

Middlesbrough Council - Fraud Risk Assessment (September 2020)

Risk Area	Risk Description	Risk Controls*	Risk Category	Risk Mitigation
Adult Social Care Fraud	<p>Fraud within the adult social care system is an area of concern for the Council in terms of loss to the authority and the impact on individuals affected. CIPFA report a 104% increase in the value of social care fraud detected in 2019 compared to the previous year.</p> <p>Losses can occur through deprivation or non-declaration of capital which can involve the transfer or disguise of property in order to avoid paying for residential or domestic care provision. Further fraud occurs through the misuse of the Direct Payment scheme where monies may be not used to procure services to meet a customer's assessed needs. Residential homes could also continue to claim for customers who are no longer in residence (e.g. after they pass away).</p> <p>Services may have been impacted by new and remote working arrangements during and following lockdown. In some instances, care payments may have had to be instigated prior to a full assessment taking place and this could heighten the risk of fraud.</p>	<p>Applications for care funding are carefully assessed to ensure that recipients meet the eligibility criteria and that any financial contribution for care by the customer is correctly calculated.</p> <p>A range of monitoring and verification controls are operated by the service. This includes requiring customers in receipt of Direct Payments to have a separate bank account for managing these funds and complying with monitoring procedures to verify spending. In instances of misused Direct Payments, customers are moved to a commissioned service.</p> <p>The Council also engages with an external provider who undertake a managed account facility in instances where a Direct Payment recipient is unable to fully manage financial processes but remains in control of their care provision.</p>	High	<p>Corporate Fraud Team (CFT) to raise fraud awareness with staff in safeguarding, financial assessments and with relevant legal services team members.</p> <p>A review by the CFT of relevant forms completed by/issued to customers or their financial representatives may help identify ways to protect against false applications and misuse of funding.</p> <p>Periodic reviews of the control environment through internal audits will further assist the Council in ensuring robust processes are in place.</p>

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<p>Council Tax & Business Rates Frauds (discounts and exemptions)</p>	<p>Council Tax fraud can be a common occurrence. CIPFA report that 81% of all local government related fraud recorded as part of their annual survey involved Council Tax or Business Rates payments. Single Person Discount (SPD) fraud accounted for £19.4m of loss due to fraud in 2018/19 according to the survey.</p> <p>Depending on the scheme, there are several ways in which fraud can occur. These include applicants providing false information and recipients failing to notify the Council when they no longer qualify.</p> <p>Revenue from Council Tax and Business Rates is a key income stream. Fraud in this area threatens this source of funding.</p>	<p>The Council employs a number of methods to help ensure only valid applications are accepted. This includes requiring relevant information on applications forms, checks during processing visits to properties (where necessary) and an annual canvass requiring residents and businesses to confirm they continue to be entitled to a discount or exemption.</p> <p>Messages reminding residents and businesses to update their circumstances when necessary appear on annual bills issued by the Council.</p> <p>The Council routinely takes part in the National Fraud Initiative.</p>	<p>High</p>	<p>CFT to raise fraud awareness with staff in revenues and customer services teams about frauds affecting Council Tax and Business Rates.</p> <p>Continued periodic audit of the service will help to monitor the effectiveness of the controls in place and work is planned for later this year.</p> <p>The Council's website could be updated to provide a route for the public to report fraud to the CFT.</p> <p>A review by the CFT of relevant application forms completed by/issued to customers may help identify ways to protect against false applications. Forms should be updated to show that false applications or a failure to notify the Council of relevant changes is a criminal offence that may result in legal action.</p> <p>The CFT has developed data matches to detect incorrectly received discounts and exemptions. These can be further explored.</p>

