

FRAUD RISK ASSESSMENT: JUNE 2024

RISK AREA	DESCRIPTION	FRAUD TYPE	RISK CONTROLS	ASSURANCE	RISK LEVEL	
					INHERENT	RESIDUAL
ADULT SOCIAL CARE	<p>Social care fraud ultimately means that PCC are paying more towards care and safeguarding services than necessary.</p> <p>Any money we lose as a result of fraud is money PCC could have used elsewhere or to keep costs down.</p>	<p>Direct payment fraud, where a person receiving care, or someone acting on their behalf, may be misusing the money they receive from PCC.</p> <p>Financial abuse of a vulnerable person.</p> <p>Failing to declare income or savings during a financial assessment.</p>	<p>Applications carefully assessed against eligibility criteria and that any financial contribution for care by the customer is correctly calculated.</p> <p>Direct Payment monitoring within service who check for possible false claims and overstated needs.</p> <p>Assessment Team access to credit checking to help identify undeclared assets.</p> <p>(The residual risk of fraud in this area still remains high. This is due to the scale of losses and the speed at which they can be accrued)</p>	<p>IA Plans:</p> <ul style="list-style-type: none"> • Direct Payments • NFI 2022, 2024 	H	H
BLUE BADGES / RESIDENTIAL PARKING	<p>Although seen as a low financial risk (negligible value) the misuse / abuse of permits has a greater reputational damage to PCC</p>	<p>False use of blue badge permits due to incorrect award; expired date; deliberate use without registered holder present; multiple copies as a result of reissue for losses.</p> <p>Parking permits misuse in wrong areas and wrongly assessed.</p> <p>Loss of legitimate car parking income</p>	<p>Eligibility criteria for all applicants verification.</p> <p>NFI identifies quality of PCC records when compared with DWP deceased lists.</p> <p>Duplicate badges identified can be recovered from other Councils.</p>	<p>IA Plans:</p> <ul style="list-style-type: none"> • NFI 2022, 2024 <p>Council activities:</p> <ul style="list-style-type: none"> • Proactive Blue Badge Awareness Day. Positive Communications publicity • Ongoing works of Enforcement Officers 	L	L
COUNCIL TAX AND BUSINESS RATES (discounts and exemptions)	<p>Council Tax and Business Rates fraud can be a common occurrence. CIPFA fraud reports highlight that these represent two of the most significant areas across local government related fraud.</p> <p>While low value loss per claim, cumulatively there can be a large loss.</p> <p>Revenue from Council Tax is a key income stream to PCC.</p>	<p>Depending on the scheme there are several ways in which fraud can occur.</p> <p>These include applicants providing false information and recipients failing to notify the Council when they no longer qualify or their circumstance change.</p> <p>Fraud examples include:</p> <ul style="list-style-type: none"> • Single Person Discounts • False business rate relief claims 	<p>PCC employs a number of methods to help ensure only valid applications are accepted. This includes relevant information on applications forms and visits to properties (where necessary).</p> <p>Controls include:</p> <ul style="list-style-type: none"> • Segregation of duties between collection and administration; • Restriction of access to records; and • Management oversight of action such as recovery suppressions help prevent internal fraud and error. 	<p>IA Plans:</p> <ul style="list-style-type: none"> • NFI 2022, 2024 <p>Council activities:</p> <ul style="list-style-type: none"> • Data matching checks within Operational Services on small business rate relief 	H	M

