

COUNTER FRAUD ANNUAL REPORT 2023/24

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BACKGROUND

- 1 Fraud is a significant risk to the public sector. The government estimated that between £33.2 and £58.8 billion of public spending was lost to fraud in 2020/21¹. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 Veritau provides a corporate fraud service to Middlesbrough Council which aims to prevent, detect and deter fraud and related criminality. We use qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 The counter fraud team also plan and take part in counter fraud campaigns (eg the National Fraud Initiative), undertake fraud awareness activities with staff and the public, and maintain and update the Council's counter fraud framework and associated policies.
- 4 This report provides the Audit Committee with a summary of counter fraud activity completed in 2023/24. It also details whistleblowing reports received, and the related outcomes for the year.



INVESTIGATIVE WORK

- 5 The counter fraud team detected £65k of loss due to fraud which is being recovered. Counter fraud savings are also tracked by monitoring repayments to the Council and calculating the value of stopping ongoing frauds. In 2023/24 £39k of counter fraud savings were identified.
- 6 The counter fraud team helped to trace debtors who collectively owe the Council £50k. The team supported successful legal proceedings taken by the Council against a business who owes over £300k in unpaid business rates². Alongside council officers and with the support of the Legal Department, a counter fraud officer gave evidence in court in support of the Council's case.
- 7 The team received 102 referrals of suspected fraud during the year including reports from the public, council employees, external agencies, and issues identified through proactive exercises. Twenty-two investigations were completed in 2023/24 with successful outcomes achieved in 64% of cases³. In addition, information was provided in 13 debtor tracing cases.
- 8 One person was successfully prosecuted for defrauding the Council of £7,800 in council tax discounts by falsely claiming Council Tax Reduction

¹ [Tackling fraud and corruption against Government](#), National Audit Office

² Press release: <https://www.middlesbrough.gov.uk/latest-news/court-backs-council-in-business-rates-case/>

³ Outcomes are considered to be successful when fraud or error is found as a result of an investigation.

over a number of years⁴. He had failed to declare ownership of two houses in London with an estimated value of £1.2m. He pleaded guilty to all six charges laid against him at Teesside Magistrates Court and was ordered to pay an £846 fine, £338 victim surcharge, and £1,270 towards the Council's legal and investigation costs.

- 9 In addition, one person was cautioned, formal warnings were issued to three people, debts owed to the council were calculated in a further seven cases, and the counter fraud team supported the council when a supplier's email system was compromised by cybercriminals.



WHISTLEBLOWING

- 10 Middlesbrough Council has arrangements in place to ensure that there is a clear process for managing whistleblowing reports. In 2023/24 the counter fraud team supported the Council to adopt an updated whistleblowing policy which reflects the latest national guidance and best practice.
- 11 Veritau helps to supports the Council's whistleblowing process and keeps a log of any concerns raised under the policy. We work with colleagues in Human Resources and relevant services to ensure that all concerns raised are dealt with appropriately.
- 12 Six whistleblowing reports were logged by Veritau in 2023/24. Three were addressed by Middlesbrough Council directly and Veritau reviewed the other reports on behalf of the Council. Three reports relate to alleged corruption, two to potential misconduct by an employee, and one relates to a possible breach of the employee code of conduct.
- 13 Three reports were found to not constitute whistleblowing and the employees reporting concerns were signposted to more appropriate routes to raise their concerns, eg the grievance policy. Three reports have resulted in investigations – one led by council officers and two by the counter fraud team.
- 14 In June 2023, Veritau raised awareness of the whistleblowing policy amongst employees of the Council on World Whistleblowers' Day by publishing material on the Council's intranet.



COUNTER FRAUD MANAGEMENT

- 15 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the Council. In October 2023 an annual review of the counter fraud framework was undertaken and presented to the Audit Committee. The Council's Counter Fraud and Corruption Strategy Action Plan was updated with new actions and an updated Fraud Risk Assessment was presented.
- 16 Raising awareness of fraud amongst council employees and the public is an important function of the counter fraud team. Awareness campaigns were

⁴ Press release: <https://www.middlesbrough.gov.uk/latest-news/council-tax-fraudster-hit-in-the-pocket-with-fine-and-court-costs/>

undertaken to mark International Fraud Awareness Week and International Anti-Corruption Day in November and December 2023 respectively. In addition, bespoke training was provided to employees working within the revenues and benefits and adult social care departments in 2023/24. The counter fraud team also produce regular newsletters for Revenues, Benefits, and Adult Social Care employees which highlight recent frauds in those areas locally and nationally.

- 17 Cybercrime is a high risk area for the Council. A Council supplier's email system was breached in 2023/24 which led to them losing £20k in a payment they believed was being made to the Council. No losses occurred to the Council as a result of this incident, however Veritau has worked alongside the communications team to raise awareness of the threat of cybercrime, how to spot it, and how to prevent it from happening. Training was provided to employees in October 2023 as part of Cyber Security Awareness Month.
- 18 The Council is a member of that National Anti-Fraud Network (NAFN). NAFN provide investigative resources which support the counter fraud team as well as trading standards. NAFN also release urgent intelligence alerts relating to frauds experienced by other councils. The counter fraud team ensures that these alerts are sent to relevant council officers.
- 19 The team maintain a fraud reporting telephone number and a dedicated email address⁵. We work closely with officers and encourage members of the public to report any concerns they have about fraud affecting Middlesbrough Council.
- 20 The Council participated in an annual National Day of Action against Blue Badge fraud in June 2023, alongside 80 other councils⁶. The exercise involved making checks on blue badges displayed in the town to determine if they were being properly used by legitimate badge holders. The counter fraud team worked alongside neighbourhood safety teams to check blue badges in different areas of the town over the course of the day. This initiative resulted in two members of the public receiving formal written warnings about their conduct in relation to blue badge misuse.
- 21 The counter fraud team manage work connected to the National Fraud Initiative, an exercise run by the Public Sector Fraud Authority, in which council participation is mandatory. Over 4,200 data matches were reviewed by the counter fraud team and council officers during the financial year. The team also provide transparency data relating to fraud for publication by the Council annually.
- 22 The counter fraud team are active participants in regional and national counter fraud groups. Veritau are members of the North East Counter Fraud Group and North East Tenancy Fraud Forum. Veritau participates in and chairs a national Fighting Fraud and Corruption Locally working group

⁵ Any person who wishes to report fraud against Middlesbrough Council can call 0800 9179 247 or email counter.fraud@veritau.co.uk

⁶ Press release: <https://www.middlesbrough.gov.uk/latest-news/action-taken-against-blue-badge-parking-abuse/>

examining issues surrounding adult social care fraud and has presented at two national counter fraud conferences in 2023/24.