



Oldham
Council

Oldham Council Audit and Counter Fraud Service

Fraud and Loss Risk Assessment

26 March 2024

1 Background

- 1.1 In developing the Council's Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, the Council incorporated guidance and best practice of combatting fraud within Local Government from a number of different sources, as follows:
- **Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption**
 - **Fighting Fraud and Corruption Locally (FFCL) 2020s Strategy**
- 1.2 The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption requires that, in Local Authorities fraud risks are routinely considered as part of the organisation's risk management arrangements.
- 1.3 The Fighting Fraud and Corruption Locally (FFCL) 2020s Strategy has been developed by Local Government in collaboration with anti-fraud and corruption professionals as part of a Joint Taskforce. The Joint Fraud Taskforce is a partnership between banks, law enforcement agencies and Government to deal with economic crime. FFCL 2020s Strategy contains a checklist against which Local Authorities can measure their compliance with the strategy. The first item in the checklist is:
- The Local Authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its Members.
- 1.4 This fraud and loss risk assessment meets these requirements by identifying both the risks of fraud and loss to the Authority, and the actions (risk mitigation) the Council has in place to address these risks. This risk assessment informs the work of the Audit and Counter Fraud Service.

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Risk Area	Risk Description	Risk Mitigation
<p>Grant Fraud/Misuse</p>	<p>False information provided to secure grant funding – External parties provide false or inaccurate information in order to qualify for grants/loans for which they are not entitled to or will use for other purposes.</p> <p>Grant Collusion – An applicant colludes with a member of staff in order to obtain a grant for personal use to which they are not entitled.</p> <p>Failure to use Grant for intended purpose – Applicant deliberately uses the grant provided for purposes other than that for which it was intended.</p> <p>Council misuse of ring-fenced grants – Ring-fenced grants not used for the purpose for which they were intended.</p>	<p>Pre-payment checks undertaken prior to grant payment.</p> <p>Grant assurance reviews and Chief Internal Auditor sign off where appropriate.</p> <p>Undertake investigations/reviews into referrals received from Whistleblowers / the Council's Senior Management Team.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>
<p>Bribery</p>	<p>Corporate Bribery – The Council fails to take appropriate steps to prevent bribery and is held accountable by law which can be punishable by a prison sentence.</p> <p>Bribery – Officers/Members accepting bribes to act improperly in order to influence Council policy, procurements, processes or procedures for the benefit of themselves or another.</p>	<p>Pre-employment checks, including take up of references.</p> <p>Employee Code of Conduct.</p> <p>Members Code of Conduct.</p> <p>Register of gifts and hospitality (Officers and Members).</p> <p>Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, and Sanctions Policies.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p> <p>Register of Interests (Officers and Members).</p>

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Blue Badge Fraud	<p>Application – False or exaggerated information submitted in order to secure a blue badge parking permit.</p> <p>Inappropriate Usage – The use of a blue badge by those not entitled to use them and without the company of the badge holder.</p> <p>Deceased Usage – Blue badges are used or sold on after the badge holder has deceased.</p> <p>Fake or Amended – Blue badges in use are fake or have been amended (i.e. dates) in order to abuse the system.</p>	<p>Cabinet Office (National Fraud Initiative) data match against the DWP Mortality Register.</p> <p>Reacting to referrals from Whistleblowers, Council Officials and Parking Services.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>
Money Laundering	<p>Money Laundering – The Council and its cash handling arrangements are abused by a third party wishing to launder money. This can include the payment of accounts in cash and then requesting an electronic repayment because accounts have been overpaid.</p>	<p>Anti-Money Laundering Policy.</p> <p>Undertake investigations as directed by the Money Laundering Reporting Officer.</p> <p>Pre-employment checks, including take up of references.</p> <p>Employee Code of Conduct.</p> <p>Members Code of Conduct.</p> <p>Register of gifts and hospitality (Officers and Members).</p> <p>Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, and Sanctions Policies.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p> <p>Register of Interests (Officers and Members).</p>

