



Sandwell  
Metropolitan Borough Council

## Counter Fraud Report



September 2020

## 1 Introduction

The counter fraud agenda is one that continues to hold significant prominence from Central Government who are promoting a wide range of counter fraud activities, in particular with regards to recent events and the need to provide crisis funding in the wake of Covid-19.

The purpose of this report is to bring the Audit, Risk and Assurance Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit 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

The Counter Fraud Unit, which sits within Audit Services, 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.

During the Covid-19 pandemic the Counter Fraud Unit have continued to maintain a Counter Fraud role, but have also worked in conjunction with Finance, the Revenues and Benefits Team, and Regeneration and Growth in the administration of Small Business, Retail, Hospitality and Leisure Grants and Discretionary Business Grants to support businesses and organisations based within the borough.

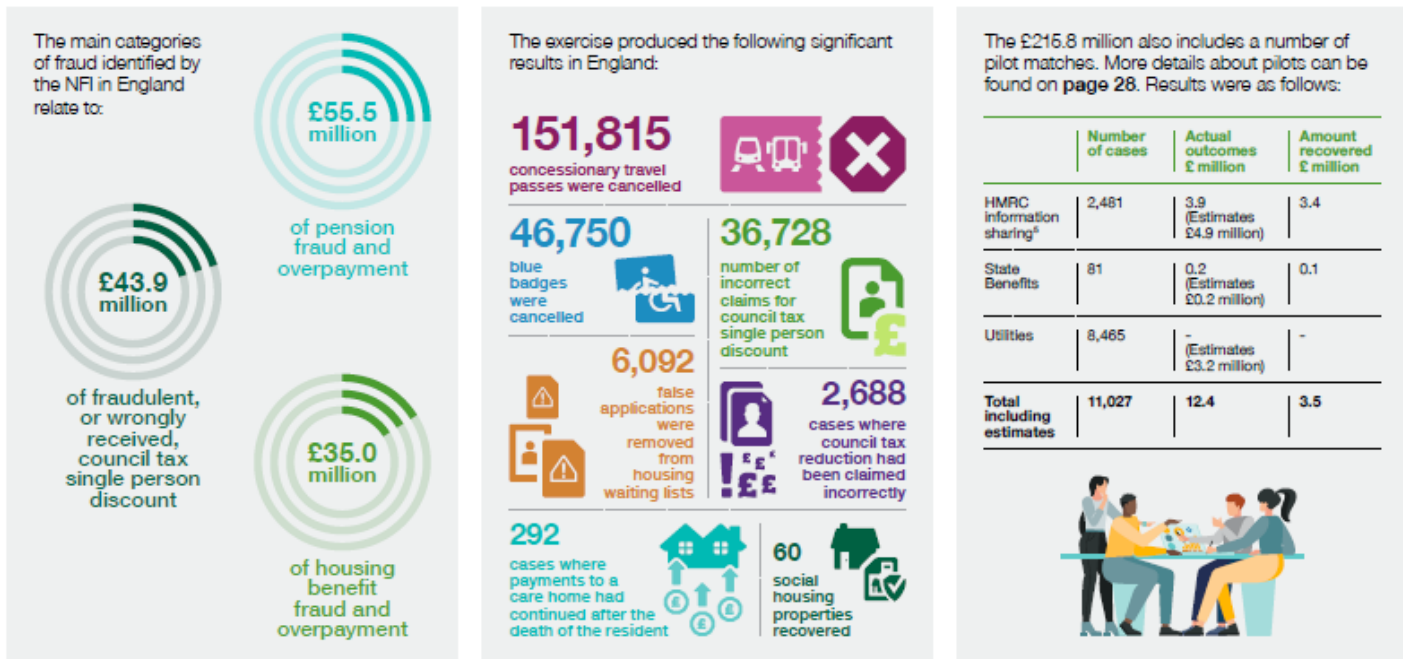
## 3 Counter Fraud Update

### **Cabinet Office – National Fraud Initiative (NFI) Report 2020**

The Cabinet Office has recently published its latest National Fraud Initiative Report and a copy is included at Appendix 1 to this report. The report identifies the results from the National Fraud Initiative exercise for the period April 2018 to April 2020. Fraud of £215.8 million was detected and prevented through the programme in England. £65.1m of the total figure was of detected fraud, with the remaining £150.7m being an estimated value or potential future loss.

