

COUNTER FRAUD ANNUAL REPORT 2022/23

Date: 29 March 2023

Annex 2





BACKGROUND

- 1 Fraud is a significant risk to the public sector. The government estimates that the taxpayer loses up to £51.8 billion to fraud and error in public spending every year¹. Financial loss due to fraud can reduce a council's ability to support public services and 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 update the Committee on counter fraud activity in 2022/23.



FRAUD MANAGEMENT

- 4 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the council. Preparation for Local Government Reorganisation (LGR) in North Yorkshire has been a focus for Veritau in 2022/23. The counter fraud team has worked with all councils to ensure that strong counter fraud policies and procedures are in place when the new authority forms. An e-learning package designed to prepare staff for the threat of fraud was released in September 2022 and has been completed by key finance employees.
- 5 Raising awareness of fraud issues within the council is an important part of the work of the counter fraud team. In June 2022, Veritau raised awareness of whistleblowing and highlighted the importance of the role of managers in the process. In October, warnings about the latest methods and tactics used by cyber criminals were communicated to officers as part of Cybersecurity Awareness Month. During International Fraud Awareness Week in November, internal communications to staff and social media messaging for the public reinforced how to report concerns to the fraud team. In December we highlighted the importance of the council's anti-bribery and anti-money laundering policies.
- 6 To help the council meet obligations under the Local Government Transparency Code 2015, Veritau provided transparency data on counter fraud work completed in 2021/22. This information is published on the council's website.

¹ Fraud and Error (Ninth Report of Session 2021/22), Public Accounts Committee, House of Commons



MULTI-AGENCY WORK

- 7 The National Fraud Initiative (NFI) is a large-scale data matching exercise that involves all councils and some other public sector bodies in the UK. Central government oversight of the NFI has now transferred to the new Public Sector Fraud Authority.
- 8 Matches from data uploaded in November 2022 have begun to be released. The review of matches will be undertaken by the counter fraud team and relevant council service areas.



INVESTIGATIVE WORK

- 9 The counter fraud team has received 100 referrals of potential fraud. These relate to allegations of council tax support, business rates discounts/exemptions, housing, and internal fraud. The team works closely with staff and encourages members of the public to report any concerns they have about fraud affecting the council.
- 10 The counter fraud team has helped the council achieve £29.7k of savings in 2022/23. The savings figures comprise repayment of debt arising from investigative work, a maximum of one year future savings if an investigation has stopped an ongoing fraud that would otherwise have continued, and the prevention of any one-off payments that would have been made without the intervention of the team.
- 11 Information from new national data matches linked to awards of government funded Covid-19 grant payments to businesses helped identify potential fraud and error that cannot be detected by local records alone. Investigations of business rates resulted in savings of £14.1k
- 12 Investigations have led to three warning being issued. Two were issued to businesses that incorrectly received covid-19 grants payments, and a further warning was issued to a business for incorrectly obtaining a business rates exemption.
- 13 Nine investigations are ongoing. Any cases that remain open at the end of March 2023 will transfer to the new North Yorkshire Council.
- 14 A summary of investigative work is included in appendix A, below.

APPENDIX A: SUMMARY OF INVESTIGATION ACTIVITY

Activity to date includes the following:

	2022/23 (As at 28/02/23)	2022/23 (Target: Full Yr)	2021/22 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£29,735	£14,000	£8,757
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	46%	30%	29%

Caseload figures for the period are:

	2022/23 (As at 28/02/23)	2021/22 (Full Year)
Referrals received	100	84
Number of cases under investigation	9	14 ²
Number of investigations completed	26	14

² As at the end of the financial year (i.e. 31/03/2022)

Work completed or in progress

The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity completed in 2022/23 includes the following:

- **Covid-19 related fraud** – No new cases of Covid-19 business grant fraud have been identified, and no cases are ongoing in this area. Seven investigations have been completed in 2022/23. Three businesses were identified as having incorrectly received Covid-19 grants. Warnings were issued to two of these businesses.
- **Council Tax Support fraud** – Two Council Tax Support investigations have been completed and three are ongoing. Investigation in this area has resulted in the recovery of £3.4k.
- **Council tax fraud** – Investigation of council tax fraud has helped the council recover £2.1k of incorrectly obtained single person discounts. Four allegations are under investigation and five cases have been completed.
- **Housing Fraud** – The team have completed four investigations into allegations of council houses being abandoned by tenants. No fraud was identified in these cases. There are no ongoing investigations in this area.
- **NNDR fraud** – Investigation of business rates fraud has helped the council recover £14.1k. Four investigations have been completed, one resulting in a warning being issued to a business that incorrectly received small business rates relief. Two further cases identified incorrect payments of small business rate relief which have now been stopped and amended bills have been issued. One case is ongoing.
- **External fraud** – Review of matches from the National Fraud Initiative identified three creditors that received duplicate payments. Payments totalling £10k have been recovered in full.
- **Internal fraud** – Two internal fraud investigations are ongoing.