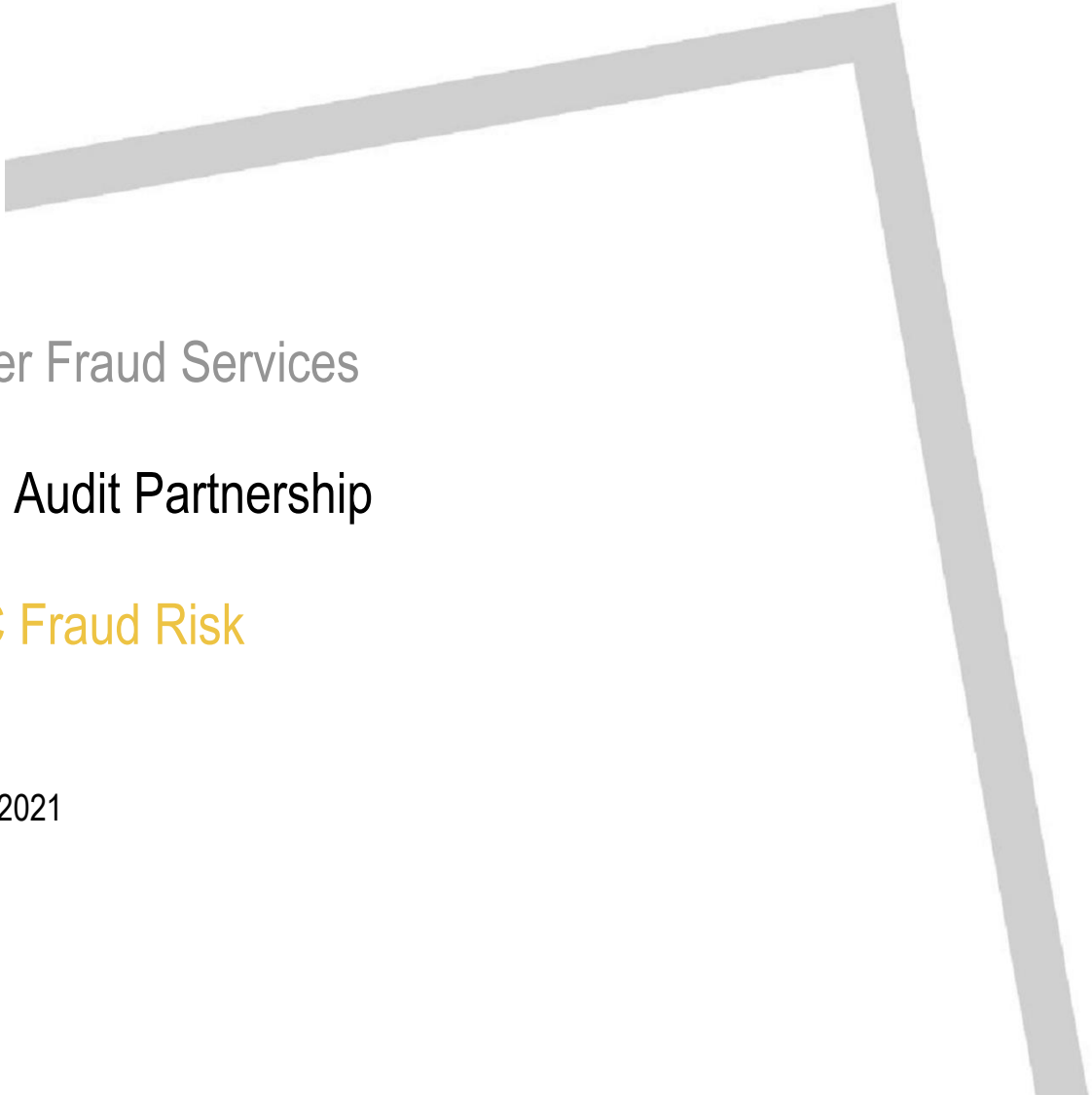




devon**audit**partnership

Counter Fraud Services



Counter Fraud Services

Devon Audit Partnership

MDDC Fraud Risk

Date Feb 2021

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1. Introduction.

