

APPENDIX 2 MIDDLESBROUGH COUNCIL - EXTRACT FROM FRAUD & LOSS RISK REGISTER

The following risks are the key fraud risks as outlined in the annual Protecting the English Public Purse Report 2016. Those national risks have been assessed in terms of their risk to the Council (draft)

Initial Evaluation (i.e. without controls)

Detail of the controls in place is limited for security reasons.

Residual Evaluation (i.e. with controls)

Risk Title	Risk Description	Total Impact	Likelihood	Total Assessment	Assessment Label	Controls & Comments	Total Impact	Likelihood	Total Assessment	Assessment Label
Council Tax Fraud	The risk of financial loss as a result of council tax fraud which usually occurs as a result of individuals attempting to avoid paying council tax by giving false information or by not declaring changes that might affect how much council tax is due. Examples of the different kinds of council tax fraud include: providing false or incorrect information when applying for Council; Tax Support; claiming a Single Person discount when other adults are living at the property; claiming a student discount or exemption when not enrolled on a course of full-time education or not declaring non-students are resident at the property; giving false information to claim a discount, exemption or other reduction; not telling the Council when a discount or other reduction should be cancelled. Protecting the English Public Purse 2016 has reported that 31% of local authorities are not investigating any type of council tax related fraud. In 2015/16, 79,283 cases of council tax fraud were reported as being investigated nationally to a value of £31.4m (fraud stats are calculated based on the 60% sample received).	M a j o r	A l i m o s t C e r t a i n	25	High (Risk) / Low (Opportunities)	There are a number of controls relating to the confirmation of exemption status and checks made on the validity of claims. Inspections are carried out on a periodic basis and there are various reminders of the need to inform the Council when circumstances change. There are various controls within the Council's systems to ensure separation of duties and system access controls. Performance reporting will flag up any unusual activity. The Council participates in the National Fraud Initiative data matching exercise. This area is subject to audit review on a regular basis.	M o d e r a t e	L i k e l y	12	Medium

Risk Title	Risk Description	Total Impact	Likelihood	Total Assessment	Assessment Label	Controls & Comments	Total Impact	Likelihood	Total Assessment	Assessment Label
Housing Benefit Fraud	The risk of fraud for housing benefits relates to individuals claiming for support that they are not entitled to and can occur when claimants misrepresent (either intentionally or unintentionally) their financial means or when they fail to notify of any changes. Fraud can also occur in this area when a claimant misrepresents the assets they own and attempt, for example, to claim support for rent on a property they actually own or where they are not paying rent. Protecting the English Public Purse 2016 reported that in 2015/16, there were 13,830 cases of suspected fraud investigated nationally to a value of £52.5 million (fraud stats calculated based on 60% sample received). Despite the introduction of the Single Fraud Investigation Service (SFIS) and the continuing roll out during 2015/2016, the national survey indicated that over 60% of local authorities still investigated housing benefit fraud. Housing Benefit continues to be the main investigation type in wide areas of the country.	Major	Almost Certain	25	High (Risk) / Low (Opportunities)	The Council participates in the National Fraud Initiative data matching exercise. There are various system, access, reconciliation and reporting controls aimed at identifying potential fraud and error. The Council has regular correspondence with representatives from the Department of Work and Pensions in relation to establishing the Rights Benefit Initiative. This area is subject to audit review on a regular basis.	Medium	Likely	12	Medium

Risk Title	Risk Description	Total Impact	Likelihood	Total Assessment	Assessment Label	Controls & Comments	Total Impact	Likelihood	Total Assessment	Assessment Label
Social Housing Fraud	Social housing fraud occurs when a home is occupied by someone who is either not legally entitled to be there, or obtained use of the property fraudulently. Social housing fraud deprives legitimate and deserving tenants access to affordable homes and has a direct impact on local people, their families and their communities. The national average of local authorities with housing stock is 54% rising to 70% for London. This makes social housing fraud one of the largest areas of investigations. 70% of unitary and metropolitan boroughs have housing stock, decreasing to 52% for district councils. Protecting the English Public Purse 2016 reported that 2,700 investigations nationally of social housing fraud generated an estimated £50.2 million worth of savings across the country.	Insignificant	Unlikely	2	Low (Risk) / High (Opportunities)	Middlesbrough Council does not have housing stock so the fraud risk is the impact upon its partners and the knock on effect of fraud in one area leading to support being required from another e.g. if a family is deprived of a home due to illegal activities then they are more likely to request alternative forms of assistance from the Council.	Insignificant	Unlikely	2	Low (Risk) / High (Opportunities)
Right to Buy Fraud	Right to buy fraud happens when tenants apply for a discount to purchase their home: giving false information; unlawfully applying for a discount where the property has been subject to tenancy fraud such as sub-letting; having entered into an agreement with a third party to buy the property on the tenants behalf for a cash incentive. Right to Buy (RTB) fraud is one of the largest emerging threats in the country. The number of Right to Buy applications has increased significantly. The estimated number of investigations in 2015/16 was over 2,253 with an estimated value of £46.4 million.	Insignificant	Unlikely	2	Low (Risk) / High (Opportunities)	As with the social housing fraud risk, this is not a direct risk to Middlesbrough Council but one which may have an indirect impact as a result via the impact upon partner agencies.	Insignificant	Unlikely	2	Low (Risk) / High (Opportunities)

