**Leicestershire County Council - Fraud Risk Assessment 2022/23**

Under the 'Identify risks' principle of the CIPFA Code of Practice on Counter Fraud (2014) there are recommendations that fraud risks are routinely considered as part of the organisation's risk management arrangements and that the organisation identifies the risks of bribery and corruption and the importance of behaving with integrity in its governance framework.

The Internal Audit Service performs a biennial fraud risk assessment and uses the results to direct both general audit resources and counter fraud resources accordingly. In essence the Fraud Risk Assessment is a key tool that informs the Internal Audit annual planning process. The assessment is informed by national and regional reports such as the CIPFA Fraud & Corruption Tracker National Report for 2020 which reports on the most reported causes of fraud within local government. Not all areas highlighted in the CIPFA Tracker are applicable to upper tier authorities, such as housing tenancy, revenue and benefits, but two of the top three fraud risks are. These are procurement and adult social care.

National fraud intelligence, such as CIFAS Fraudscape, also informs on both common and emerging frauds. The current emerging fraud risk is one of insider fraud with its prevalence closely linked to the cost-of-living crisis that we are experiencing. The opportunity through hybrid working, the pressure of providing for a family and the rationalisation of pay settlements below the cost of living increase, all contribute to the forecasted increase in insider fraud risk. Increased work pressures experienced, partly as a result of the pandemic, could lead to a relaxation in the following of policies and procedures, or in the operation of preventative controls, thus providing further opportunities for fraud.

The following table identifies details of:

- the fraud risks affecting local authorities as identified in national reports (n.b, includes those fraud risks pertinent to upper tier county councils only);
- the controls in place to mitigate the risk of fraud occurring;
- the final column discusses other information of interest.

| FRAUD RISK AREA (RAG GRADING) | FRAUD RISK DESCRIPTION | CONTROLS IN PLACE | ADDITIONAL INFORMATION |
|---|---|---|---|
| **Procurement** | At tendering and contract award stage due to<br>• bid rigging;<br>• collusion;<br>• cartels;<br>• bid evaluation (insider fraud). | • Commissioning & Procurement Strategy;<br>• Contract Procedure Rules including defined process for the recording of receipt and opening of bids;<br>• Employee Code of Conduct;<br>• Declaration of Interests;<br>• Gifts & Hospitality Register;<br>• Fraud Training directed specifically towards procurement.<br><br>Data matching in the biennial National Fraud Initiative exercise includes:<br>• Payroll to Creditors (linked by bank account or address);<br>• Payroll to Companies House (employees who appear to be registered directors of companies that LCC has traded with or employees address appears to have links to the company directors or the company) | |
| | Post-contract award stage due to<br>• overcharging;<br>• duplicate invoicing;<br>• under delivery on contract terms. | • Contract Management<br>• No order, no pay.<br>• Segregation of duties between the receipt of goods and invoice approvals.<br><br>Data matching in the biennial National Fraud Initiative exercise includes:<br>• possible duplicate payments that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff. | |

| Adult Social Care | Deprivation / Non-Declaration of Capital (to minimise or eliminate a service user's contribution to the costs of care). | • Signed declaration of accuracy of information supplied;<br>• Proof of income / statements required;<br>• Access to DWP online system for benefit checks;<br>• Random independent checks by Senior Case Officers;<br>• Access to NAFN Data Intelligence. | The Cabinet Office is currently undertaking a consultation exercise with a view to bringing social care data matching within the biennial National Fraud Initiative exercise. This could potentially see data matching in the future of care records such as personal budgets or care home residents against (i) deceased persons records to identify where invalid payments continue, (ii) other authorities' data with a view to identifying fraudulent duplicate claimants, and (iii) Land Registry / HMRC records to identify property ownership or recent disposals of property. |
|---|---|---|---|
| | Misuse of direct payments / personal budgets | • Monthly reports and alerts provided by DP card supplier;<br>• Use of ATMs blocked;<br>• Representative to act where service user lacks mental capacity;<br>• Annual review includes financial review. | |
| | Residential settings claiming for deceased or fictitious residents | • Payment only made where a CPLI is in place;<br>• CPLI suspended upon notification of death preventing further payment. | |
| | Financial abuse of vulnerable service users | • Review of case should concern be raised about ability to pay contribution;<br>• Review of bank statements to identify unusual activity;<br>• Safeguarding policies and procedures;<br>• Referral to Office of Public Guardian for investigation. | |
| Blue Badge / | Blue badges / concessionary travel | 'Tell Us Once' reports used to identify badges / passes | |

