

COUNTER FRAUD ANNUAL REPORT 2025/26

Date: 25 June 2026

Appendix 1

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Assistant Director -
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BACKGROUND

- 1 Fraud and corruption present a significant and ongoing risk to local authorities. Fraud is the most common offence in the UK, accounting for 43% of all crime¹. The National Audit Office estimates that fraud and error cost the taxpayer between £55 billion and £81 billion in 2023/24, with only a fraction of this detected². 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 to prevent fraud, 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 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 in 2025/26. It also details whistleblowing reports received, and the related outcomes for the year.



INVESTIGATIVE WORK

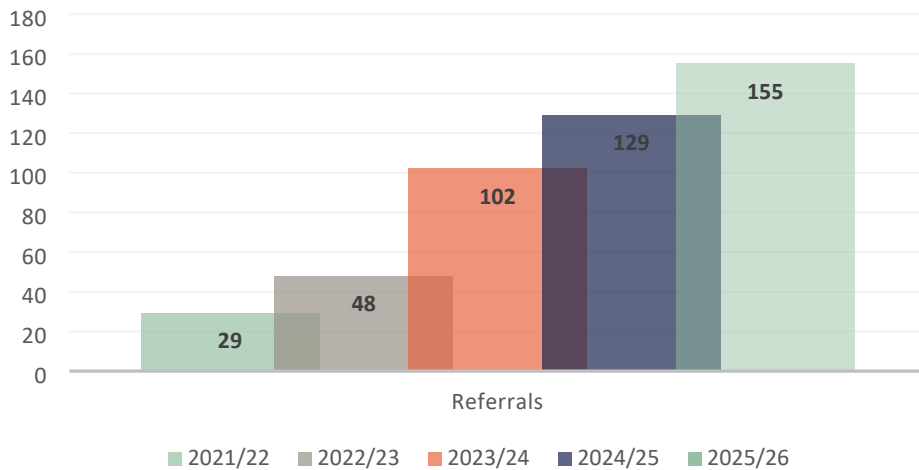
- 5 The counter fraud team helped the Council achieve £371k in counter fraud savings in 2025/26. Savings are tracked by monitoring repayments to the Council and calculating the value of stopping ongoing frauds. The largest element of savings (£300k) related to a repayment of unpaid business rates resulting from an attempt by a business to evade its liabilities. Working alongside council officers, members of the counter fraud team gathered evidence and testified in court in support of the Council's case.
- 6 Veritau recorded £233k of loss to the Council in 2025/26 due to fraud and error. The largest area of loss was within adult and children's social care (£173k).
- 7 Working with council enforcement officers the counter fraud team participated in two exercises to combat blue badge fraud in the town centre. In May 2025, the council joined 140 other local authorities in a concerted effort to check blue badges in use across the country. In December the same exercise was repeated alongside other Veritau council clients.

¹ [National Economic Crime Centre Annual Report 2024-2025](#), National Crime Agency, published July 2025.

² [An overview of the impact of fraud and error on public funds](#), National Audit Office, published November 2024.

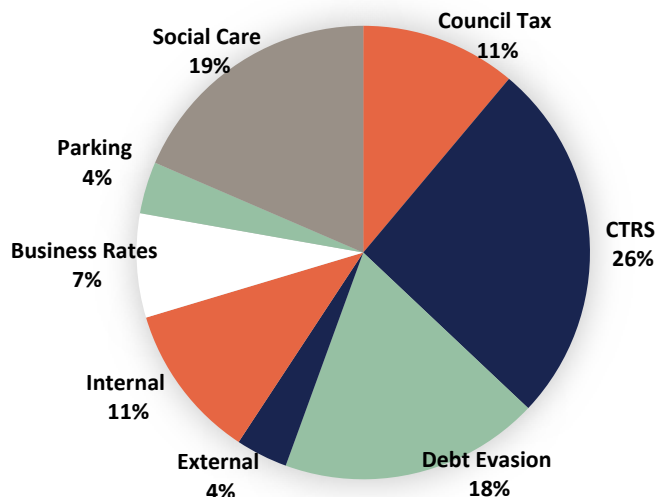
- 8 The team received 155 referrals of suspected fraud during the year including reports from the public, council employees, external agencies, and issues identified through proactive exercises. This equates to a 20% increase in referrals from the previous financial year and represents a fifth year of growth in referral numbers.

Annual number of referrals



- 9 Twenty-seven investigations were completed in 2025/26 with successful outcomes achieved in 58% of cases³. Six formal warnings were issued, and debts owed to the Council were calculated in a further five cases, three internal investigations were completed, and information was provided in 5 debt evasion cases.

