

# Fraud risks in parish and town councils - advice for councillors



## As a parish councillor, should I be concerned about fraud?

Yes, council staff are usually completely trustworthy but things can sometimes go wrong. This can have dire consequences for a parish council.

Types of risks particular to parish councils include:

- wages and overtime claimed fraudulently;
- fraudulently contracted work or pay for contractors;
- the misappropriation of petty cash; and
- a lack of regular scrutiny by senior management, councillors and internal audit.

In some places friendships with council staff become too close. Some parish councillors can leave too much unquestioned, unchallenged, or insufficiently scrutinised.

Individually and collectively councillors are legally responsible for protecting taxpayers' money and proper control of your council's finances.

Here are two cases where things went wrong.

***A parish council clerk altered cheques to the council's insurance broker and paid them into her own account. The council's insurance subsequently lapsed. The value of the fraud was over £4,000. As the council had no insurance cover, the council was also exposed to unlimited uninsured financial risk. Furthermore, the council was then perceived to be a 'bad payer'.***

***A parish council clerk set up an internet banking account for the council without its knowledge. He used this account to pay himself. The clerk told councillors the council did not require an audit. Councillors believed him and failed to ensure their responsibilities for protecting public money were undertaken properly.***

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**Your first duty is to the taxpayer and citizen. If you think something is not right, say so.**

## **Do:**

- act quickly;
- record your concerns - the more detail the better; and
- tell someone; for example, call the internal or external auditor.

## **Don't:**

- accuse anyone you suspect directly;
- investigate the matter yourself;
- do nothing; or
- be afraid to report it.

**Indicators of fraud can be behavioural, financial or organisational.**

## **Behavioural indicators**

- Increased stress for no obvious reason.
- Personal problems, including financial problems, alluded to but not shared.
- Reluctance to take holiday entitlement.
- Poor work practices, including bending rules, or using 'short cuts'.
- Constant complaints about the person.
- Person works late for no obvious reason.
- Secretive or economical with the truth.
- Income not equal to lifestyle.

## **Financial and organisational indicators**

- Late or poorly presented accounts.
- Accounts and documents that are not circulated in advance.
- Standing orders and direct debits not recorded.
- Auditors' reports not circulated and/or published.
- Accounts that do not balance.
- Hesitancy, avoidance or confrontation when asked direct questions.
- Inaccuracies that cannot be explained clearly.
- Poor records and minutes.
- Lack of openness and transparency, key decisions taken outside meetings.
- Poor forward planning.
- Final demands and 'red letters' received by the council.

## **For more information contact the Audit Commission**

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### **National Association of Local Councils**

[www.nalc.gov.uk](http://www.nalc.gov.uk)

### **Society of Local Council Clerks**

[www.slcc.co.uk](http://www.slcc.co.uk)