- 1.1 This report will outline the potential risks to Mid Devon District Council (MDDC) posed by several types of fraud with a view to enabling decision makers to prioritise limited and valuable resources and finances where they feel they would be best utilised in line with MDDC's counter fraud approach. There will be other areas that MDDC Management may wish to address and this will be addressed based upon the organisational priorities and capacity.
- 1.2 Fraud is by its very nature a hidden problem, those who commit it do not want to be detected and will continue to be dishonest until caught in order to assure that they remain undetected. It is therefore important to build robust defences which enable prevention and detection as well as a suitable response plan.
- 1.3 "There is a myth that detecting little or no fraud provides assurance that little or no fraud is being committed." "Organisations that report little or no detected Fraud are generally higher risk than those that detected significant levels of fraud" (*Protecting the English Public Purse 2015*)
- 1.4 "Fraud detection levels provide a useful indicator as to the level of commitment of individual organisations to tackle fraud" (*Protecting the English Public Purse 2015*)
- 1.5 The fact that an organisation has no detected occurrences of fraud means that –
- They may not be looking for it.
 - They may not be looking in the right places for it.
 - They are happy that the risk is worth taking.
 - That they don't know what they don't know, that is to say that they could be losing a lot or a little, they will never know, unless they assess the risk.
- 1.6 Considering the above points it should be clear and transparent where risks are being addressed and how, it is equally important to specify and record decisions around areas that are not being considered and why this is so. (This could be down to resourcing and or finances available at the time, which is a justifiable and legitimate position. Not being able to show that the risks have been considered is a position which would cause concern should some serious fraud be detected at a later date.)

2. What is the risk of fraud occurring?

- 2.1 All organisations will have their own risk assessment matrix, however not all organisations have the threat of fraud as a significant risk in their own Corporate Risk Assessment. The level and nature of fraud will change from organisation to organisation, however what will not change is that the risk from fraud is real and increasing.

- 2.2 The annual cost of fraud in the UK is £190 billion, equal to nearly £7,200 per household, according to a new research study. The Annual Fraud Indicator 2017 reveals the staggering prevalence of fraud, which is now the UK's most common criminal offence. Put into context, the scale of the problem is such that the cost of fraud to the UK is greater than the Gross Domestic product of 148 out of 191 countries in the world.
- 2.3 Or put another way "The 2017 Annual Fraud Indicator highlights again the colossal cost of fraud to the UK economy. At £190 billion it would represent more than the UK government spends on health and defence combined, or on all welfare payments, bar pensions."
(Professor Mark Button, Director of the University of Portsmouth's Centre for Counter Fraud Studies)
- 2.4 The cost of losses through fraud to Local Authorities is estimated at £7.3 Billion per annum whereas Benefits and TAX Credit Fraud equate to £2.42 Billion. It is therefore incumbent on all Councils to protect their portion of the public purse robustly utilising the recommendations made in the latest definitive document '[Fighting Fraud and Corruption Locally](#)', a strategy for the 2020's, which outlines best practice for LA's across the country.
- 2.5 Fraud and error in Council systems is conservatively accepted to be around 3-5% of budget.

3. Risk Assessing

- 3.1 When assessing the risks around fraud it is always important to consider all potential areas effected by any criminality. Many studies have shown that the fraud that is detected will only be the tip of the iceberg and should be used as an indicator as to the processes and checks that are necessary to reduce similar and related fraud risks.
- 3.2 Where you have no understanding of the risk and or have no detected instances or controls in place then the risk must be considered high. Not knowing what you don't know is always considered a high risk until you have mitigated that risk.
- 3.3 Types of risk are known and fall into the following categories in most instances, but these are not definitive. Most frauds fall into one of two groups – High Value, Low Frequency or Low Value, High Frequency. This should be considered when risk scoring as one 'Procurement fraud' might equate to the same value as one hundred 'Council Tax Frauds', however the end result is still the potential loss of £100,000 to the public purse. See **Appendix 1**
- 3.4 **Financial Risk** – What is the amount in £'s that could be being lost through Fraud (the point above should clearly be taken into account when making this assessment). Each organisation will have to determine what is an acceptable risk for that organisation, however if the Council states that it has a 'Zero Tolerance' towards fraud then this risk must be kept as High (Red)

