

# COUNTER FRAUD PROGRESS REPORT 2021/22

Date: 20 October 2021

Annex 2





## BACKGROUND

- 1 Fraud is a significant risk to local government. Losses to councils are estimated to exceed £7.8 billion annually in the United Kingdom.<sup>1</sup>
- 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 (e.g. 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 This report updates the Audit and Governance Committee on counter fraud activity between 1 April 2021 and 30 September 2021.



## FRAUD MANAGEMENT

- 4 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the council. The council's counter fraud framework was updated in February 2021. This included a revised strategy action plan, fraud risk assessment, and an updated counter fraud and corruption policy.
- 5 A key objective for the counter fraud team is to raise awareness of fraud with members of staff and the public. Fraud awareness training has been delivered to members of staff working within adult social care this year. Awareness campaigns for all staff on cybercrime, whistleblowing, anti-bribery and money laundering are planned for later in the year.
- 6 Veritau continue to support the council with Covid-19 related payments. The team works with officers to ensure that the council meets government mandated verification, investigation and recovery requirements for Covid-19 related grant payments.
- 7 In May the council's counter fraud transparency data was updated to include data on counter fraud work in 2020/21, meeting the council's obligation under the Local Government Transparency Code 2015.
- 8 Veritau attends the Yorkshire and Humber Fraud Investigation Group on behalf of the council to share best practice and information on regional fraud threats.

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<sup>1</sup> Annual Fraud Indicator 2017, Crowe Clark Whitehill



## MULTI-AGENCY WORK

- 9 Work on the 2020/21 National Fraud Initiative is ongoing. The counter fraud team is reviewing over 7,000 matches flagged during the current exercise, including matches relating to Covid-19 grant payments. Instances of suspected fraud are considered for investigation.
- 10 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 51 requests for information to date.



## DATA MATCHING

- 11 The counter fraud team undertook an internal data matching exercise to identify potentially fraudulent or incorrectly claimed single person discounts. The exercise matched data held within the council's revenues system with another council data source producing 49 matches. All of the matches have been evaluated and seventeen have been passed for investigation.



## INVESTIGATIVE WORK

- 12 In 2021/22, the counter fraud team has received 169 referrals of suspected fraud in the first half of the financial year. These cover areas including adult social care, social housing, council tax, council tax support, internal fraud, parking, business rates and Covid-19 support payments.
- 13 During the pandemic, the counter fraud team has established practices to conduct interviews under caution using video conferencing. This allows interviews to be conducted remotely when it is in the best interest of the council and the member of the public (for example where they are unable to attend council offices).
- 14 Up to 30 September 2021, the team helped the council to achieve £76k in savings and £10k in Covid-19 related savings. There are currently 82 cases under investigation. To date two people have been formally cautioned and warnings have been issued to eighteen people. One council property has been recovered.
- 15 The level of savings achieved to date is less than in previous years (£184k in 2020 and £208k in 2019). This is primarily due to the impact of the pandemic. For example there was a significant reduction in referrals for the types of fraud normally reported to the team (down 31%). We were also unable to progress investigations in the same way - as face to face interviews with witnesses and suspects had to be suspended. There were, however, significant numbers of suspected Covid-19 grant fraud cases. To date, £183k of Covid-19 grants have been recovered or prevented from being paid as a result of cases involving the counter fraud team. In the last few months, investigation work has started to return to more normal

activity and levels. It is expected that savings will recover to pre-pandemic levels although this will take time, as we work through investigations.

- 16 A detailed summary of investigative work can be found in appendix A, below.

## APPENDIX A: SUMMARY OF INVESTIGATIVE WORK 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 (As at 30/09/21)</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	£76,473	£200,000	£348,155
Amount of savings identified relating to Covid-19 business grant related fraud	£10,000	n/a	£173,000
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	45%	30%	46%

