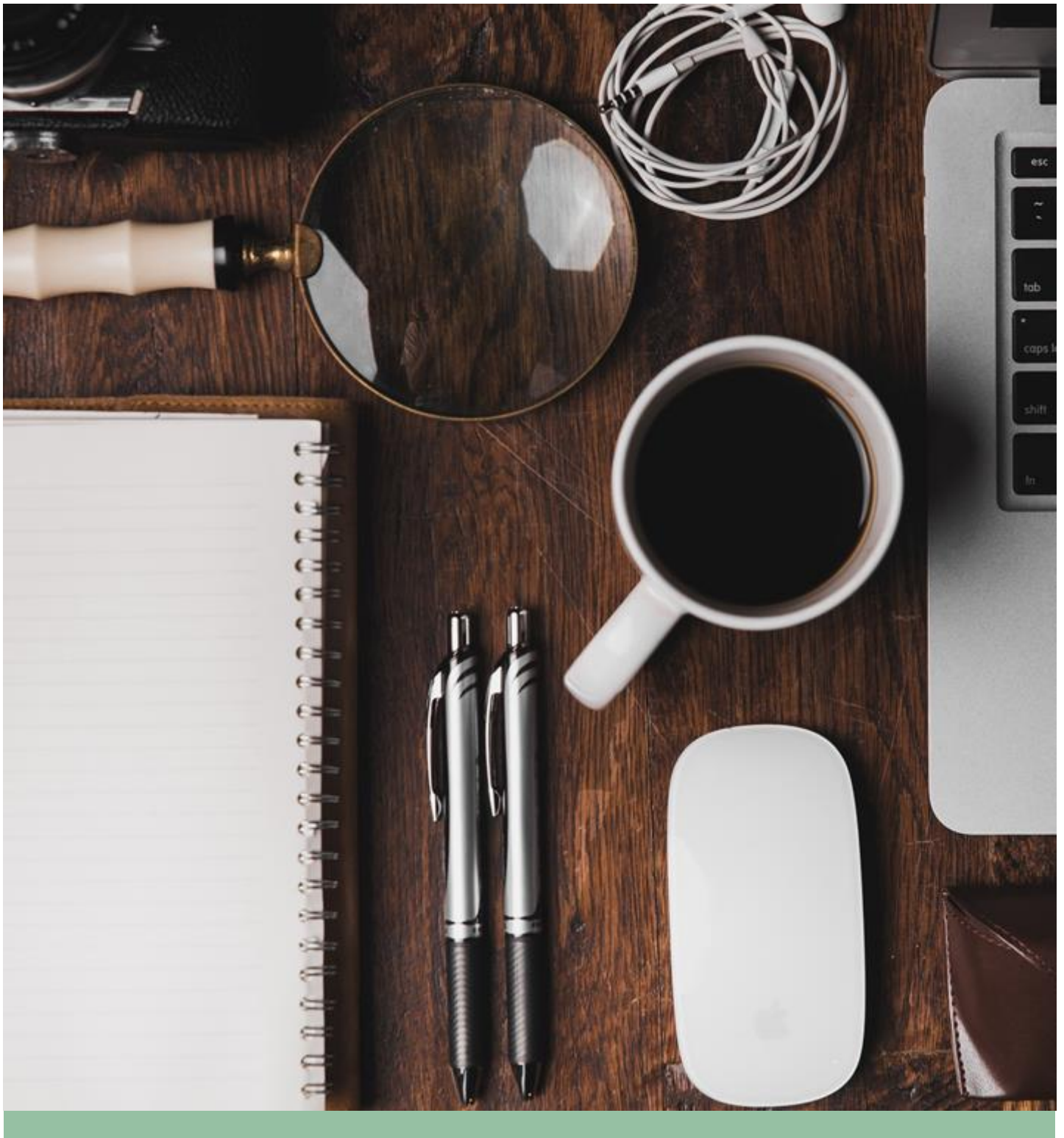


COUNTER FRAUD PROGRESS REPORT 2021/22

Date: 31 March 2022

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.¹
- 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 investigates allegations of fraud, plans and takes part in counter fraud campaigns (e.g. the National Fraud Initiative), undertakes fraud awareness activities with staff and the public, and maintains and updates the Council's counter fraud framework and associated policies.
- 3 This report updates the Corporate Affairs and Audit Committee on counter fraud activity to date, including recent actions following our last report to the committee.



FRAUD MANAGEMENT

- 4 The Council's counter fraud framework was reviewed and updated in September 2021. This included an updated strategy action plan, anti-fraud, corruption, and bribery policy, and fraud risk assessment.
- 5 A key objective for the counter fraud team is to raise awareness of fraud with members of staff and the public, and to inform them of how to report fraud if they suspect it is happening. Fraud awareness training has been delivered to a number of departments in the current financial year and planning for further training in 2022/23 is underway.
- 6 An awareness campaign informing staff of the Council's anti-bribery and anti-money laundering policies was delivered on 9 December to mark International Anti-Corruption Day. It followed previous awareness raising campaigns marking Cyber Security Awareness Month in October and International Fraud Awareness Week in November.
- 7 In December 2021, the Chancellor announced a new grant scheme to provide continued support to businesses affected by the Covid-19 pandemic. The new Omicron Hospitality and Leisure grant (OHLG) scheme has now opened to businesses in the area. The government also introduced an extension to the Additional Restrictions Grant (ARG) scheme.
- 8 Organised criminals have been quick to target the new grant schemes, with reports from councils nationally receiving false applications. The counter fraud team shares intelligence updates from work with other councils, and national contacts, to alert staff to potential identities and bank accounts which are being used to commit fraud.
- 9 The counter fraud team has supported the Council in the delivery of both the OHLG and ARG schemes by undertaking government mandated verification checks. This involves undertaking a series of anti-fraud checks to help ensure that grants are only paid to genuine businesses that meet

¹ Annual Fraud Indicator 2017, Crowe Clark Whitehill

the criteria of the schemes. As of 25 February, 250 applications have been processed across both schemes. Eight suspected fraudulent applications have been detected to date and further information has been requested from ten applicants. When fraud is found grant payments are not made and details of the applications are reported to the National Anti-Fraud Network (NAFN).

- 10 Veritau's counter fraud team represents Middlesbrough Council at a number of regional and national counter fraud groups. Veritau participates in regular meetings of the North East Counter Fraud Group and the North East Tenancy Fraud Forum alongside other councils in the region. Veritau participates in and chairs a national Fighting Fraud and Corruption Locally working group examining issues surrounding adult social care fraud.



MULTI-AGENCY WORK

- 11 Work on the 2020/21 National Fraud Initiative (NFI) is ongoing. The counter fraud team provides support to council officers addressing data matches. Over 5,500 matches across a range of council areas were produced by the exercise. The NFI has released matches relating to Covid-19 grants matches. Instances of suspected fraud will be considered for investigation where appropriate.



INVESTIGATIVE WORK

- 12 In 2021/22, the counter fraud team has received twenty-three referrals of suspected fraud to date. These cover potential adult social care fraud, internal fraud, and debt recovery. There are currently seven cases under investigation.
- 13 Working with Legal Services the team have assisted in tracing seven people who owe the council over £28k.
- 14 The counter fraud team has worked with the Finance Department to prevent and detect fraud within Covid-19 grant schemes. One £10k grant under the Small Business Grant Fund was made to a business that did not qualify for it. That grant was cancelled and the business billed. As part of the joint work to review Omicron Hospitality and Leisure Grants £26k of payments were blocked in eight applications.