- 3.5 Reputational Risk** – What is the potential for damage to the organisation and its officers? Media coverage on any high profile fraud or lack of perceived control on low level fraud can be damaging leading to low staff morale, a lack of public trust in the organisation and further scrutiny by the public and or Governmental or Regulatory bodies. This in turn can lead to further reputational damage.
- 3.6 The threat to life of serious injury** – Some types of fraud can ultimately lead to the loss of life and or serious injury. The use of substandard products or labour, the lack of the correct certification and or documentation may lead to an organisation being held at least partly responsible if they cannot show that the correct checks and balances are in place. Availability of suitably trained staff may result in catastrophic failure of safety mechanisms in place to protect the public.
- 3.7 Criminal and or Civil liability** – Where a loss is incurred due to fraudulent activity it may affect those we serve as an organisation, it may affect our partners and those further down the chain. It is important to be able to defend the organisation and its stance in respect of fraud in order to show that where possible the risk has been minimised. As in 3.6 the organisation could fail to ensure there are adequate staff or resources (due to available finances) to make sure that all relevant checks are and have been undertaken in line with our organisational responsibilities.
- 3.8 Ongoing Service availability** - Where funding and reputational risks occur, then future funding and service availability can also be affected. If a scheme is seen to be ‘not working’ or not cost effective then resources may be diverted elsewhere. Where funding is lost through fraudulent activity this of course has a direct effect on the availability of funding and resources to provide an effective ongoing service anyway.
- 3.9 Victims** – It is important to understand what the ‘risk’ is to the victims of fraud. Whilst the Local Authority may consider itself the victim of any fraud we must remember that we only act as service providers and procurers for local people and have a ‘fiduciary responsibility’ to adequately protect the public purse. Any loss through fraud can have multiple victims, especially at a time when public finances are so tight. A loss of revenue or other essential funding effects all of the above scenarios and can ultimately lead to services being withdrawn and staffing reductions. Therefore it is clear that fraud losses affect us all and must be minimised.

Area of Business Fraud Risks	Types of Risk	Risks RAG Likelihood x Impact	Mitigation already in place? (What is it, is it reviewed and how regularly?)
Procurement <ul style="list-style-type: none"> • Bidders for contracts may collude to fix prices/rates • Specifications/contracts that suit 	Financial Reputational	Likelihood 2 Impact 3	The Council has a robust tender process using a portal which means bids cannot be seen until the closing date when they are opened in a

