

## UDC Inherent Fraud Risk Assessment 2022 - DRAFT

\*N.B. Inherent Risk indicates the Council's fraud risk profile before local controls/other mitigation are considered. The rating considers the latest external sources indicating higher risk areas for all similar local authorities, and the scope and focus of UDC activities.

Ref	Fraud Risk Area	Description	Inherent Risk*	Notes on inherent risk rating	Existing Controls	Quality of Controls	Control Testing/Assurance	Residual Risk	Risk Treatment Plan
CFR 001	<b>Council tax</b>	Abuse of local council tax support, single person and other discounts, refund scams, failure to register (Rising 18's)	Very High	Council tax continues to be the largest area of identified fraud and is the top fraud risk area for district councils per CFACT					Internal control analysis and residual risk to <u>be</u> assessed by Counter Fraud Working Group September 2022 <u>which will then develop a response to mitigate the risk</u>
CFR 002	<b>Social housing &amp; tenancy fraud</b>	False applications, misallocation for personal gain, exchange and succession fraud, illegal subletting, Right to Buy/Right to Acquire	Very High	High cost of placing tenants can result in significant financial savings; property recovery has direct impact on homelessness prevention; highest value of all local authority fraud cases surveyed per CFACT					Internal control analysis and residual risk to <u>be</u> assessed by Counter Fraud Working Group September 2022 <u>which will then develop a response to mitigate the risk</u>
CFR 003	<b>Procurement and contracting</b>	Collusion to distort fair an open competition; collusion between bidders; submission of false documents for payment; collusion with contractors etc. post-award contract management etc	Very High	Focus of UK Government Anti-Corruption Strategy 2017-2022; 4th highest value of all local authority fraud cases surveyed per CFACT					Internal control analysis and residual risk to <u>be</u> assessed by Counter Fraud Working Group September 2022 <u>which will then develop a response to mitigate the risk</u>
CFR 004	<b>Non-domestic rates</b>	Abuse of exemptions, discounts and reliefs; unlisted, vacant, extended premises; phoenixing; refund scams	Very High	Third highest perceived fraud risk per CFACT					Internal control analysis and residual risk to <u>be</u> assessed by Counter Fraud Working Group September 2022 <u>which will then develop a response to mitigate the risk</u>
CFR 005	<b>Covid-19 Business Grants</b>	False grant applications; misuse of public funds	Very High	At height of C19 the Council was directed to distribute large of money quickly. HMG retains right to claw back payments paid out incorrectly.					Internal control analysis and residual risk to <u>be</u> assessed by Counter Fraud Working Group September 2022 <u>which will then develop a response to mitigate the risk</u>
CFR 006	<b>Housing Benefit</b>	False applications, including undeclared income or partners.	Very High	HB Fraud Investigation is the responsibility of the DWP, however poor preventative controls enabling fraudulent/erroneous claims would lead to loss of HB subsidy (direct financial impact on the Council).					Internal control analysis and residual risk to <u>be</u> assessed by Counter Fraud Working Group September 2022 <u>which will then develop a response to mitigate the risk</u>
CFR 007	<b>Data theft and other cyber crime</b>	Data solicited or taken forcibly by external parties and/or used by insiders for personal gain, e.g. theft of	Very High	Significant regulatory, financial and reputational impacts.					Internal control analysis and residual risk to <u>be</u> assessed by Counter Fraud Working Group September 2022 <u>which will then develop a response to mitigate the risk</u>

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		personal data to perpetrate identify fraud.							
CFR 008	<b>Decision-making</b>	Corruption including bribery and improper influence, failure to declare conflicts/gifts, suppressing or providing false information, to sway decisions or affect outcome	Very High	The Council is responsible for awarding a wide range of permissions, concessions, licences, planning and benefits etc. Corrupt practices may have wide-ranging impacts on residents.	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022 <a href="#">which will then develop a response to mitigate the risk</a>				
CFR 009	<b>Corporate property/ Investments</b>	Purchase, sale or letting of property at anything other than market value/rate; provision of services without charge	Very High	High value transactions, Council reliance on income, specialist technical area, susceptibility to influence at senior level	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022 <a href="#">which will then develop a response to mitigate the risk</a>				
CFR 010	<b>Mandate fraud</b>	Diversion of payments, internally or following false requests (often cyber-enabled)	High	Inherent risk of high value transactions in various Council activities, including property development and treasury management	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 011	<b>Grants to individuals and voluntary sector</b>	False claims to secure a grant or demonstrate terms have been met, diversion of funds, abuse of position to award grants	High	Grant to the third sector a focus of UK Government Anti-Corruption Strategy 2017-2022; high reputational risk in the event of proven conflict of interest	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 012	<b>Recruitment</b>	False applications and identity fraud	High	Penalties for Right to Work infringement; enabler of other fraud once employed	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 013	<b>Payroll and expenses</b>	False entries, inflation of payments, false claims for expenses and overtime, abuse of medical and other absences, IR35	High	Large and complex payroll with a number of schemes. IR35 maladministration carries financial penalties.	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 014	<b>Manipulation of data/ false accounting</b>	Omitting or making misleading, false or deceptive entries in a document or account	High	Enabler of other types of fraud.	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 015	<b>Voting fraud</b>	Fraudulent or corrupt acts by voters, candidates, canvassers, poll clerks and officers, and/or count staff etc.	High	Integrity of the vote is a reputational risk.	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 016	<b>Money laundering</b>	Exchanging money or assets that were obtained criminally for money or other assets that are 'clean'.	High	Susceptibility due to large transactions	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				

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CFR 017	<b>Theft</b>	Of cash (and equivalents e.g. funds via procurement cards) and other assets for resale or personal use, including IT equipment, stores, fuel	High	Cash use is reducing but still widespread; large range of assets with inevitable element of trust	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 018	<b>Income collection fraud – other</b>	Abuse of payment card data; invalid discount or other reduction in fees, invalid cancellation or refunds/write-offs; fraudulently avoiding payment of debts, misuse of grants receivable	Medium	Large number of disparate income sources and systems; Council reliance on self-generated income	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 019	<b>Insurance claims</b>	False or exaggerated claims (esp. personal injury)	Medium	Increased volume of claims by Local Authorities nationally per CFACT; financial hardship increases fraud incentive	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 020	<b>No recourse to public funds</b>	False eligibility for Housing allocation, homelessness support, housing benefit, council tax support	Medium	Limited individuals involved; however frequently overlooked by local authorities	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				
CFR 021	<b>Misuse of Council assets</b>	Use of Council assets for personal gain at detriment to the Council (e.g. vehicles, buildings, parking spaces)	Medium	Large range of assets with inevitable element of trust	Internal control analysis and residual risk to <a href="#">be</a> assessed by Counter Fraud Working Group September 2022				

#### Key to abbreviations

CFACT = CIPFA Counter Fraud and Corruption Tracker