

# COUNTER FRAUD ANNUAL REPORT 2020/21

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## BACKGROUND

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 Veritau delivers a corporate fraud service to the council which aims to prevent, detect and deter fraud and related criminality. We employ qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate any suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 The purpose of this report is to provide assurance to the Audit & Governance committee that the council has effective counter fraud arrangements in place.



## KEY PERFORMANCE FIGURES

- 4 Over the last five years the fraud team helped the council make £114k of counter fraud savings. In 2020/21 the team achieved £12.6k against an annual target of £14k.
- 5 The team supported council colleagues by reviewing applications for Covid-19 related business grants in post payment checking exercises throughout the course of the year. In addition to the savings detailed above, incorrect payments of business grants totalling £30k were stopped.
- 6 The team received 96 referrals of suspected cases of fraud in the course of the financial year including reports from the public, council staff and external agencies. Twenty investigations were completed in 2020/21 with successful outcomes<sup>1</sup> achieved in 35% of cases.
- 7 One person received a caution for providing false information when applying for housing. In addition a warning was issued to a Covid-19 grant applicant for providing incorrect information when attempting to claim a payment.
- 8 A detailed summary of performance can be found in appendix A, below.

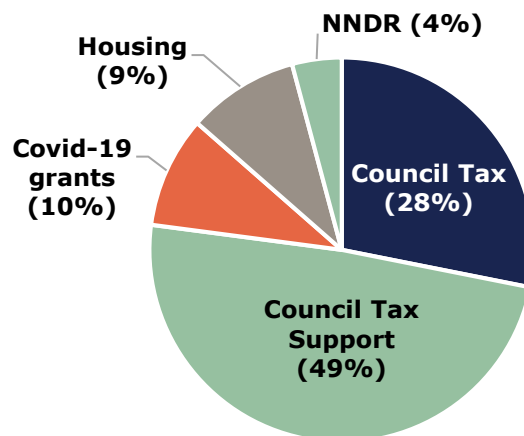
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<sup>1</sup> Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, resolution of a dispute grant payment, sanctions, prosecutions, or management action taken.

## ANALYSIS OF RESULTS

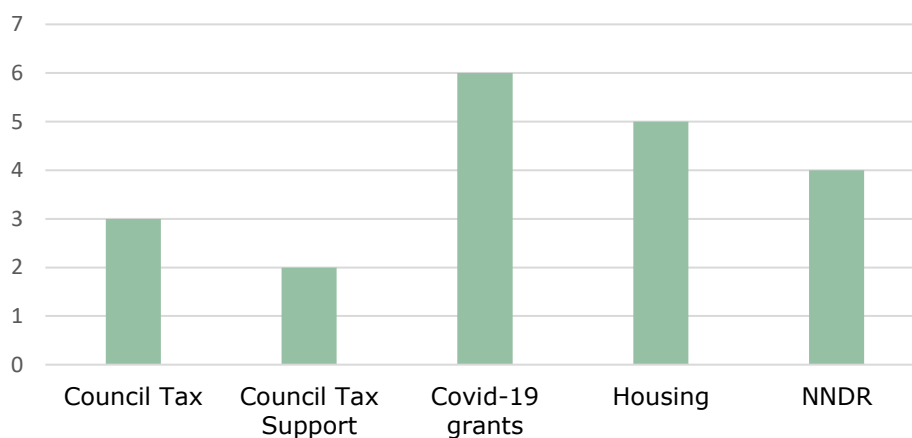
- 9 In 2020/21 there was a 16% drop in referrals compared to 2019/20. This is not as significant as experienced by some authorities in North Yorkshire and believed to be principally as a result of Covid-19 – for example less social interaction between members of the public may have resulted in less suspicions being raised. The figure below shows a breakdown of the referrals received grouped by fraud type.

### Number of referrals by fraud type



- 10 The following chart illustrates the number of investigations completed by fraud type. The highest proportion of cases completed (30%) relate to suspicions of Covid-19 grant fraud. This highlights how resources were reprioritised to support the council's Covid-19 response – primarily through supporting Covid grant administration.

### Investigations completed by fraud type





## COVID-19

- 11 The council has played a key role in distributing government grants to local businesses in 2020/21. It distributed approximately £17.6 million during the initial tranche of grants. This was a difficult task, with pressure to distribute grants quickly to provide essential support while keeping the risk of fraud to an acceptable level. The grant schemes have been targeted by criminals operating locally, nationally, and internationally. However, checking arrangements in place within the council, supported by the work of the counter fraud team, have helped to minimise and recover incorrect payments.
- 12 Veritau reviewed a sample of successful grant applications to assist the council in fulfilling government mandated post-payment assurance work. As a result of the council's robust checking arrangements, no issues were identified with the sample payments.
- 13 Potentially fraudulent claims for Covid-19 related grants were investigated by the counter fraud team in the course of the financial year. Six investigations were completed and a total of £30k of incorrect payments were blocked. A number of investigations are still ongoing.
- 14 The pandemic has negatively affected the team's normal operations. The team has been unable to undertake face to face interviews, and visits to people's homes due to Covid-19 restrictions. Alternative approaches have been found, including interviewing by letter.
- 15 Throughout the year the team provided advice on counter fraud measures to mitigate the risk of fraud when administering Covid-19 grant payments. This included guidance on the use of national data matching resources.
- 16 The counter fraud team has shared and received information relating to national scams by organised criminal gangs with government departments, national bodies, and regional partners.