<p>sole supplier or changed post-bid</p> <ul style="list-style-type: none"> • Manipulation of the tendering process, e.g. failure to invite bidders, notifying the preferred bidder of competitors' prices • Manipulation of evaluation criteria to favour the preferred bid • Unexplained contract change post-award • Bidders may provide false information about their corporate status and products/services during the tendering process • Staff may give preferential treatment to particular suppliers for personal gain • Staff may fail to declare when they have a conflict of interest such as a family or financial interest in a supplier – and then award the contract to that supplier • Services not reporting when a cardholder has changed roles or left the business thus creating a risk of the card being used maliciously. 	<p>Threat to life or serious injury</p> <p>Criminal or Civil liability issues</p> <p>Ongoing Service availability</p> <p>Victims</p>		<p>formal process. The system includes an audit trail.</p> <p>All contracts opportunities over £25,000 are advertised on the GOV.UK - Contracts Finder Portal, where suppliers can also view opportunities from other public sector organisations across the UK.</p> <p>We also advertise contracts in excess of £50,000 on the Supplying the South West Portal, where suppliers can register for free and sign up to receive notifications of contracts in categories which are of interest to them.</p> <p>Subject to the value of the contract, we also advertise our own contracts in local newspapers and related trade journals.</p> <p>In addition, contracts over the EU threshold are published on EU - Tenders Electronic Daily, (the online version of the 'Supplement to the Official Journal' of the EU dedicated to European public procurement).</p> <p>Suppliers are checked for their credit worthiness with Creditsafe.</p> <p>Staff are cross checked with supplier details as part of the NFI matching.</p> <p>We do have a process for declarations of interest for staff.</p>
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<p>Revenues and Benefits</p> <ul style="list-style-type: none"> • Residents may claim Council Tax discounts/exemptions to which they are not entitled, for example SPD, student exemption, and empty property exemption. • Failure to notify the Council of changes in circumstances. • Staff may collude with residents to process invalid Council Tax discounts/exemptions • Residents may provide false information or fail to disclose information when applying for Council Tax support • Staff may process invalid Council Tax refunds for personal gain • Staff may change claimants' bank account details for personal gain, for example when changes in circumstances occur, that are not processed. • Residential property landlords may claim Council Tax refunds that were due for tenants by providing their own bank details. • Data protection breach - illegal access to council tax records for personal gain, for example to aid private business activities. • Staff manipulation of own Council Tax records for personal gain 	<p>Financial</p> <p>Reputational</p> <p>Ongoing Service provision</p> <p>Victims</p>	<p>Likelihood 3 Impact 2</p>	<p>We do SPD checks via the NFI and also did an exercise with Experian a few years ago which is going to be repeated in 21/22.</p> <p>Staff make annual declarations regarding their independence and are not allowed to work on their own accounts or friends and family members.</p>
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<ul style="list-style-type: none"> • Council staff may have Council Tax arrears and have deliberately avoided paying the debt. <p>Housing Benefits:</p> <ul style="list-style-type: none"> • Fraudulent claiming of identity for benefit and for other council support in the longer term • Fraudulent claiming of benefit based on fictitious income • Fraudulent claiming of benefit based on fictitious rental liability • Relative is landlord but claimant fails to declare relationship on form. • False tenancy agreement provided to claim benefits • Collusion between landlord and tenant and sometimes letting agent. • Landlord artificially inflates the rent so that the tenant can claim more benefit. • Failure to notify when tenant vacates or provides a later date. • HB continues to be paid into bank account unaware the property sublet. • Organised fraud with one person making multiple claims using false documents. • Local Housing Allowance paid for whole house but the family being paid are living in one 			<p>Staff make annual declarations regarding their independence and are not allowed to work on their own accounts or friends and family members.</p> <p>Claimants have to provide bank statements as part of the evidence for their claim and to confirm their income. They also have to supply pay slips which are cross checked with the bank statements.</p> <p>These are also used to confirm rent payments.</p>
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<p>room and renting out the other rooms for cash.</p> <ul style="list-style-type: none"> • Failure to Notify of Vacation - (Higher risk with BACS payments) • Fictitious/collusive desertion. Member of a couple leaves to hide income • Claiming for children who do not live in the property. Increases LHA rates and working families tax credits, child benefit and child tax credit.) • Single parent claimants claim to be looking after children when they are not. • Failure to declare bank accounts or savings • Failure to notify of property ownership (especially overseas) • Failure to notify when non dependants move into household. Common when children become 18 and leave household. Parents unable to provide forwarding address. (May reduce slightly with the introduction of bedroom tax). • Claimant. partner or non-dependant working but fails to declare income • Claimant/Partner fails to declare income (receives rent from other properties, compensation for accident/injury, receipt of 			
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<p>maintenance payments, etc.)</p> <ul style="list-style-type: none"> • 'Rent a child' - each adult has children, looked after by grandparents, pretend children live with UK relatives who are entitled to benefits so they can get all the benefits and credits etc. • Provision of false payslips for multiple claims. Also accountant/bookkeeper may supply bogus self-employed proof. • False claim of part-time working e.g. 16/24 hours a week. Advantages include cap avoidance, right to remain, and entitlement to working tax credit, increase hours but remain shown as part time. <p>Business Rates:</p> <ul style="list-style-type: none"> • Residents may fail to declare that properties are being used for business purposes to avoid payment of business rates • Staff may process invalid NNDR refunds. • Premises owners may falsely claim that their property is a charity or empty to claim business rate relief 			<p>Likely to be SBBR so no loss of income but will be been picked up as part of the grant post payment assurance.</p> <p>Charity claims are checked against Charity Commission register.</p> <p>Empty properties are inspected for evidence of occupation.</p>
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<p>Human Resources</p> <ul style="list-style-type: none"> • Manipulation of the payroll system by staff, including addition of ghost employees and additional payments to employees. • Applicants may provide false information during the recruitment process, such as identity, work history, references, and qualifications. • Managers may exaggerate employees' skills and competences in order to arrange additional salary increments for staff with whom they have a close personal relationship. • Applicants may falsely claim to have right to work in the UK • Leavers may not be removed from the payroll, resulting in them continuing to receive a salary after they have left • Staff may claim for overtime not worked • Staff may claim reimbursement of invalid expense items or duplicate payments • Staff may falsely claim to be off sick • Fraud perpetrated by agency staff, casual staff and consultants, such as falsification 	<p>Financial</p> <p>Reputational</p> <p>Criminal and or Civil liability issues</p> <p>Victims</p>	<p>Likelihood 2 Impact 3</p>	<p>All budget holders confirm their establishment annually as part of the budget setting process.</p> <p>References are always sought for new employees along with previous 3 year's work history.</p> <p>Essential qualifications are checked.</p> <p>All pay increases go through a JE process which is conducted by HR staff on pre-set factors. A manager may recommend this takes place but cannot influence the outcome.</p> <p>Work rights in the UK are confirmed by producing passports or other documents to prove entitlement when they start.</p> <p>There is a leaver memo process to ensure staff are removed from IT access payroll and return equipment when they leave.</p> <p>All overtime claims must be approved by the line manager.</p> <p>Abuse of flexitime is a disciplinary matter. Internal audit do audit of flexitime regularly and sickness absence.</p> <p>There is a gift and hospitality process, this is audited.</p> <p>Recruitment scoring matrix is completed</p>
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<p>or duplication of timesheets or providing false references or failing to disclose criminal records</p> <ul style="list-style-type: none"> • Staff abuse of flexitime. • Staff may accept gifts and hospitality from suppliers to give preferential treatment • Hiring managers may give preferential treatment to family/friends during the recruitment process • Managers may set up fictitious casual staff for personal gain. • Staff may fail to return equipment before leaving the organisation (e.g. laptops, iPads, mobile phones, purchase cards). 			<p>anonymously before shortlisting</p>
<p>Housing and Devon Home Choice services</p> <ul style="list-style-type: none"> • Services users may not be entitled to a Council property due to their immigration status • Service users may provide false information or fail to disclose information during the assessment process to enhance their position on the waiting list, or fail to notify of a change in circumstances • Service users may falsely claim to have dependants, to claim eligibility for temporary 	<p>Financial</p> <p>Reputational</p> <p>Threat to life or serious injury</p> <p>Criminal or Civil liability issues</p> <p>Ongoing Service availability</p> <p>Victims</p>	<p>Likelihood 3 Impact 2</p>	<p>Information which would put people in a higher band has to be evidenced e.g. medical condition.</p> <p>We do not routinely use hotels for temporary accommodation we use our own housing stock.</p> <p>DFGs have to be accompanied by a statement of need from an Occupational Therapist.</p> <p>We do not take cash or cheque payments.</p> <p>Write offs are signed off by S151 over £10,000.</p>