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<p>Council Tax Reduction/Council Tax/Discounts Fraud/Misuse</p>	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>Fail to register for Council Tax – Failure to register a property that should be subject to Council Tax.</p> <p>Exemptions/Discounts – Fraudulently providing incorrect information in order to gain a reduction in Council Tax (e.g. Single Person Discount).</p> <p>No Recourse to Public Funds – Customers using false documentation to obtain benefits and discounts.</p>	<p>Cabinet Office (National Fraud Initiative), Real Time Information and Housing Benefit Matching Series – data matching exercises against numerous data sets.</p> <p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p> <p>Counter Fraud Team assist colleagues in the fraud proofing of Council Tax documentation issued by the Council.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>
<p>Housing Benefit Fraud</p>	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>False Representation – Providing incorrect information in order to claim benefits.</p> <p>No Recourse to Public Funds – Customers using false documentation to obtain benefits and discounts.</p>	<p>Cabinet Office (National Fraud Initiative), Real Time Indicators and Housing Benefit Matching Service – Series of data matching exercises against numerous data sets. Counter Fraud Team undertake investigations on a risk-based approach, with referral back to DWP as appropriate.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>

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<p>NDR Fraud</p>	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>Failure to Register for Business Rates – Failing to register a property for business rates payments.</p> <p>False or inaccurate claims for discounts or exemption – providing false or inaccurate information to qualify for reductions to which they are not entitled.</p> <p>Insolvency – Businesses going to into liquidation only to set up again under a different name in order to avoid NDR liability.</p> <p>Avoidance – Avoidance of empty NDR through periods of artificial/contrived occupation (including charities).</p>	<p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>

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<p>Bank Mandate</p>	<p>Mandate Fraud – External parties target the Council by pretending to be from a legitimate supplier and attempt to change bank account details in order to remove funds to their own bank account.</p>	<p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Bank Mandate Fraud alerts received from the National Anti-Fraud Network and the Council’s bankers will be forwarded to key stakeholders within the Council.</p> <p>Independent verification of mandate change requests.</p> <p>Pre-employment checks, including take up of references.</p> <p>Employee Code of Conduct.</p> <p>Members Code of Conduct.</p> <p>Register of gifts and hospitality (Officers and Members).</p> <p>Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, and Sanctions Policies.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p> <p>Register of Interests (Officers and Members).</p>

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<p>Procurement Fraud</p>	<p>Inflated Invoices – External parties inflate invoices in order to receive additional funds or charge VAT for services when they are not VAT registered.</p> <p>Duplicate Invoices – External parties submit multiple invoices for payment.</p> <p>Payment to fictitious suppliers – Staff request set up of a fictitious supplier in order to obtain funds.</p> <p>Conflict of interest – Employees fail to declare conflicts of interest or gifts to award contracts to related companies for their own benefit.</p> <p>Contract splitting to avoid tender threshold – Split of contracts into smaller amounts to avoid thresholds.</p>	<p>Contract Procedure Rules.</p> <p>Undertake as much procurement activity as possible through “The Chest” procurement system to prevent abuse of the procurement cycle.</p> <p>Cabinet Office (National Fraud Initiative) data match reviewing Duplicate Payments, Duplicate Suppliers and Incorrect VAT payments.</p> <p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Pre-employment checks, including take up of references.</p> <p>Employee Code of Conduct.</p> <p>Members Code of Conduct</p> <p>Register of gifts and hospitality (Officers and Members).</p> <p>Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, and Sanctions Policies.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p> <p>Register of Interests (Officers and Members).</p> <p>Internal audit reviews of procurement activity.</p>

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<p>Social Care Fraud</p>	<p>Inaccurate or Incomplete financial information and hidden assets - false or inaccurate information in order to qualify for support towards care costs and residential / homecare.</p> <p>Direct Payment Misuse – payments are misused by social care clients or those responsible for their finances.</p> <p>Financial Misuse – Personal Assistants and/or Family Members claiming money for time they had not worked or were spending the allocated budget inappropriately.</p>	<p>Direct Payment Audit Function to review 100% of Adult and Children’s Direct Payments on an annual basis.</p> <p>Implementation of the Adult Social Care and Counter Fraud Protocol.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p> <p>Fraud/Finance skills training for Social Care Staff.</p> <p>Assist colleagues in the fraud proofing of Social Care documentation issued by the Council.</p> <p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>

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Insurance Fraud	<p>False claim for slips and trips – Individuals or groups submit claims for compensation relating to incidents that did not occur or are exaggerated.</p> <p>Collusion with Accident Management Companies – Employees collude with management companies to exploit known weaknesses on roads.</p>	<p>Dedicated Risk and Insurance function.</p> <p>Pre-employment checks, including take up of references.</p> <p>Employee Code of Conduct.</p> <p>Members Code of Conduct.</p> <p>Register of gifts and hospitality (Officers and Members).</p> <p>Counter Fraud Anti-Bribery Strategy and Counter Fraud Response Plan, and Sanctions Policies.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p> <p>Register of Interests (Officers and Members).</p>
Educational Fraud	<p>Placement Fraud – Families provide false information about their families and residency information in order to ensure that they get their child into the chosen school.</p> <p>Ghost Students/Nursery Placing – Schools and Nurseries submit inflated pupil numbers in order to artificially increase budgets.</p> <p>Schools – Lack of regular scrutiny by Senior Management and Governors.</p>	<p>Schools Audit reviews by Internal Audit.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>

