

# Counter Fraud Strategy

Sandwell Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated.

The Council has a duty to protect to public funds and in times of austerity this is even more impetrative. At a time when the council is under pressure to deliver services with stricter budgets in place, it is vital there is strategy in place to ensure the Council gets the most from its counter fraud resources.

This strategy forms part of the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.

When establishing the Council's Counter Fraud Strategy consideration has been given to several national documents and strategies, these include the Local Government Counter Fraud and Corruption Strategy 2020 and the more recent Government Counter Fraud Profession Strategy 2023-25.

CIPFA's Fighting Fraud & Corruption Locally programme created the Local Government Counter Fraud and Corruption Strategy. It provided a blueprint for a tougher response to fraud and corruption perpetrated against councils. In 2020 changes were made to the key principles of the strategy. Built on the foundation of the original three principles, a new five principle system has been developed. These five principles are: Govern, Acknowledge, Prevent, Pursue and Protect.



The strategy also included the Six C's. Six themes which set out how councils measure and ensure their counter fraud response is comprehensive and effective. These themes have been incorporated into the council's Anti-Fraud & Corruption Policy and the Counter Fraud Strategy.



## **Culture**

The Council operates a zero tolerance on fraud, corruption and bribery. When there are sufficient grounds, an investigation will be carried. Investigations will be carried out to the highest possible standard and when appropriate, action will be taken to pursue criminality, misappropriation and inappropriate conduct via further proceedings available to the Council. Wherever possible the recovery of lost and stolen monies and/or property from the council will be pursued.

## **Whistleblowing**

The Council has an established Confidential Reporting Code (Whistleblowing Policy). An avenue which can be used by employees to raise concerns. Reports of fraud or financial misappropriation made through the policy will be referred to Audit Services for investigation.

The Council encourages whistleblowing. Key to this, is building staff confidence in the policy. Reporting methods are promoted through the council's website.

The Counter Fraud Unit also operates other fraud reporting tools, which are available to members of the public, allowing them to raise their concerns via email or through an online reporting tool which allows anonymity.

## **Conduct and transparency procedures for employees and elected members**

The Council promotes both transparency and high-level behaviour expectations via its Gifts and Hospitality Procedure, the respective Codes of Conduct relevant to employees and elected members and the requirement to declare conflicts of interest.

It is a requirement of the council's Financial Regulations to ensure the Chief Financial Officer is made aware of any fraud, theft, irregularity, improper use or misappropriation of council property or service. Incidents of this nature will be reported to Audit Services for them to be investigated. In instances when an investigation conducted outlines improper behaviour, Senior Officers are responsible for ensuring the council's disciplinary procedures is initiated.

## **Prosecutions and alternative penalties**

When allegations of fraud are made, criminal action will always be a consideration. Potential criminal proceedings will also act as a deterrent to those considering committing fraud or misconduct. A criminal conviction will also act as an initiation to activate recover proceedings via the Proceeds of Crime Act 2002. Section 222 and 223 of the Local Government Act 1972 give the council the right to prosecute and appear in court. Once an investigation has been completed, if appropriate and if an investigation meets the requirements as set out in the [Code for Crown Prosecutors](#) then a prosecution can be a consideration.

In the absence of a prosecution alternatives actions can be taken, including:

- Council Tax Reduction Penalties, in the case of Council Tax fraud
- Cautions
- Expulsion from the housing registrations waiting list (in the case of social housing fraud investigations)
- The recovery of a council property / termination of a council tenancy
- Disciplinary action, in the case of council employees
- Referral to the Monitoring Office in the case of a Member Code of Conduct breach.

### **Recovering financial losses**

Whenever a financial loss occurs recovery action will be considered. The use of the Council's income collection processes and procedures are used as much as possible, including Council Tax, Business Rates and Housing Benefits. When required to do so, Counter Fraud Officers will provide additional support to service areas to help identify and trace debtors using investigate tools and other council systems.

Other recovery avenues such as the use of the Proceeds of Crime Act 2002, the Prevention of Social Housing Fraud Act 2013 - Unlawful Profit Orders and accessing employee / ex-employee occupational pensions will be a consideration where appropriate.

