

# COUNTER FRAUD ANNUAL REPORT 2020/21

Date: 28 July 2021

ANNEX 2

RYEDALE  
DISTRICT  
COUNCIL



## CONTENTS



Background

3



Key performance  
figures

3



Analysis of  
results

4



Covid-19

5



Counter fraud management

5

Appendix A

Detailed Summary of Performance 2020/21

7



Jonathan Dodsworth  
Assistant Director - Corporate Fraud



Max Thomas  
Head of Internal Audit

Circulation list: Members of the Overview and Scrutiny Committee

## BACKGROUND

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom. 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 This purpose of this report is to provide assurance to the Overview and Scrutiny committee that the Council has effective counter fraud arrangements in place.

## KEY PERFORMANCE FIGURES

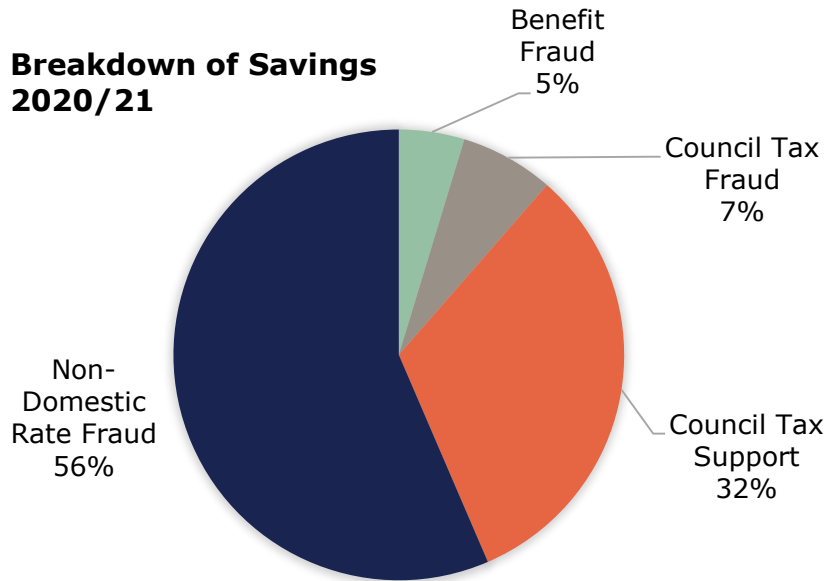
- 4 The counter fraud team helped the Council make £35k of counter fraud savings in 2020/21, against an annual target of £20k.
- 5 The team supported Council colleagues by reviewing applications for Covid-19 related business grants in pre and post payment checking exercises throughout the course of the year. In addition to the savings detailed above, £30k of payments relating to business grants were either stopped or recovered.
- 6 The team received 57 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. Eleven investigations were completed in 2020/21 with successful outcomes<sup>1</sup> achieved in 64% of cases.
- 7 One person was cautioned for a council tax support offence, a warning was issued to a business owner regarding an application for small business rate relief, and fraud was prevented in a further four cases.
- 8 A detailed summary of performance can be found in appendix A, below.

---

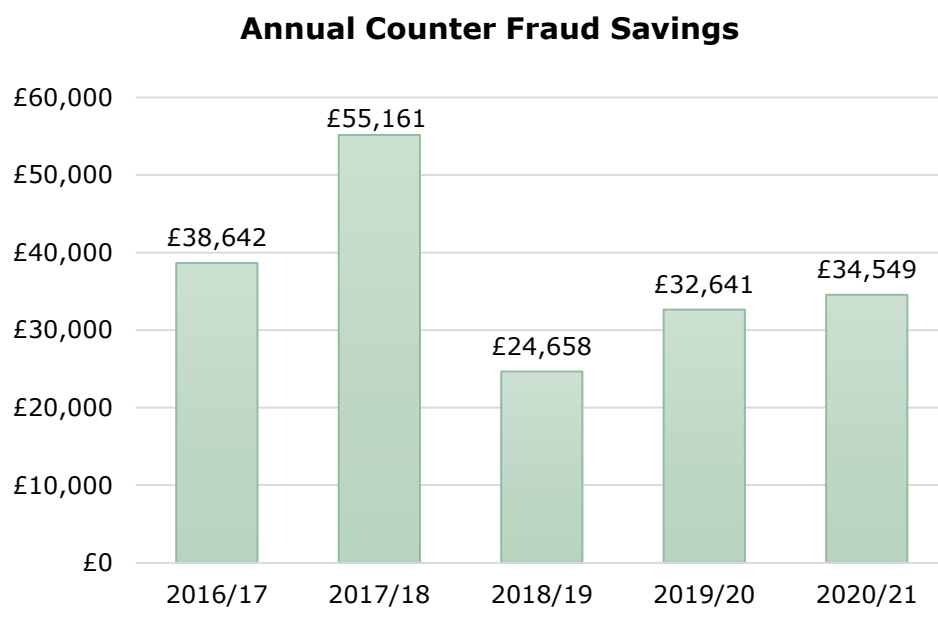
<sup>1</sup> Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, or management action taken.

## ANALYSIS OF RESULTS

- 9 The counter fraud team had an annual target of £20k to achieve in savings during 2020/21. 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 £35k of savings achieved in 2020/21 is shown below.



- 10 The chart below shows that over the past five years Veritau has helped the Council make over £185k in counter fraud savings, averaging £37k per financial year.