# An analysis of the NFI results in England (2018 to 2020)

The results in England total: **£215.8 million**



As can be seen, the key areas of fraud detected were Pensions (£55.5m), Council Tax Single Person Discount (£43.9m) and Housing Benefit (£35.0m). Another noticeable area for concern was Housing Tenancy Fraud and fraud within Housing Waiting Lists (combined £25.7m). On page 20 of the report Sandwell Council is identified for the preventive work which has been undertaking to identify fraudulent housing applications during the application vetting process, as well as featuring two case studies of investigations undertaken by the Counter Fraud Unit.

## National Fraud Initiative – Next Exercise

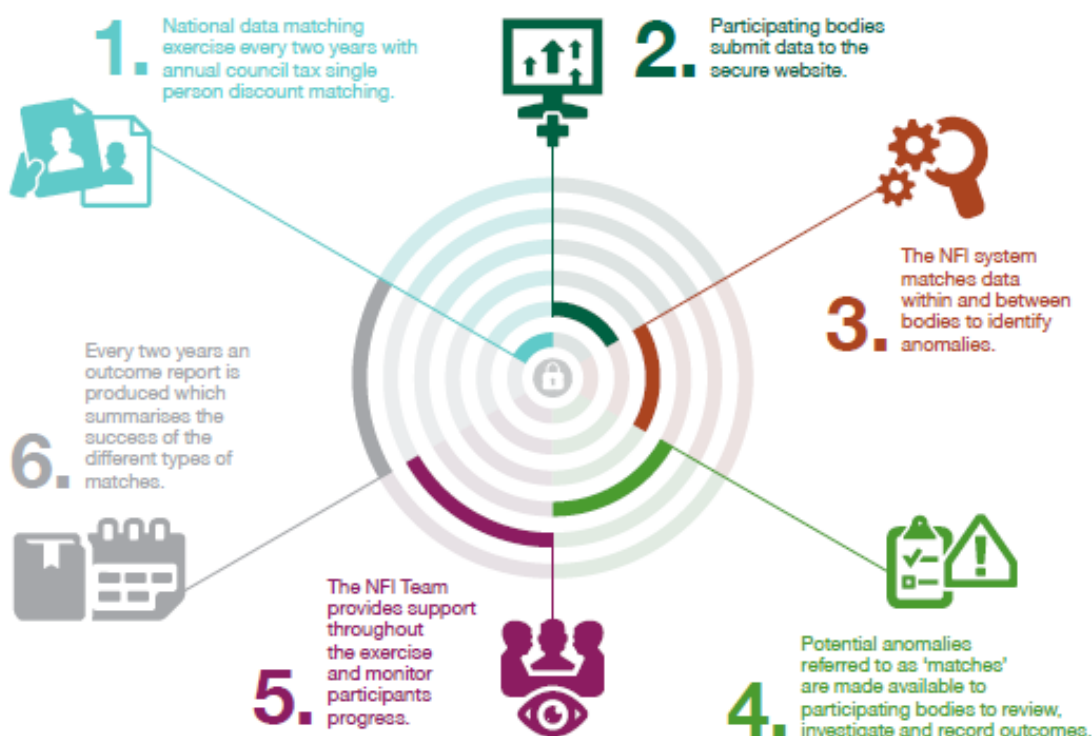
Data for the NFI is provided by some 1,200 participating organisations from the public and private sectors including local authorities, government departments, private registered providers of social housing (housing associations) and pension schemes. Data matching involves comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same or another body to see to what extent they match.