<p>accommodation</p> <ul style="list-style-type: none"> • Staff may give preferential treatment to family or friends, or to others for personal gain • Service users may provide false information such as name and address in order to obtain a property • Service users may illegally sublet Social Housing Property, Key selling, Air BnB etc. • Service users may falsely claim to be homeless in order to obtain a council property or temporary accommodation • Tenants may sublet a temporary accommodation unit for personal gain • Temporary accommodation - staff could be induced to select particular hotels • Temporary accommodation providers may continue to charge the Council after a resident has vacated. • Residents may falsely claim entitlement to a disabled facilities grant • Tenants may make payments for repairs in cash, which are misappropriated by staff • Staff may make unauthorised arrears write-offs through collusion with tenants or to disguise theft or rent monies. 			<p>We undertake RTB checks as part of our procedures</p> <p>We belong to the Devon Tenancy Fraud Forum and are active participants</p> <p>International Fraud Week – evidence of posts on our MDDC Housing Facebook page together with periodic posts raising awareness of the issue</p> <p>Officers investigate succession requests to ensure that those seeking to succeed to a tenancy have a right to do so etc.</p>
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<ul style="list-style-type: none"> • Staff may create false landlord vendor records on the authority's financial accounting system in order to divert payments for personal gain • False applications for 'Right to Buy' and or the entitlement to discount. 			
<p>Purchase Cards</p> <ul style="list-style-type: none"> • Cards may be used for purchases/cash withdrawals for personal use or other unauthorised purposes, either during working days, whilst on leave or after leaving the Council • Cardholders may arrange for transactions to be split into components to circumvent transactional/procurement authorisation limits. • Cards may be cloned or stolen for use by criminal gangs • Cards could be used to circumvent the supplier system/tendering requirements to purchase from fraudulent or fictitious suppliers or those with connections to the cardholder • Cardholders could over pay for goods or services and get cash back from the supplier for personal gain • Goods could be purchased 	<p>Financial</p> <p>Reputational</p> <p>Ongoing Service provision</p> <p>Victims</p>	<p>Likelihood 2</p> <p>Impact 3</p>	<p>Cards are supposed to be blocked for drawing cash</p> <p>Purchases are approved by supervisors.</p> <p>Cards are being changed over to trade cards.</p> <p>Cards are being restricted to managers</p>

<p>using a card and returned for cash later for personal gain</p> <ul style="list-style-type: none"> • Cardholders could make a purchase using a card and then claim the monies back as an expense through payroll • Schools/Services not reporting when a cardholder has changed roles or left the business thus creating a risk of the card being used maliciously. 			
<p>Public Realm</p> <ul style="list-style-type: none"> • At civic amenity sites/waste disposal centres, staff may collude with service users to dispose of valuable waste, such as scrap metals, for personal gain • Service users may use counterfeit pre-paid commercial waste sacks, which would result in the Council incurring costs of removing the wastes but not receiving the revenue. • Waste disposal contractors could deliberately overstate volumes of waste received. • Businesses may use the free bulky waste collection service for residents in order to avoid paying charges. • Service users may collude with waste collectors to arrange commercial waste collection 	<p>Financial</p> <p>Reputational</p> <p>Threat to life or serious injury</p> <p>Criminal or Civil liability issues</p> <p>Ongoing Service availability</p> <p>Victims</p>	<p>Likelihood 3 Impact 2</p>	<p>We do not operate any waste disposal or recycling sites open to the public.</p> <p>We use weigh station for sales of recyclates.</p> <p>Bulky waste collection is a charged for service.</p> <p>We don't use prepaid sacks.</p> <p>No waste goes to landfill.</p>

