



Sandwell  
Metropolitan Borough Council

## Counter Fraud Update Annual Report 2018-19



July 2019

## 1 Introduction

The purpose of this report is to provide the Audit and Risk Assurance Committee with an annual review on the counter-fraud activities undertaken by Audit Services' 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 CIPFA's Code of practice on managing the risk of fraud and corruption

The code states that leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The council has adopted the five principles from the CIPFA code:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.



## 3 Counter Fraud Unit (CFU)

The Counter Fraud Unit continues to develop and raise fraud awareness across the council. The Unit is responsible for carrying out investigations into areas of suspected or reported fraudulent activity and carries out both pro-active and re-active work.

## **4 Annual Review**

Over the course of the 2018/19 financial year the Counter Fraud Unit have carried out work to prevent, deter and detect fraud as well as working to support other service areas. Activities and achievements include:

- ◆ Issued fraud alerts in order to raise the profile on specific fraud trends, directed to those who may be affected.
- ◆ Collated and submitted data to contribute to CIPFA's Counter Fraud Tracker (this was presented at the January 2019 meeting of the Audit and Risk Assurance Committee).
- ◆ Processed requests for information from other law enforcement agencies to prevent crime and protect the public purse.
- ◆ Acted as the Single Point of Contact for the Department of Work and Pensions' Single Fraud Investigation Service.
- ◆ Co-ordinated the council's compliance with the Cabinet Office's National Fraud Initiative, which involved submitting in excess of 694,000 data records across 16 data sets.
- ◆ Raised the profile of the Council's counter fraud arrangements via press releases and TV recordings. This includes featuring in Neighbourhoods' Housing Management Newsletter and another series of BBC's Council House Crackdown.
- ◆ Supported investigations carried out into Member's standards issues.
- ◆ Administered the council's 'App Checker' facility, allowing a gateway for Housing Applications to be checked and validated against various local and central government datasets.
- ◆ Two officers on the Counter Fraud Unit have begun CFPB (Counter Fraud Processional Accreditation Board) Accredited Counter Fraud Specialists qualification. The Unit already has four qualified officers.
- ◆ Selected for the Cabinet Office's data match pilot into Business Rates fraud and avoidance.

## **5 National Fraud Initiative (NFI)**

The Counter Fraud Unit are the key contact and co-ordinate data collection, submission and investigation of matches of the Cabinet Office's National Fraud Initiative. Reports are generated from matching different council departmental records and matching council records against those of other public sector organisations such as the NHS, other councils and local government pension providers. This exercise takes place on a two-year cycle. The data for the 2018-2020 exercise was submitted in October 2018.

Data matches were released in early 2019 and the investigation of these records has commenced. The data matches identify instances of fraud, error and overpayments. The table below demonstrates the council's current progress.

Total number of matches reviewed	352
Number of fraud cases identified	49
Number of errors identified	20
Financial value of fraud and error cases	£326,644*
*As this is a Cabinet Office programme it applies their national figure calculator for social housing fraud cases which are included in this figure.	

## 6 Council Tax SPD (Single Person Discount)

The council now has a rolling program to review the 25% Council Tax discount awarded to those residents who claim a Single Person Discount. SPD fraud and error is identified by pro-active exercises and generated from members of the public who contact the council to report potential fraud.

In instances when it is established that an incorrect discount has been awarded the discount will be removed, the additional council tax liability will be recovered and consideration will be given to issuing a financial penalty to act as a further deterrent.

Financial value of SPD awards removed	£55,738
Number of penalties issued	108
Financial value of penalties issued	£7,560

## 7 Council Tax - Other liability exemptions

This year additional work has been undertaken to extend the review of Council Tax exemptions, beyond that of Single Person Discounts. These reviews have identified an additional £16,853 in Council Tax liability which is now being recovered and five financial penalties were issued as part of this process.

## 8 Social Housing and Right to Buy Fraud

This area continues to be a large issue for councils to deal with, both nationally and locally, due to the demand for social housing. Pro-active work is undertaken to identify potential fraudulent applications to avoid them entering the allocation process while we continue to investigate reports from neighbourhood offices and members of the public.

