

# COUNTER FRAUD PROGRESS REPORT 2022/23

Date: 30 November 2022

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 year<sup>1</sup>. 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. The counter fraud team investigate allegations of fraud, plan and take part in counter fraud campaigns (eg the National Fraud Initiative), undertake fraud awareness activities with staff and the public, and maintain and update the council's counter fraud framework and associated policies.
- 3 The purpose of this report is to update the Committee on counter fraud activity up to 31 October 2022.



## FRAUD MANAGEMENT

- 4 The counter fraud team raised awareness of whistleblowing on World Whistleblowers' Day in June. It is important that workers are aware that they should raise concerns that are in the public interest and that there are protections in place if they do. It is equally important that managers respond to whistleblowing concerns in the correct way.
- 5 In October information was released to members of staff to mark cybersecurity awareness month. The material focussed on mandate fraud (also known as payment diversion fraud) a form of cybercrime that has been increasing in terms of sophistication, frequency, and success over the past 12 months. Staff were updated on the latest tactics and tools used by criminals to commit this type of fraud as well as warning signs to look out for. Earlier in the year bespoke and more in depth training was provided to the Creditors Team as they are most likely to be contacted by people committing this type of fraud. Two attempted mandate frauds have been identified and prevented this year.
- 6 Fraud awareness training has also been provided to staff working within adult social care, housing management, housing options and parking enforcement in 2022/23.



## MULTI-AGENCY WORK

- 7 The National Fraud Initiative (NFI) is a large-scale data matching exercise that involves all councils and other public sector bodies in the UK. The work of the NFI is overseen by the Cabinet Office and the exercise runs every two years. Data from a range of council areas has been gathered for the upcoming 2022/23 exercise. The counter fraud team have assisted the council to format and securely send the data. In addition checks have been made to help ensure that the council meets fair processing requirements.

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

Results of the datamatching exercise are expected to be released in February 2023.

- 8 The council are required to respond to requests for information from the Department for Work and Pensions (DWP) who investigate Housing Benefit fraud. In cases where council tax support is in payment, the counter fraud team can jointly investigate with DWP counterparts. The team have responded to 27 requests for information to date.

## INVESTIGATIVE WORK

- 9 In 2022/23, the counter fraud team has received 191 reports of suspected fraud. These cover areas including adult social care, social housing, council tax, council tax support, internal fraud, parking, and business rates.
- 10 Up to 31 October 2022, the team has helped the council to achieve £116k in savings and £7k in Covid-19 related savings. The team has completed 75 investigations and there are currently 29 ongoing active cases. To date, formal warnings have been issued to 21 people. Two council properties have been recovered. Two internal investigations have been completed. Payments were blocked following two attempts to commit mandate fraud against the council. In addition, the team has helped the council verify 28 applications relating to applications for Right to Buy.
- 11 A summary of investigative work can be found in appendix A, below.

## APPENDIX A: SUMMARY OF INVESTIGATIVE WORK 2022/23

The table below shows the success rate of investigations and levels of savings achieved through counter fraud work in 2022/23.

	<b>2022/23 (As at 31/10/22)</b>	<b>2022/23 (Target: Full Yr)</b>	<b>2021/22 (Actual: Full Yr)</b>
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£116,386	£200,000	£205,328
Amount of savings identified relating to Covid-19 grant related fraud	£7,037	n/a	£60,000
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	53%	30%	47%

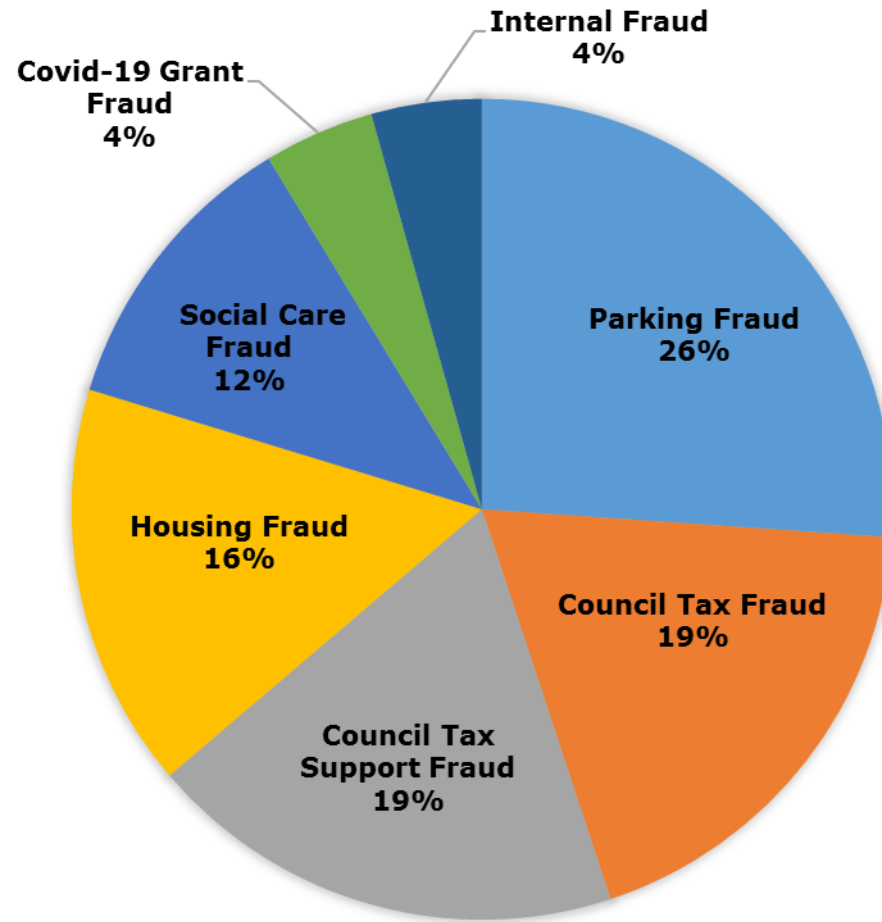
Caseload figures for the period are:

	<b>2022/23 (As at 31/10/22)</b>	<b>2021/22 (Full Year)</b>
Referrals received	191	381
Number of cases under investigation	69	69 <sup>2</sup>
Number of investigations completed	75	133
Number of verification cases completed <sup>3</sup>	29	94

<sup>2</sup> As at the end of the financial year (ie 31/03/2022)

<sup>3</sup> Verification cases include reviews of applications for Right to Buy, and school placements.

The chart below shows the proportion of different case types under investigation as at 31 October 2022.



Activity	Work completed or in progress
Fraud detection and investigation	<p>The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Housing fraud</b> – Thirteen investigations of housing related fraud have been started in 2022/23 to date. Eleven investigations are ongoing. The team has helped to verify 28 Right to Buy applications this year. The team have completed eleven investigations into housing fraud resulting in two council properties being recovered. An investigation found that a council tenant was living in another part of the country while maintaining a CYC property for the benefit of their family. The tenant returned their keys after the council took court action to recover the property. Another tenant also handed back their keys after they were found to have abandoned their council property.</li> <li>• <b>Internal investigations</b> – Two internal investigations have been completed. There are three ongoing investigations.</li> <li>• <b>Covid-19 related fraud</b> – Investigative work into Covid-19 related grants and payments is now winding down. The team are currently investigating three cases relating to grants to businesses and two relating to Test and Trace Support Payments made to members of the public. The team have completed 17 investigations in 2022/23 to date resulting in seven written warnings being issued, one referral to the police, and one application being blocked before payment was made.</li> <li>• <b>Adult Social Care fraud</b> – The team has completed five investigations in this area and eight are ongoing. Savings of £46k have been made by the council as a result of investigations in this area. There have been six new referrals in 2022/23.</li> <li>• <b>External (or third party) fraud</b> – Three referrals relating to external frauds against the council have been reported in 2022/23. These included cybercrime attacks and an attempted theft from the council. Seven investigations have been completed and one is ongoing. Two attempted mandate frauds (payment diversion frauds) have been prevented in 2022/23.</li> <li>• <b>Council Tax fraud</b> – Eleven investigations have been completed in this area and thirteen are ongoing. Two people have been issued with formal warnings relating to false or incorrectly claimed</li> </ul>



Activity	Work completed or in progress
	<p>single person discounts; errors were detected in a further four cases. Invoices totalling £5k have been issued to five people as a result of investigations this year.</p> <ul style="list-style-type: none"> <li>• <b>Council Tax Support fraud</b> – The team has completed five investigations into council tax support fraud. Two people received a formal warning about their conduct. Work in this area has resulted in £30k being repaid to the council in 2022/23 to date.</li> <li>• <b>Business rates fraud</b> – A business was found to be incorrectly claiming small business rate relief. Its owners were billed over £4k and were issued a written warning. Invoices issued in the previous financial year have resulted in payments of £12k being made to the council in 2022/23.</li> <li>• <b>Parking fraud</b> – Thirteen investigations into parking fraud have been completed. Six people were issued with warnings following misuse of a disabled blue badge. There has been an increase in reports of fraud relating to parking permits being used for holiday accommodation (generally relating to property owners offering properties for let via accommodation websites). Two owners of holiday accommodation have been invoiced for loss and issued with formal warnings following investigations. It was found that residential parking permits were being used instead of more expensive business parking permits. Work in this area has resulted in £7k of savings for the council this year. There are currently 18 investigations ongoing.</li> </ul>