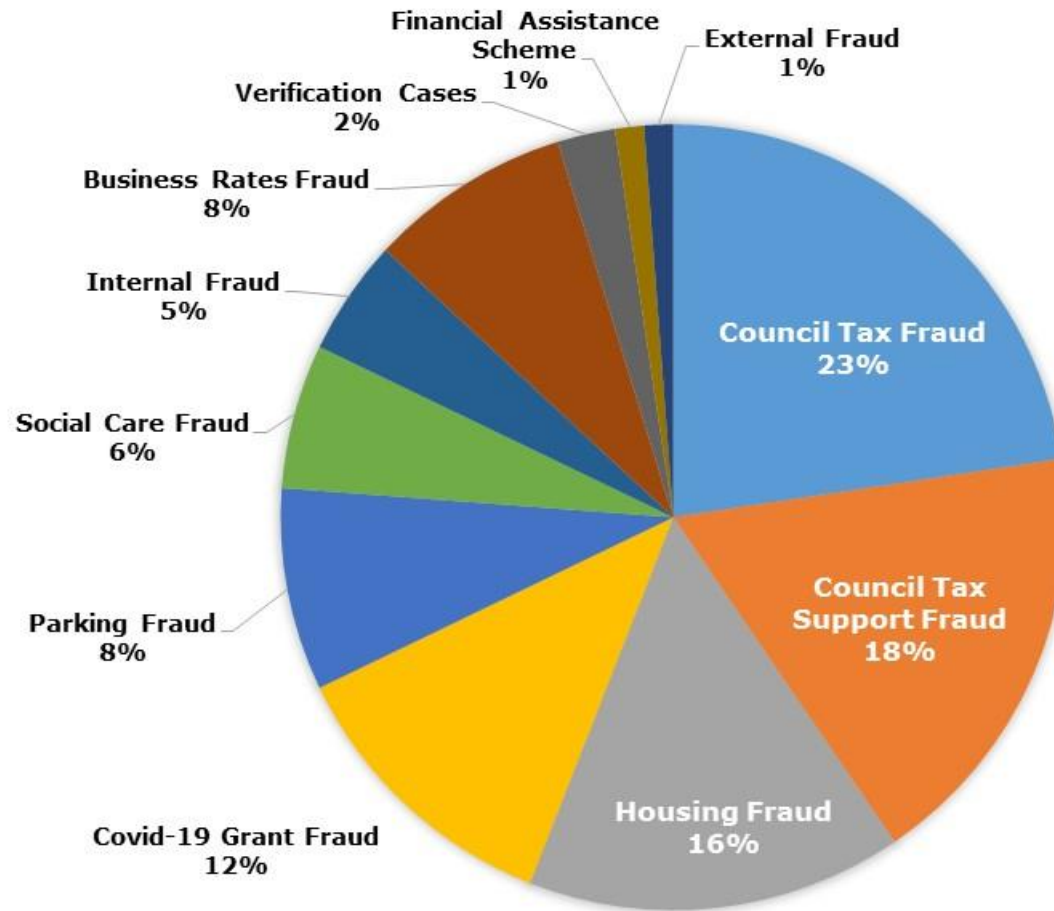
Caseload figures for the period are:

	<b>2021/22 (As at 30/09/21)</b>	<b>2020/21 (Full Year)</b>
Referrals received	169	338
Number of cases under investigation	82	103 <sup>2</sup>
Number of investigations completed	62	191
Number of verification cases completed <sup>3</sup>	57	35

<sup>2</sup> As at the end of the financial year (i.e. 31/03/2021)

<sup>3</sup> Verification cases include reviews of applications for Covid-19 grants, Right to Buy, and school placements.

The chart below shows the proportion of different case types under investigation as at 30 September 2021.



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>Covid-19 related fraud</b> – The counter fraud team have received seven referrals for potential Covid-19 related fraud this year. Seven investigations have been completed to date in 2021/22 and there are currently ten investigations ongoing. The team have verified a further sixteen applications as part of a government mandated post-assurance exercise. One verification led to the identification of an incorrect payment made to a business. The £10k grant was subsequently repaid to the council.</li> <li>• <b>Adult Social Care fraud</b> – The team has completed six investigations in this area and five are ongoing. There have been three new referrals in this area during 2021/22.</li> <li>• <b>Internal investigations</b> – Two investigations have been commenced in 2021/22 to date and one has been completed.</li> <li>• <b>External (or third party) fraud</b> – An attempted mandate fraud was reported in April 2021. Fraudsters had gained access to an email account belonging to an employee of a council supplier. They used this access to try to redirect a £73k payment from the council. The attempt was prevented through the diligence of a council employee. The attack is believed to have originated in Lagos, Nigeria.</li> <li>• <b>Housing fraud</b> – Eleven referrals for housing related fraud have been received to date. Three investigations have concluded and thirteen investigations are ongoing. The team has helped to verify thirty-three Right to Buy applications this year. Following a county court hearing a council property was recovered and will be assigned to a family in need of a three bedroom home. Two warnings were issued to people for giving false information in connection with applications to be housed in council properties.</li> <li>• <b>Council Tax fraud</b> – Twenty-one referrals for possible council tax fraud have been received to date and an internal data matching exercise produced seventeen further cases for investigation. Eleven investigations have been completed in this area and nineteen are ongoing. Three people have been issued with formal warnings relating to false or incorrectly claimed single person discounts.</li> </ul>

Activity	Work completed or in progress
	<ul style="list-style-type: none"><li data-bbox="483 264 2033 400">• <b>Business rates fraud</b> – The team has received five referrals in this area in the current financial year. Three investigations have been completed with two resulting in warnings being issued to businesses incorrectly claiming small business rate relief. There are seven ongoing investigations in this area.</li><li data-bbox="483 424 2033 528">• <b>Council Tax Support fraud</b> – The team has completed four investigations into council tax support fraud. Forty-eight referrals for potential fraud in this area have been received and there are currently fifteen investigations ongoing.</li><li data-bbox="483 552 2033 655">• <b>Parking fraud</b> – Nineteen reports of parking fraud have been received during the current financial year. Sixteen cases have been concluded which resulted in two people being formally cautioned and eleven people receiving a written warning. There are seven investigations currently ongoing.</li></ul>