







# COUNTER FRAUD ANNUAL REPORT 2021/22

Date: 29 June 2022

ANNEX 2



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## 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 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 The purpose of this report is to summarise counter fraud activity in 2021/22. The report also updates the committee on whistleblowing reports and outcomes.

## KEY PERFORMANCE FIGURES

- 4 Veritau helped the council to achieve £205k in counter fraud savings in 2021/22, against an annual target of £200k.
- 5 We also continued to support the council to prevent fraud within Covid-19 related grants paid to businesses and individuals. In addition to the savings detailed above, £60k of Covid-19 related payments were either stopped or recovered.
- 6 We received over 380 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 130 investigations were completed in 2021/22 with successful outcomes<sup>2</sup> achieved in 47% of cases. We also conducted verification exercises in respect of 94 applications for Right to Buy, Covid-19 grants, and school placements.
- 7 Three council properties were recovered, four people were cautioned, warnings were issued to 35 people, one false application for housing was stopped, and one false application for a school place was declined.
- 8 A detailed summary of performance can be found in **appendix A**, below.

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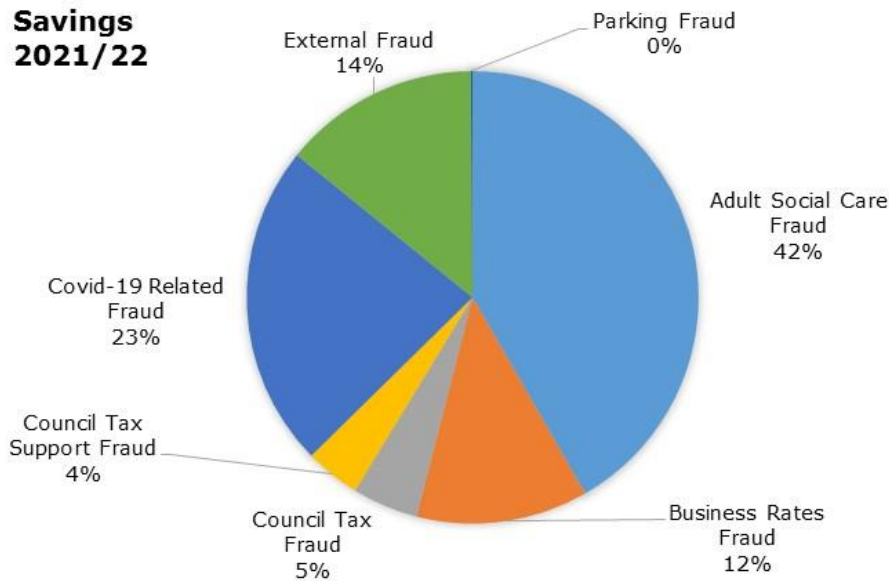
<sup>1</sup> Fraud and Error (Ninth Report of Session 2021/22), Public Accounts Committee, House of Commons

<sup>2</sup> 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

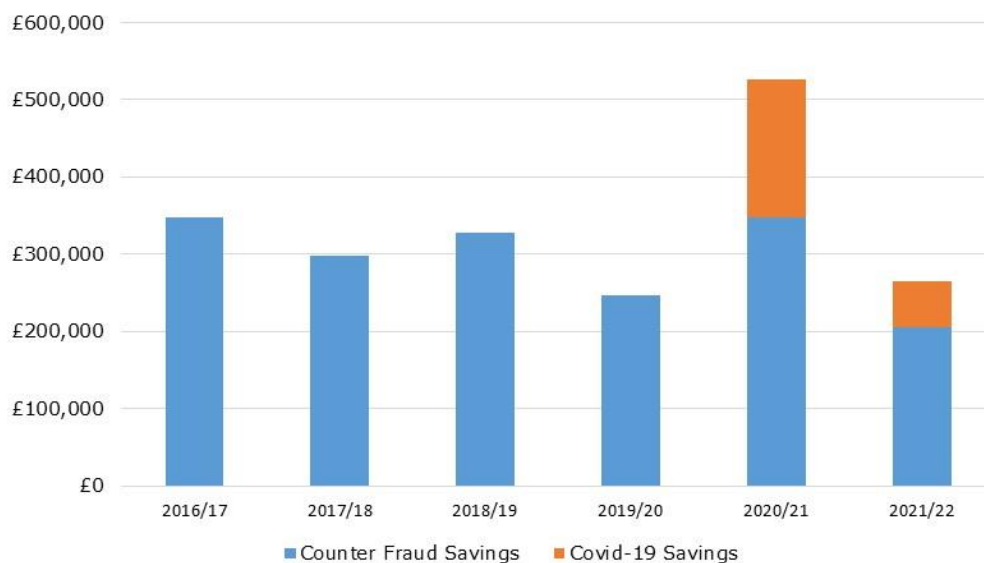
- 9 Veritau has an annual target of £200k to achieve in fraud related savings. These savings comprise the repayment of debt arising following investigative work, a maximum of one year future savings if an investigation has stopped an ongoing fraud that would otherwise have continued, and the prevention of any one-off payments that would have been made without our intervention, e.g. a right to buy discount. The chart below shows the areas where savings were achieved in 2021/22.