Identifying fraudulent applications not only reduces the demand for social housing and the strain on the council's waiting list, but also reduces the time and cost of having to evict fraudulent tenants once they have been awarded a tenancy.

Number of investigations	218
Investigations still ongoing	76
Completed investigations	142
No further action required	46
Housing applications cancelled	54
Properties recovered	40
Right to Buy purchases terminated	4
Value of Right to Buy terminations	£185,400

The Cabinet Offices' calculation method suggests the cost of social housing fraud is £93,000 for each tenancy and £3,240 for each false housing application. Based on this calculation - savings of £3,894.960 have been identified.

## 9 Adult Social Care / Direct Payments

Adult social care fraud can occur in number of ways, such as direct payments not being used to pay for the care of a vulnerable person, care workers claiming for time/money they have not worked or spending allocated budgets on inappropriate items. During the past year a closer working relationship has been developed between the Direct Payments team and the Counter Fraud Unit which has seen an increase in the number investigations.

Number of investigations	14
Investigations still ongoing	10
Completed investigations	4
No further action required	2
Referred to Legal Services for Criminal Proceedings	2
Overpayments identified	£151,193

## 10 Blue Badge Fraud

The Blue Badge (Disabled Parking) scheme provides parking concessions for those who have a permanent or substantial disability. CIPFA's Counter Fraud Tracker considers it to be one of the four main fraud types in the country. However due to the low cost of parking in Sandwell in comparison to London Boroughs and other city centres the cost is considered to be far less of a risk. Despite this Blue Badge fraud still carries a very high public interest.



Number of investigations	15
Investigations still ongoing	2
Completed investigations	13
No further action required	8
Warnings issued	4
Blue Badge confiscations	1

## 11 Business Rates Fraud and Avoidance

Nationally more focus is being given to this area due to high retention rates and the potential in lost revenue. CIPFA's 2018 Counter Fraud Tracker estimated the national cost of Business Rates fraud to be worth £10.4m per year. An increase of £3m from the previous year. During the past financial year the council was part of a Cabinet Office pilot, aimed at developing a data matching programme to identify fraud and avoidance. Several investigations into avoidance have been undertaken, but have to date not highlighted any lost revenue. Recently Revenues and Benefits have enlisted the services of a company aimed at identifying businesses claiming rate relief they are not entitled to. The Counter Fraud Unit will undertake any investigations which arise from this.

## 12 School Admission Fraud

No financial value is attributed to such fraud. However, it continues to receive public interest due to the high demand for school places in Sandwell. When a fraudulent application is detected the first-choice place will be removed and an alternative offer will be made based on the family's correct circumstances.

### 13 Other allegations of fraud and misconduct

Due to the wide range of services provided by the council, allegations of fraud and misconduct can be difficult to categorise. The investigations highlighted below include: a resident who provided false receipts to mislead the council into believing he had repaid substantial rent arrears and employee theft and misconduct issues.

Number of investigations	21
Investigations still ongoing	3
Completed investigations	18
No further action required	6
Resulted in disciplinary proceedings	5
No action other than recommendations	4
Referred to Legal Services for Criminal Proceedings	3
Prosecutions	0
Value of loss / potential loss	£36,679

### 14 Partnership Working

Audit Services have a partnership working arrangement with the City of Wolverhampton Council, West Midlands Fire Service and Sandwell's Children's Trust. As part of the arrangements the Counter Fraud Unit continue to provide a service to these organisations when required. This joint approach also sees an increase in shared best practice, working arrangements and counter fraud initiatives.

### 15 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.

### 16 Midland Fraud Group

We have continued to organise, host and chair the group. The group consists of the Heads of Fraud from council across the Midlands. Its purpose is to identify fraud trends, share best practice and collectively deter and fight fraud across a regional area.