Participating organisations receive the resulting data matches back from the Cabinet Office for consideration and investigation where appropriate. The data matching identifies inconsistencies that may require further investigation and allows potentially fraudulent claims and payments to be identified. No assumption can be made as to whether there is fraud, error or another explanation until the investigation process is completed.

The Counter Fraud Unit are the key contact and co-ordinate data collection, submission and investigation of matches from the Cabinet Office's National Fraud Initiative. The council's data for the 2020 exercise is due to be submitted in October of this year.

Data is collected from organisations across the UK for national fraud detection batch matching every two years. Matches are accessed through a secure web application.

### The NFI matching cycle



## Fighting Fraud Corruption Locally Strategy 2020

This document is the updated local government counter fraud and corruption strategy and is included at Appendix 2 of this report. The strategy has been developed by councils and relevant stakeholders, and sets out the main areas of focus for local authorities to ensure they tackle fraud effectively.

The first Fighting Fraud and Corruption Locally Strategy was published in 2011 by the National Fraud Authority, this was followed by a revision in 2016. Cifas (Credit Industry Fraud Avoidance System) have now taken responsibility of the publication and have prepared a revised strategy for 2020 and future years.

Sandwell took part in the consultation stage, which assisted in developing the revised strategy. One significant update from the previous versions of the strategy is the addition of new key principles. The three principles of 'Acknowledge', 'Prevent' and 'Pursue' remain, but they have been added to with two additional principles. These additions are 'Govern' where anti-fraud



measures should be embedded throughout the organisation and ‘Protect’ where individuals, the community and the council should be protected against the harm of fraud.



The council will continue to implement the strategy through its Fraud and Corruption Policy and Fraud Risk Register and will report regularly to the Audit, Risk and Assurance Committee.

Section 4 of the strategy identifies the role an Audit Committee can play in implementing the strategy, including they:

- Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work;
- Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured;
- Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud;
- Should support proactive counter fraud activity; and
- Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

### Covid-19 Funding

In March 2020 the government introduced funding to support small business and those affected by the lockdown. Local authorities became responsible for administering and paying Small Business and Retail, Hospitality and Leisure grants. Grant values ranged between £10,000 and £25,000. The introduction of these grants was then followed by additional grants payments in the form

of Discretionary Business Grants, aimed to help businesses who had not been able to access assistance from other Covid-19 support payments.

Throughout this process the Counter Fraud Unit have worked in conjunction with the council's Revenues and Benefits and Finance departments to build a robust application and payment process, provide pre-payment fraud checks and due diligence, and more recently introduce a range of post payment assurance checks.

As part of the post payment assurance programme the council is now required to supply figures to BEIS (Department for Business, Energy and Industrial Strategy) for Small Business, Retail, Hospitality and Leisure grants. The latest fraud data supplied includes all information up to and including 31 July 2020. The information provided is detailed in the table below.

Total number of grants paid to date that have been identified as fraudulent	2
Total value of grants paid to date that have been identified as fraudulent	£35,000
Total number of attempted fraudulent claims that have been prevented to date	22
Total value of attempted fraudulent claims that have been prevented to date	£265,000

Action will be taken in order to attempt to recover any such payments that are suspected of being fraudulent.

