

Appendix C

North Norfolk District Council - Fraud Risk Assessment 2022/23

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation/Action
<p>Council Tax & Business Rates Frauds (discounts and exemptions)</p>	<p>Council Tax and business rates fraud can be a common occurrence. CIPFA report that these areas represent two of the most significant areas across all local government related fraud, recorded as part of their annual survey. Single Occupancy Discount fraud accounted for £28.9m of loss nationally due to fraud in 2019/20 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 or their circumstances change.</p> <p>Revenue from Council Tax 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 and visits to properties (where necessary).</p> <p>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.</p> <p>Messages reminding residents to update their circumstances when necessary appear on annual Council Tax bills issued by the Council.</p> <p>The Council routinely takes part in the National Fraud Initiative (NFI). In addition, the Council conducts periodic Single Person Discount reviews.</p>	<p>High</p>	<p>The relevant service managers will raise fraud awareness with staff in Benefits, Revenues and Customer Services teams about frauds affecting Council Tax and Business Rates. Dedicated training will be provided to key staff where appropriate. Action (Director for Resources – September 2022)</p> <p>Corporate communications will be provided to help embed the Council’s zero tolerance for fraud, supported from the top of the organisation by the Corporate Leadership Team (CLT). Action (CLT – June 2022)</p> <p>There is a dedicated page on the Council’s website for people to confidentially report suspected benefit fraud.</p>
<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,</p>	<p>The Council undertakes eligibility checks on those who apply for Council Tax Support. There are established lines of communication with the Department</p>	<p>High</p>	<p>Fraud concerns are reported to the DWP counter fraud team who determine if criminal investigation is required.</p>

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	<p>Council Tax Support is resourced entirely through District Council funds.</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>for Work and Pensions (DWP) where claims for support are linked to externally funded benefits.</p> <p>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.</p>		<p>The Council does not currently have its own dedicated fraud resource. This position will be consider by CLT/GRAC/Cabinet as part of the risk assessment process. Action (CLT/GRAC/ Cabinet – May 2022)</p> <p>Staff communications will be used to raise awareness with staff supported by high level training for all staff and more dedicated training for staff in key service areas. Action (Communications Manager – June 2022)</p>
Covid-19 Grants	<p>In response to the Covid-19 pandemic, central government made funding available for local businesses. The Council has administered a number of schemes throughout 2020/21 and 2021/22; some were linked to business rates liabilities while others were to assist those outside this scope. The Council responded at pace to support local</p>	<p>The Council made over 31,000 payments with a total value of almost £130m for the Government's 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</p>	High	<p>Any instances where an applicant provided false information to the Council are investigated. Where appropriate, criminal investigations can take place. The Department for Business, Energy & Industrial Strategy has stated that councils should conduct investigations</p>

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	<p>businesses. New processes for managing applications and paying grants had to be developed quickly.</p> <p>In addition, schemes were introduced to aid residents unable to work due to self-isolation requirements and support families with children or vulnerable adults.</p> <p>These schemes have all 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 the responsibility of 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>payments were being made to the correct people. Applications for ongoing business and resident support schemes continue to be carefully assessed before payment.</p> <p>The Council provides monthly updates on payments made, fraud/error identified and the status of any recovery work to the Department for Business, Energy & Industrial Strategy.</p>		<p>where they have resources available.</p> <p>If the Council is targeted by a national fraud, this is reported to the National Investigation Service (NATIS) via the CFT. The team will continue to liaise with external agencies as required.</p> <p>The Council are involved in undertaking post-payment assurance exercises across the various schemes and will continue to support post assurance work as required.</p>

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<p>Energy bills rebate</p>	<p>Due to the increasing cost of living crisis and pressure on household incomes, the Government introduced a £150 'rebate' towards energy costs to be paid through the Council Tax system. The focus is on property bands between A – D, all of whom will receive a payment of £150, with a locally based discretionary scheme for properties in higher bands.</p> <p>Councils should be aware of the risk of mandate fraud and may want to exercise particular caution where direct debit details have been changed or newly provided since the scheme was announced on 3 February 2022.</p> <p>Potential fraud risks include people providing false evidence to gain access to the Council Tax Rebate or Discretionary Fund</p>	<p>The Council has implemented a piece of software from Ascendant which makes live checks between registered Council Tax payers and banking details before producing a live file for payment. Any residents that don't automatically match are then investigated to establish the reasons for any errors.</p>	<p>High</p>	<p>It has been recommended that councils take additional steps before payment to prevent erroneous payments and the need for clawback. This includes waiting to make payment until after the first direct debit Council Tax payment for 2022-23 has been taken on the given live instruction which the Council has followed.</p>