## 17 Anti-Money Laundering Policy

During 2018/19 the council's Anti-Money Laundering Policy was updated to bring it in line with the the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations, and to include:

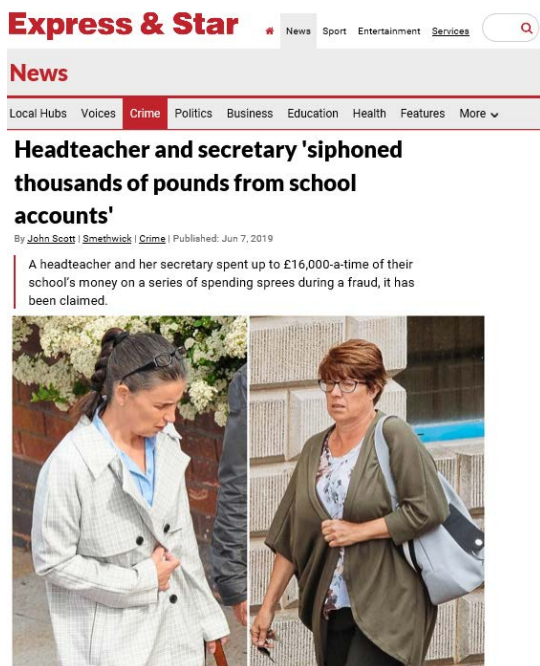
- The introduction of a reduced cash limit from £8,000 to £2,000,
- Identifying nominated officers to assist the Anti-Money Laundering Reporting Officer with their duties.
- Increasing staff awareness on the importance of carrying out due diligence enquiries and reporting concerns of money laundering.

## 18 Fraud Risk Register

The council's fraud risk register is maintained by the Counter Fraud Unit and the latest version can be found at the end of this report.

### In the News

A number of articles have recently featured a Sandwell school which has appeared in both the local and national press. The case which had been covered was an investigation conducted by the Counter Fraud Unit. While the case is still ongoing the facts of the case cannot be openly discussed, however details of the case will be reported through the Audit and Risk Assurance Committee on conclusion of the matter.



**Express & Star** News Sport Entertainment Services


**News**

Local Hubs Voices **Crime** Politics Business Education Health Features More

### Headteacher and secretary 'siphoned thousands of pounds from school accounts'

By John Scott | Smethwick | Crime | Published: Jun 7, 2019

A headteacher and her secretary spent up to £16,000-a-time of their school's money on a series of spending sprees during a fraud, it has been claimed.



Headteacher Michelle Hollingsworth and school secretary Deborah Jones



**MailOnline** News

Home News U.S. | Sport | TV&Showbiz | Australia | Femail | Health | Science | Money | Video | Travel | DailyMailTV | Discounts

Latest Headlines | Royal Family | News | World News | Arts | Headlines | France | Most read | Wires

### Headmistress, 55, and her secretary 'used their cash-strapped school's funds to buy more than £9,000 worth of designer goods, art and antiques while ordering teachers to spend their own money on supplies'

**The Telegraph** HOME | NEWS | SPORT | BUSINESS | ALL SECTIONS

## News

UK | World | Politics | Science | Education | Health | Brexit | Royals | Investigations

News

### Head teacher spent school funds on designer goods while staff were denied pay rises, court hears



## The council's fraud risk register @ July 2019

Themes	Potential fraud type	Risk
Housing Tenancy	Subletting, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home	Red
Housing Benefit	Failing to disclose income or household members within a property	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single persons discount, Local Council Tax Support	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, 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
Right to Buy	Providing False information in order to get a discount when purchasing a council house	Red
Money Laundering	Accepting payments from the proceeds of crime	Amber
Business Rates	Evading payment, falsely claiming rate relief, empty property exemption, charity status	Amber
Schools	School accounts, expenses, procurement, finance leases	Amber
Payroll	Expenses, other claims, recruitment, ghost employees	Amber
Blue Badge	Fraudulent applications and misuse	Amber
Grants	False grant applications, failure to use for its intended purpose	Amber
Theft	Theft of council assets including cash and equipment	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details	Green
Sale of Land & Assets	Sale of council owned land and buildings	Green
Insurance	Fraudulent and exaggerated claims	Green
Bribery	Awarding of contracts, decision making	Green
Electoral	Postal voting, canvassing	Green
Manipulation of data	Amending financial records and performance information	Green