## COUNTER FRAUD MANAGEMENT

- 17 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the council. In 2020/21 a new counter fraud strategy for the council was developed and the counter fraud policy was updated.
- 18 This year's council tax billing included a leaflet advising the public on how to report fraud if they have concerns. Any prosecution action taken by the council is publicised in order to deter others from committing similar offences.
- 19 Veritau contributes to national counter fraud publications. Data was provided for the annual CIPFA counter fraud tracker which documents fraud against local authorities. In addition, Veritau contributed to and supported development of the national counter fraud strategy for local authorities, Fighting Fraud and Corruption Locally, which was released in April 2020.

- 20 The counter fraud team ensures that the council meets its legal obligations surrounding counter fraud work. They manage work connected with the National Fraud Initiative, an exercise run by the Cabinet Office, in which council participation is mandatory. They also provide annual transparency data for publication by the council.
- 21 The counter fraud team's work was recognised in October when it was nominated as a finalist for Outstanding Team in the Tackling Economic Crime Awards.

## APPENDIX A: COUNTER FRAUD ACTIVITY 2020/21

The table below shows the success rate of investigations and levels of savings achieved through counter fraud work in 2020/21.

	<b>2020/21 (Actual: Full Yr)</b>	<b>2020/21 (Target: Full Yr)</b>	<b>2019/20 (Actual: Full Yr)</b>
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£12,687	£14,000	£16,728
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	35%	30%	75%
Amount of savings from the prevention of Covid-19 grant fraud	£30,000	n/a	n/a

Caseload figures for the period are:

	<b>2020/21 (Full Year)</b>	<b>2019/20 (Full Year)</b>
Referrals received	96	114
Number of cases under investigation	18 <sup>2</sup>	11 <sup>3</sup>
Number of investigations completed	20	24

<sup>2</sup> As at 31/3/2021

<sup>3</sup> As at 31/3/2020

## Summary of counter fraud activity

Activity	Work completed or in progress
Data matching	<p>The 2020/21 National Fraud Initiative (NFI) commenced in 2020. Data was gathered from a range of council areas, formatted, and securely sent to the Cabinet Office for data matching. Resulting matches have been released periodically from February 2021 onwards. Over 800 matches for the council have been released to date.</p> <p>In addition to traditional areas, the NFI has included data matching of Covid-19 grant data. This has enabled checks to be undertaken that were unavailable to local authorities previously, e.g. cross boundary data matching. Over 60 matches have been released.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity completed in 2020/21 includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Covid-19 related fraud</b> – The team completed six investigations into Covid-19 related grant fraud. A warning was issued to one applicant for trying to obtain a grant for a business that was not in operation. Incorrect payments totalling £20k were prevented as a result of investigative work. A further payment of £10k was also stopped as a result of the counter fraud team sharing intelligence about organised criminals running a national scam.</li> <li>• <b>Council Tax fraud</b> – Three cases were completed in this area. Almost £8k of fraud was identified and £4.9k of savings have been achieved through investigative work.</li> <li>• <b>Council Tax Support fraud</b> – No new fraud or error was detected, however, £6k of savings was achieved during the year as a result of previous work.</li> <li>• <b>NNDR fraud</b> – The team completed four NNDR investigations and £1.7k of savings was achieved.</li> <li>• <b>Internal fraud</b> – No internal fraud allegations were investigated in the last financial year.</li> </ul>
Fraud management	<p>In 2020/21 a range of activity was undertaken to support the council’s counter fraud framework.</p> <ul style="list-style-type: none"> <li>• The counter fraud team regularly alerts council departments to emerging local and national fraud threats.</li> </ul>



Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li>• In May 2020, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2019/20, meeting the council's obligation under the Local Government Transparency Code 2015.</li> <li>• The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in September 2020. The information contributed to CIPFA's annual report detailing the extent of fraud against local authorities.</li> <li>• Veritau's counter fraud team was nominated as a finalist for Outstanding Team in the Tackling Economic Crime Awards in October 2020.</li> <li>• In November 2020, the counter fraud team and the council's communications team worked together to raise awareness of fraud internally and with the public during International Fraud Awareness Week.</li> <li>• In February 2021, a leaflet was included in annual council tax billing making the public aware of how to report concerns of fraud to the council.</li> <li>• Throughout the Covid-19 pandemic, the counter fraud team has provided support to the council in preparing for and administering government funded grant schemes. This has included reviewing government guidance and advising on best practice.</li> </ul>