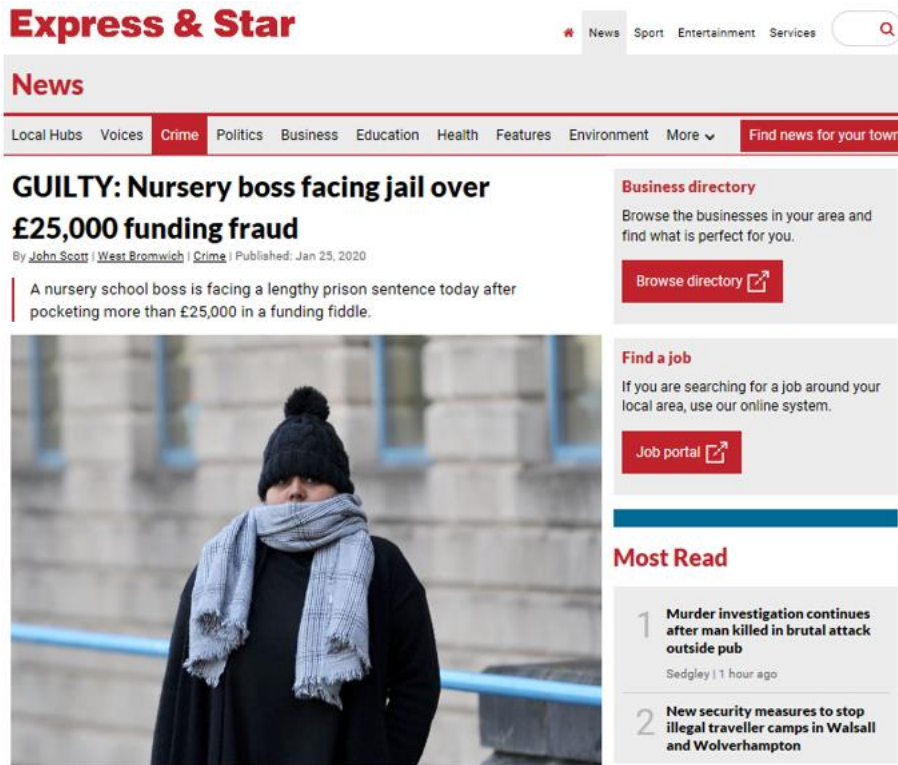
### **Covid-19 Fraud Alerts**

The changes which the council have had to make to deal with COVID-19, most notable working practices and the dramatic increase in employees working at home has created additional fraud concerns and threats. The change in the working environment as well as frauds targeting specific areas affected by the crisis, such as the procurement of PPE, saw a significant increase in fraud alerts and intelligence being shared between anti-fraud organisations and teams.

Throughout this period the Counter Fraud Unit have co-ordinated these alerts by filtering and distributing them to the relevant officers and departments. Most notable were fraud in areas such as mandate and procurement fraud as well as an increase in phishing and cyber-attacks.

## In the News

Following an investigation conducted by the Counter Fraud Unit a private nursery owner was convicted for 15 offences of fraud. The nursery owner had submitted false information to the council to access the Government's Early Years and Nursery Education Funding schemes. Following conviction she later received a jail-term of 2 years [article](#)



The screenshot shows the Express & Star news website. The main headline is "GUILTY: Nursery boss facing jail over £25,000 funding fraud". Below the headline, it says "By John Scott | West Bromwich | Crime | Published: Jan 25, 2020". A sub-headline reads "A nursery school boss is facing a lengthy prison sentence today after pocketing more than £25,000 in a funding fiddle." To the right of the article are three promotional boxes: "Business directory" (Browse the businesses in your area and find what is perfect for you. Browse directory), "Find a job" (If you are searching for a job around your local area, use our online system. Job portal), and "Most Read" (1. Murder investigation continues after man killed in brutal attack outside pub. Sedgley | 1 hour ago; 2. New security measures to stop illegal traveller camps in Walsall and Wolverhampton).

## 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.

## 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 combat fraud across a regional area. The group have continued to liaise remotely throughout lockdown. Recent discussions included Council Tax Exemptions, Blue Badge fraud, DWP joint working, Anti Money Laundering and cases of interest.

## Fraud Risk Register

The Counter Fraud Unit maintains the Council's fraud risk register. The register is used to help identify areas for testing and to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at the end of this report.

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
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
NEW: Covid-19	The Council is open to fraud and misappropriation due to changes in legislation and the speed in which government grants need to be validated and distributed.	Amber
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