



Sandwell
Metropolitan Borough Council

Counter Fraud Report



August 2017

1 Introduction

The purpose of this report is to bring the Audit Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit (CFU) within Audit Services. The council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within the council's Anti-Fraud and Corruption Policy, which states:

'The council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the council.'

2 Counter Fraud Unit (CFU)

CFU continues to develop and lead in raising fraud awareness across the council and in promoting an anti-fraud culture. The team carries out both pro-active and re-active work, investigations into areas of suspected or reported fraudulent activity and organises a series of council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team is responsible for maintaining the council's fraud risk register, raising fraud awareness and holding fraud surgeries. In addition, they lead on the Cabinet Office's National Fraud Initiative (NFI) exercise.

3 Counter Fraud Update

Council Tax Reduction - Fraud and Error

Where appropriate CFU continue to investigate cases of potential fraud and error in the local council tax support system. Investigations are carried out with full regard to legislation, and in line with the council's counter fraud policies.

An annual exercise is carried out by Northgate in order to identify Single Person Discounts (SPD) which have been claimed incorrectly. The initial exercise identified 2,247 cases where the SPD was removed. This led to Council Tax revenue being raised by £442,852.

In addition to the work conducted by Northgate there is a small Compliance Team based within CFU that also investigates potential fraud/error in these discounts. For the financial year 2016/17 the team identified a total of 211 cases where SPD had been awarded incorrectly. The council tax liability which resulted from these cases was £82,999. Of the cases identified, 73 were also issued with a penalty of £70. Penalty fines totalled £5,110. The penalty system has been introduced by the council in order to act as a deterrent to those that attempt to claim SPD incorrectly or fail to promptly report changes in circumstances.

Council Tax SPD & Compliance Savings

SPD Savings Review	£442,852
Compliance Team Investigations	£82,999
Compliance Team Penalties	£5,110
Total	£530,961

Benefit Fraud

In June 2015 the responsibility to carry out Housing Benefit investigations was transferred to the Single Fraud Investigation Service (SFIS). All reports of Housing Benefit fraud received by the council are referred to SFIS. However when investigations into other areas are carried out by CFU, investigators are mindful of the effect the evidence gathered may have on a claimant's entitlement. In these instances information will be passed to Revenues and Benefits. This has led to £78,805 in overpayments being identified for the financial 2016/17.

Despite Housing Benefit investigations being transferred to SFIS, a small minority of cases remained in council control due to the fact they had reached an advanced stage of the process. As a result the council continues to take positive action against benefit fraud.

Case Result

A former Sandwell resident had claimed Housing Benefit & Council Tax reduction, indicating she was a single parent. However her partner, who was a serving West Midlands Police Officer at the time, was living with her. Both individuals were prosecuted by the Council. The Police Officer received a 12 month prison sentence.

Express & Star

News

JAILED: Policeman 'lied to cover up his partner's £20,000 benefits fraud'

News | Published: Apr 21, 2017

A West Midlands police officer, who lied to cover up his partner's £20,000 benefits fraud, was starting a one year jail sentence today.

The full article: <http://bit.ly/2stALZR>

Housing Tenancy

Tenancy fraud investigations form a large part of work undertaken by CFU. The unit work closely with other departments of the council to tackle social housing fraud. During the period April 2016 to March 2017 a total of 73 properties were recovered. The estimated cost of social housing fraud is £93,000 per property*.

In addition to recovering properties due to tenancy fraud CFU undertake regular pro-active work targeting potential fraudulent Housing applications. Not only does this

work prevent fraudulent applicants obtaining a council tenancy, it also removes the need for unnecessary time and money being spent on having to evict tenants who have been incorrectly allocated a property. Between April 2016 to March 2017 67 applications were cancelled. The cost of a fraudulent housing application is estimated to cost £36,000*.

Tenancy Fraud notional savings based on Cabinet Office figures

Council Properties Recovered	£6,789,000
Housing Applications Cancelled	£2,412,000
Total	£9,201,000

Right to Buy fraud

Fraud in this area continues to be highlighted as an area of concerns for councils. Albeit the vast majority of applications are believed to be genuine, the significant discounts offered attract the possibility of fraud. Losing a property due to RTB fraud also means the loss of rental income and the possibility of having to replace properties to maintain housing stock. In 2015 the council introduced an Anti-Money Laundering form into the RTB process.

During the financial year 2016/17 a total of 694 RTB applications were made to the Home Ownership Unit, only 268 completed and were approved through the anti-money laundering process. The remaining 426 either failed to return the anti-money laundering form or the completed form was not approved.

5 RTB applications, worth a total value of £206,000 in discount, were removed as a direct result of CFU investigations.

National Fraud Initiative

The National Fraud Initiative is a biennial data matching exercise administered by the Cabinet Office. This exercise compares data held by approximately 1,300 different organisations to identify incorrect claims and transactions which may have resulted from fraud or error. Participants include all local councils, police authorities, and fire and rescue authorities and local National Health Service bodies.

CFU co-ordinates the collection and submission of the data required by the Cabinet Office. It is also responsible for the administration users who will examine the data once results are received. Where necessary investigations will be conducted and overpayments will be generated and recovered. We are currently working our way through the data matches and the results will be reported back at a future Audit Committee meeting.