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Insurance Fraud	Insurance fraud is another emerging threat with the Protecting the English Public Purse 2016 report highlighting that in 2015/16, there were 780 reported cases nationally with an estimated valued of £7.5m. The risk is that claimants submit claims against the Council which are fraudulent because the incident did not happen or it has been exaggerated and/or the impact has been fabricated/exaggerated (e.g. claimant claims they have a broken limb when this is not the case) or evidence of an incident or the Council's liability has been fabricated. The PEPP 2016 reports includes a comment that there has been considerable press coverage over the last few years surrounding the growing slip and trip culture.	Extrême	Alors Certain	35	High (Risk) / Low (Opportunities)	The Council has a series of internal controls in place to confirm the validity of claims submitted against the Council. New claims are investigated by experienced insurers/ claims handlers and solicitors in cases where litigated. There are arrangements in place for identifying duplicate and other erroneous claims via the National Fraud Initiative data matching exercise and other data interrogation techniques.	Modéré	Likely	12	Medium

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Social Care Fraud	Direct Payments are offered to give more flexibility over how care and support is arranged and provided. Direct Payments enable people to purchase the assistance or services that the Council would otherwise provide and are designed to promote; Independence, Choice and Inclusion. Direct Payments can be paid to the individual, family or friend as a direct payment, or can be managed on the individual's behalf by the local authority or another organisation such as a care agency or user-controlled trust. Unfortunately greater freedom also brings greater risk, not only to the individual but to public funds. Fraud can take the form of false claims or overstatement of needs; budget mismanagement; multiple claims across authorities and posthumous continuation of claim.	Major	Almost Certain	25	High (Risk) / Low (Opportunities)	There are a number of verification and monitoring checks undertaken within social work teams and audit and assurance work regularly examines the effectiveness of controls in this area.	Medium	Likely	12	Medium
Business Rates Fraud	This type of fraud can include falsely claiming mandatory or discretionary rate relief or empty property exemptions. It can also include failure to declare occupancy of a property, falsely claiming insolvency status to avoid payments or not disclosing relevant information (e.g. size of company) in order to obtain rate relief. Protecting the English Public Purse 2016 reported that there were 233 cases investigated nationally during 2015/16 to a value of £2.7 million.	Extreme	Almost Certain	35	High (Risk) / Low (Opportunities)	There are a number of controls relating to the confirmation of exemption status and checks made on the validity of claims. Inspections are carried out on a periodic basis and there are various reminders of the need to inform the Council when circumstances change. There are various controls within the Council's systems to ensure separation of duties and system access controls. Performance reporting will flag up any unusual activity. The Council participates in the National Fraud Initiative data matching exercise. This area is subject to audit review on a regular basis.	Medium	Possible	9	Medium

Risk Title	Risk Description	Total Impact	Likelihood	Total Assessment	Assessment Label	Controls & Comments	Total Impact	Likelihood	Total Assessment	Assessment Label
Procurement Fraud	Examples of procurement fraud include: collusion between staff and bidders to award contracts; collusion between bidders to agree who bids; bidders failing to tender in accordance with specifications but then submitting false claims for extra costs under the contract; providing goods/services of inferior quality to that specified in contract; presenting false invoices; providing inflated performance information to attract greater payments; ignoring minimum statutory pay and health and safety regulations for financial gain. The amounts of money involved in procurement are huge and therefore, attractive to serious and organised crime as well as the opportunist. Apart from procurement professionals, there is a lack of knowledge of procurement rules and processes which combined with the ever decreasing number of staff who do specialise in procurement and the growing delegation of procurement to managers, increases the susceptibility to fraud. PEPP 2016 reported that there were 167 cases investigated nationally to a value of £3.85 million. In 2012/13, the NFA estimated that procurement fraud cost local authorities £876 million.	Major	Likely	20	High (Risk) / Low (Opportunities)	The Council operates according to its approved Contract Procedure Rules and has a team of procurement professionals to provide guidance and advice to ensure that procurement processes are carried out in accordance with rules and regulations. There are various controls around the management of tendering processes and declaration of interests procedures. The Middlesbrough Manager Framework includes contract management expectations of managers.	Medium	Probable	9	Medium
Councillor/Employee Fraud	Councillor or employee fraud occurs when a member of staff wrongfully fails to disclose information, dishonestly makes false representation, or abuses a position of trust for personal gain, or to cause loss to others. Protecting the English Public Purse 2016 reported that a fifth of responding local authorities reported councillor or employee fraud cases.	Major	Likely	20	High (Risk) / Low (Opportunities)	The Council has codes of conduct, declaration of interests, gifts and hospitality procedures. The Middlesbrough Manager Framework sets out required standards of managers. There is a Whistleblowing Policy, hotline and procedures to enable staff and Members to raise suspected concerns and and Anti Fraud, Bribery & Corruption Policy. Audit checks are carried out on segregation of duty controls within financial systems.	Medium	Probable	9	Medium

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Blue Badge Fraud	Misuse of parking concession entitlement. Financially is not a significant fraud risk but can cause reputational damage.	Medium	Low	12	Medium	The Council participates in the National Fraud Initiative data matching exercise and Council staff carry out various checks on the validity of blue badges. All blue badge applicants must provide proof of identification and of residency.	Medium	Possible	6	Low (Risk) / High (Opportunities)
Bank Mandate Fraud	This type of fraud often takes place when a fraudster identifies genuine suppliers to an organisation and then attempts to intercept payments to those suppliers e.g. by submitting a request to amend bank account details. Fraudsters are increasingly attempting to abuse the expenditure information that councils are now asked to publish in order to defraud local authorities.	Medium	Low	12	Medium	There are a number of effective controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details. The controls in place are also subject to audit and assurance review.	Medium	Unlikely	6	Low (Risk) / High (Opportunities)