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Housing Fraud	<p>Subletting – Properties are illegally sublet by tenants for personal gain.</p> <p>False Succession – Succession of tenancies by persons not entitled to the property.</p> <p>False Information – Information provided by applicants when applying for social housing in order to qualify for housing to which they may not be entitled.</p> <p>Right to Buy – Individuals submit false information in order to purchase a council property or receive a right to buy discount to which they are not entitled.</p>	<p>Inclusion of “Right to Buy” data in National Fraud Initiative data matching exercise and undertake investigations where applicable.</p> <p>National Fraud Initiative – Housing tenant details matched to identify potential duplicate tenants between and with the Local Authority.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>
Car Parking Fraud	<p>Concessionary Parking Permits – The abuse of residential parking permits for personal gain.</p> <p>Pop Up Car Park – emerging fraud risk of unauthorised use of Council land to charge car parking and illegal clamping fees.</p>	<p>Undertake investigations into any reported abuse of Blue Badge or residential parking permits.</p> <p>National Fraud Initiative – Blue badge and Residential Parking permits data matched to identify potential duplicate/fraudulent permits between and within the local authority.</p> <p>Internal Audit review of the Council’s Estates function including issues around encroachment.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>

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Right to Work	Right to Work – False identity/right to work documentation in order to gain Council employment.	<p>Cabinet Office (National Fraud Initiative) data match reviewing immigration data against payroll data.</p> <p>Pre-employment checks, including take up of references.</p> <p>Employee Code of Conduct.</p> <p>Members Code of Conduct.</p> <p>Register of gifts and hospitality (Officers and Members).</p> <p>Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, and Sanctions Policies.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p> <p>Register of Interests (Officers and Members).</p>

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Cash Handling	Theft of Cash – Employees/Third parties dishonestly take monies with the intent to deprive the Council.	<p>Rolling programme of Fundamental Financial Systems Audits by Internal Audit.</p> <p>Investigate referrals received by the Counter Fraud and Human Resources Teams, including the use of CCTV where appropriate.</p> <p>Financial Procedures Rules.</p> <p>Pre-employment checks, including take up of references.</p> <p>Employee Code of Conduct.</p> <p>Members Code of Conduct.</p> <p>Register of gifts and hospitality (Officers and Members).</p> <p>Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, and Sanctions Policies.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p> <p>Register of Interests (Officers and Members).</p>

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<p>Cyber Fraud</p>	<p>External hosted systems – unauthorised access to Council systems in order to obtain personal data, or commercially sensitive data.</p> <p>Vishing – the use of telephone systems by external parties to obtain personal or sensitive information that can be used for identity theft.</p> <p>Phishing – personal information by a cyber-attack for personal gain.</p> <p>Smishing – the use of SMS by external parties to obtain personal or sensitive information that can be used for identity theft.</p> <p>Malware – the introduction of malicious software via spam emails and pop up websites.</p> <p>Electronic Data theft – theft of electronic data by electronic means (i.e. key loggers).</p>	<p>Specialist Computer audit reviews by Salford Computer Audit Service.</p> <p>Cyber and information security training.</p> <p>Fraud awareness training</p> <p>PSN certification.</p>

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<p>HR/Payroll Fraud</p>	<p>Falsification – Falsification of expenses, overtime, additional hours, flexitime etc.</p> <p>False sickness absences – working whilst on sick leave.</p> <p>Ghost Employees – the creation of false employees in an attempt to exploit monies from the Council</p> <p>False documentations – False identity documents, references, qualifications, right to work etc. in order to obtain employment.</p> <p>Agency/Contractor – False or exaggerated payments for agency workers by the individual or by collusion with their line manager.</p> <p>Failure to declare something of relevance – i.e. conflict of interest, criminal convictions etc.</p>	<p>Cabinet Office (National Fraud Initiative) data match reviewing immigration data against payroll data.</p> <p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p> <p>Pre-employment checks, including take up of references.</p> <p>Employee Code of Conduct.</p> <p>Members Code of Conduct.</p> <p>Register of gifts and hospitality (Officers and Members).</p> <p>Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, and Sanctions Policies.</p> <p>Whistleblowing Policy.</p> <p>Fraud awareness training.</p>