# Selby District Council - Fraud Risk Assessment (January 2021)

| Risk Area | Risk Description | Risk Controls | Risk Category | Risk Mitigation |
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| Council Tax & Business Rates Frauds (discounts and exemptions) | 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 Occupancy Discount fraud accounted for £19.4m of loss due to fraud in 2018/19 according to the survey.<br><br>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.<br><br>Revenue from Council Tax and Business Rates is a key income stream. Fraud in this area threatens this source of funding. | The Council employs a number of methods to help ensure only valid applications are accepted. This includes requiring relevant information on applications forms and visits to properties (where necessary).<br><br>Controls including separation 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.<br><br>Messages reminding residents and businesses to update their circumstances when necessary appear on annual bills issued by the Council.<br><br>The Council routinely takes part in the National Fraud Initiative. In addition, the council conducts periodic Single Person Discount reviews through a specialist provider and is seeking to move to a continuous monitoring system. | High | Counter fraud team will raise fraud awareness with staff in revenues and customer services teams about frauds affecting Council Tax and Business Rates.<br><br>An audit of the service is taking place in 2020/21. This will help to monitor the effectiveness of the controls in place.<br><br>The counter fraud team has developed data matches to detect incorrectly received discounts and exemptions. These will be undertaken as required. |
| Council Tax | Council Tax Support is a council | The Council undertakes eligibility | High | Fraud concerns are reported to the |

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| Support Fraud | 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.<br><br>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.<br><br>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.<br><br>Fraudulently obtained Council Tax Support represents a loss of Council funds. | checks on those who apply for support. There are established lines of communication with the Department for Work and Pensions where claims for support are linked to externally funded benefits.<br><br>The Council is able to report Housing Benefit and other benefit frauds to the Department for Work and Pensions but this does not necessarily allow the Council control over resolving false claims for Council Tax Support. | | counter fraud team who determine if criminal investigation is required. The counter fraud team can undertake joint working with the Department for Work and Pensions where it is mutually beneficial (e.g. joint claims for benefit).<br><br>The Counter Fraud Team will continue to raise awareness with relevant staff. |
| COVID-19 Grants | In response to the Covid-19 pandemic, central government initially | The council processed over 1550 grant claims for the government's | High | Any instances where an applicant provided false information to the |

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| | 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 government guidance was not always timely. New processes for managing applications and paying grants also had to be set up quickly.<br><br>Further schemes were introduced to provide support to businesses during the Covid-19 tier system. In addition, schemes were introduced to aid residents unable to work due to self-isolation requirements and support families with children or vulnerable adults.<br><br>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).<br><br>While funding is provided by central government, the Council is charged with responsibility for identifying genuine applicants and investigating | Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, and 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 that payments were being made to the correct people. Applications for ongoing business and resident support schemes continue to be carefully assessed by council officers before payment.<br><br>The counter fraud team have circulated details of all known frauds occurring regionally and nationally to help prevent the Council falling victim to fraud.<br><br>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. | | Council are reported to the counter fraud team. Where appropriate, criminal investigations can take place. The Department for Business, Energy & Industrial Strategy have stated that Councils should conduct investigations where they have resources available.<br><br>If the Council is targeted by a national fraud, this is reported to the National Investigation Service (NATIS) via the counter fraud team. The counter fraud team will continue to with external agencies as required.<br><br>The counter fraud team has undertaken a post-payment assurance exercise on the initial business schemes and will continue to support post assurance work on later payments. Additionally, the Council will be taking part in the National Fraud Initiative in 2020/21 which will include data matches relating to grant payments. |

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| | and recovering incorrect payments. The Council therefore needs to show that suitable assurance and recovery actions have taken place. | | High | |
| Creditor Fraud | A range of frauds can be committed against the Council as a result of publically available creditor payment data. Criminals undertaking these types of fraud are often found to be operating from overseas.

The most common issue 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 increased remote working due to Covid-19, there are increased opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications, to divert funds. | The Council 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.

Segregation of duties exist between the ordering, invoicing and payments processes. | High | The counter fraud team undertake work to raise staff awareness of these types of frauds. Increased awareness provides greater chances of stopping fraudulent attempts before losses occur.

All instances of whaling fraud reported to the counter fraud team will be reported to the police's Action Fraud Unit, National Cyber Security Centre and directly to internet service provider from which the false emails originated.

The counter fraud team share intelligence on any attempted frauds occurring nationally to ensure the council can prevent losses.