**Breakdown of Savings 2021/22**



- 10 Over the past six years Veritau has helped the council to achieve over £2 million in counter fraud savings, averaging £335k per financial year.

**Annual Counter Fraud Savings**





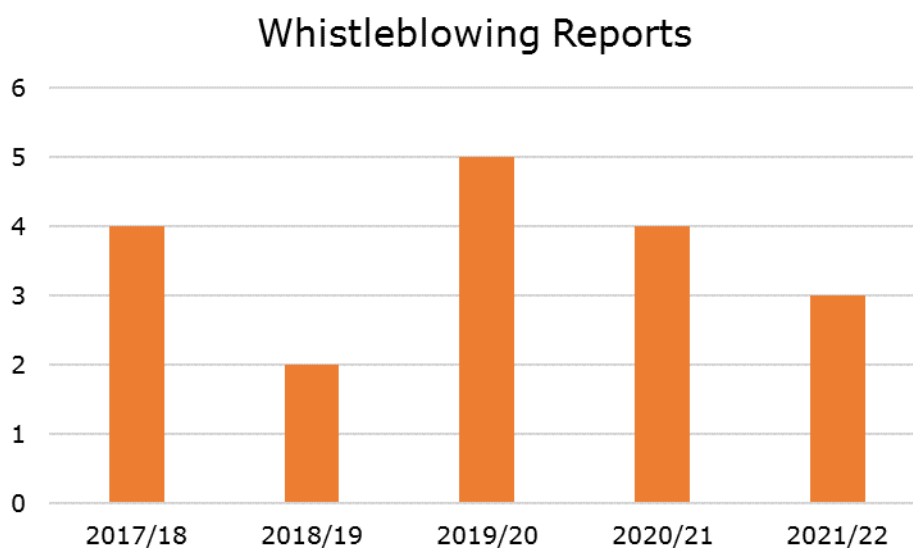
## COVID-19

- 11 City of York Council has played a key role in distributing government grants to local businesses over the last two years. Across all schemes, the council made 27,655 payments totalling more than £113 million. Nationally, grant schemes have been targeted by criminals operating within the UK and abroad. The Veritau counter fraud team investigated any suspicious applications referred by members of staff, shared intelligence with council colleagues, facilitated access to national data matching systems, and undertook a verification exercise to assist the council in meeting government audit requirements. Over the past two years £238k of attempted fraud has been detected for grants paid by the council. This represents 0.2% of total grants paid, and reflects the robust processes put in place by the council, working in conjunction with Veritau counter fraud officers.

