

Audit and Risk Assurance Committee

Counter Fraud Report - July 2023



1 Introduction

The purpose of this report is to provide the Audit and Risk Assurance Committee with an update on the counter-fraud activities undertaken by the Council's Counter Fraud Unit. The Council is committed to creating an environment where fraud, corruption and bribery will not be tolerated. 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.'

A recent Home Office document, [Fraud Strategy: stopping scams and protecting the public](#) outlined the fact that 41% of all crime recorded in England and Wales by December 2022 is fraud related. Advances in technology are highlighted as a reason as it provides fraudsters with more access to victims and data. While this new strategy document is aimed at protecting the general public, a lot of the themes are those that are also adopted in aiming to protect the Council from fraud and financial exploitation.

2 Counter Fraud

The Counter Fraud Unit

The Counter Fraud Unit is responsible for carrying out investigations into areas of suspected or reported fraud and misconduct. Both pro-active and re-active work is undertaken to detect, prevent and investigate fraud across the wide range of services offered by the Council.

Officers within the unit are also responsible for the Council's compliance with the Cabinet Office's National Fraud Initiative, identifying and sharing fraud trends and alerts, as well as processing requests for information from other law enforcement agencies to prevent and detect crime and protect the public purse.

The Counter Fraud Unit operates within the following legal framework:

- The Fraud Act 2006
- POSHFA (Prevention of Social Housing Fraud Act 2013)
- PACE (Police and Criminal Evidence Act 1984)
- General Data Protection Regulations
- CPIA (Criminal Procedure and Investigations Act 1996)
- RIPA (Regulatory Investigation Powers Act 2000)
- HRA (Human Rights Act 1998)
- Council Tax Reduction Scheme 2013
- Investigatory Powers Act 2016

All Investigation Officers within the unit are Accredited Counter Fraud Specialists (Portsmouth University) and currently the team has a National Crime Agency qualified Financial Investigator, Financial Intelligence Officer and a Senior Appropriate Officer.

Anti-Money Laundering

The Counter Fraud Lead Officer is responsible for supporting the Council's Money Laundering Reporting Officer (MLRO) in their role. This includes the development of the Anti-Money Laundering Policy and associated procedures, the screening of money laundering concerns and producing Suspicious Activity Reports (SARs) for the National Crime Agency.

Under the [Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#) offences exist for those participating in financial transactions whereby there is deliberate attempt to launder money or failure to report a suspicion of money laundering. Therefore, the Council has a responsibility to report genuine concerns before processing transactions.

3 Counter Fraud Update

National Fraud Initiative (NFI)

The NFI programme is an exercise administered by the Cabinet Office and has been in existence since 1996. It operates on a two-year cycle, where data from public and private organisations is collated and matched. Participating agencies receive reports for consideration and investigation. The data matches identify inconsistencies that may require further investigation and allow potentially fraudulent claims and payments to be identified. The Cabinet Office conducts the NFI exercise under the statutory data matching powers in Part 6 and Schedule 9 of the Local Audit and Accountability Act 2014.

The 2022-2023 matches are currently being processed having been released earlier in 2023. While the exercise is still being conducted, already fraud and error to the value of £28,600 has been identified, the majority of which is made up of Council Tax Reduction or Single Person Discount. With an additional £512,000 worth of estimated savings based on the Cabinet Officer's notional savings calculations. These estimated figures are based on over 90 potentially fraudulent housing applications being cancelled prior to the allocation process beginning and the over £14,000 in Council Tax reduction which was prevented.

Council Tax Single Person Discount (SPD)

The Council has a rolling program to review the discount awarded (25%) to those residents who claim a Single Person Discount. When it is established an incorrect discount has been awarded, the discount will be removed and the outstanding council tax liability will be recovered. The [Council Tax Reduction Schemes \(Detection of Fraud and Enforcement\) Regulations 2013](#) allows a financial penalty to be issued to act as a further deterrent and where appropriate these are administered by the Counter Fraud Unit.

Council Tax SPD Fraud 2022-2023	
Financial value of SPD awards removed	£56,983
Number of penalties issued	103
Financial value of penalties issued	£7,210

SPD fraud is identified by a range of pro-active exercises, ongoing verification by council officers and reports from members of the public who contact the Council to report fraud.

Completed Investigations – Financial Year 2022-23

Throughout the year the Counter Fraud Unit has undertaken a wide variety of investigations. Common areas of fraud form the foundation of the work undertaken, however the wide range of services provided by the Council will always present an opportunity to be exploited. Strong links in high risk areas such as Neighbourhoods and Direct Payments continue to identify suspected fraud requiring investigation. Additional training with the Parking Enforcement Team has seen an increase in Blue Badge investigations. This year has also seen the conclusion of Covid Business Grant investigations, unless any new information comes to light.

Completed investigations - financial year 2022-23	
Completed investigations	180
Prosecutions	9
Housing applications cancelled prior to allocation	28
Housing properties recovered	36

The prosecutions contained within the table included matters relating to Direct Payments, Covid business grants, Blue Badge fraud, Subletting and the theft of a council laptop by a former employee.

