COUNTER FRAUD ANNUAL REPORT 2020/21

Date: 22 July 2021

APPENDIX 2

Middlesbrough
moving forward

Veritau

CONTENTS

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💼 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   The purpose of this report is to update the Corporate Affairs and Audit Committee on work completed and progress made over the last year in developing counter fraud arrangements at the council.

◕ SUMMARY OF WORK

4   As part of the new internal audit service introduced in January 2020, Veritau took on responsibility for the oversight of counter fraud work for the council. The focus of work for the team in 2020/21 has been to establish the service by developing relationships with key service areas and officers, ensuring up to date policies and guidance are in place, and raising awareness of fraud issues with council staff and the public. The team has started to undertake investigation work as issues have been referred over the course of the year, and has undertaken counter fraud work in relation to the National Fraud Initiative, and Covid-19 grants to businesses.

5   In September 2020, a new counter fraud framework was approved. This introduced a new anti-fraud, corruption and bribery policy, counter fraud and corruption strategy, and a fraud risk assessment. The strategy contains an action plan which will be updated annually. The council's whistleblowing and anti-money laundering policies were also refreshed.

6   The counter fraud team helped to administer the 2020/21 National Fraud Initiative (NFI) which is a mandatory exercise run by the Cabinet Office every two years. Forms and privacy notices were reviewed to ensure that they met the requirements of the exercise.

7   Fraud awareness sessions have been delivered to staff in key departments, including adult social care, human resources, parking enforcement, and the revenues and benefits service. This training has resulted in cases being referred to the counter fraud team for investigation.

8   A government mandated post-assurance exercise reviewed a sample of Covid-19 business grant payments made during the first period of lockdown.

▲Veritau◢

☼ COVID-19

9   Councils have played a key role in distributing government grants to local people and businesses. Middlesbrough Council administered over £24.6 million in payments to businesses during the initial tranche of grants between April and September 2020. This was a difficult task, balancing pressure to distribute grants quickly to provide essential support, whilst keeping the risk of fraud to an acceptable level. Checking arrangements in place within the council have helped to minimise incorrect and fraudulent payments.

10   Covid-19 has presented new opportunities for fraudsters to exploit members of the public as well as local and central government support schemes. Schemes designed to alleviate the economic impact of the pandemic have been targeted by criminals operating locally, nationally and internationally.

11   Veritau has supported the council by carrying out government mandated post-payment checks on grant payments. This involved review of a sample of successful grant applications. The work highlighted a number of applications that required additional scrutiny, however the majority of claims were found to have been paid correctly.

12   The counter fraud team has also provided support by sharing information relating to national scams by organised criminal gangs with the council, government departments, national bodies, and regional partners.

🔍 COUNTER FRAUD MANAGEMENT

13   Veritau undertakes a range of activity to support the development of counter fraud work at the council.

14   Raising awareness of fraud is an important function of the counter fraud team. Training sessions were delivered to council departments using video conferencing technology. Working with the council's communications department, the team delivered information on fraud risks to all council staff as part of International Fraud Awareness Week in November 2020. This included information on fraud relating to Covid-19 and adult social care, through pre-recorded webinars.

15   The counter fraud team ensures that the council meets its legal obligations surrounding counter fraud work. We manage work connected to the National Fraud Initiative (NFI). Annual transparency data on fraud is also provided for publication by the council, to meet the requirements of the Local Government Transparency Code 2015.

16   The team's work was recognised in November when it was nominated as a finalist for Outstanding Team in the Tackling Economic Crime Awards.

COUNTER FRAUD STRATEGY ACTION PLAN

17   In September 2020 the Corporate Affairs and Audit Committee were presented 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 2021.

Ref	Action	Status	Update
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the Council and sets overall counter fraud aims.	Complete	A new counter fraud strategy was published in November 2020 and is due to be refreshed in 2023. The associated action plan will be updated on an annual basis.
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflect changes to the council's counter fraud arrangements.	Complete	A new anti-fraud, corruption, and bribery policy was introduced in September 2020. The policy will be subject to annual review.
3	Review and update the council's fraud risk assessment.	Complete	The council's annual fraud risk assessment was presented to the committee in September 2020.
4	Regularly report to the Corporate Affairs and Audit Committee on counter fraud activity.	Complete	The committee was updated on counter fraud activity and consulted on updates to council policies in September, December, and April. Going forward, we will include updates on counter fraud issues as part of all progress reports to the Committee.
5	Meet managers of key service areas to discuss fraud provision.	Complete	Discussions have been held with key service areas. Information sharing is in place and the team is working with areas to strengthen counter fraud arrangements. This work has led to fraud investigation work starting in a number of areas.

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Ref	Action	Status	Update
6	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	Complete	Fraud awareness training has been delivered to staff within adult social care, human resources, parking enforcement and the revenues and benefits service.
7	Review paper and online application forms in relevant services to ensure that they have sufficiently robust declarations to undertake national and local data-matching exercises (eg NFI) and criminal investigation.	Complete	All relevant application forms and privacy notices were reviewed ahead of the 2020/21 NFI. In addition, forms are being updated in the adult social care department to aid in the investigation of fraud and the recovery of any associated loss.
8	Publicise new channels to report fraud for both members of staff and the public.	Ongoing	Changes to the council's website and intranet are in progress and will be updated shortly.

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