			<p>Messages reminding residents to update their circumstances when necessary appear on Council Tax bills issued.</p> <p>PCC routinely takes part in the National Fraud Initiative (NFI).</p>			
COUNCIL TAX SUPPORT	<p>Council Tax Support (CTS) is a PCC funded reduction in liability introduced in 2013 to replace Council Tax Benefit.</p> <p>Unlike its predecessor, CTS is resourced entirely through PCC funds.</p>	<p>Frauds in this area can involve applicants failing to declare their total assets, correct household composition or household income.</p> <p>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>PCC undertakes eligibility checks on those who apply for CTS. There are established lines of communication with DWP where claims for support are linked to externally funded benefits.</p> <p>PCC is able to report Housing Benefit and other welfare frauds to DWP but this does not necessarily allow PCC control over resolving false claims for CTS.</p> <p>Ongoing DWP communication links through the Single Fraud Investigation Service.</p> <p>Council annually approved the CTS policy which sets out the level of payment.</p> <p>Annual participation in NFI to verify claimants against multiple datasets.</p> <p>Use of National Anti-Fraud Network allows intelligence gathering for claims verification</p>	<p>IA Plans:</p> <ul style="list-style-type: none"> • NFI 2022, 2024 <p>Council Activities:</p> <ul style="list-style-type: none"> • Joint working / data sharing with DWP • Sharing of intelligence between Visiting Officers and Investigations Team 2024 	H	M
CREDITORS	<p>Transparency agenda lead to PCC publishing all expenditure above £500.</p> <p>This has the potential to make Councils vulnerable to attack. This can be in the form of mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in bank details.</p>	<p>Due to publicly available creditor payments data, PCC could be at risk for:</p> <ul style="list-style-type: none"> • 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 PCC senior members are targeted and impersonated in order to obtain fraudulent payments. 	<p>Controls in place to identify fraudulent attempts to divert payment.</p> <p>PCC has a number of controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details. This includes contacting companies to confirm that any requested change of bank account details for payments is genuine.</p> <p>Segregation of duties exist between the ordering, invoicing and payment processes.</p>	<p>IA Plans:</p> <ul style="list-style-type: none"> • NFI 2022, 2024 • Creditors Review 	H	H

			(Residual risk remains high due to potentially high levels of loss and the frequency of attacks on public organisations / human error)			
CYBER CRIME	<p>Cyber crime is a constantly evolving area. Criminals are continually refining their techniques in order to overcome controls put in place to protect organisations.</p> <p>Types of cyber crime experienced by Councils in recent years include ransomware, phishing, whaling, hacking and denial of service attacks. Attacks can lead to loss of funds, loss and theft of data, and access to systems being compromised.</p> <p>PCC hold a range of data on residents which can be attractive to criminals.</p>	<p>Variety of types including:</p> <ul style="list-style-type: none"> • Ransomware; • Phishing; • Whaling; • Hacking etc. 	<p>ICT firewalls / filters in place to prevent unauthorised access to servers / systems.</p> <p>PCC has a skilled ICT section which helps mitigate the threat of cyber-crime.</p> <p>(Strong controls in place but cyber crime remains a high residual risk. The potential is heightened by the easy availability of online tools. Human error is a high factor in data breaches)</p>	<p>Council activities:</p> <ul style="list-style-type: none"> • Mandatory ICT awareness training to all staff and Councillors (by external organisations) • Firewall / penetration testing reviews 	H	H
ELECTIONS	<p>Election fraud in parish, local or general elections</p>	<p>Types administered externally as part of the election process include:</p> <ul style="list-style-type: none"> • Fraudulent application for individual electoral registration • Fraudulent application for absent voting (postal and proxy) • Fraudulent voting / manipulation • Voter fraud • Vote rigging • Fraudulent acts by political parties / candidates / canvassers <p>Internal frauds include:</p> <ul style="list-style-type: none"> • Fraudulent acts by poll clerks / presiding officers at polling stations • Fraudulent acts by postal vote opening staff • Fraudulent acts by verification / count staff 	<p>Verification processes through IER</p> <p>Proof of identity checks</p> <p>At the elections:</p> <ul style="list-style-type: none"> • Supervisory roles identified at counts and senior staff appointed to these • Postal vote opening sessions are supervised with controls in place to oversee • Access controls at polling stations and counts • Ballot box controls • Ballot paper accounts verification processes • Full training to all staff involved / guidance issued <p>Personal ID in place</p>	<p>Council activities:</p> <ul style="list-style-type: none"> • Compliance with legislation • Liaison with electoral commission / Police throughout process 	M	L

