

# COUNTER FRAUD ANNUAL REPORT 2021/22

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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 employ qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate any suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 The purpose of this report is to provide the Audit & Governance Committee with a summary of work undertaken by Veritau's counter fraud team in the course of the 2021/22 financial year.



## KEY PERFORMANCE FIGURES

- 4 In 2021/22, the counter fraud helped the council to achieve £8,757 of Council Tax, Council Tax Support and National Non-Domestic Rates savings. The team detected £11.4k of loss due to fraud and error over the course of the financial year.
- 5 The team supported council colleagues by helping verify a number of Covid-19 grant applications before payments were made, and investigated applications and payments where allegations of fraud were referred. In addition to the savings detailed above, incorrect payments of Covid-19 grants totalling £8k were stopped. The team also detected a further £30k of incorrectly paid grants.
- 6 Veritau received 84 referrals of suspected fraud from members of the public and council staff. Fourteen investigations were completed in 2021/22, across a number of areas. The counter fraud team obtained successful outcomes<sup>2</sup> in 29% of investigations.
- 7 One council house was recovered as a result of investigative work. Warnings were also issued to two people for failing to provide information to the council in relation to Single Person Discounts.
- 8 A detailed summary of performance can be found in appendix A, below.

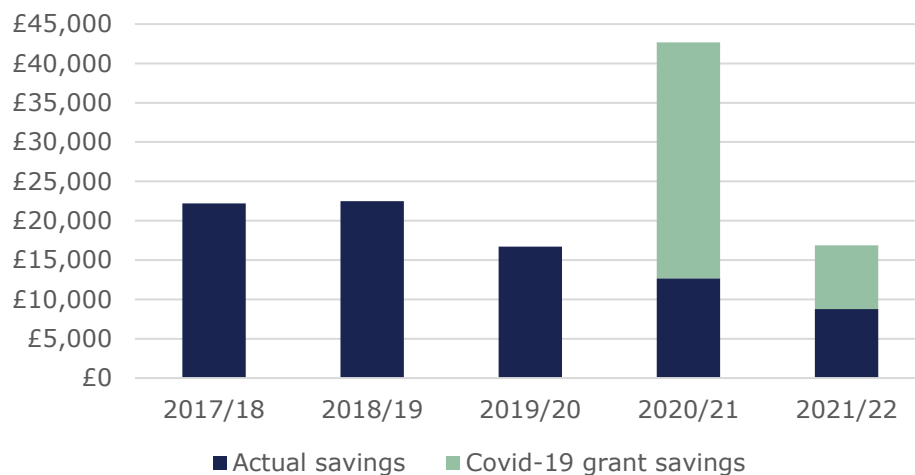
<sup>1</sup> Fraud and Error (Ninth Report of Session 2021/22), Public Accounts Committee, House of Commons

<sup>2</sup> Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, or management action taken.

## ANALYSIS OF RESULTS

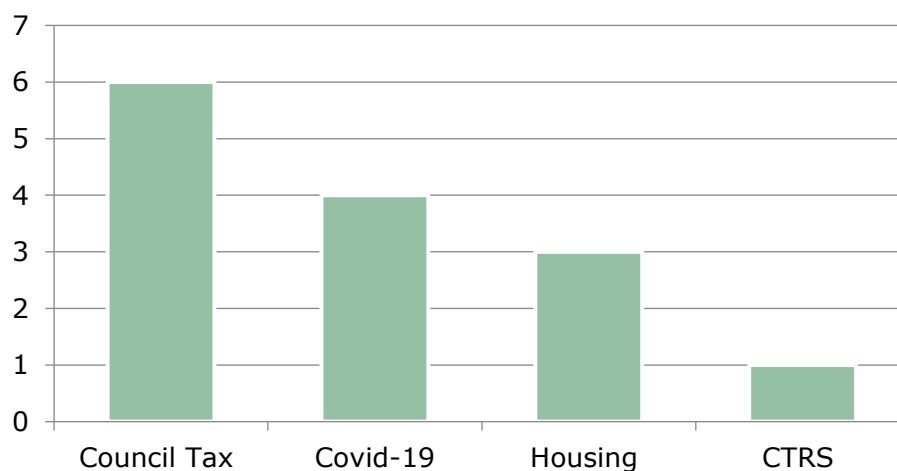
- 9 The counter fraud team calculates savings that are achieved as a result of investigative work. Over the last five years, Veritau has helped the council make £120.9k in counter fraud savings. The savings figures comprise repayment of debt arising from investigative work, a maximum of one year future 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. A breakdown of the savings achieved is shown below.