## COVID-19

- 11 The Council has played a key role in distributing government grants to local businesses in 2020/21. It distributed approximately £23.8 million during the initial tranche of grants. This was a difficult task, with pressure to distribute grants quickly to provide essential support whilst keeping the risk of fraud to an acceptable level. The grant schemes have been targeted by criminals operating locally, nationally, and internationally. However, checking arrangements in place within the Council, supported by the work of the counter fraud team, have helped to minimise and recover incorrect payments. Veritau reviewed a sample of successful grant applications to assist the Council in fulfilling government mandated post-payment assurance work.
- 12 Potentially fraudulent claims for Covid-19 related grants were investigated by the counter fraud team in the course of the financial year. Two investigations were completed and a number are still ongoing. A total of £30k of payments have either been blocked or recovered.
- 13 The pandemic has negatively affected the normal operations of the counter fraud team. The team has been unable to undertake face to face interviewing, and visits to people's homes due to Covid-19 restrictions. Alternative approaches have been found, including interviewing via letter. Investigative work had to be re-prioritised to address Covid-19 related work and this has affected the number of cases completed in the course of the year.
- 14 Throughout the year the counter fraud team supported the Council by facilitating access to national data matching resources. These checks were made to help ensure that payments were made to bank accounts matching the businesses applying for support. They also helped to ensure that the businesses applying for grants were eligible under the rules of the government schemes.
- 15 The counter fraud team has shared and received information relating to national scams by organised criminal gangs with government departments, national bodies, and regional partners.



## COUNTER FRAUD MANAGEMENT

- 16 Veritau undertakes a range of non-investigative activity to support the development of counter arrangements at the Council. In 2020/21 a new counter fraud strategy for the Council was produced and the counter fraud policy was updated.
- 17 Raising awareness of fraud is an important function of the counter fraud team, amongst Council staff and the public. Training sessions were delivered to Council departments by the counter fraud team via video conferencing instead of in person. A specific cybercrime awareness month was organised and publicised to all staff in October, and content was also published and circulated to staff for International Fraud Awareness Week in November.

- 18 This year's council tax billing included a leaflet advising the public on how to report fraud if they have concerns. Any prosecution action taken by the Council is publicised in order to deter others from committing similar offences.
- 19 Veritau contributes to national counter fraud publications. Data was provided to the annual CIPFA counter fraud tracker which documents fraud against local authorities. In addition, Veritau contributed to and supported development of the national counter fraud strategy for local authorities, Fighting Fraud and Corruption Locally, which was released in April 2020.
- 20 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.
- 21 The work of the counter fraud team was recognised in November when it was nominated as a finalist for Outstanding Team in the Tackling Economic Crime Awards.

## APPENDIX A: COUNTER FRAUD ACTIVITY 2020/21

The table below shows the success rate of investigations and levels of savings achieved through counter fraud work in 2020/21.

	<b>2020/21 (Actual: Full Yr)</b>	<b>2020/21 (Target: Full Yr)</b>	<b>2019/20 (Actual: Full Yr)</b>
Amount of actual savings (quantifiable savings - eg repayment of loss) identified through fraud investigation	£34,549	£20,000	£32,641
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	64%	30%	55%
Amount of savings from the prevention of Covid-19 grant fraud	£30,000	n/a	n/a

Caseload figures for the period are:

	<b>2020/21 (Full Year)</b>	<b>2019/20 (Full Year)</b>
Referrals received	57	41
Number of cases under investigation	31 <sup>2</sup>	12 <sup>3</sup>
Number of investigations completed	11	20

<sup>2</sup> As at 31/3/21

<sup>3</sup> As at 31/3/20

## Summary of counter fraud activity

Activity	Work completed or in progress
Data matching	<p>The 2020/21 National Fraud Initiative (NFI) commenced in 2020. Data was gathered from a range of Council areas, formatted, and securely sent to the Cabinet Office for data matching. Resulting matches have been released periodically from February 2021 onwards. Over 500 matches for the Council have been released to date.</p> <p>In addition to traditional areas, the NFI has included data matching of Covid-19 grant data. This has enabled checks to be undertaken that were unavailable to local authorities previously, eg cross boundary data matching. Fourteen matches have been released.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity completed in 2020/21 includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Covid-19 related fraud</b> – The team completed two investigations into Covid-19 related grant fraud; both resulted in fraudulent applications being blocked. In total, £30k of payments were blocked as a result of investigations in this area.</li> <li>• <b>Council Tax and Business Rates fraud</b> – The team completed four investigations in these areas. A formal warning was issued to a member of the public who attempted to falsely claim a discount.</li> <li>• <b>Internal fraud</b> – No internal fraud allegations were investigated in the last financial year.</li> <li>• <b>Council Tax Support fraud</b> – Five investigations were completed in this area which led to one person being cautioned for failing to declare capital to the Council.</li> </ul>
Fraud management	<p>In 2020/21 a range of activity was undertaken to support the Council’s counter fraud framework.</p> <ul style="list-style-type: none"> <li>• The counter fraud team regularly alerts Council departments to emerging local and national fraud threats.</li> </ul>



Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li>• In May 2020, the Council's counter fraud transparency data was updated to include data on counter fraud performance in 2019/20, meeting the Council's obligation under the Local Government Transparency Code 2015.</li> <li>• The Council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in September 2020. The information contributed to CIPFA's annual report detailing the extent of fraud against local authorities.</li> <li>• In October 2020, the counter fraud team ran a cybercrime awareness month, delivering cybercrime awareness information to Council employees through a number of bulletins provided over the course of the month.</li> <li>• Veritau's counter fraud team was nominated as a finalist for Outstanding Team in the Tackling Economic Crime Awards in November 2020.</li> <li>• In November 2020, the counter fraud team raised awareness of fraud internally and amongst the general public as part of International Fraud Awareness Week.</li> <li>• In March 2021, a leaflet was included in annual council tax billing making the public aware of how to report concerns of fraud to the Council.</li> <li>• Throughout the Covid-19 pandemic, the counter fraud team has provided support to the Council in preparing for and administering government funded grant schemes. This has included reviewing government guidance and advising on best practice.</li> </ul>