Completed investigations by area

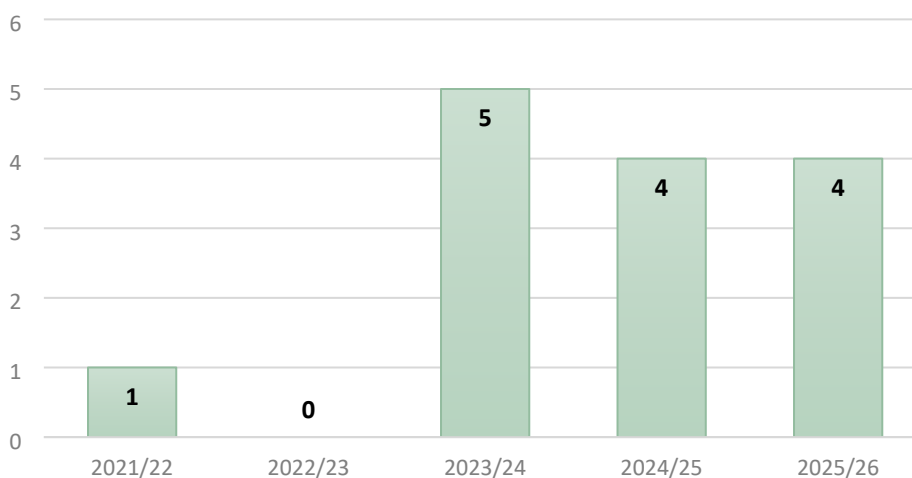


³ Outcomes are considered to be successful when fraud or error is found as a result of an investigation, excluding internal fraud and debt evasion cases.

WHISTLEBLOWING

- 10 Middlesbrough Council has arrangements in place to ensure that there is a clear process for managing whistleblowing reports. Veritau helps to support the Council's whistleblowing process by keeping a log of any concerns raised through Veritau's whistleblowing hotline and email address or when we are notified by the Council that a report has been made internally. We work closely with colleagues in Human Resources and other relevant services to help ensure that concerns raised are dealt with appropriately.
- 11 Veritau routinely undertakes work to raise awareness of the whistleblowing policy. Details of activity undertaken in the financial year are set out below in paragraph 18.
- 12 Four whistleblowing reports were logged by Veritau in 2025/26. All four were assigned to council officers to address. They related to alleged corruption, poor procedures, and code of conduct.
- 13 An investigation into poor procedures by council staff substantiated some, but not all, of the concerns raised in the whistleblowing report. Action to address the issues is being undertaken through internal processes. A second whistleblowing report into a code of conduct issue was investigated and again the whistleblowing concern was substantiated. This led to formal advice and guidance being given to a council employee and a general reminder to all staff within that specific workplace. Two further cases are still being investigated by council officers.
- 14 The figure below shows the number of whistleblowing reports recorded over the past four financial years – 14 in total. They include three reports that ultimately were determined to not be whistleblowing – two in 2023/24 and one in 2024/25.

Whistleblowing Reports



COUNTER FRAUD MANAGEMENT

- 15 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the Council. In March 2025 the 2025/26 Counter Fraud Plan was presented to the Audit Committee. The report included an updated fraud risk assessment and a development plan for counter fraud work in the upcoming financial year.
- 16 The Council increased the level of resources invested into counter fraud work in 2025/26 by 100 days, to a total of 250 days. This increase reflected the growth of counter fraud work since the service was established in 2020/21. This additional resource enabled the team to increase the number of ongoing investigations for the council.
- 17 Raising awareness of fraud amongst council employees and the public is an important function of the counter fraud team. Bespoke training was provided to employees working within revenues, benefits, social care, and procurement teams in 2025/26. Over the course of the year the team produced and circulated a quarterly newsletter for employees working in adult social care which highlighted recent frauds detected locally and nationally.
- 18 The team worked with the Council's communications team to raise awareness of the Whistleblowing Policy with employees on World Whistleblowers' Day in June 2025. Employees were encouraged to make themselves familiar with the Council's policy and how to report issues. Employees also have access to e-learning modules developed by Veritau and hosted on the Council's e-learning platform.
- 19 Cybercrime is considered a high-risk area for the Council. Working with the Council's communication team Veritau helped raise awareness during Cyber Security Awareness Month in October 2025. Information was shared about the danger of opening attachments or clicking links from unknown senders, how to verify email addresses, and tactics used by fraudsters to pressure employees into bypassing process and internal controls.
- 20 In November, during International Fraud Awareness Week, the counter fraud team highlighted the threat to councils from polygamous working. There have been several recent high-profile cases where council workers have been found to be working for multiple organisations at the same time and not informing their employers.
- 21 On International Anti-Corruption Day in December, a new offence, Failure to Prevent Fraud, was highlighted to all employees. Introduced under the Economic Crime and Corporate Transparency Act 2023, large organisations can be found to be guilty of the offence if an employee, contractor, or supplier delivering services commits a fraud offence that benefits the organisation.
- 22 Veritau is an active participant in regional and national counter fraud groups. Veritau represented the Council in May 2025 at a meeting with the Public Sector Fraud Authority leadership team and Tom Hayhoe, the now

former Covid Counter-Fraud Commissioner. The meeting focussed on the recovery of public funds lost due to Covid-19 grant fraud.

- 23 The National Fraud Initiative (NFI) is a large-scale data matching exercise that involves all councils and other public sector bodies in the UK. The work of the NFI is overseen by the Public Sector Fraud Authority (PSFA) and the exercise runs every two years. The counter fraud team ensured that the Council met government datamatching requirements and best practice when providing data in October 2024 for the most recent NFI exercise.
- 24 The Council is a member of the 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 team routinely share alerts with relevant council officers.
- 25 Veritau maintain a fraud reporting telephone number and a dedicated email address⁴. We work closely with officers and encourage members of the public to report any concerns they have about fraud affecting Middlesbrough Council.

⁴ Any person who wishes to report fraud against Middlesbrough Council can call 0800 9179 247 or email counter.fraud@veritau.co.uk