Joint Working with other Departments

Officers within the Unit continue to build relationships with other council departments in order to tackle false / incorrect applications and claims. Investigations have proven that there are cases where by various council departments will hold differing information on the same individual or household.

- Schools Admissions – there is no financial value attributed to such fraud. However with the increasing demand on councils to provide school places there is moral responsibility, as well as public interest, to ensure school placements are based on the correct circumstances. Joint work is undertaken with the Education Dept to ensure places are offered correctly at the admission stage (prior to school start date) to avoid any disruption to a child’s education. During the academic year 2016/2017 15 school admission applications were found to be incorrect. Those 15 places have now been offered to pupils who are entitled to them and the applicants who applied with incorrect information have been offered a place based on their correct circumstances.
- Insurance – Close links are being formed with the council’s insurance team to ensure correct information is being supplied. In one particular case, following interviews and visits carried out by CFU, a claim was reduced from £921 to £500. The investigation also resulted in overpayments of Council Tax reduction and Housing Benefit totalling £757.

Case Result

A Sandwell homeowner was prosecuted from attempting to obtain a £27k adaptation grant under false circumstances. A significant point was that she was not living at the Sandwell property. The grant was refused without any award being made. And an award was made for her to pay back the council’s full court costs of £17,000

Express & Star

News

'Devious' liar who fraudulently claimed for £27,000 escapes immediate jail sentence

By [Alex Ross](#) | [Great Barr](#) | [Crime](#) | Published: Jun 24, 2017

A woman used her disabled son in an attempt to fraudulently claim almost £30,000 for improvements works to her house.

The full article: <http://bit.ly/2tlcg3U>

Investigations of alleged fraud and misconduct

Throughout the year, a significant amount of time has been spent conducting investigations into a number of allegations of potential fraud and misconduct. These investigations have been reported back to the council's Audit Committee.

- Land sales to Councillor Bawa and Councillor Hussain regarding Compulsory Purchase Orders on their homes
- Housing allocations to members of Councillor Hussain's family
- Councillor I Jones and Councillor Rouf's involvement in the disposal of a plot of land.
- The allocation of a council property to Councillor Frear
- Former Councillor Rowley's involvement in the disposal of a number of council owned containers to a member of the public
- Wednesbury Celebrates
- Hill Top Community Development Association
- Concerns that two employees had landscaped their properties using Council materials
- Concerns that the council had paid for the removal of an electricity sub-station as part of the arrangements for the sale of a plot of land at Florence Road to a member of Councillor Rouf's family

Pro-Active Fraud Work

Throughout the year staff within the Unit will undertake a range of pro-active exercises aimed at raising fraud awareness and identifying possible fraud, including:

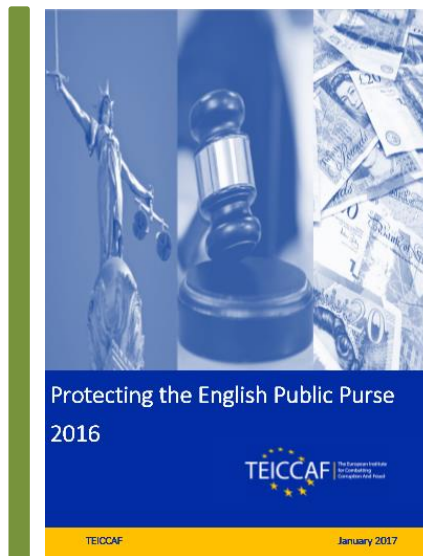
- Raising Fraud Awareness – all staff have an e-fraud awareness training package available to them, which has been published through the weekly staff bulletin.
- Fraud Surgeries – conducted on a regularly basis, these open door sessions allow staff to report, raise concerns and discuss fraud on an informal basis with a member of CFU.
- Fraud Risk Register - the counter fraud unit maintains a risk register specifically addressing areas within the council susceptible to fraud. The results of this exercise are used to assist the team in undertaking fraud work on areas that are considered to be at a 'high' risk of fraud. The latest summary fraud risk register is attached at Appendix A of this report.
- Fraud Alerts – Regular alerts highlighting possible frauds are received by CFU. Alerts are received from organisations such, the National-Anti Fraud Network, Midland Fraud Forum and Action Fraud. Where necessary, alerts are cascaded to departments and schools who may be at risk of being targeted.

TEICCAF - Protecting the English Public Purse 2016

In January 2017, The European Institute for Combatting Corruption and Fraud (TEICCAF) published its latest annual report; Protecting the English Public Purse. The report outlines the organisation's findings following a survey assessing fraud affecting local authorities. Nationally councils identified fraud totalling £212 million. The report also

identified several key areas of fraud, all of which are already included on the Council's Fraud Risk Register. The full report: <http://www.teiccaf.com/download-pepp-2016/>

Featured within the report is a case study of a Right to Buy investigation conducted by Sandwell's CFU.



