

COUNTER FRAUD PROGRESS REPORT 2022/23

Date: 26 October 2022

Annex 2





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 year¹. Financial loss due to fraud can reduce a council's ability to support public services and 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 update the Committee on counter fraud activity up to September 2022.



FRAUD MANAGEMENT

- 4 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the Council. Preparation for Local Government Reorganisation (LGR) in North Yorkshire is a key focus for work in 2022/23. The counter fraud team is working with all of the Councils undergoing LGR to ensure that strong counter fraud policies and procedures are in place when the new authority forms.
- 5 There is an increased risk of fraud occurring in the run-up to LGR. Criminals will try to take advantage of the uncertainty caused by any change in administrative arrangements to commit fraud. The counter fraud team has produced an e-learning package for employees at all the Councils involved in LGR, to raise awareness of increased risks. The package, which focuses on threats that may be experienced before and after the new Council is formed, is now available.
- 6 The counter fraud team raised awareness of whistleblowing on World Whistleblowers' Day in June. It is important that workers are aware that they should raise concerns in the public interest and that there are protections in place if they do. It is equally important that managers respond to whistleblowing concerns in the correct way.
- 7 In May the Council's counter fraud transparency data was updated to include data on counter fraud work completed in 2021/22. This helps the Council meet obligations under the Local Government Transparency Code 2015.



MULTI-AGENCY WORK

¹ Fraud and Error (Ninth Report of Session 2022/23), Public Accounts Committee, House of Commons

- 8 The Cabinet Office have set the timetable for 2022/23 National Fraud Initiative exercise. Data will be extracted from Council systems at the end of September. Following data quality checks, the information will be sent securely to the National Fraud Initiative in October.

INVESTIGATIVE WORK

- 9 The team have 17 cases currently under investigation. A total of 54 referrals of suspected fraud have been received in the financial year. These include potential council tax fraud, council tax support fraud, housing fraud and business rates fraud.
- 10 Investigatory work has resulted in amended business rates assessments for two businesses incorrectly receiving small business rate relief. A warning was issued to a business for inappropriately claiming a £10k Covid-19 grant. Invoices have been raised for repayment of two further £10k Covid-19 grants to businesses that should not have received them.
- 11 A summary of investigative work is included in appendix A, below.

APPENDIX A: SUMMARY OF INVESTIGATION ACTIVITY

Activity to date includes the following:

| | 2022/23 (As at 31/08/22) | 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 | £13,073 | £14,000 | £8,757 |
| % of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked) | 36% | 30% | 29% |

Caseload figures for the period are:

| | 2022/23 (As at 31/08/22) | 2021/22 (Full Year) |
|-------------------------------------|-------------------------------------|--------------------------------|
| Referrals received | 54 | 84 |
| Number of cases under investigation | 17 | 14 ² |
| Number of investigations completed | 11 | 14 |

² As at the end of the financial year (i.e. 31/03/2022)

Work completed or in progress

The service promotes 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:

- **Covid-19 related fraud** – The team has investigated five allegations of Covid-19 business grant fraud. Invoices have been raised in three cases where Covid-19 grants were incorrectly obtained. A warning was issued to one of the businesses that was not eligible for a payment.
- **Council Tax Support fraud** – No new cases have been identified in this area so far in 2022/23. There are two ongoing investigations. Investigation has resulted in recovery of £800.
- **Council tax fraud** – Two investigations into council tax fraud have been completed so far this year. Outcomes include £1,250 being recovered where residents had been receiving single person discounts they were not entitled to. Six investigations are ongoing in this area.
- **Housing Fraud** – One housing investigation has been completed and three are ongoing. No fraud or error has been identified so far in 2022/23.
- **NNDR fraud** – Three business rates investigations have been completed. Two of these cases identified incorrect payments of small business rate relief which have now been stopped. Invoices have been raised for the underpaid business rates in both cases.
- **External fraud** – Funds have been recovered in one case in which a creditor received a duplicate payment.
- **Internal fraud** – There have been no reports of internal fraud to date.