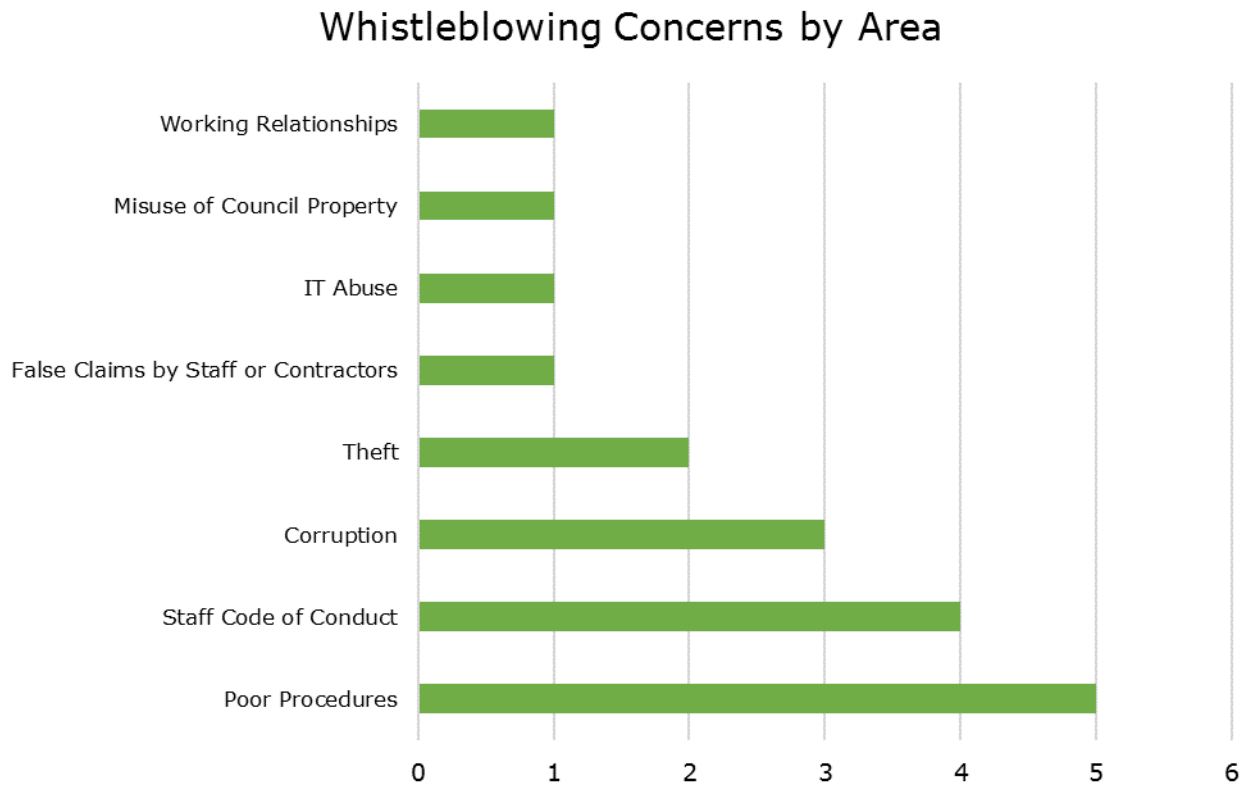


## WHISTLEBLOWING

- 12 Veritau supports the council's whistleblowing processes and has had overall responsibility for the policy since 2018. We work with council colleagues within the Human Resources department to ensure that all concerns raised are dealt with appropriately. We provide training to managers on how to address whistleblowing when it occurs and we regularly raise awareness of the policy with members of staff. Veritau developed an e-learning course on whistleblowing which is available to all council staff. The e-learning course was completed by 88 people in 2021/22.
- 13 The figure below shows the number of whistleblowing reports recorded over the past five financial years – 18 in total.



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



- 15 Three whistleblowing reports were received in 2021/22. These related to poor procedures within a council department, code of conduct issues by a member of staff, and theft. All three issues are currently under investigation by Veritau.
- 16 Four whistleblowing investigations were completed in 2021/22. One involved an allegation of the misuse of council property. In that case a member of staff resigned before disciplinary action could be taken. The second involved an allegation of corruption which resulted in disciplinary action being taken. The third related to staff code of conduct concerns and resulted in a report being issued with recommendations for improvement. Finally, a concern relating to false claims being made by a member of staff resulted in no issue being found.

## COUNTER FRAUD MANAGEMENT

- 17 Cybercrime is an increasing threat to public and private sector organisations. Veritau noted an increase in the volume and sophistication of

attacks during the course of the last year, regionally and nationally. The council was targeted by two serious mandate (also known as payment diversion) fraud attempts in 2021/22. No losses were occurred as a result of either incident. Veritau has worked with the council to ensure that robust controls are in place to meet this rising threat. Training has also been delivered to council staff in charge of administering payments to suppliers and awareness was raised with all members of staff during Cyber Security Awareness Month in October 2021.

- 18 Raising awareness of fraud amongst council staff and the public is an important function of the counter fraud team. Awareness campaigns were undertaken to mark International Fraud Awareness Week and International Anti-Corruption Day in November and December 2021 respectively. In addition specific training was provided to members of staff within the adult social care, human resources, parking and housing departments during 2021/22.
- 19 An anti-fraud message was included with annual council tax and business rates billing in March 2022. This raised awareness of fraud against the council and provided information on how best to report concerns to Veritau.
- 20 Veritau also ensures that the council meets its legal obligations. We manage work connected to the National Fraud Initiative, an exercise run by the Cabinet Office, in which council participation is mandatory. We also provide annual transparency data for publication by the council.
- 21 Veritau's counter fraud team represents the council at regional and national counter fraud groups. Veritau participates in regular meetings of the Yorkshire and Humber Counter Fraud Group. The team represents the council and supports a regional Tenancy Fraud Forum by acting as vice-chair. Veritau also participates in and chairs a national Fighting Fraud and Corruption Locally working group examining issues surrounding adult social care fraud.

## APPENDIX A: COUNTER FRAUD ACTIVITY 2021/22

The table below shows the success rate of investigations and levels of savings achieved through counter fraud work in 2021/22.