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| **Concessionary Travel Pass / Residential Parking Permits** | passes / parking permits may be used by those not entitled to use them | that require cancelling.<br><br>Data matching in the biennial National Fraud Initiative exercise includes:<br>• Current badge/permit holders to DWP deceased persons records | |
| **Insurance Claims** | Fraudulent Insurance Claims received | Various methods used to validate statements made on claims | |
| **Insider Fraud / Employee Fraud** | Manipulation of official processes e.g. Setting up of a Ghost Employee | • Employee Code of Conduct<br>• Gifts & Hospitality Policy<br>• Declaration of Business and Personal Interests Policy<br>• Anti-Fraud & Corruption Strategy<br>• Anti-Bribery Policy<br>• Anti-Money Laundering Policy<br>• Whistleblowing Procedures<br>• Information & Data Governance Policy<br>• Mandatory Fraud Awareness e-learning module<br>• GDPR UK and Information Security Digital Learning e-learning module<br>• Guidance published on Insider Fraud<br>• Managers are responsible for ensuring that there is a strong internal control environment within their service areas, for example, by making sure that proper authorisation and approval controls are in place, e.g. payroll documentation, or that certain duties are divided amongst the team to prevent the risk of fraud or accidental error.<br><br>Data matching in the biennial National Fraud Initiative exercise includes: | A wide range of "doing the basics well" audits are undertaken regularly to manage the risk of employee fraud. This includes, for example, recent audits undertaken on travel and subsistence allowances, procurement cards, work from home allowances, validation of fit notes etc. |
| | False claims - Inflated travel and subsistence claims or overtime claims | | |
| | Attendance & Absence - falsely claiming sick pay while either not being ill or working on another job | | |
| | Theft of equipment, stationery or data | | |
| | Misuse of official assets or undertaking personal business during working time | | |
| | Abuse of position e.g. misuse of procurement cards / imprest accounts / theft of income / misuse of returned blue badges | | |
| | Abuse of Position - Corruption / Bribery | | |
| | Money Laundering | | |

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| | | • Payroll to Payroll (to identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time);<br>• Payroll to Companies House (employees who are registered directors of companies that LCC has traded with or employee addresses with links to company directors or the company);<br>• Payroll to Creditors (linked by bank account or address). | |
| **Employment Application / Recruitment** | • false identity<br>• false qualifications<br>• false references<br>• concealment of key information for example reasons for breaks in employment history | Guidance and checklists for recruitment manager to follow includes<br>• obtaining reason for gaps in employment history<br>• take-up of references<br>• ID checking<br>• Obtain proof of qualifications<br>• checking professional registers for identified practice concerns | |
| **Cybercrime** | • phishing<br>• hacking<br>• mandate fraud<br>• CEO ('bogus boss') fraud<br>• malware<br>• ransomware<br>• theft of data | • Knowledge transfer via email, Sharepoint, ICT portal advising employees of scams and action to be taken.<br>• Fraud awareness e-learning and ad hoc comms.<br>• ICT Policies and Procedures<br>• ICT controls, e.g. virus protection, firewalls, back-ups.<br>• Defined processes underwriting changes to creditor / employee bank accounts. | |
| **Economic & 3rd Sector** | Fraudulent claims for grant payments - e.g. Winter Support | • Controls at application stage, e.g. confirmation of validity of organisations, verification of bank | Internal Audit provides proactive counter fraud advice |

| | | statements, constitutions etc.<br>• Defined eligibility criteria.<br>• Post-payment reviews of spend, outcomes etc. | to departments on fraud-proofing systems for the assessment and payment of grants. |
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| **Pension Fund** | Continued payments to deceased pension fund members | • Monthly mortality screening facilitated though screening bureau<br>• Six monthly mortality screening to DWP records facilitated through the National Fraud Initiative to identify overseas deaths<br><br>Data matching in the biennial National Fraud Initiative includes:<br>• Pension records to DWP Deceased Persons record | Although cases have been identified through the NFI data matching exercise these have not been linked to fraudulent activity. |
| **Activity level-based funding / payments** | Over inflation of activity data by providers to obtain increased funding / payments from the Council | All departments<br><br>• Contract Management<br>• KPI monitoring<br><br>Public Health department<br><br>• New internal controls introduced including a new system that pulls data direct form the GPs system without the need for them to report manually. | |