

COUNTER FRAUD ANNUAL REPORT

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Jonathan Dodsworth
Assistant Director - Corporate Fraud



Max Thomas
Head of Internal Audit

Circulation list: Members of the Audit and Governance Committee



BACKGROUND

- 1 Fraud is a significant risk to the public sector. The government estimated that between £33.2 and £58.8 billion of public spending was lost to fraud in 2020/21¹. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 Veritau provides 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 2022/23. The report also updates the Audit and Governance Committee on whistleblowing reports received during the year.



KEY PERFORMANCE FIGURES

- 4 Veritau helped the council to achieve £273k in savings in 2022/23, against an annual target of £200k.
- 5 We received over 319 referrals of suspected fraud during the year including reports from the public, council staff, external agencies, and issues identified through proactive exercises. Over 145 investigations were completed in 2022/23 with successful outcomes² achieved in 50% of cases. We also conducted verification exercises in respect of 54 applications for Right to Buy and school placements.
- 6 One council property was recovered, five people were cautioned, six internal fraud investigations were completed, two mandate fraud attempts were prevented, and warnings were issued to 31 people.
- 7 A detailed summary of performance can be found in appendix A, below.

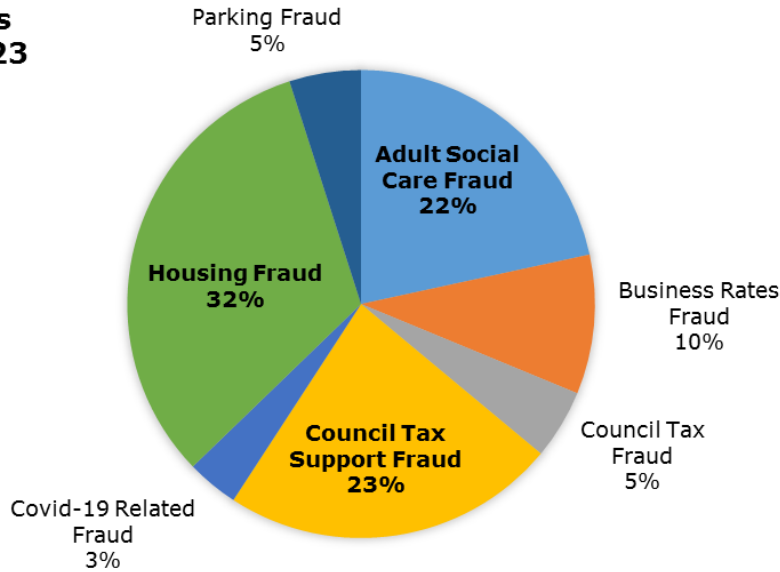
¹ Tackling fraud and corruption against Government, HM Treasury / Cabinet Office

² 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

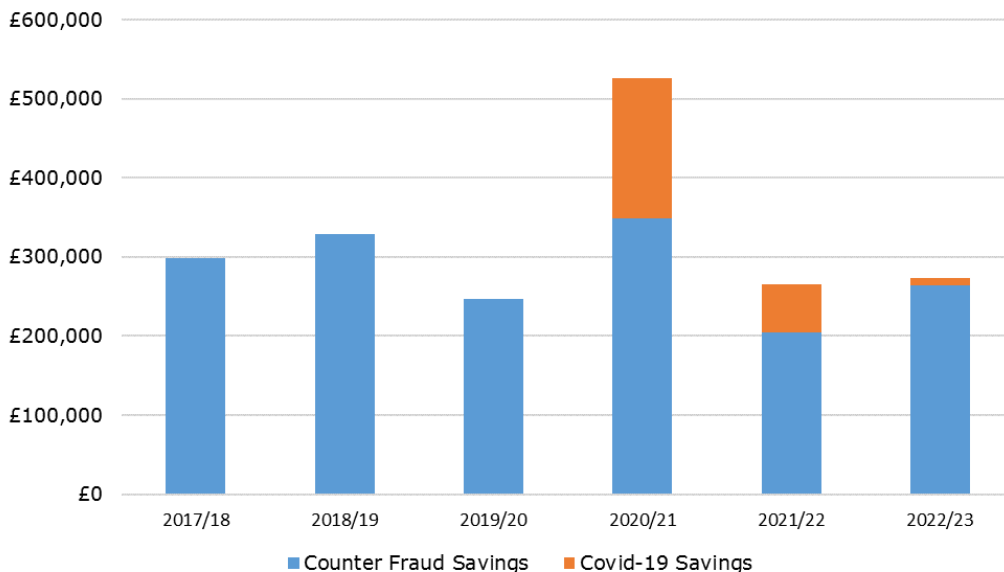
- 8 Veritau has an annual target of £200k to achieve in fraud related savings. These savings comprise the repayment of debt arising following investigative work, a maximum of one year future savings if an investigation has stopped an ongoing fraud that would otherwise have continued, and the prevention of any one-off payments that would have been made without our intervention, eg a right to buy discount. The chart below shows the areas where savings were achieved in 2022/23.