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<p>Council Tax Support Fraud</p>	<p>Council Tax Support is a council funded reduction in liability introduced in 2013 to replace Council Tax Benefit. Unlike its predecessor Council Tax Support is resourced entirely through Council funds. CIPFA's fraud tracker showed an 18% increase in the value of fraud in this area found in 2018/19.</p> <p>Frauds in this area can involve applicants failing to declare their total assets, correct household composition or household income. Those receiving support are also obligated to notify relevant authorities when they have a relevant change in circumstances that may affect their entitlement to support.</p> <p>Covid-19 has resulted in an increase nationally for benefits and support claims. These increased numbers raise the number of claims in which changes in circumstances may not be reported or false information could be presented to the Council.</p> <p>Fraudulently obtained Council Tax Support represents a loss of Council funds.</p>	<p>The Council undertakes eligibility checks on those who apply for support. There are established lines of communication with the Department for Work and Pensions (DWP) where claims for support are linked to externally funded benefits.</p> <p>The Council is able to report housing and other benefit fraud to the DWP but this does not necessarily allow Council control over resolving false claims for Council Tax Support.</p>	<p>High</p>	<p>CFT to raise awareness of fraud with staff processing claims for Council Tax Support.</p> <p>Audit work in this area is planned for later in the year.</p> <p>CFT should review relevant forms completed by/issued to customers to help identify ways to protect against false applications. Forms should be updated to show that false applications or a failure to notify the Council of relevant changes is a criminal offence that may result in legal action.</p> <p>Concerns of fraud should be reported to the CFT who can determine if criminal investigation is required. The CFT can also undertake joint working with the DWP where it would be mutually beneficial (e.g. joint claims for benefit).</p>

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<p>COVID-19 Business Grants</p>	<p>In response to the Covid-19 pandemic, central government made funding available for local businesses. Several schemes were created and administered by councils; some were linked to business rates liabilities while others were to assist those outside this scope. The Council had to respond quickly to support businesses and relevant guidance was not always timely. New processes for managing applications and paying grants also had to be set up quickly.</p> <p>These schemes have been subject to attempted fraud at a local, national and international level due to the significant funds available (up to £25k per application).</p> <p>While funding is provided by central government, the Council is charged with responsibility for identifying genuine applicants and investigating and recovering incorrect payments. The Council therefore needs to show that suitable assurance and recovery actions have taken place.</p>	<p>The council has processed over 2,000 grant claims for the government's Small Business Grant Fund and Retail Hospitality and Leisure Grant Fund. This is in addition to payments for the later Local Authority Discretionary Grant Fund. Checks by council officers were made into each application to make sure they met the criteria set by government and the payments were being made to the correct people.</p> <p>The CFT have circulated details of all known frauds occurring regionally and nationally to help prevent the Council falling victim to fraud.</p> <p>The council provides monthly updates on payments made, fraud/error identified and the status of any resultant recovery work to the Department for Business, Energy & Industrial Strategy (BEIS). In conjunction with this a specific fraud risk assessment on Covid-19 grants has been produced by the council.</p>	<p>High</p>	<p>Any instances where an applicant provided false information to the Council can be reported to the CFT. Where appropriate, criminal investigation can take place. BEIS have stated that Councils should conduct investigations where they have resources available.</p> <p>If the Council is targeted by a national fraud, this should be reported to the National Investigation Service (NATIS) and/or via the CFT.</p>
<p>Creditor Fraud</p>	<p>A range of frauds can be committed against the Council as a result of publically available creditor payment</p>	<p>The Council has a number of controls in place to identify fraudulent attempts to divert payments from genuine</p>	<p>High</p>	<p>The CFT can undertake work to raise staff awareness of these types of frauds. Increased</p>

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	<p>data. Criminals are often found to be operating from overseas.</p> <p>The most common is mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in banking details. Other types of fraud in this area include whaling, where senior members of the Council are targeted and impersonated in order to obtain fraudulent payments. With remote working being necessary due to Covid-19, there are increased opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications to divert funds.</p>	<p>suppliers and to validate any requests to change supplier details.</p> <p>Internal Audit undertake periodic reviews of the controls.</p>		<p>awareness provides greater chances of stopping fraudulent attempts before losses occur.</p> <p>All instances of whaling fraud reported to CFT will be reported to the police's Action Fraud Unit, National Cyber Security Centre and directly to the host from where the false emails originated from.</p> <p>An audit in this area is currently taking place.</p> <p>A review of processes to verify and authorise payments or changes in payment details in light of new working arrangements may also be necessary.</p> <p>Regular checks for duplicate suppliers and payments could be undertaken to maximise data quality and identify errors.</p>
Cybercrime	<p>Cybercrime is a constantly evolving area where criminals are continually refining their techniques in order to overcome controls put in place to protect organisations.</p> <p>Types of cybercrime experienced by</p>	<p>The Council participates in the Local Cyber Security Stocktake which now runs bi-annually. Upgrades to the latest versions of software also help protect infrastructure and systems.</p> <p>The Council's information security</p>	High	<p>Raising awareness with staff is crucial to help prevent successful cyberattacks. A cyber security awareness campaign would assist with this.</p>