	<b>2021/22 (Actual: Full Yr)</b>	<b>2021/22 (Target: Full Yr)</b>	<b>2020/21 (Actual: Full Yr)</b>
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£205,328	£200,000	£348,155
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	47%	30%	46%
Amount of savings from the prevention of Covid-19 grant fraud	£60,000	n/a	£173,000

Caseload figures for the period are:

	<b>2021/22 (Full Year)</b>	<b>2020/21 (Full Year)</b>
Referrals received	381	335
Number of cases under investigation <sup>3</sup>	69	103
Number of investigations completed	133	191
Number of verification cases completed <sup>4</sup>	94	35

<sup>3</sup> As at the end of each financial year on 31 March 2022 and 2021 respectively.

<sup>4</sup> Verification cases include reviews of applications for Covid-19 grants, Right to Buy, and school places.



## Summary of counter fraud activity

Activity	Work completed
Data matching	<p>The 2020/21 National Fraud Initiative (NFI) data matching exercise is now complete. Over 7,000 matches were released over the course of 2021, including 49 relating to Covid-19 grants. These matches have been reviewed and addressed by council officers and the counter fraud team. In total over £86k of fraud and error was detected. In addition more than 1,400 corrections were made to data within the blue badge system, bus pass system, and housing waiting list.</p> <p>The team continues to develop internal data matching projects. An exercise looking at potential council tax fraud was carried out earlier this the year. This identified seventeen cases for further investigation. To date five people have been issued warnings for falsely or erroneously claiming Council Tax single person discounts.</p>
Fraud detection and investigation	<p>We continue to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity completed in 2021/22 includes the following:</p> <ul style="list-style-type: none"> <li> <p><b>Covid-19 related fraud</b> – we completed 13 investigations into Covid-19 related grant fraud. These resulted in one warning being issued to a business which had falsely applied for a Covid-19 grant; two businesses repaying grants totalling £20k; and £40k of grants payments being blocked before payment.</p> <p>Test and Trace payments were available to people who contracted Covid-19, were unable to work due to the illness and lost income. Six investigations were carried out into potentially fraudulently claimed Test and Trace Payments. These resulted in 5 people being issued with warnings; invoices were also issued for the recovery of the payments (£500 each).</p> <p>The team completed a government mandated review exercise which began in 2020/21. The final 18 successful applications from a 5% sample were verified and only one was found to have been paid in error. The grant payment, included in the figures above, was fully repaid.</p> </li> <li> <p><b>Adult Social Care fraud</b> – we completed 7 investigations in this area in 2021/22. One case of potential financial abuse was identified and referred to the police. Over £107k was repaid to the council during the financial year following investigations by the Veritau counter fraud team.</p> </li> </ul>

Activity	Work completed
	<ul style="list-style-type: none"> <li>• <b>Council Tax fraud</b> – we completed 29 council tax fraud investigations in the course of the financial year. One person was cautioned, 7 people received formal warnings, and a further 5 people were invoiced for underpaid council tax. Almost all of these cases relate to falsely or erroneously claimed single person discounts. Over £12k of savings were made in this area in 2021/22.</li> <li>• <b>Business Rates fraud</b> – In 2021/22 we completed 11 investigations. Four business owners were issued formal warnings and a further 3 were invoiced for business rates liability. Work in this area helped to produce £32k in savings for the council.</li> <li>• <b>Housing fraud</b> – in the last financial year, working in conjunction with housing management officers, we helped to recover three council properties that were either being sublet or not lived in by council-assigned tenants. The properties were of a type that are in high demand in York, comprising two one-bedroom flats, and one three-bedroom house. The combined market value of these properties is estimated to be over £400,000. We also worked alongside the Housing and Legal Departments to run checks on 77 Right to Buy applications during the course of the year.</li> <li>• <b>Internal fraud</b> – three investigations into potential internal fraud or misconduct were completed in 2021/22.</li> <li>• <b>External or third party fraud</b> – we completed 8 investigations in this area in the last financial year. Two of the investigations related to serious mandate fraud attacks.</li> <li>• <b>Parking fraud</b> – we work closely with the Council’s parking services to address misuse of disabled blue badges and other parking permits within the city. Twenty-five investigations were completed in 2021/22: 19 related to disabled blue badges, 5 to parking permits, and 1 to a bus pass. Over 70% of investigations completed last year resulted in a successful outcome. Four people were formally cautioned and another 14 people received a warning about their conduct.</li> <li>• <b>Council Tax Support fraud</b> – we completed 11 investigations in this area which led to one warning being issued. Over £10k in savings was made in this area.</li> <li>• <b>Education verification</b> – Veritau works with the schools team to investigate and deter false applications for school places. Two applications for school places were verified in 2021/22 which resulted in one false application being blocked.</li> </ul>

Activity	Work completed
	<ul style="list-style-type: none"><li data-bbox="481 261 1982 328">• <b>York Financial Assistance Scheme fraud</b> – we completed two investigations in this area in the last financial year. These resulted in one warning being issued for a false application.</li></ul>