

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 year¹. 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 update the Corporate Affairs and Audit Committee about work undertaken by Veritau's counter fraud team in the course of the 2021/22 financial year.



SUMMARY OF WORK

- 4 The counter fraud team have continued to develop links with key services and officers to develop fraud awareness and undertake investigations where concerns are raised.
- 5 In 2021/22, the team received 29 referrals of suspected fraud and requests for assistance. Sixteen investigations were completed across a range of council areas. Over £22k of Covid-19 grant funding was prevented from being incorrectly paid and an additional £7k in business rates liabilities were raised following investigation. In addition, working with the Legal Department, information was provided to help trace seven debtors who collectively owe the Council more than £29k.
- 6 The team worked with the Finance Directorate to run checks on all applications for the Omicron Hospitality and Leisure Grant (OHLG) and Additional Restriction Grant (ARG) schemes.
- 7 One person received a warning about their conduct after incorrectly claiming a Covid-19 grant and Small Business Rate Relief.

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



COVID-19

- 8 Middlesbrough 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 9,900 payments totalling £46 million.
- 9 Veritau has supported the Council in undertaking government mandated digital pre-payment assurance checks for OHLG and ARG grant schemes. Over 309 applications were processed between January and April, when the schemes closed. Each application was risk assessed utilising data from previous grant claims. Applications considered to be of high risk received additional checks. This work identified 9 fraudulent or erroneous applications that were blocked with a value of £22,668. Details of fraudulent applications were reported to the National Anti-Fraud Network and the Police to assist other councils in identifying false applications.



COUNTER FRAUD MANAGEMENT

- 10 Raising awareness of fraud amongst council staff and the public is an important function of the counter fraud team. Awareness campaigns were undertaken to mark International Fraud Awareness Week and International Anti-Corruption Day in November and December 2021 respectively. In addition specific training was provided to members of staff within the Revenues, Benefits, Safeguarding, and Adult Social Care Financial Assessment teams during 2021/22.
- 11 In 2021/22 the threat of cybercrime increased as councils and other organisations were targeted by increasingly sophisticated frauds. Awareness of frauds affecting councils was raised with all members of staff during Cyber Security Awareness Month in October 2021.
- 12 Veritau also helps to ensure that the Council meets its legal obligations. The team manage work connected to the National Fraud Initiative, an exercise run by the Cabinet Office, in which council participation is mandatory. The team also provide annual transparency data relating to counter fraud work for publication by the Council.
- 13 Veritau's counter fraud team represents the Council at 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. Veritau also participates in and chairs a national Fighting Fraud and Corruption Locally working group examining issues surrounding adult social care fraud.



COUNTER FRAUD STRATEGY ACTION PLAN

- 14 In September 2021 the Corporate Affairs and Audit Committee were presented with a strategy action plan designed to help develop counter fraud arrangements at the Council. The table below shows progress against the agreed actions. The action plan will be updated with new actions and priorities in September 2022.

Ref	Action	Status	Update
1	Promote counter fraud reporting lines to members of the public and staff.	Ongoing	The Council's website and intranet have been updated. Further work in this area is planned.
2	Raise awareness of cyber security issues and promote good practice.	Complete	The team promoted Cybercrime Awareness Month in October 2021 to all staff.
3	Promote the Council's counter fraud policy framework.	Complete	The team has met with service leads and delivered bespoke training in high risk areas.
4	Explore additional verification tools for social care financial assessment process.	Complete	Financial assessors have been given access to financial checking systems and training has been provided to staff.
5	Increase sharing of counter fraud intelligence to enhance fraud prevention.	Complete	The team have established lines of communication for the sharing of national fraud alerts within the Council.