

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 use qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate any suspected fraud found. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 This purpose of this report is to provide assurance to the Audit & Governance committee that the council has effective counter fraud arrangements in place and to summarise counter fraud activity in 2020/21. The report also updates the committee on whistleblowing reports and outcomes.



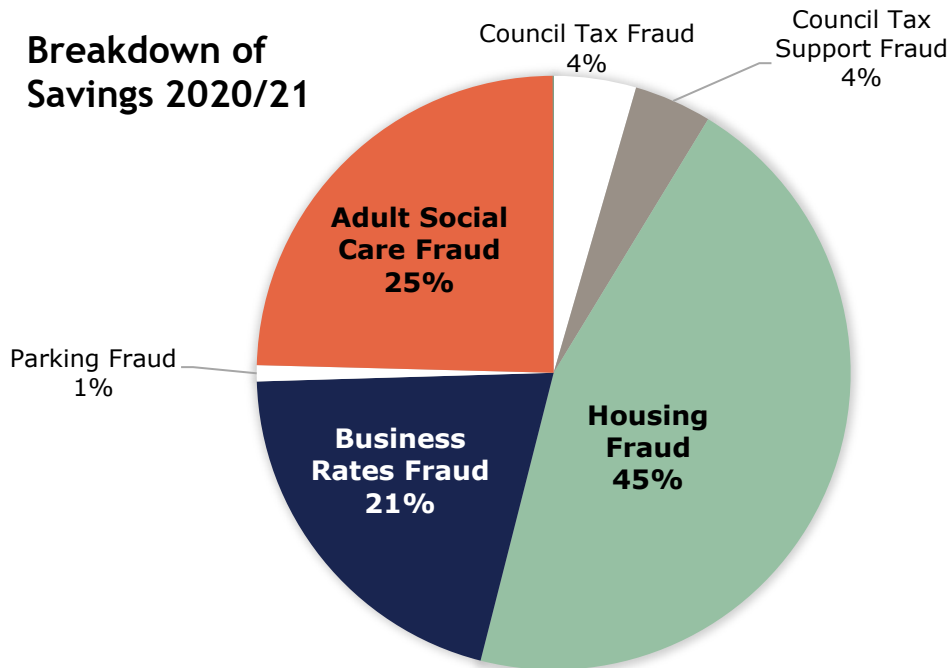
KEY PERFORMANCE FIGURES

- 4 The counter fraud team helped the council make £350k of counter fraud savings in 2020/21, against an annual target of £200k. This represents an increase of £100k from the previous financial year and the highest level of savings achieved in the past five years.
- 5 The team supported council colleagues by reviewing over 2,000 applications for Covid-19 related business grants in pre and post payment checking exercises throughout the course of the year. In addition to the savings detailed above over £170k of payments relating to business grants were either stopped or recovered.
- 6 The team received over 335 referrals of suspected cases of fraud in the course of the financial year including reports from the public, council staff, external agencies, and issues identified through proactive exercises. Over 190 investigations were completed in 2020/21 with successful outcomes¹ achieved in 46% of cases.
- 7 Two people were successfully prosecuted, two council properties were recovered, two fraudulent right to buy applications were stopped, warnings were issued to 35 people, two false applications for housing were blocked, one person received a formal caution, and five false applications for school placement were blocked.
- 8 A detailed summary of performance can be found in appendix A, below.

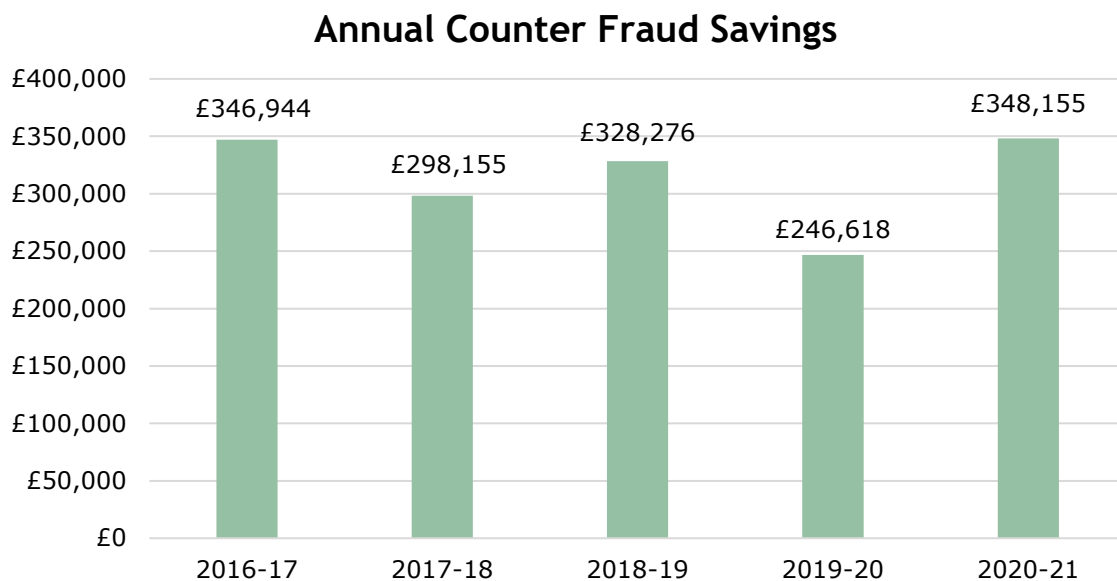
¹ Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, or management action taken.