<p>outside of the waste management system, resulting in the Council incurring the cost of removing the waste but not receiving the revenue.</p> <ul style="list-style-type: none"> • Businesses/traders may use domestic waste sites for commercial waste • False statement of residency for reduced cemetery fees • Misappropriation and unauthorised purchase of vehicles • Misappropriation and disposal of vehicles • Misuse of fuel through drivers using Council vehicles, and therefore fuel, for personal journeys; • Drivers topping-up with excess fuel for personal use or to sell to third parties for personal gain • Maintenance of vehicles - misappropriation of parts • Unauthorised use of agency staff or fraudulent invoicing • Staff undertaking private work for residents and or businesses using Council assets • Unauthorised personal use of facilities - sports, etc. - or misappropriation of booking fees • Capital programmes - collusion, misuse of funds, unauthorised 			<p>Transport replacement is centralised to transport manager.</p> <p>Fuel misuse is a disciplinary matter.</p> <p>Fuel tank logs and access controls</p> <p>Mileage logs for pool cars</p> <p>Fixed mileage for routes for expense claims.</p>
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alterations to contracts			
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4. Areas of concern specifically highlighted nationally.

4.1 For 2018/19 the [CFaCT](#) Survey undertaken by CIPFA in connection with LA frauds has highlighted that the top four areas of fraud that LA's are tackling (by volume) are

- Council Tax – Discounts, exemptions and reductions. (Detailed above and administered by MDDC)
- Blue Badge – Not administered by MDDC
- Housing – Illegal subletting, key selling, false applications, illegal Right to Acquire applications. (Detailed above and administered by MDDC)
- Business Rates – Mainly Business Rates avoidance or falsely claiming exemptions.(Detailed above and administered by MDDC)

4.2 It should be noted here however that Procurement fraud figures in Appendix 3 bear out the argument that it's relatively low frequency still equates to high value and is therefore important to review in respect of risk.

4.3 The table in **Appendix 3** clearly shows the areas of business in which Councils across the country are detecting and dealing with fraud. This is not to say that fraud is not occurring in other areas of Council business and as certain areas become more fraud resilient as they are dealt with effectively, other areas can become an increasing threat and priority.

4.4 What cannot be shown from national statistics from 18/19 is the threat posed by false applications for Covid 19 Grant Payments and the loss of public purse money that LA's may yet prove to have some liability for. The Government has confirmed - "We can confirm that BEIS will stand behind any erroneous payments, subject to local authorities having done what is reasonable and practicable to have avoided this in the first place and then having exhausted all reasonable and practicable steps to recover any over-payments". This statement leaves plenty of scope for interpretation and or liability.

5. Is fraud risk increasing?

5.1 The diagram in Appendix 2 shows the Fraud Triangle, this basically a framework for spotting high risk fraud situations. All frauds can be broken down into these three simplified factors. Each sector will be addressed to show that fraud as well as statistically being proven to be on the increase is indeed driven by these factors.

- **Pressure – Financial or emotional force pushing towards fraud** – It is clear from all available data that we are in a time of unprecedented economic and emotional upheaval. There is a very high economic pressure on people and this leads to people

making decisions that many would not make had that pressure not been applied. There are other factors such as substance or alcohol abuse and or gambling addictions which might pressurise individuals in very much the same way, national statistics would suggest that these factors have also increased during the C19 crisis. It is therefore quite clear that 'Pressure' has increased throughout the population.

- **Opportunity – The ability to execute a fraud without being caught** – All Local Authorities have undergone year on year funding reductions prior to the current COVID Crisis, which has certainly exacerbated the problems faced by them. Staffing pressures caused by funding reductions has meant that gaps have appeared in processes and certain checks and balances may no longer be undertaken. The current crisis means that staff may have been allocated to other tasks with little or no previous experience increasing opportunity for fraud not only in the new role, but also in the role they have had to forego to meet the current situation. Unless robust risk assessments have been undertaken the opportunity to commit fraud will have increased greatly over the past 5 years as a minimum.
- **Rationalisation – Personal justification of dishonest actions** – A person's justification for their actions will vary as much as people do. People under pressure and faced with an opportunity will often rationalise what they are doing is nothing more than what anyone would do. An example of this has been witnessed with examples given by fraudsters caught committing offences whilst applying for social housing. We often hear "well you have to lie to get a social housing property these days anyway don't you?" and 'why are you picking on me when everyone does it'? It does not matter whether the statement is true, if people actually believe this then we give them the rationalisation that allows them to act. As part of countering fraud, organisations must publicise successes when dealing with fraud as this changes the acceptable picture viewed by the public and deters potential offenders. **Get the message out there, that fraud is not tolerated.**