Breakdown of Savings 2022/23



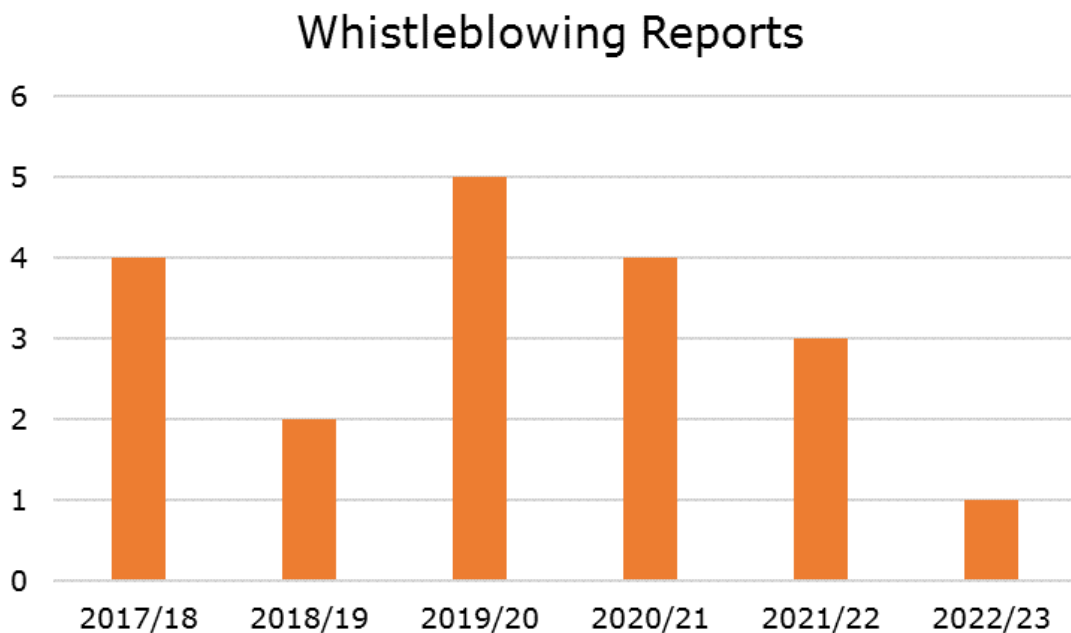
- 9 Over the past six years Veritau has helped the council to achieve £1.7 million in counter fraud savings, increasing to £1.9 million including savings associated with Covid-19 grants.