### **Leadership from the Senior Leaders**

The culture of any organisation is lead from the top. This includes tackling fraud, whether it be promoting and protecting whistleblowers or ensuring there is sufficient capacity to investigate fraud. Elected members, the Chief Executive, Directors and the Senior Leadership Team have the ability and responsible to deliver an anti-fraud culture.

There is also a role for the Council's the Audit and Risk Assurance Committee to challenge counter fraud activity being conducted by the Council, by understanding what the risks are, what measures are in place and what work is undertaken to reduce and investigate fraud and misconduct. Regular reports and updates are taken to the committee to assist them in fulfilling this role.

## **Capability**

The Council should be satisfied it has a range of appropriate anti-fraud resources and measures deployed to ensure it has the capability to address any risks posed.

### **Horizon Scanning**

Keeping up to date with emerging fraud trends and identifying possible new risks is a constant cycle. New incentives, services or schemes offered by the Council could attract potential fraudsters. The Council is associated to several professional bodies who supply fraud alerts and intelligence identifying new threats both in the public and private sector. Frauds from a geographical prospective are also taken into account.

### **CIPFA Fraud and Corruption Tracker**

Participation in CIPFA's Fraud and Corruption Tracker (CFaCT) survey gives the council a national picture of fraud, bribery and corruption across UK councils. It helps the council to understand where fraud losses could be occurring, provide guidance on the value of fraud losses and identify emerging frauds.

### **Fraud Risk Register**

The Council maintains a Fraud Risk Register, used to rate risk on a RAG (Red/Amber/Green) rating. The register is reviewed on a regular basis to ensure it is up-to-date and in line with current trends. Risks are assessed on the likelihood of them occurring and the impact of such an occurrence.

### **Pro-active and Re-Active Work**

In order to tackle fraud effectively there is a need to identify fraud and be pro-active in identifying potential fraud. There will always be the need to react to concerns being raised internally or from members of the public, but pro-active work such as data matching is imperative to identify new fraud trends or particular frauds which are more difficult to be identified, such as cross border frauds.

### **Data Matching Exercises**

Often there are links between a fraud committed against one service area and another, i.e. someone who has provided false information about their housing status may be living in a household where a Single Person Discount fraud is being committed. The ability to cross-check records is becoming more widely used by the council. The Counter Fraud Unit co-ordinate the Council's participation in the Cabinet Officer's National Fraud Initiative data matching exercise. This is a programme on a two-year cycle, where data from public and private organisations is collated and cross matched. Participating agencies receive data match reports

for consideration and investigation. The data matches identify inconsistencies that may require further investigation and allows potentially fraudulent claims and payments to be identified. Additional inhouse checks are also conducted in specific areas.

## **Capacity**

The Section 151 Officer has a duty to ensure proper arrangements are made for the council's financial affairs, this includes having a sufficient response in place to investigate any suspected fraud or irregularities.

Capacity is not solely about response to a potential fraud and the ability to investigate it. The controls and prevention measures in place to reduce and deter fraud is equally as important. Reducing the ability of a potential fraudster accessing the system or service is likely to be more cost effective than suffering loss and having to investigate and pursue at a later date.

## **Internal Audit**

Audits are undertaken on a regular cycle within service areas and schools, dependant on the risks perceived. Managing the risk of fraud is the responsibility of management. Internal Audit alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption.

It will also provide a preventative tool for the council to avoid the possibility of fraudulent practices.

## **The Counter Fraud Unit**

The Council has specialist investigation officers assigned to investigate fraud and corruption when suspicions arise. Investigations will be conducted to a criminal standard, should the evidence obtained need to form an investigation which eventually needs to be presented a court of law. Investigations conducted in this nature are also able to withstand the robust scrutiny of other processes, such as disciplinary proceedings or member's standards investigations. Aside from the conducting investigations, Counter Fraud Officers will provide advice, support and fraud awareness.

## **Compliance Work**

Aside from investigation work, proactive compliance work is undertaken by the Counter Fraud Unit, in conjunction with the Council's Revenues and Benefits department. The aim of the team is to use detection methods and techniques to identify fraud within Council Tax. Predominately this is aimed as Single Person Discount Fraud, however other Council Tax discounts and exemptions are also periodically reviewed.