6. Conclusion

6.1 It is safe to conclude that given all statistical and evidential factors, fraud is an increasing and ever changing threat to LA's and wider society. Assessing the risk of fraud allows an organisation to -

- **Govern** – A Council will ensure that it has robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having an overall holistic approach to tackling fraud is part of good governance. It understands that the tone is set from the top of any organisation and should be included in local counter fraud strategies and response plans. Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six Cs that emerged from 2016 research:
 - Culture
 - Capability
 - Competence
 - Capacity
 - Communication
 - Collaboration

- **Acknowledge** – A Council will acknowledge that it is not immune to fraud and that it has a duty to implement measures to protect the public purse in all areas of its business. Fraud is a hidden crime and the Council should not enable fraudulent or corrupt activity to remain hidden. Various undertakings and commitments should be made to ‘action’. (Full description should be included in any Anti-Fraud, Bribery and Corruption Strategy and Response Plan.)
- **Prevent** - The best way to fight fraud is to prevent it from happening in the first place. Prevention extends beyond making sure that there are appropriate systems and process controls in place. It also depends upon the development of an effective anti-fraud and corruption culture that reinforces a zero tolerance and deters criminals from committing fraud in the first place. Various undertakings and commitments should be made to action. (Full description should be included in any Anti-Fraud, Bribery and Corruption Strategy and Response Plan.)
- **Pursue** - Prevention is always preferable. However, determined fraudsters will evade even the best controls, and where fraud and corruption does occur enforcement must be comprehensive. The appropriate investigation of all allegations to conclusion must ensure that where relevant the offender is prosecuted or other appropriate sanction is applied. A Council will ensure that the public, and potential fraudsters, are made aware that when public funds are stolen, every effort will be made to recover losses and confiscate assets gained as a result of criminal activity. Various undertakings and commitments should be made to action. (Full description should be included in any Anti-Fraud, Bribery and Corruption Strategy and Response Plan.)
- **Protect** – A Council should commit to protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. This will also cover protecting public funds, protecting its organisational integrity and reputation from fraud and cybercrime and also protecting itself from future frauds as far as can be reasonably expected.
Protecting MDDC’s funds, public and staff from the effects of fraud must be a priority at these times. Showing commitment to a comprehensive risk assessment and action is therefore essential.

Ken Johnson
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Devon Audit Partnership.

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Once risks have been identified they need to be assessed systematically and accurately. The process requires officers to assess the level of risk by considering the probability of an event occurring - 'likelihood' and the potential outcome of the consequences should such an event occur - 'impact'.

Red - indicates that the area, factor, or consideration needs substantial strengthening and improvement to bring fraud risk down to an acceptable level.

Amber - indicates that the area, factor, or consideration needs some strengthening and improvement to bring fraud risk down to an acceptable level.