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	<p>local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds or systems access/data, impacting service delivery.</p>	<p>procedure requires the central reporting of all cybersecurity incidents; including near misses.</p>		<p>Arrangements for a specific IT audits are being reviewed.</p>
<p>Procurement Fraud</p>	<p>Procurement fraud has been perceived as a high risk by local authorities in the CIPFA Tracker for a number of years. Procurement fraud, by nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority (CMA) estimates that having a cartel within a supply chain can raise prices by 30% or more.</p> <p>CIPFA reported losses of £20.3 million in 2018/19. It found that 12% of fraud detected in this area involved 'insider fraud' and 5% involved organised crime.</p> <p>In response to the effects on businesses as a results of Covid-19, the government issued a Procurement Policy Notice in February 2020. This introduced a supplier relief scheme to support Council suppliers during and after the outbreak to ensure service continuity. The Council has the</p>	<p>The Council has established Contract Procedure Rules. A team of procurement professionals provide guidance and advice to ensure that procurement processes are carried out correctly. There is also a framework in place for tender management.</p> <p>The Middlesbrough Manager Framework includes contract management expectations for managers. The Contract Procedure Rules also set out the requirements for declarations of interest to be made.</p> <p>Internal Audit issued a guidance document and have offered further support in relation to the new supplier relief scheme.</p>	<p>High</p>	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. CFT can provide training to raise awareness of fraud risks in this area.</p> <p>CFT and Internal Audit will monitor guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.</p> <p>Periodic audit of this area to ensure procedures are up to date and adhered to should continue. An audit of purchasing card use is in progress.</p> <p>Potential abuses of the supplier relief can be reported to the CFT for further investigation. Internal Audit can provide further support with the Council's supplier relief process.</p>

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	<p>responsibility for monitoring these funds to ensure businesses which were being supported did not profit while services were not provided. An 'open book accounting' process has therefore been required. Fraud could occur where suppliers may provide false information about profit/loss and their costs.</p>			
Theft of Assets	<p>The theft of assets can cause financial loss and reputational damage. It can also negatively impact on employee morale and disrupt the delivery of services. The Council owns large numbers of physical items, such as IT equipment, vehicles and tools.</p> <p>Reduction of staff at Council premises during the Covid-19 outbreak could leave equipment at heightened risk of theft. Unauthorised access to buildings may not face the same level of visibility or challenge as would be the case in normal conditions.</p>	<p>Specific registers of physical assets (e.g. capital items, property and ICT equipment) are maintained. In addition, there are registers for information assets held by the Council.</p> <p>The Council's whistleblowing arrangements provide an outlet for reporting concerns of theft.</p>	High	Members of staff should also be vigilant and report all possible thefts promptly to the Police and CFT.
Internal Frauds	<p>There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexitime or annual leave systems, undertaking alternative work while sick, or working for a third party</p>	<p>The Council has an established whistleblowing policy through which concerns can be raised.</p> <p>Participation in the National Fraud Initiative helps the Council identify</p>	Medium	The Council may benefit from a fraud awareness campaign (perhaps aligned to the International Fraud Awareness Week) to raise awareness and promote the Council's