Since this work began in 2016, officers have reviewed and inspected Council Tax accounts as part of a rolling programme, as opposed to the previous approach which was done on an annual or bi-annual review. This increases the potential detection rate and results in fraud and error being identified earlier meaning that losses are reduced and recovered in a much quicker timescale.

In instances when an incorrect discount has been claimed a statutory [Council Tax Penalty](#) will be applied in accordance with *the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013* to the account in order to deter occurrences in the future.

### **Cabinet Office's AppCheck**

As part of the council's approach to tackling Tenancy Fraud, Neighbourhood Services use the Cabinet Office's 'AppCheck' platform. Using technology as a preventative measure, this software allows the information on housing applications to be verified and identify instances of fraud. The checks undertaken identify issues of falsehood, including names, previous addresses or an individual's circumstances, such as persons with no recourse to public funds. This allows potential tenants to be screened before tenancies are allocated, preventing the need for further investigation and eviction proceedings, both of which can become time consuming and costly. The Counter Fraud Unit is responsible for user access and liaison with Neighbourhood Services should a suspected false application be identified.

### **Fraud Awareness**

In recent years some Councils have found it more difficult to have a dedicated fraud service. This can create capacity issues, therefore it is more important than ever that employees receive fraud awareness and know how to report their concerns. The Council cannot rely solely on the Council's Counter Fraud Unit and Internal Audit to identify fraud, it is the responsibility of service areas to put in place fraud prevention methods and report instances of fraud when discovered or suspected. Fraud awareness training is provided as part of a rolling program. This includes employees in general, elected members and employees in specific areas who are more likely to encounter fraud or have the opportunity to identify it.

## **Competence**

It is important to have the right people with the right skills and standards in place to prevent and investigate fraud and misconduct.

### **Accredited Counter Fraud Specialists**

All investigation officers with the Counter Fraud Unit are Accredited Counter Fraud Specialists, accredited through the University of Portsmouth.

## **Experience**

Officers within the Counter Fraud Unit have a high level of experience in dealing with investigations, both through the judicial system and internal procedures.

This includes compliance with:

- Police and Criminal Evidence Act 1984 (PACE)
- Regulatory Investigation Powers Act 2000 (RIPA)
- Prevention of Social Housing Fraud Act 2013 (POSHFA)
- Proceeds of Crime Act 2002 (POCA)
- Data Protection Act 2018
- Criminal Procedure and Investigations Act 1996 (CPIA)
- Investigation Powers Act 2016
- The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013
- Human Rights Act 1998
- Relevant council polices

## **Training**

In order to ensure Counter Fraud Officers have the ability and knowledge to carry out effective investigations, training and development are essential. Officers of the Counter Fraud Unit receive regular training on emerging fraud trends as well as refresher training on existing legislation, including the Data Protection Act and Regulation of Investigatory Powers Act 2000 (RIPA)

## **Other Associated Qualifications**

Currently the Counter Fraud Unit has a qualified NCA (National Crime Agency) Senior Appropriate Officer and Financial Intelligence Officer and an International Compliance Association accredited Advanced Certificate holder in Anti Money Laundering.

## **Specialist Powers**

While Council Investigation Officers may not benefit from the powers assigned to that of Police Officers, authorised powers are bestowed to council investigators under the Prevention of Social Housing Fraud Act (PSHFA), The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations and when qualified, the Proceeds of Crime Act 2002. It is vital that officers understand the powers assigned to them and utilise them where possibility to maximise investigation effectiveness.



### **Access to premises and documentation**

As prescribed within the Council's Financial Regulations officers from Internal Audit and the Counter Fraud Unit have the right of access to all records, assets, personnel and premises, including those of partner organisations when conducting their enquiries. This is considered to be good practice and meets a requirement of CIPFA' Fighting Fraud and Corruption locally checklist.

