

Counter Fraud Update Report



1 Introduction

The purpose of this report is to provide the Audit and Risk Assurance Committee with a current update on the counter-fraud activities undertaken by the Counter Fraud Unit.

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)

The Counter Fraud Unit, based within Audit Services 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.

3 Counter Fraud Update

Bank Mandate Fraud

CIPFA's Counter Fraud Centre Update in November 2017 highlighted the value of mandate fraud affecting the public sector. Annual figures confirmed 325 cases of mandate fraud, with a value of £1,700,000.

The council has recently suffered such a loss, following the request from a third-party organisation their bank account details were amended prior to a payment being made. The request was actioned which was followed by a £16,000 payment. It was later established that a cloned email account had been used to request the bank account amendment, without the council's or third party's knowledge.

The Counter Fraud Unit have conducted an investigation and established that procedures were in place to amend bank account details, however they were not followed on this occasion. The council's control measures surrounding bank account amendments have been reviewed and would have been sufficient to prevent the loss had they have been followed.

As part of the investigation consideration was given to request a Restraint Order on the account where the fraudulent payment was made to, however the account had already been frozen by the bank. It would appear the bank account is part of an investigation being conducted by the Met Police. The council has reported the matter

to Action Fraud and a report identifying the findings of the investigation has been issued to the Service Area concerned as well as being reported to the Section 151 Officer.

National Fraud Initiative (NFI)- New Business Rates pilot

The Counter Fraud Unit have been approached by the Cabinet Office to be part of a new data match pilot looking to identify business rate fraud cases. New pro-active methods for detecting fraud are always considered, especially in high risk areas such as Business Rates where detection rates of fraud remain low on a national level. As a result the council has requested to be part of the pilot.

In the News

Prosecution proceedings have begun against a former Sandwell Council employee. The investigation was initiated following the receipt of a NFI data match, indicating the former employee had held employment with another public body while he was employed as a Learning and Development Officer by Sandwell Council. Offences relate to the fact that time sheets were provided with false information on them.



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Sandwell Council worker accused of £150,000 fraud

By [Marion Brennan](#) | [Oldbury](#) | [Crime](#) | Published: Feb 9, 2018

A full-time council officer accused of defrauding his bosses of £150,000 by holding down a job in the health service at the same time has appeared in court.

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The full article: <http://bit.ly/2HSiAp4>

National Fraud Initiative (NFI)

The Counter Fraud Unit are the key contact and co-ordinate the investigation of matches identified by the Cabinet Office's NFI. Reports are generated from matching different departmental records of the council and by matching council records against those of other public sectors such as the NHS, other councils, and local government pension providers.

The current exercise, which began in January 2017, generated a total of 163 reports with a total of 8,832 recommended matches. A match does not indicate fraud, often the council may already be aware of the information or there are circumstances why the match has occurred, such as incorrect source information.

To date a total of 34 frauds have been identified through the matches. These have included issues of Council Tax Reduction, Social Housing Fraud and in one instance a taxi driver who did not have the right to live or work in the UK.

An extract of some of the reports identifying the council’s progress is included in the following table:

Data Match description	Fraud	Error	Total Value
Housing Benefit Claimants to Student Loans	1	0	£3,472.11
Council Tax Reduction Scheme to Housing Benefit Claimants	4	0	£2,266.89
Council Tax Reduction Scheme to Council Tax Reduction Scheme	8	1	£13,425.13
Total			£19,164.13

A further 17 applications for social housing have been cancelled as a result of NFI investigations. Those individuals have now been removed from the council’s housing waiting list.

Partnership Working

The partnership working arrangement with Wolverhampton City Council is continuing. Sandwell’s Counter Fraud Unit have been providing assistance with investigations in the Wolverhampton area. This joint approach also sees an increase in shared best practice, working arrangements and counter fraud initiatives.

Case Result

In November the Counter Fraud Unit assisted West Midlands Police Officers by attending a raid on a council property which was being used to grow cannabis. Following reports the property was not being lived in, Counter Fraud staff visited the address in Smethwick and identified a strong smell of cannabis and the sound of numerous fans running in the property. The police were informed and a warrant was executed at the premises two days later. On entering the property it was established approximately 30 cannabis plants were being grown at the address. Other items at the address included



hydroponic equipment and handwritten notes on how to grow and cultivate the plants. A lock change was conducted and the tenancy has since been terminated. The Counter Fraud Unit has supplied details of the former tenant, including CCTV stills and tenancy details to support the police investigation.

CIPFA Fraud and Corruption Tracker

CIPFA have released their 2017 report, their third annual CIPFA Fraud and Corruption Tracker. Information within the report helps councils to:

- understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of counter fraud activity
- assist operational staff to develop pro-active counter fraud plans

The key findings of the report were that an estimated 75,000 frauds have been detected or prevented across local authorities in 2016/17 with a total value of £336.2m. While the number of detected cases reduced for 2017, the average value increased from £3,400 to £4,500.

Procurement, Adult Social Care and Council Tax Single Person Discount frauds perceived to be the three greatest fraud risk areas. With Adult Social Care fraud showing the largest growth in the past year with an estimated value of £5.6m.

CIPFA identified the main types of fraud (based on the volume of investigations or the value of the financial loss) as the following four main areas:

Type of Fraud	Volume	Value
Council Tax	57,136	£25.5m
Housing and tenancy fraud	5,938	£263.4m
Disabled parking (Blue Badge)	5,751	£4.3m
Adult social care	446	£5.6m

Housing and tenancy fraud continues to remain a high priority of the council's Counter Fraud Unit, due to the high demand for social housing within the borough, with a high proportion of the team's investigations being focussed in this area. The council has two officers whose work is dedicated to identifying Council Tax discount and exemption fraud.

Blue Badge fraud does not carry the high value cost of fraud in Sandwell as it may in other areas, especially such as the London Boroughs and large city centres, due to its relatively low parking charges. However work continues in this area due to the public demand and referrals received. In the 12 months several investigations have resulted in criminal investigations being carried out by the team, including one prosecution.

An area where an increased focus should be made is that of Adult Social Care. Work has been undertaken by the Counter Fraud Unit in this area previously, however to

date no fraud has been identified. With this area being a perceived risk and the national estimated value increasing further work will be undertaken to reflect this threat.