Protecting the English Public Purse 2016



Case Study (2) Sandwell – Right to Buy



Right to Buy Fraud Application withdrawn

Anti-Money Laundering plays a part in stopping RTB Application

Sandwell's Counter Fraud Unit investigated a potential tenancy fraud a few years ago which was brought back into view by the unit in 2015. A man was being investigated for tenancy fraud however during our investigation he was arrested and charged with murder. There was also an attempt to steal over a quarter of a million pounds, with an excess of £50,000 untraced.

The man's wife continued to live in Sandwell and sometime later put in a right to buy application. That team referred it across to the counter fraud unit as there appeared to be a fair amount of information suggesting that she had not been living at the address as required, to qualify for the right to buy. When her husband was arrested they were both living at his brother's property, not the council property at which she was the tenant.

No assets could be found for the husband. There was, however, the suspicion that he passed some of this money on to his wife. No proof was found of that.

The discount notified to the wife for the right to buy was £43,750 – the property was valued at £125,000 and the price that the wife could purchase was therefore £81,250.

The council started requesting information about where her funds originated from in early 2015 to satisfy our anti money laundering responsibilities. One of these forms was sent out to the wife also requesting evidence of the funds that she was providing for the purchase.

She completed the form but did not evidence the source of the funds. The form was issued twice more to her, but on both occasions she failed to evidence where she was obtaining the cash from. An investigator was in touch with her by this point, at which she asked to withdraw from the right to buy process. She gave no reason for this however it is felt that she couldn't prove the source of the funds was "clean".

Ian Scarrett

Counter Fraud Lead

TEICCAF has recognised the work Sandwell's Counter Fraud Team carry out and as a result have invited them to represent the midlands on TEICCAF's Advisor Board.

Anti-Money Laundering

The Counter Fraud team continue to work with Legal Services in order to ensure that the council's Anti-Money Laundering Policy remains up to date and reflects best practice. Recent changes have been made to the council's procedures in order to comply with the Money Laundering Regulations 2017, which came into force on 26 June.

Council House Crackdown

CFU were approached by the BBC One TV Series, Council House Crackdown to feature in episodes of its upcoming series'. Following approval members of CFU, along with the Leader, have been filmed highlighting the work the council undertakes in tackling social housing fraud. Previous investigations will feature in both series 3 (due to aired this summer) and series 4 (early 2018).



External Partnership working

As part of a partnership arrangement with the City of Wolverhampton Council, the Counter Fraud Unit support them when required. This work began in September 2015, and attracts some additional income. This initially involved carrying addressing National Fraud Initiative matches and delivering fraud awareness seminars and surgeries. More recently CFU have carried out investigation work on behalf of Wolverhampton.

Midland Fraud Group

We have continued to organise, host and chair the group. The group consists of fraud officers from across the Midland's local authorities. Its purpose is to identify, share and build on best practice in all areas of fraud. At the last meeting in June 2017 topics discussed included; Anti-Money Laundering, register of interests, Council Tax - New Homes Bonus Scheme and TEICCAF.

National Anti-Fraud Network (NAFN)

The council is a member of NAFN. This is a not-for-profit, non-incorporated body. It was set up by the Home Office to offer local authorities an approved single point of contact to a whole range of data and intelligence that central government and other key bodies hold. It is mainly used by regulatory and investigative services within the public sector. The Head of Audit at the council is an Executive Board Member and the Treasurer for NAFN. This allows the council to play a key part in the organisation's continued success in driving forward the anti-fraud agenda.

* Figures from the Cabinet Office, NFI - Calculation Method for Estimated Outcomes

Social Housing Tenancy fraud - £93,000. The notional saving recognises the losses over the average time period of a tenancy fraud, along with having to potentially temporary accommodate legitimate potential tenants.

Social Housing Application fraud - £36,000. The notional saving recognises the future losses prevented by not letting the property to an ineligible individual and with the potential of having to place a genuine prospective tenant from the waiting list in expensive temporary accommodation. There is no allowance in this calculation for past value fraud and therefore the notional loss is less than that of social housing tenancy fraud

Fraud Risk Register

Appendix A

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy.	Red
Right To Buy	Providing False information in order to get a discount when purchasing a council house	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single persons discount, Local Council Tax Support Schemes	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple councils.	Red
Procurement	Collusion (staff and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices	Red
Cyber Crime	Use of cyber-attack resulting in loss of service, resources as well as reputation harm	Red
Insurance	Fraudulent and exaggerated claims	Amber
Money Laundering	Accepting payments from the proceeds of crime	Amber
Sale of Land & Assets	Sale of council owned land and buildings	Amber
Schools	School accounts, expenses, procurement, finance leases	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status	Amber
Payroll	Manipulation of the payroll records (ghost employees), expenses, claims, recruitment	Amber
Blue Badge	Fraudulent applications, use and continuing to receive after a person dies	Amber

Theft	Theft of council assets including cash	Green
Bank Mandate Fraud	Fraudulent request for change of bank details.	Green
Grants	False grant applications, failure to use for its intended purpose	Green
Bribery	Awarding of contracts, decision making	Green
Welfare Assistance	Fraudulent Claims	Green
Electoral	Postal voting, canvassing	Green
Manipulation of data	Amending financial records and performance information	Green