**Savings 2017/18 to 2021/22**



- 10 The following chart illustrates the number of investigations completed by fraud type in 2021/22. The highest proportion of cases completed (43%) relate to suspicions of Council Tax related fraud. Covid-19 grant fraud represents 29% of concluded investigation work. This highlights how grant schemes have continued to play a significant role as an area supported by the team.

### Investigations completed by fraud type



### COVID-19

- 11 Selby District Council has played a key role in distributing government grants to local businesses over the last two years. Across all schemes, the council made over 5,300 payments totalling £32 million. Nationally, grant schemes have been targeted by criminals operating within the UK and abroad. The counter fraud team investigated any suspicious applications referred by members of staff, shared intelligence with council colleagues, and undertook a verification exercise to assist the council to meet government requirements.
- 12 Veritau and council officers reviewed 85 Covid-19 related data matches that formed part of the National Fraud Initiative. Four grant payments required further investigation. One case identified incorrectly award grant payments totalling £20k, in addition to incorrectly awarded NNDR exemptions.



### COUNTER FRAUD MANAGEMENT

- 13 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the council. The council's counter fraud strategy was last updated in January 2022. The strategy put an emphasis on raising awareness of fraud with both members of staff and the public in order to help prevent and detect fraud.
- 14 In 2021/22 the threat of cybercrime increased as councils and other organisations were targeted by increasingly sophisticated frauds. Following increases in mandate fraud (also known as payment diversion fraud) noted both regionally and nationally the counter fraud team helped to update processes within the council. In addition the team delivered content to all members of staff as part of cybercrime awareness month in October.

- 15 The council depends on members of the public and employees raising suspicions of fraud with the counter fraud team. Employees were encouraged to do so during International Fraud Awareness Week in November. Targeted fraud awareness training was provided to revenues and benefits staff in November 2021. In addition, a message advising the public on how to report fraud was also included with council tax bills in spring 2022.
- 16 The counter fraud team helps to ensure that the council meets statutory obligations. It prepares information on counter fraud for publication, in accordance with the requirements of the Local Government Transparency Code (2015), and submits data to the National Fraud Initiative.
- 17 Veritau represents the council at the Yorkshire and Humber Fraud Investigation Group to share and receive best practice and information on regional fraud threats.

## 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<br/>(Actual: Full Yr)</b> | <b>2021/22<br/>(Target: Full Yr)</b> | <b>2020/21<br/>(Actual: Full Yr)</b> |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation  | £8,757                               | £14,000                              | £12,687                              |
| % of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked) | 29%                                  | 30%                                  | 35%                                  |
| Amount of savings from the prevention of Covid-19 grant fraud  | £8,097                               | n/a                                  | £30,000                              |

Caseload figures for the period are:

|                                     | <b>2021/22<br/>(Full Year)</b> | <b>2020/21<br/>(Full Year)</b> |
|-------------------------------------|--------------------------------|--------------------------------|
| Referrals received                  | 84                             | 96                             |
| Number of cases under investigation | 14 <sup>3</sup>                | 18 <sup>4</sup>                |
| Number of investigations completed  | 14                             | 20                             |

<sup>3</sup> As at 31/3/2022

<sup>4</sup> As at 31/3/2021

## Summary of counter fraud activity

| Activity                          | Work completed or in progress   |
|-----------------------------------|---|
| Data matching                     | <p>Matches from data submitted to the National Fraud Initiative in 2020/21 became available in 2021/22. Over 800 matches have been reviewed. These brought together information from a range of internal and external sources.</p> <p>In 2021/22, the National Fraud Initiative supported the council's Covid-19 grant assurance effort by matching local applications with national records that had not previously been available.</p>  |
| Fraud detection and investigation | <p>Veritau continues 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>• <b>Covid-19 related fraud</b> – Four investigations were completed in this area. Incorrect payments totalling £8k were prevented as a result of investigative work, and £30k of incorrectly obtain payments were identified for recovery. Eight referrals were received in this area.</li> <li>• <b>Council Tax fraud</b> – The team investigated six cases to relating to Council Tax liabilities. These resulted in £5k of fraud being identified; two warnings were issued in relation to Single Person Discounts.</li> <li>• <b>Council Tax Support fraud</b> – One case was completed and £2k of savings were achieved in this area.</li> <li>• <b>NNDR fraud</b> – Overpayments of £6.4k were identified and £5k of savings were achieved in relation to National Non-Domestic Rates liabilities.</li> <li>• <b>Housing fraud</b> – Three cases were investigated in this area. Investigation assisted the Council in recovering a property where the tenant had abandoned the property.</li> <li>• <b>Internal fraud</b> – No internal fraud allegations were investigated in the last financial year.</li> </ul> |