ANALYSIS OF RESULTS

- 9 The counter fraud team has an annual target of £200k to achieve in savings. These 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, e.g. a right to buy discount. The chart below shows the areas where savings were achieved in 2020/21.



- 10 Over the past 5 years Veritau has helped the council make over £1.5 million in counter fraud savings, averaging £314k per financial year.





COVID-19

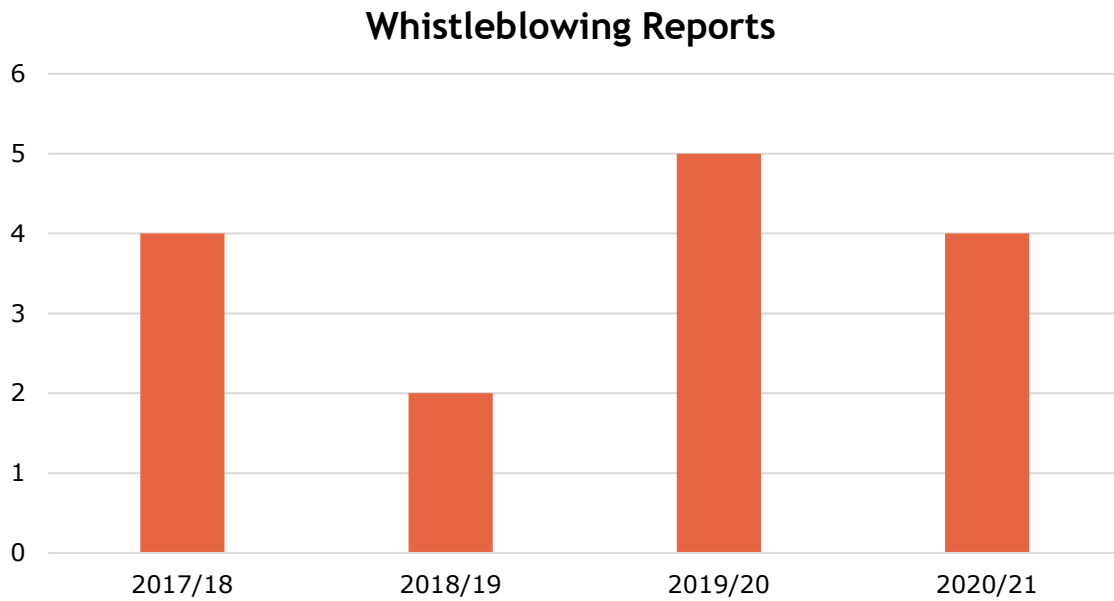
- 11 The council has played a key role in distributing government grants to local businesses in 2020/21. In total the council distributed over £100 million in grants over the course of the year. This was a difficult task, with pressure to distribute grants quickly to provide essential support whilst 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, has helped to keep numbers of fraudulent payments to a minimum.
- 12 Veritau supported the council by undertaking around 1850 pre-payment checks on applications during the first lockdown period in 2020. A further 180 checks were made in 2021 as part of a government mandated post-event assurance exercise.
- 13 Potentially fraudulent claims for Covid-19 related grants were investigated by the counter fraud team. Thirty investigations were completed in 2020/21 which resulted in £173k of payments either being blocked or recovered. A number of investigations are still ongoing.
- 14 A data matching exercise designed to ensure that payments made through the council's Microbusiness Grant Fund was also conducted by the team. This exercise helped prevent £21k of incorrect payments being made.
- 15 Throughout the year the counter fraud team supported the council by facilitating access to national data matching resources. These checks were made to help ensure that payments were made to bank accounts matching the businesses applying for support. They also helped to ensure that the businesses applying for grants were eligible under the rules of the government schemes.
- 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.



