

## **Counter Fraud Framework Update**

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### **Summary**

- 1 The council last approved a new counter fraud and corruption strategy and action plan in 2017. This report presents a new counter fraud and corruption strategy for the City of York Council based on the new national counter fraud strategy for local government, Fighting Fraud and Corruption Locally. The report updates the council's fraud risk assessment and counter fraud and corruption policy to meet latest guidance. There is also an update on the national and local counter fraud trends and developments; particularly arising from the covid-19 pandemic.

### **Background**

- 2 Fraud is a serious risk to the public sector in the UK. When fraud is committed against the public sector, money is diverted from vital public services into the hands of criminals. Fraudsters are constantly refining their tactics and techniques in order to circumvent the checks and controls put in place to prevent fraud from occurring. In order to protect income and assets public sector bodies must therefore continuously develop their counter fraud measures to meet the evolving threats. A strong deterrent is required to prevent fraud from being committed.

### **National Picture**

- 3 In the current financial year, as part of the government's response to the covid-19 pandemic, local authorities have been responsible for issuing grants to eligible businesses. A number of schemes have been open to support businesses at different times throughout 2020/21. During the first business support scheme, which ran from March to September 2020, £11.7 billion was distributed nationally. Fraudsters have attempted to divert grants from legitimate businesses, and ineligible businesses have attempted to mislead

councils about their circumstances in order to receive grants. Councils have been required to implement suitable counter fraud measures and are now undertaking post assurance work to help ensure that grants were correctly paid. If fraud or error is detected then a recovery process will begin that can include the prosecution of offenders.

- 4 Cyber-crime is a growing concern for local government in the UK. There have been a number of attacks on UK public sector organisations over the past few years, e.g. Parliament and the NHS. In 2019 Kaspersky reported a 60% increase in ransomware attacks on local governments worldwide and pointed towards similar attacks in the United States. A council in the North East suffered a catastrophic cyber-attack in early 2020. The ransomware attack removed access to multiple systems across the organisation and criminals tried to extort money from the council to restore them. A return to full functionality took many months at great financial cost. In October 2020 a council in London suffered a similar attack and it was recently reported that their data had been released on the dark web. It is important that all councils make members of staff aware of cybercrime and what precautions to take in order to prevent it.
- 5 Veritau has provided support to the council throughout the current financial year around covid-19 related payments. The counter fraud team is currently undertaking post-assurance checks on grant payments in line with government guidance and further checks will be made as part of the upcoming 2020/21 National Fraud Initiative. Cyber-crime awareness forms part of all fraud awareness training delivered to staff at the council.

### **Local Picture**

- 6 As part of the Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and the Local Authority Discretionary Grant Fund the council made payments to over 4,300 businesses, totalling more than £49.7 million. Council officers, with the support of the counter fraud team, conducted checks into each application to make sure they met the criteria set by government and the payments were being made to the correct people. Where concerns were identified cases have been directed to the counter fraud team.
- 7 The council is sending monthly reports detailing payments to the Department for Business, Energy & Industrial Strategy (BEIS) and

has produced a risk assessment for the covid-19 grant schemes detailing what steps have been taken to mitigate fraud risk.

- 8 The counter fraud team has been liaising with the National Investigation Service (NATIS), the National Anti-Fraud Network (NAFN), and the Department for Business, Energy & Industrial Strategy to report fraudulent applications by organised criminals, as well as sharing intelligence with council colleagues.
- 9 Some aspects of the work of the counter fraud team have been disrupted by the covid-19 pandemic. Activities like visits to people's homes and interviews under caution in council offices are still affected, but the team have found new ways to undertake this work.

### **Counter Fraud Framework Review**

- 10 The council's Counter Fraud and Corruption Strategy 2017-19 was approved in February 2017, and covered the same time period as the national counter fraud strategy for local government – Fighting Fraud and Corruption Locally. The national strategy was refreshed in April 2020, and has the support of counter fraud professionals and the Local Government Association. The most recent iteration, Fighting Fraud and Corruption Locally – A Strategy for the 2020s, is contained in annex 1 for reference.
- 11 An updated council Counter Fraud and Corruption Strategy for 2020-23 (see annex 2) and an associated action plan has been drafted. The strategy takes into account the guidance in the new national strategy.
- 12 As part of this review the council's counter fraud risk assessment was also updated to reflect current risk. The assessment is included at annex 3.
- 13 The council's Counter Fraud and Corruption Policy was last updated in 2017. On 31 December 2020, new guidance from the Attorney General on disclosure in criminal prosecutions came into force. The new guidance seeks to ensure that all relevant evidence is disclosed to the defence ahead of a criminal prosecution, and that there is an opportunity for discussion between the defence and prosecutor up to commencement of any proceedings. The policy has been updated to reflect this new guidance as well any other references that need to be updated, e.g. job titles. Proposed changes to the policy are shown as tracked changes in annex 4.

## **Consultation**

- 14 Not relevant for the purpose of the report.

## **Options**

- 15 Not relevant for the purpose of the report.

## **Analysis**

- 16 Not relevant for the purpose of the report.

## **Council Plan**

- 17 The work of internal audit and counter fraud supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

## **Implications**

- 18 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

## **Risk Management Assessment**

- 19 The council will fail to comply with proper practice if counter fraud and corruption arrangements are not reviewed periodically.

## **Recommendations**

- 20 Members are asked to;
- comment on the new Counter Fraud and Corruption Strategy and action plan in annex 2
  - comment on the updated Fraud Risk Assessment and Counter Fraud and Corruption Policy in annexes 3 and 4.

## Reason

In accordance with the committee's responsibility for assessing the effectiveness of the Council's counter fraud arrangements.

## Contact Details

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**Report  
Approved**



**Date**

5 February  
2020

## Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

## Background Papers

None

## Annexes

Annex 1 – Fighting Fraud and Corruption Locally: A Strategy for the 2020s

Annex 2 – Counter Fraud and Corruption Strategy 2020-2023

Annex 3 – Fraud Risk Assessment

Annex 4 – Counter Fraud and Corruption Policy