APPENDIX 2   MIDDLESBROUGH COUNCIL - EXTRACT FROM FRAUD & LOSS RISK REGISTER 2018

		Initial Evaluation (i.e. without controls)				NB - Detail of the controls in place is limited for security reasons.	Residual Evaluation Sept. 2018 (i.e. with controls)				Residual Score Dec 2017
Risk Title	**Risk Description**	**Total Impact**	**Likelihood**	**Total Assessment**	**Assessment Label**	**Controls & Comments**	**Total Impact**	**Likelihood**	**Total Assessment**	**Assessment Label**	
Social Care Fraud	CIPFA reports a rise in the number of fraud cases identified in adult social care and an increase in the value of the loss. This is an emerging trend observed by CIPFA over its last few year's surveys. CIPFA's Annual Fraud Tracker for 2017 reports that the average value of loss specifically for adult social care in 2015/16 was below £10,000 but rose to around £13,000 by 2016/17. Adult social care fraud can take a number of forms but the increase in personal budgets provides greater opportunity for misuse. Investigations cover cases where: direct payments were not being used to pay for the care of the vulnerable adult; care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.	Extreme	Almost Certain	35	High	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.	Major	Likely	20	High	Medium
Business Rates Fraud	Nationally, business rates can be politically sensitive given the need to balance rates generation with economic growth and business development. Legislation makes it difficult to differentiate between evasion and avoidance and fraud can be hard to prove. Business rate fraud can occur due to the falsification of circumstances to gain exemptions and discounts. According to the CIPFA Fraud Tracker 2017, business rates represented 0.5% of the total number of frauds reported in 2015/16 and had risen to 0.9% in 2016/17. The estimated total value of the fraud loss has increased from £4.8m in 2015/16 to £7.0m in 2016/17.	Extreme	Almost Certain	35	High	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.	Moderate	Possible	9	Medium	Medium

The following risks are the key fraud risks as outlined in the annual CIPFA Fraud Tracker 2017. Those national risks have been assessed in terms of their risk to the Council (draft)

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. The CIPFA Fraud & Corruption Anti Fraud Tracker 2017 (findings based on annual survey in May 2017) reported that the highest number of investigations related to council tax fraud (76%) with a value of £25.5m. CIPFA also reported that, over the three years of carrying out the survey, that council tax fraud has seen the highest volume of cases. The estimated number of cases investigated in 2016/17 was 57,136.	Major	Almost Certain	25	High	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.	Moderate	Likely	12	Medium	Medium
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 fraud is not a direct fraud risk for the Council as cases are now investigated by the Single Fraud Investigation Service however all public sector fraud has an indirect impact upon organisations.	Major	Almost Certain	25	High	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.	Moderate	Likely	12	Medium	Medium

Risk Title	Risk Description	Total Impact	Likelihood	Total Assessment	Assessment Label	Controls & Comments	Total Impact	Likelihood	Total Assessment	Assessment Label	
Insurance Fraud	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 CIPFA Annual Fraud Tracker 2017 reported that the total estimated value of loss to insurance fraud in 2016/17 is £5.1m – a decrease from £7.0m in 2015/16. The number of frauds detected or prevented fell but the average value increased to £13,800. Nationally, considerable work has been done in the area of insurance fraud and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system.	Major	Almost Certain	25	High	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.	Moderate	Likely	12	Medium	Medium
Procurement Fraud	Procurement fraud takes can occur anywhere throughout the procurement cycle from the tendering stage through to making payments. In CIPFA's 2016 survey, procurement was perceived to be one of the greatest fraud risks and the number of procurement fraud cases reported in 2015/16 was five times more than in 2014/15. In 2016/17 there were an estimated 197 prevented or detected frauds with an estimated value of £6.2m, compared with 427 cases in 2015/16 with a total value of £5.7m. The drop in the number of cases (but increase in value) could indicate that higher level frauds are being discovered. The Fighting Fraud and Corruption Locally Strategy 2016–2019 recommends that organisations create a procurement fraud map and define the stages at which procurement fraud could happen in a local authority. This would highlight low, medium and high potential risks and inform risk awareness training for the future.	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.	Moderate	Possible	9	Medium	Medium