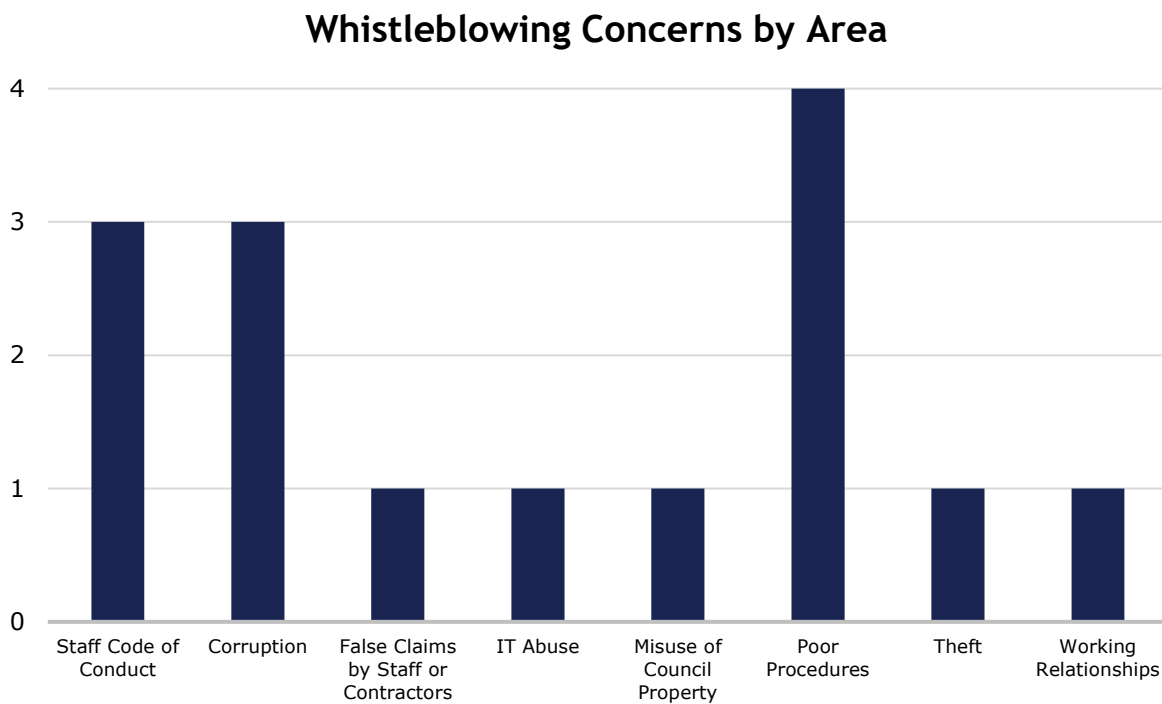
WHISTLEBLOWING

- 17 Veritau supports the council's whistleblowing processes and has had overall responsibility for the policy since 2018. A new whistleblowing policy was adopted in 2020, following consultation with the Audit and Governance Committee and other key stakeholders.
- 18 An e-learning package on whistleblowing was developed and made available to council staff in November 2020. Over 125 council managers have completed the training to date. Further publicity of the policy and the e-learning package is planned for 2021/22.

- 19 The figure below shows the number of whistleblowing reports recorded over the past four financial years – 15 in total.



- 20 The following figure details the categories of whistleblowing reports received over the same period.



- 21 Four whistleblowing reports were received in 2020/21. These related to false claims by a contractor, poor procedures within a council department, code of conduct issues by a member of staff, and misuse of council property by council employees.
- 22 Two of the whistleblowing reports were reviewed by council officers. The report relating to poor procedures resulted in improvements within the department. The report relating to false claims by a contractor was found to not be valid.
- 23 The code of conduct issue and misuse of council property are being investigated by Veritau and those investigations are ongoing.