INSURANCE CLAIMS	Fabricated claims for slips and trips etc.	Duplicate / serial claims	Robust checks of all claims for evidence	Council activities: <ul style="list-style-type: none"> • Review of payment claims • (NB: No longer part of National Fraud Initiative dataset – seen as low risk) 	M	L
INTERNAL FRAUD	Employee related e.g. falsifying timesheets or expenses; working elsewhere while sick etc. 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 on Council time. Some staff have access to equipment and material that may be misused for private purposes.	Employee related e.g. falsifying timesheets or expenses; working elsewhere while sick etc. 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 on Council time. Some staff have access to equipment and material that may be misused for private purposes.	Policies in place which managers should follow Segregation of duties PCC has an established Whistleblowing Policy through which concerns can be raised. Controls are in place surrounding flexitime, annual leave and sickness absence. Participation in the National Fraud Initiative helps PCC identify potential cases of internal fraud.	Council activities: <ul style="list-style-type: none"> • Director assurance statements • Investigation Team working alongside Human Resources • Referrals to IA 	M	M
PAYROLL	In addition, to timesheet / expenses abuse identified above, this relates to specific manipulation of records whether by creating fictitious employees or amending records to divert monies elsewhere	Payroll related fraud can involve the setting up of “ghost” employees in order to divert salary payments to others.	Managers are required to undertake a monthly review of the staff payroll within their service area to help protect against the inclusion of “ghost” employees.	IA Plans: <ul style="list-style-type: none"> • Payroll review Council activities: <ul style="list-style-type: none"> • Review of establishment lists by all managers • Exception reports produced of key data changes 	M	M
PROCUREMENT	Procurement fraud has been perceived as a high risk within LA’s for a number of years. Procurement fraud, by its 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 estimates that having a cartel within a supply chain can raise prices by +30%.	Cartels, “insider trading”	Established procurement rules with clear segregation of duties for evaluation of tenders etc. PCC has established Contract Rules / Procurement Strategy, both of which are regularly reviewed. PCC Procurement provide guidance and advice to ensure that procurement processes are carried out correctly.	IA Plan	H	M

	CIPFA reported losses of £20.3m nationally in 2018/2019 for LA's, due to procurement fraud. It found that 12% of fraud detected in this area involved "insider fraud" and 5% involved organised crime.		A tendering and evaluation framework is in operation to help prevent fraud. It also sets out the requirements for declarations of interest to be made. Contract monitoring is implemented to help detect and deter fraud. PCC contracts and contract procedures are the subject of both IA and EA scrutiny.			
RECRUITMENT	False declarations of qualifications / misleading information in relation to right to work in UK 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.		Human Resources verification including DBS checks; References PCC has controls in place which include verification of qualifications and reviewing references to help mitigate against the risk of fraud in this area	IA Plans	M	M
SALE OF ASSETS	Selling assets for less than market value	Collusions between staff and purchaser (may include provision of insider knowledge such as planning, leases or covenants) Rental income management	Asset register maintained and up to date Independent valuations obtained Decisions for sales require Member approval in line with Financial Rules Policies in place in relation to acquisitions and sales of property through Corporate Asset Management Plan	Council activities: • Member decisions / call in mechanism / due diligence • Legal approvals	H	L
THEFT OF ASSETS	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. PCC owns large numbers of physical items, such as IT equipment and vehicles. Reductions in staff at PCC premises post pandemic and new ways of working	Portable / desirable assets such as ICT equipment removed	Asset registers CCTv systems Specific registers of physical assets (e.g. property, vehicles, IT equipment) are maintained. Door entry system to control access (issue of tailgating reminders)	Activities: • Security protected assets • Registers	M	L

	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.		The Whistleblowing arrangements provide an outlet for reporting concerns of theft.			
TREASURY MANAGEMENT	The management and safeguarding of the Councils cash flow, banking and investment in money markets.	Monies invested elsewhere	Treasury management controls Segregation of duties Approved lending lists	External reviews IA Plans	H	L