Risk Title	Risk Description	Total Impact	Likelihood	Total Assessment	Assessment Label	Controls & Comments	Total Impact	Likelihood	Total Assessment	Assessment Label	
Payroll, Expenses, Recruitment and Pensions - MBC	This type of 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. The CIPFA Fraud Tracker 2017 reports that the estimated combined value for these four areas is £2.1m. However, the cost of these types of fraud can be more than just about the money as the impact on productivity, staff morale and public confidence can be just as great if not more so. It is difficult to establish a value to recruitment fraud as it is not easy to attach a price to the damage to an organisation if it were to employ a member of staff who had falsified their qualifications.	Major	Likely	20	High	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 Anti Fraud, Bribery & Corruption Policy. Audit checks are carried out on segregation of duty controls within financial systems.	Moderate	Possible	9	Medium	Medium
Economic and Voluntary Sector (grant fraud)	This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation. As funds become more limited for this type of support it is vital that controls ensure that funds are directed appropriately. Although only 17 actual cases of grant fraud were reported in the 2017 survey, the average value of loss was £39,000 per fraud.	Moderate	Likely	12	Medium	Procedures and eligibility checks. Internal audit included on 2018/19 audit plan.	Moderate	Possible	9	Medium	Not included
Blue Badge Fraud	Misuse of parking concession entitlement. Financially is not a significant fraud risk but can cause reputational damage. Fraud from the misuse of the Blue Badge has decreased since CIPFA started their annual survey. In 2015/16 the estimated number of cases was 7,078, and in 2016/17 this decreased dramatically to 5,751. In the event that Blue Badge misuse is successfully prosecuted, costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution so it may be that the reduced figures are due to authorities having little incentive to focus attention on this fraud type. Taking a case to court however could serve to raise awareness and potentially deter others.	Moderate	Likely	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.	Minor	Possible	6	Low	Low
Bank Mandate Fraud	Mandate fraud is when someone attempts to change a direct debit, standing order or bank transfer mandate, by purporting to be an supplier/provider that the organisation makes regular payments to. CIPFA estimates that across the UK, mandate fraud has increased from 188 in 2015/16 to 325 in 2016/17.	Moderate	Likely	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.	Moderate	Unlikely	6	Low	Low

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. Housing and tenancy fraud takes a number of forms including: illegal subletting for profit; providing false information to gain a tenancy; wrongful tenancy assignment and succession; failing to use the property as the principal home; right to buy fraud, for example where circumstances have been misrepresented to qualify for a discount. CIPFA Fraud & Corruption Tracker 2017 reports that the lack of a standard approach makes valuing housing fraud difficult due to different approaches between regions and councils. To give some idea of the growth in this area CIPFA noted the cases reported over the last two years and estimated a figure for all local authorities. Using this methodology, the estimated total value of housing fraud has been assessed as £263.4m. The number of cases of right to buy fraud has fallen since the 2016 survey but the value has risen to £112m. This is not a major direct fraud risk to the Council as it has limited housing stock.	Insignificant	Unlikely	2	Low	Middlesbrough Council does not have significant housing stock so the fraud risk is heavier on 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	Low
Right to Buy Fraud	Right to buy is the scheme that allows tenants who have lived in their properties for a qualifying period the right to purchase the property at a discount. The value of this type of fraud has seen a rapid increase as housing has become increasingly expensive, especially in London and this fraud is a higher risk in London than in other parts of the country. The CIPFA Annual Fraud Tracker 2017 reports that the number of cases of right to buy fraud has fallen since 2016 but the value has risen to £112m. As with the social housing fraud risk, this is not a significant 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	As with the social housing fraud risk, this is less of 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	Low