Fraud associated with social housing continues to be a large area of fraud identified by the Counter Fraud Unit and continues to be a threat to local authorities. The National Fraud Authority have estimated the cost to be £900m. Tenancy Fraud also has links to anti-social behaviour and has an impact on the demand for social housing, waiting lists and the cost of emergency accommodation on the Council.

Value of fraud for completed investigations - financial year 2022-23	
Council Tax fraud	£41,471
Housing Benefit fraud	£57,090
Covid business grants	£45,000
Direct Payments	£77,879
DWP benefits	£11,138
Value of housing applications cancelled* (notional value)	£90,720
Value of housing properties recovered* (notional value)	£3,348,000
Value of Right to Buy Discount (prevented sales)	£165,800

*Using the Cabinet Office's calculation methodology

The Cabinet Office provide an estimate for the cost of a fraudulent housing application (£3,240) and a social housing property recovery (£93,000). These are based on the average cost of emergency accommodation, the cost of recovering and re-letting a property and the amount of rent foregone during the void period between tenancies.

While the Council no longer have the ability to prosecute offences of Housing Benefit due to the Welfare Reform Act 2012, investigations into other areas of fraud can identify potential overpayments of benefits. At which time the Counter Fraud Unit will look to liaise with the

council's Revenues and Benefits Department and DWP to amend records, identify overpayments and recover losses.

Publicity

Raising awareness and celebrating success increases the likelihood of frauds being reported, helps to deter fraudsters from targeting the Council and demonstrates to Sandwell residents what the Council is doing to tackle the issues and protect public money.

Pursuing offenders and having the capability to hold those to account who attack public funds forms part of the Council's anti-fraud strategy. It sends a message to other potential fraudsters and assists with the recovery of losses through the use of the Proceeds of Crime Act 2002.

Several recent investigations conducted by the Counter Fraud Unit have resulted in positive convictions against fraud. These include:

Sandwell Council employee tried claiming fake business grant from his own authority

A Sandwell Council employee tried to fraudulently claim a Covid business rate support from the authority he worked for.

Link: <https://bit.ly/3pDmOvu>

Sandwell Council prosecutes woman for £12.6k benefit fraud

Link: <https://bit.ly/46MWUWS>

Businessman fraudulently obtained £10,000 of Covid support money

A man falsely obtained a Covid grant for £10,000 for a company he used to run in West Bromwich despite it having been dissolved the year before.

Link: <https://bit.ly/44tnaU7>

The work undertaken by the Counter Fraud Unit was also acknowledged by the Cabinet Office's National Fraud Initiative Report for 2022. An investigation was highlighted as a case study (page 30 of the report). It had initially been identified as a potential Council Tax Reduction fraud, but following an investigation resulted in a council property being recovered as well as Council Tax fraud being identified.

Link: <https://bit.ly/3XFtm9d>



Council tax reduction scheme match resulted in recovery of a council property

A Council Tax Reduction Scheme (CTRS) match highlighted an individual who was claiming from both Sandwell Metropolitan Borough Council (MBC) and a neighbouring council.

As Sandwell MBC's Counter Fraud Unit takes a wider and holistic approach to potential fraud investigations, when looking into this case the individual was also found to be a tenant living in social housing provided by Sandwell MBC. Therefore, there appeared to be a linked tenancy fraud as after acquiring a tenancy in Sandwell, the individual had purported to be homeless to the neighbouring council. The neighbouring council subsequently temporarily housed them before awarding a tenancy.

As the Sandwell tenancy was still a non-secure status, the match allowed Sandwell to identify the fraud quickly enough to serve a Notice to Quit before the tenancy became secured. This resulted in a more cost-effective recovery process. Within six weeks of reviewing the match the fraud was identified, the tenancy was terminated and the property was recovered. The property has since been allocated to an individual who needed social housing.

The NFI match not only allowed the property to be allocated to someone in genuine need, but also resulted in the CTRS claim being cancelled and provided the council's Debt Recovery Officers with a forwarding address of the individual to pursue outstanding Council Tax of £500 and rent arrears of £2,500. The value of fraud detected and prevented for his case totals £96,000 including recovery of the property.



Partnership Working

Audit Services have a partnership working arrangement with West Midlands Fire Service and Sandwell Children's Trust. As part of the arrangements the Counter Fraud Unit continue to provide a service to both organisations.

The Counter Fraud Unit also has a number of other connections and affiliations with local and national organisations, which encourage the use of shared best practice, working arrangements, counter fraud initiatives and the sharing intelligence. The affiliations include:

- National Anti-Fraud Network (NAFN)
- Midland Fraud Group
- National Investigation Officers' Group (NIOG)
- Regional Financial Investigators Group (West Midlands)
- Midland Fraud Forum
- Tenancy Fraud Forum
- National Crime Agency (NCA)