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	<p>on Council time. Some staff have access to equipment and material that may be misused for private purposes. With increased staff working remotely, working hours and associated claims may be more difficult to monitor. It is essential that these issues are tackled as they can cause reputational damage and affect staff morale and performance.</p> <p>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.</p> <p>Corruption and bribery is a significant risk to all public sector organisations, however, only low levels have ever been detected.</p>	<p>potential cases of fraud in a number of these areas.</p>		<p>whistleblowing policy.</p> <p>The whistleblowing policy should be reviewed in light of service changes with the introduction of Veritau's CFT and Internal Audit teams to ensure it remains up to date.</p> <p>Audit work is currently in progress and considering a number of areas highlighted by this assessment.</p>
Recruitment Fraud	<p>Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK.</p>	<p>The recruitment and selection policy details a checklist of pre-employment and vetting checks for staff undertaking recruitment exercises to follow. This includes the requirement to obtain two written references for external candidates as well as right to work, identity and qualification checks.</p>	Medium	<p>Where there is a suspicion that someone has provided false information to gain employment, the CFT should be consulted on possible criminal action in tandem with any disciplinary action that may be taken.</p>
Blue Badge Fraud	<p>Blue Badge fraud carries low financial risk to the authority but can affect the quality of life for disabled residents and</p>	<p>Measures are already in place to control the legitimate issue of blue badges. The Council participates in</p>	Low	<p>The CFT and enforcement team should establish a close working relationship. The checking system</p>

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	<p>visitors. There is a risk of reputational damage to the Council if abuse of this scheme is not addressed.</p> <p>People using a Blue Badge that does not belong to them and without the badge holder present are acting contrary to the law. They may also incorrectly be exempted from parking charges or pay reduced fees, in addition to being able to park in restricted areas including on many double yellow lines.</p>	<p>the National Fraud Initiative which flags badges issued to deceased users, enabling their recovery to prevent misuse.</p> <p>Enforcement officers make checks of badges seen in use. Where an issue is identified, the badge is confiscated and returned to the issuing authority. For badges issued by the Council the holder is interviewed to affirm correct usage before it is returned.</p>		<p>in place may be enhanced by real-time checks of the national Blue Badge database and contact with badge holders to confirm if badge use is taking place for their benefit (within the scheme). Periodic proactive days of action between the CFT and enforcement team could raise awareness and act as a deterrent to badge misuse.</p> <p>Instances of misuse should be reported to the CFT who can investigate any criminal misuse. Legal sanctions will help serve as a deterrent to misuse in the area.</p>
Resident, Visitor and Business Parking Schemes Fraud	<p>The Council operates a residents parking scheme in most residential areas near the town centre. The scheme allows residents to park close to their homes and business owners close to their premises. Visitor permits are also available at a charge for guests of residents.</p> <p>Fraud may occur through false applications for permits when someone misleads the Council about their eligibility. Permit holders may fail to notify the Council of a change in address that ends eligibility but the</p>	<p>The issue and sale of permits is controlled through an application process. Residents must submit suitable proofs before they will be issued a permit.</p>	Low	<p>The CFT can undertake work to raise staff awareness with enforcement officers and parking/customer service staff.</p> <p>Application forms should be reviewed to help ensure that suitable fraud prevention measures are in place. There should also be a suitable declaration that advises applicants that making false applications and/or failing to notify the Council of relevant changes can be a criminal offence.</p>

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	<p>holder continues to use and benefit from the permit instead of seeking alternative parking. Residents can also sell on visitor permits to those who want to park in restricted zones rather than pay for legitimate parking. Frauds can also involve forgery of permits.</p> <p>While the immediate financial impact of these frauds are low, there is a risk of reputational damage. Permit abuse can represent a potential loss of parking revenue.</p>			A follow-up audit on car parks is due later this year.
Fraudulent Insurance Claims	The Council may receive exaggerated or fabricated insurance claims. CIPFA report that for 2019 the average value of a fraudulent claim against local authorities is over £39.5k.	Zurich is the Council's insurance provider. Claims are reviewed by experienced handlers (or a solicitor where litigation is required) to verify authenticity. The Council also takes part in data matching exercises such as the National Fraud Initiative which identifies issues for investigation.	Low	N/A

**NB - Detail of the controls in place is limited for security/confidentiality reasons.*