Internal audit undertake periodic reviews of the controls and work is planned for 2020/21. |
| Cybercrime | Cybercrime is a constantly evolving | North Yorkshire County Council | High | Raising awareness with staff can |

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| | area. Criminals are continually refining their techniques in order to overcome controls put in place to protect organisations.<br><br>Types of cybercrime experienced by local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds, data loss, or access to systems being compromised.<br><br>Councils hold a range of data on residents which can be attractive to criminals. A council in the North East suffered a major cyberattack in early 2020. This resulted in disruptions to services over many months, as well as significant costs to restore systems. | provides ICT services for the Council. Working with a larger organisation who have highly skilled ICT professionals helps mitigate the threat of cybercrime. | | be crucial in helping to prevent successful cyberattacks. Any counter fraud training delivered will reinforce anti-cybercrime messages to members of staff.<br><br>All instances of cybercrime and related fraud will be reported to the police's Action Fraud Unit and the National Cyber Security Centre. |
| Procurement Fraud | Procurement fraud has been perceived as a high risk by local authorities in the CIPFA fraud tracker for a number of years.<br><br>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 | The Council has established Contract Procedure Rules. The rules are reviewed annually and ensure the requirement for a competitive process (where required) through an e-tender system. A team of procurement professionals provide guidance and advice to ensure that procurement processes are carried out correctly. | High | Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. The counter fraud team will continue to provide training to raise awareness of fraud risks in this area.<br><br>Counter fraud team and Internal Audit will monitor guidance on fraud detection issued by the |

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| | having a cartel within a supply chain can raise prices by 30% or more.

CIPFA reported losses of £20.3 million in 2018/19 for local authorities, due to procurement fraud. It found that 12% of fraud detected in this area involved 'insider fraud' and 5% involved organised crime.

In response to the effects on businesses as a result 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 responsibility for ensuring this relief is correctly applied. | 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.

Internal audit issued a guidance document recently and have offered further support in relation to the new supplier relief scheme. | | Competition and Markets Authority and other relevant bodies.

Audit work in this area is undertaken regularly with an audit taking place in 2020/21.

Potential abuses of the supplier relief should be reported to the counter fraud team for further investigation. Internal audit will provide further support with the Council's supplier relief process. |
| 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. The Council owns large numbers of physical items, such as IT equipment, vehicles and tools.

Reduction of staff at Council premises during the Covid-19 outbreak could leave equipment at heightened risk of | 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.

The Council's whistleblowing arrangements provide an outlet for reporting concerns of theft. | High | Members of staff should also be vigilant and report all possible thefts promptly to the Police and counter fraud team. |

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| | theft. Unauthorised access to buildings may not face the same level of visibility or challenge as would be the case in normal conditions. | | | |
| Internal Fraud | 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.<br><br>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.<br><br>Corruption and bribery is a significant risk to all public sector organisations, however, only low levels have ever been detected. | The Council has an established whistleblowing policy through which concerns can be raised.<br><br>Controls are in place surrounding flexitime, annual leave and sickness absence.<br><br>Participation in the National Fraud Initiative helps the Council identify potential cases of internal fraud. | Medium | The counter fraud team investigate any suspicions of corruption while internal audit ensure that appropriate checks and balances are in place to help prevent it. |
| Recruitment Fraud | 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 | The Council has controls in place which include verification of qualifications and reviewing references to help mitigate against the risk of fraud in this area. | Medium | Where there is a suspicion that someone has provided false information to gain employment, the counter fraud team will be consulted on possible criminal action in addition to any disciplinary action that may be |

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| | demonstrate the right to work in the UK. | | | taken. |
| Blue Badge Fraud | Disabled parking badges (known as blue badges) are issued by North Yorkshire County Council. The Council offers free parking in council car parks for badge holders. | The financial impact of blue badge fraud is low, however, it can prevent genuine users from accessing spaces. | Low | The counter fraud team will investigate cases where blue badges are used in council car parks. |
| Fraudulent Insurance Claims | The Council may receive exaggerated or fabricated insurance claims. CIPFA report that in 2019 the average value of a fraudulent claim against local authorities was over £39.5k. | While insurance fraud is common, the burden of risk is currently shouldered by the council's insurers who have established fraud investigation systems. | Low | n/a |
| Treasury Management | The impact of losses in this area could be significant. There are no recorded frauds within the council. | Treasury Management services are provided by North Yorkshire County Council. Systems are well controlled and subject to periodic internal audit review. | Low | Internal Audit undertake periodic reviews of the controls in this area. |