## **Communication**

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

### **Fraud Alerts**

Focused on prevention, the Counter Fraud Unit continually receive fraud alerts from several intelligence agencies and professional bodies. These alerts are sifted and dispersed to the relevant service areas (as well as schools where necessary) in order to share the intelligence and raise awareness of any particular fraud. Key contacts in high risk areas have already been established, allowing urgent concerns to be distributed timely.

### **Sharing Stories / Acknowledging Success**

Publishing court cases and case studies has been a long-standing tactic used by the Counter Fraud Unit. It acts as a deterrent to potential fraudsters.

Results and articles appear in the local press and on the council's website. Case studies have also received National coverage having appeared on one BBC One TV programmes Saints & Scroungers and Council House Crackdown.

Case studies have also appeared in previous versions of The Audit Commissions' Protecting the Public Purse, CIPFA's Fraud and Corruption Tracker Report and the National Fraud Initiative's Annual Report.

### **Audit and Risk Assurance Committee**

An annual fraud report is presented to the committee detailing progress within the annual financial period. In addition to the annual report, progress reports will be issued to the committee, identifying key benchmarking national reports or progress reports in specific areas or investigations.

## Collaboration

CIPFA's Fighting Fraud & Corruption Locally Strategy identifies the need for collaboration by councils. Fraudsters do not respect boundaries, on the contrary if a fraud is proven to be successful fraudsters and often attack similar organisations or councils by using the same techniques. There is a need to be well placed to detect fraudulent activity carried out by individuals and groups. Once detected, intelligence should be shared and disseminated to protect public funds and prevent fraudulent activity continuing.

### Data Sharing

The Council continues to use the National Fraud Initiative, a bi-yearly national data match carried out by the Cabinet Office using data sources from all councils and other public services. The council also use the yearly exercise to target single person discount fraud and have also utilised the Cabinet Office's flexible data matching service, allowing data matches to be carried out more frequently with a tailored approach towards specific areas.

### External groups and membership

In order to ensure both collaboration and to share good practice the Counter Fraud Unit has active memberships and subscriptions with a number of groups designed to combat fraud, this includes:

- CIPFA
- NAFN (National Anti-Fraud Network)
- Midland Fraud Group
- Royal Bank of Scotland
- National Crime Agency FISS (Financial Investigation Support System)
- Midland Fraud Forum
- Intec
- Midland Financial Investigators Group
- International Compliance Association

Representatives from the Counter Fraud Unit regularly attend a selection of regional groups, the purpose being to understand the local fraud landscape, share best practice, intelligence and identify potential cross boarder issues. These groups include;

- Midland Fraud Group - a collection of Midland Council's fraud departments (hosted by Sandwell)
- Midland Fraud Forum - a combination of Public and Private Sector organisations.
- Midland Financial Investigators Group – a group of NCA Accredited Financial Investigators.

### **Links with other Law Enforcement Agencies**

There is often links between frauds against councils and other areas such as benefit fraud, tax evasion, etc. Officers within the Counter Fraud Unit continue to develop links with other agencies locally and nationally, which has resulted to links with:

- West Midlands Police - ROCU (Regional Organised Crime Unit)
- West Midlands Police ECU (Economic Crime Unit)
- Serious Fraud Office
- DWP - Single Fraud Investigation Service
- HMRC
- The Charity Commission

### **Internal Collaboration**

The detection of fraud and misconduct and any subsequent investigation will not be limited to the Counter Fraud Unit. Often it is a service area that will identify and report a concern either to the Counter Fraud Unit directly or to Internal Audit. When the investigation process is commenced, additional advice and support will be needed from other departments such as Legal Services and HR due potential cross-over issues, or the need to involve these departments as the investigation progresses. Close links have been formed with these departments to ensure a cohesive approach in any investigation maintaining processes are followed without impacting the investigation, other associated policy/procedures and the rights of the person being investigated.

Key areas for abuse of fraud are those which involve financial gain and assets. Therefore, strong bonds have been formed with areas who deal with finances and large council assets open to abuse, such as the Council Finance department, Revenues and Benefits and Neighbourhood Services. There is regular liaison between the Counter Fraud Unit and these service areas aimed at increased communication to reduce the threat of fraud occurring.