Annual Counter Fraud Savings

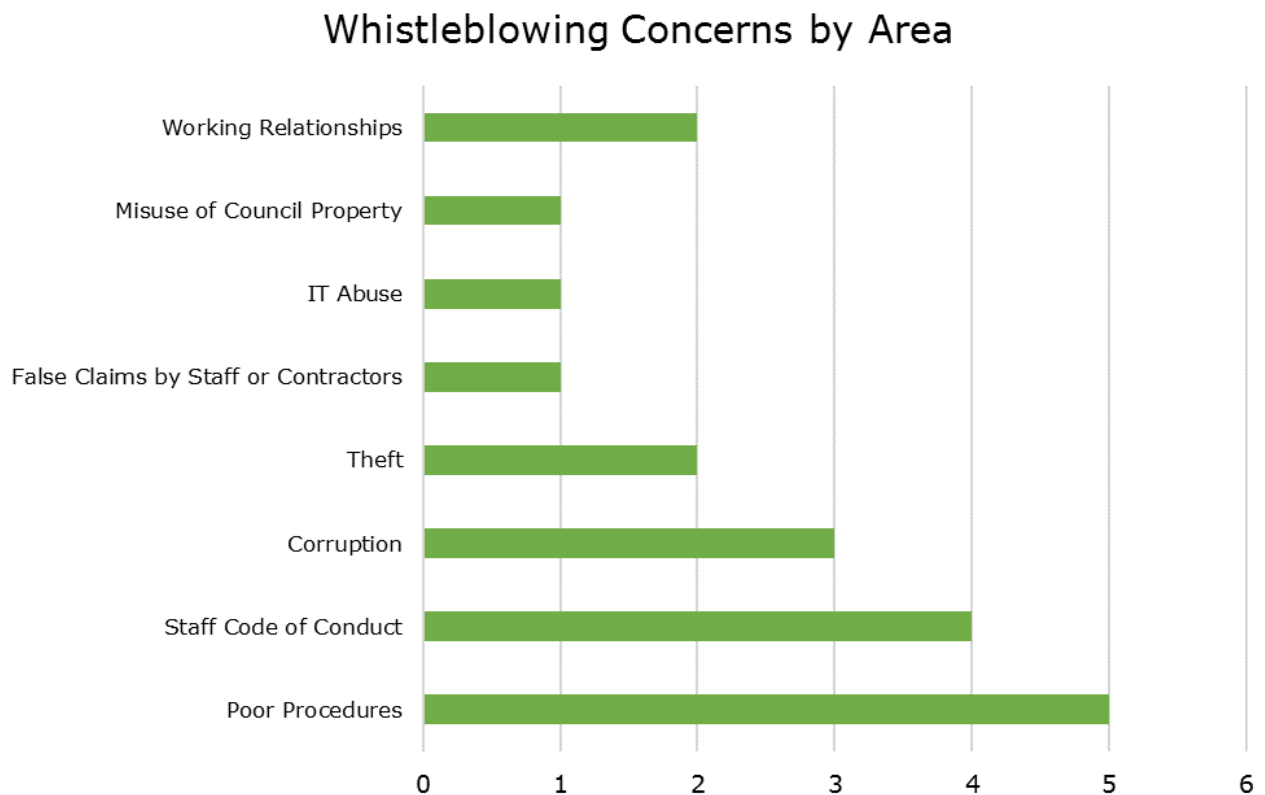


WHISTLEBLOWING

- 10 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 regularly raise awareness of the policy with all council employees including annual publicity for World Whistleblowers’ Day in June. In 2022 two whistleblowing training sessions were delivered to over 30 council managers. The training reinforced the guidance and processes contained in the council’s whistleblowing policy.
- 11 Veritau has developed an e-learning training package covering whistleblowing which is accessible to all employees. In 2022/23 over 30 employees accessed this training. Veritau is currently developing updated e-learning packages for both employees and managers which are expected to be released in 2023/24.
- 12 The figure below shows the number of whistleblowing reports recorded over the past six financial years – 19 in total.



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



- 14 One whistleblowing report was received in 2022/23 which related to working relationships. An investigation into this concern is still ongoing.
- 15 Two whistleblowing investigations were completed in 2022/23. The first involved concerns around the disposal of sensitive items from two council properties. An investigation took place which found no evidence to suggest that anything had been improperly disposed of, however recommendations were made to improve procedures. The second concern related to potential theft from the council. The subsequent investigation did not find any evidence to suggest that theft had occurred.

