses are occasionally exploited.
4	Likely to be a lot of instances	Fraud happens regularly due to existing opportunities.
5	Likely to be multiple instances	Pervasive opportunities due to systemic failures.

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Residual Risk

Q. How do you score the duration of impact from fraud?

A. The impact duration, or how long fraud could go undetected, can be scored as follows:

Score	Description	Example
1	Fraud should be prevented or detected immediately	Real-time monitoring systems are in place.
2	Fraud should be prevented or detected quickly	Regular reviews and audits are conducted.
3	Fraud could go undetected for a period of time	Periodic checks, with some delay in detection.
4	Fraud could go undetected for a long duration	Infrequent audits or complex fraud schemes could delay detection.
5	Fraud could remain undetected	No monitoring or auditing systems are in place.

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Residual Risk

Q. How do you score the material impact of fraud?

A. Material impact, which refers to the severity of the financial loss or reputational damage, is scored like this:

Score	Description	Example
1	Unlikely to result in material loss/reputational risk	Insignificant financial loss or negligible reputational damage.
2	Material loss/reputational risk likely to be avoided	Moderate financial loss with minimal reputational damage.
3	Could result in some material loss/reputational risk	Significant financial loss or moderate reputational impact.
4	Could bring high material loss/reputational risk	Major financial loss or significant reputational damage.
5	Could result in significant material loss/reputational risk	Critical financial loss or severe reputational harm.

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