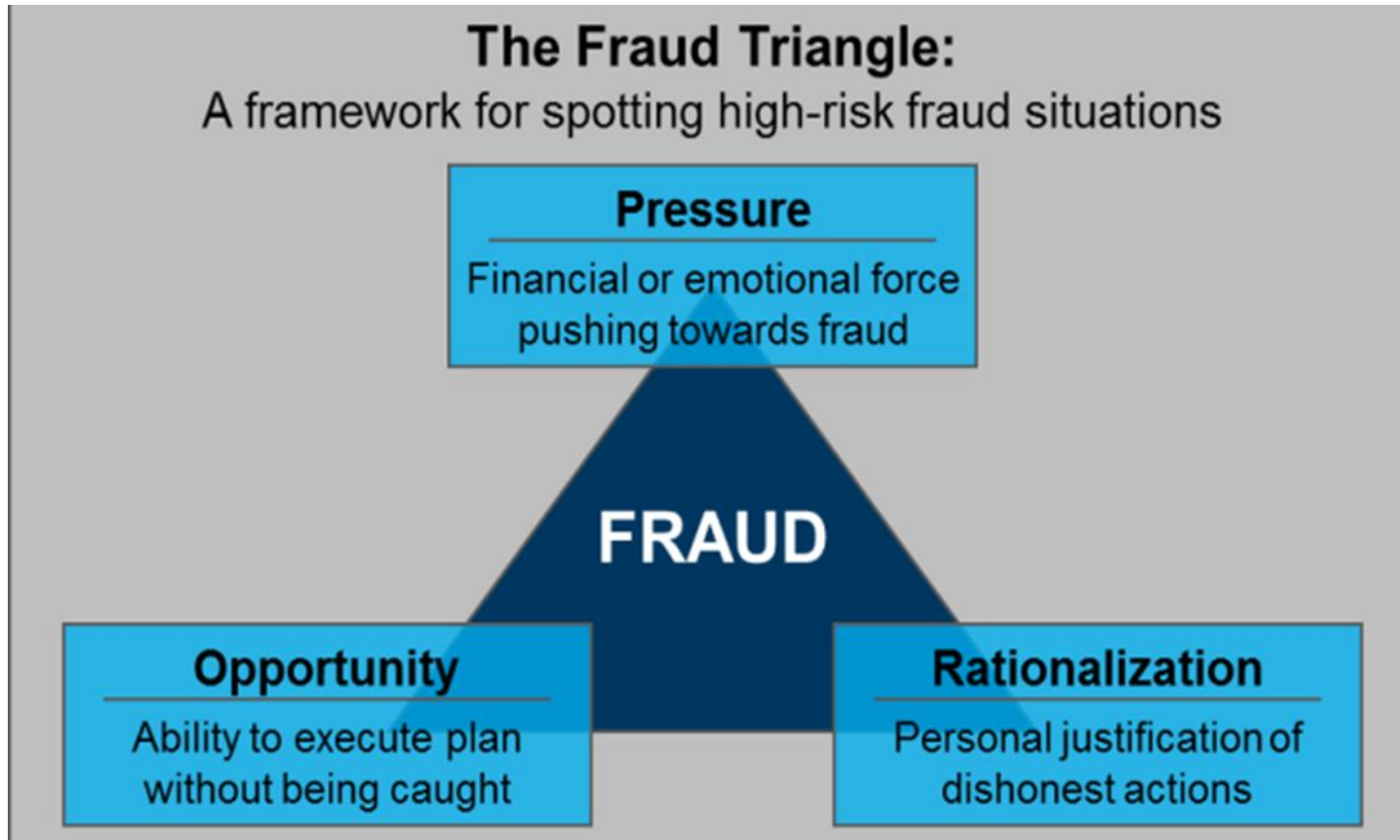
Green - indicates that the area, factor, or consideration is strong and fraud risk has been reduced, at least, to a minimally acceptable level.

Score	Likelihood	Risk
3	Probable	Is expected to occur in most circumstances Will undoubtedly happen frequently Imminent/near miss
2	Reasonably possible	Will probably occur in certain circumstances Will probably happen but not a persistent issue Has happened in the past
1	Remote	Is never likely to occur Very unlikely this will ever happen
Score	Impact	Risk
3	Material	Major financial loss above £1M Major adverse national publicity - highly damaging to reputation Severe loss of public confidence Serious regulatory breach / risk of significant fine or litigation
2	Significant	Financial loss above £50K Adverse local publicity/damage to reputation Compliance breach / Risk of fine or litigation
1	Immaterial	Financial loss below £5k Can be resolved locally with no reputational damage May result in complaints

Likelihood	3	3	6	9
	2	2	4	6
	1	1	2	3
		1	2	3
Impact				

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[Redacted]		
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Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax	55,855	78.9%	£30.6m	12.1%	£548
Disabled parking concession	6,951	9.8%	£4.6m	1.1%	£657
Housing	3,632	5.1%	£135.6m	53.6%	£37,332
Business rates	1,404	2.0%	£7.7m	3.0%	£5,455
Other fraud	616	0.9%	£6.0m	2.4%	£9,779
Adult social care	480	0.7%	£13.7m*	5.4%*	£28,534*
Schools frauds (excl. transport)	391	0.6%	£0.7m	0.3%	£1,893
Mandate fraud	322	0.5%	£4.7m	1.8%	£14,506
Insurance claims	318	0.5%	£12.6m	5.0%	£39,636
Payroll	168	0.2%	£8.8m*	3.5%*	£52,270*
Pensions	153	0.2%	£0.2m	0.1%	£1,498
No recourse to public funds	148	0.2%	£1.4m	0.6%	£9,483
Procurement	125	0.2%	£20.3m*	8.0%*	£161,565*
Debt	77	0.1%	£0.6m	0.2%	£7,278
Manipulation of data	34	0.1%	na	na	na
Recruitment	33	0.1%	£0.4m	0.2%	£11,381
Expenses	32	0.1%	£0.0m	0.0%	£1,124
School transport	31	0.0%	£4.8m	1.9%	£154,601
Welfare Assistance	24	0.0%	£0.0m	0.0%	£1,824
Children social care	19	0.0%	£0.4m	0.2%	£22,076
Economic and voluntary sector support	14	0.0%	£0.1m	0.0%	£4,005
Investments	2	0.0%	na*	na*	na*