COUNTER FRAUD MANAGEMENT

- 24 Veritau undertakes a range of non-investigative activity to support the development of counter fraud work at the council. In 2020/21 a new counter fraud strategy for the council was produced and the counter fraud policy was updated.
- 25 Raising awareness of fraud is an important function of the counter fraud team, amongst council staff and the public. Training sessions were delivered throughout the year to council departments by the counter fraud team. This year awareness sessions have been delivered via video conferencing instead of in person. A specific cybercrime awareness month was organised and publicised to all staff in October, and content was also published and circulated to staff for International Fraud Awareness Week in November.
- 26 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 provide a deterrent to people contemplating similar offences. Two people were prosecuted for abuse of disabled blue badges in 2020/21 and both were publicised in local media outlets.
- 27 Veritau contributes to national counter fraud publications. Data was provided to 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.
- 28 The counter fraud team ensures that the council meets its legal obligations surrounding counter fraud work. It manages work connected to the National Fraud Initiative, an exercise run by the Cabinet Office, in which council participation is mandatory. It also provides annual transparency data for publication by the council.
- 29 The work of the counter fraud team was recognised in November 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.

	2020/21 (Actual: Full Yr)	2020/21 (Target: Full Yr)	2019/20 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£348,155	£200,000	£246,618
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	46%	30%	63%
Amount of savings from the prevention of Covid-19 grant fraud	£173,000	n/a	n/a

Caseload figures for the period are:

	2020/21 (Full Year)	2019/20 (Full Year)
Referrals received	335	384
Number of cases under investigation	103	97
Number of investigations completed	191	172

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 7,000 matches 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. Thirty-eight matches have been released.</p> <p>An in-house data matching exercise looking at the council's Microbusiness Grant Scheme identified a number of incorrect applications which resulted in £21k of savings for the council.</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"> • Covid-19 related fraud – The team completed 30 investigations into Covid-19 related grant fraud in the last financial year. Six warnings were issued, six applications were blocked, and five investigations led to savings and/or loss being identified. In total, £173k of payments were either blocked or recovered as a result of investigative work • Social Care fraud – The counter fraud team completed 18 investigations in this area in 2020/21. One person received a formal warning about their conduct. Invoices were raised in a further five cases and fraud was prevented in two cases. Savings of £84k were made during the financial year, predominantly through repayment of debt owed to the council following successful investigations. • Council Tax and Business Rates fraud – In 2020/21 the team completed 25 investigations into these two areas and made £86k in savings for the council. Seven warnings were issued to businesses and members of the public.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Housing fraud – In the last financial year, working in conjunction with housing officers, the team recovered two council properties, prevented two fraudulent right to buy applications, blocked two false applications for housing, and issued two warnings. The two blocked right to buy applications saved the council £155k in discounts that would be applied to the purchase of properties under the scheme. • Internal fraud - One internal fraud investigation was completed in 2020/21. No fraud or wrongdoing was found. • External or third party fraud – The team completed six investigations in this area in the last financial year. Three of the investigations led to fraud being identified and in one case blocked. • Parking fraud – The counter fraud team works closely with parking services to address misuse of disabled blue badges and other parking permits within the city. Approximately 70% of investigations completed last year resulted in a successful outcome. Two people were successfully prosecuted for misusing disabled blue badges. In both cases the circumstances were considered serious enough to warrant such action. A further seventeen people were either cautioned or received a written warning. • Council Tax Support fraud – The team completed 31 investigations in this area which led to five warnings being issued. A loss to the council was identified in a further three cases, and fraud was prevented due to one investigation. This area produced £14.5k in savings for the council in 2020/21. • Education verification – The counter fraud team works with the schools team to investigate and deter false applications for school places. Eleven applications for school places were verified in 2020/21. Five false applications were subsequently blocked. • York Financial Assistance Scheme fraud – The counter fraud team completed two investigations in this area in the last financial year, but no fraud was found.
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"> • The counter fraud team regularly alerts council departments to emerging local and national fraud threats.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • 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. • In April / May 2020, the counter fraud team assisted the council by undertaking pre-payment checks on large numbers of applications for Covid-19 business grants to prevent fraud and error. • 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. • In October 2020, the counter fraud team ran a cybercrime awareness month, delivering cybercrime awareness information to council employees through a number of bulletins provided over the course of the month. • The Veritau counter fraud team was nominated as a finalist for Outstanding Team in the Tackling Economic Crime Awards in October 2020. • In November 2020, the counter fraud team raised awareness of fraud internally and amongst the general public as part of International Fraud Awareness Week. • A whistleblowing e-learning package was launched in November 2020 as part of a campaign to raise awareness of the new whistleblowing policy. • In March 2020, a leaflet was included in annual council tax billing making the public aware of how to report concerns of fraud to the council. • 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.