

# COUNTER FRAUD ANNUAL REPORT 2021/22

Date: 23 June 2022

ANNEX 2

RYEDALE  
DISTRICT  
COUNCIL



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Circulation list: Members of the Overview and Scrutiny Committee

## 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 inform the Overview and Scrutiny committee of the work undertaken by Veritau's counter fraud team in the course of the last financial year.

## KEY PERFORMANCE FIGURES

- 4 The counter fraud team helped the council make £10k of counter fraud savings in 2021/22. The team detected £26k of loss due to fraud and error over the course of the financial year.
- 5 The team supported council colleagues by reviewing applications for Covid-19 related business grants in pre and post payment checking exercises throughout the course of the year. In addition to the savings detailed above, £20k of payments relating to fraudulent business grants were stopped before payment was made.
- 6 The team received forty-eight 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. Seventeen investigations were completed in 2021/22 with successful outcomes<sup>2</sup> achieved in 53% of cases.
- 7 As a result of investigations, three people were issued formal warnings for council tax and council tax support offences. Invoices were issued in a further four cases, to recover losses due to fraud and error.
- 8 A detailed summary of performance can be found in appendix A, below.

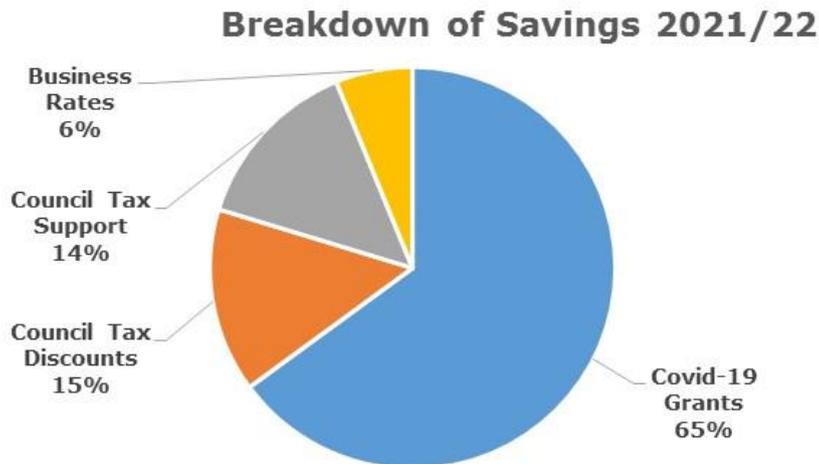
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<sup>1</sup> Fraud and Error (Ninth Report of Session 2021/22), Public Accounts Committee, House of Commons

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

## ANALYSIS OF RESULTS

- 9 The counter fraud team calculates savings that it has helped the council to achieve. 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 in 2021/22 is shown below.



- 10 The chart below shows that over the past six years Veritau has helped the Council make over £245k in counter fraud savings, averaging £35k per financial year.





## COVID-19

- 11 Ryedale 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 7,931 payments totalling £47.1 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, facilitated access to national data matching systems, and undertook a verification exercise to assist the council to meet government requirements. To date £50k of attempted fraud has been detected for grants paid by the council. This represents 0.1% of total grants paid, and reflects the robust processes put in place by the council, working in conjunction with counter fraud officers, over the past two years.
- 12 The team reviewed eighteen Covid-19 related data matches that formed part of the National Fraud Initiative. They did not find any fraud against the Covid-19 schemes in question however did identify incorrectly obtained business rate discounts that amounted to more than £12k.



## 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 2021. 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 and provided training to the Finance Team. In addition the team delivered content to all members of staff as part of cybercrime awareness month in October.
- 15 The council has an obligation to regularly raise awareness of the threats of money laundering and bribery within the organisation. Information was shared with all staff as part of International Anti-Corruption Day in December.
- 16 The council depends on members of the public and employees raising any suspicions of fraud with the counter fraud team. Employees were encouraged to do so during International Fraud Awareness Week in November, and this year's council tax billing included a leaflet advising the public on how to report fraud.
- 17 The counter fraud team ensures that the council meets its legal obligations surrounding counter fraud work. They manage work connected with the National Fraud Initiative, an exercise run by the Cabinet Office, in which council participation is mandatory. They also provide annual transparency data for publication by the council.

- 18 Veritau represent 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 (Actual: 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	£10,815	£34,549
Amount of savings from the prevention of Covid-19 grant fraud	£20,000	£30,000
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	53%	64%

Caseload figures for the period are:

	<b>2021/22 (Full Year)</b>	<b>2020/21 (Full Year)</b>
Referrals received	48	57
Number of cases under investigation	13 <sup>3</sup>	31 <sup>4</sup>
Number of investigations completed	33 <sup>5</sup>	11

<sup>3</sup> As at 31/3/22

<sup>4</sup> As at 31/3/21

<sup>5</sup> Includes 17 Covid-19 verification cases

## Summary of counter fraud activity

Activity	Work completed or in progress
Data matching	<p>The 2020/21 National Fraud Initiative (NFI) was completed in 2021/22. Over 500 matches have been reviewed by the counter fraud team and council staff.</p> <p>Eighteen matches related to potential Covid-19 grant fraud. These resulted in six investigations being started. The investigations did not identify any fraudulent Covid-19 grants, but they have brought to light over £12k of potential fraud and error relating to business rate exemptions.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to fraud 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> – The team completed six investigations into potential Covid-19 grant fraud. Two applications were stopped before payment was made. In addition seventeen applications for Covid-19 grants were verified as part of an exercise mandated by central government.</li> <li>• <b>Council Tax and Business Rates fraud</b> – The team completed eight investigations in these areas. Two formal warnings were issued to people who incorrectly claimed single person discounts. Four other investigations led to invoices being raised.</li> <li>• <b>Council Tax Support fraud</b> – Two investigations were completed in this area which led to one person being issued a warning for failing to declare their true circumstances.</li> <li>• <b>Internal fraud</b> – No internal fraud allegations were reported in the last financial year.</li> </ul>