COUNTER FRAUD MANAGEMENT

- 16 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the council. In January 2023 an annual review of the counter fraud framework was undertaken and presented to the Audit and Governance Committee. The council's Counter Fraud and Corruption Strategy Action Plan was updated with new actions and an updated Fraud Risk Assessment was presented.
- 17 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 2022 respectively. In addition, specific training was provided to members of staff within the adult social care, human resources, customer services, parking and housing departments during 2022/23.
- 18 Cybercrime is considered to be a high risk area for the council. In 2021/22 the council was targeted by two serious mandate fraud (also known as payment diversion) fraud attempts. Two more attempts were detected in 2022/23. No losses occurred as a result of these incidents, however Veritau has worked alongside the council to raise awareness of the threat of cybercrime, how to spot it, and how to prevent it from happening. Awareness was raised with all employees in October 2022 as part of Cyber Security Awareness Month. Bespoke training has also been delivered to council staff in charge of administering payments to suppliers.
- 19 An anti-fraud message was included with annual council tax and business rates billing in March 2023. This raised awareness of fraud against the council and provided information on how 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 2022/23

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

| | 2022/23 (Actual: Full Yr) | 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 | £263,715 | £200,000 | £205,328 |
| % of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked) | 50% | 30% | 47% |
| Amount of savings from the prevention of Covid-19 grant fraud | £9,753 | n/a | £60,000 |

Caseload figures for the period are:

| | 2022/23 (Full Year) | 2021/22 (Full Year) |
|---|--------------------------------|--------------------------------|
| Referrals received | 319 | 381 |
| Number of cases under investigation ³ | 85 | 69 |
| Number of investigations completed | 146 | 133 |
| Number of verification cases completed ⁴ | 54 | 94 |

³ As at the end of each financial year on 31 March 2023 and 2022 respectively.

⁴ Verification cases include reviews of applications for Right to Buy, and school places.

Summary of counter fraud activity

| Activity | Work completed |
|-----------------------------------|---|
| Data matching | <p>The 2022/23 National Fraud Initiative (NFI) data matching exercise is underway. Data was provided to the Cabinet Office between October 2022 and January 2023. The exercise produced 7,896 matches which are currently being reviewed.</p> <p>The team continues to develop internal data matching projects. An exercise conducted last year cross referenced properties sold under the Right to Buy with Land Registry records of sales in the York area. The project was setup to highlight whether former council properties were being sold without reference to the council who, depending on how soon after the right to buy took place, might have right to first refusal on any sale and could be due partial repayment of the Right to Buy discount. The exercise reviewed 1,000 properties sold under the Right to Buy and found that the council had been correctly notified of all of them.</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 2022/23 includes the following:</p> <ul style="list-style-type: none"> • Covid-19 related fraud – Investigations in this area are coming to an end, the majority of work undertaken this year related to suspected fraudulent Test & Trace payments. Seven people were asked to repay payments they had received and were issued with formal warnings. • Adult Social Care fraud – We completed nine investigations in this area. Loss to the council was identified in seven cases. Savings of £58k were made following investigations by the Veritau counter fraud team. • Council Tax fraud – We completed 18 investigations in the year. Two people received formal warnings, and a further six people were invoiced for underpaid council tax. Almost all of these cases relate to falsely or erroneously claimed single person discounts. Savings of £13k were made. • Business Rates fraud – In 2022/23 we completed 12 investigations. Three business owners were issued formal warnings. Work in this area helped to produce £33k in savings for the council. • Housing fraud – Working in conjunction with housing management officers, we helped to recover one council property that was not lived in by the council’s tenant. We also worked alongside the |

| Activity | Work completed |
|----------|---|
| | <p>Housing and Legal Departments to run checks on 52 Right to Buy applications. One Right to Buy application was stopped which would have qualified for an £87k discount.</p> <ul style="list-style-type: none"> • Internal fraud – Six investigations into potential internal fraud or misconduct were completed in 2022/23. • External or third party fraud – we completed 6 investigations in this area. Two of the investigations related to mandate fraud attacks, both of which were prevented. • Parking fraud – we work closely with the council’s parking services to address misuse of disabled blue badges and other parking permits within the city. A total of investigations were completed. Of these, 22 related to disabled blue badges and 11 to residential parking permits. 21 people received either a formal caution or a formal written warning for misuse of badges or permits. • Council Tax Support fraud – we completed nine investigations in this area which led to four formal cautions or warnings being issued. A total of £61k in savings was made. • Education verification – Veritau works with the school’s team to investigate and deter false applications for school places. Two applications for school places were verified in 2022/23 - both were found to be correct. |