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<p>Creditor Fraud</p>	<p>A range of frauds can be committed against the Council as a result of publically available creditor payments data. Criminals undertaking these types of fraud are often found to be operating from overseas.</p> <p>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.</p> <p>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</p>	<p>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.</p> <p>Segregation of duties exist between the ordering, invoicing and payment processes.</p>	<p>High</p>	<p>This area of potential fraud will be included as part of the staff fraud awareness programme with dedicated training provided to key staff. Action (HR Team to arrange training – June 2022)</p> <p>Increased awareness provides a greater chance of stopping fraudulent attempts before losses occur.</p> <p>All instances of whaling fraud logged 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.</p>

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Cybercrime	<p>Cybercrime 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 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, loss and theft of data, and access to systems being compromised.</p> <p>Councils hold a range of data on residents which can be attractive to criminals.</p>	The Council has a highly skilled ICT department which helps mitigate the threat of cybercrime.	High	<p>Raising awareness with staff can be crucial in helping to prevent successful cyberattacks. Any counter fraud training delivered will reinforce anti-cybercrime messages to members of staff.</p> <p>Action (HR Team to arrange training – June 2022)</p> <p>All instances of cybercrime and related fraud will be reported to the police's Action Fraud Unit and the National Cyber Security Centre.</p>

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Procurement Fraud	<p>Procurement fraud has been perceived as a high risk by local authorities in the CIPFA fraud tracker for a number of years.</p> <p>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% or more.</p> <p>CIPFA reported losses of £20.3 million nationally 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.</p>	<p>The Council has established Contract Procedure Rules and a Procurement Strategy, both of which are regularly reviewed.</p> <p>The Council's Procurement Officer provides guidance and advice to ensure that procurement processes are carried out correctly.</p> <p>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.</p> <p>Contract monitoring is implemented to help detect and deter fraud.</p> <p>The Council's contracts and contract procedures are the subject of both internal and external audit scrutiny.</p>	High	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. This will be covered as part of the training package provided by the Council to raise awareness of fraud risks in this area.</p> <p>The Internal Audit team monitor guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.</p>

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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 as a result of the Covid-19 outbreak and New Ways of Working policy 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	<p>Members of staff should also be vigilant and report all possible thefts promptly to the police.</p> <p>The Council's Whistleblowing Policy is communicated and shared with staff.</p> <p>Managers should ensure all Council equipment is returned by employees leaving the authority.</p>
Internal Fraud	<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 on Council time. Some staff have access to equipment and material that may be misused for private purposes.</p>	<p>The Council has an established Whistleblowing Policy through which concerns can be raised.</p> <p>Controls are in place surrounding flexitime, annual leave and sickness absence.</p> <p>Participation in the National Fraud Initiative helps the Council identify potential cases of internal fraud.</p>	Medium	<p>Internal Audit ensure that appropriate checks and balances are in place to help prevent this type of fraud.</p>

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	<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>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.</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 Council has controls in place which include verification of qualifications and reviewing references to help mitigate against the risk of fraud in this area.</p>	Medium	<p>Where there is a suspicion that someone has provided false information to gain employment, the HR team will be consulted on possible criminal action in addition to any disciplinary action that may be taken.</p>
Fraudulent Insurance Claims	<p>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.</p>	<p>While insurance fraud is common, the burden of risk is currently shouldered by the Council's insurers who have established fraud investigation systems.</p>	Low	n/a
Treasury Management	<p>The impact of losses in this area could be significant. There are no recorded frauds within the Council.</p>	<p>Treasury Management systems are well controlled and no fraud has been detected in this area.</p>	Low	<p>Internal audit undertake periodic reviews of the controls in this area.</p>