

Counter Fraud Update
March 2022

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 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

The Counter Fraud Unit

The Counter Fraud Unit, based with Audit Services, is responsible for carrying out investigations into areas of suspected or reported fraud. Both pro-active and re-active work is undertaken to detect, prevent and investigate fraud.

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.

Anti-Money Laundering

The Counter Fraud Lead Officer is also 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 procedures, the screening of money laundering concerns and producing Suspicious Activity Reports for the National Crime Agency in consultation with the MLRO.

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. On a two-yearly basis data from participating organisations made up of public and private organisations is collated and cross match. 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. No assumption can be made as to whether there is fraud, error or another explanation until the investigation process is completed.

In February 2021 data matches for the current exercise began to be received. To date 516 matches have been investigated and processed. This has led to identifying overpayments and errors amounting to £54,965 and an additional estimated saving of £268,000 based on the Cabinet Officer's notional savings calculations. These figures include £41,000 in overpaid benefit claims, 52 fraudulent housing applications being cancelled prior to the allocation of a tenancy and the termination of a council property tenancy which had been obtained fraudulently, allowing the property to be returned to the council's stock and made available for those with a genuine need.

Covid-19 Grant and Support Payments

In March 2020 the Department for Business, Energy and Industrial Strategy (BEIS) introduced Small Business Grants, Retail, Hospitality and Leisure Grants and Local Authority Discretionary Grants to support businesses affected by Covid -19. In total £58 million in this tranche of grants were awarded to business within the borough. Pre-and post-payment checks identified £65,000 in overpaid grants which are now the subject of recovery action and a further £530,000 worth of ineligible or potentially fraudulent claims were prevented before payment.

The council has now completed the post payment assurance checks outlined by BEIS to date, with no additional issues being identified.

Since October 2020, a further series of grants became available to local businesses. These grants, were aimed to support those affected by local and national restrictions, those impacted by the Omicron variant and some specific types of businesses. All these grants are the subject of due diligence checks, similar to that of the earlier Covid-19 grants. However, due to the timing and with ongoing experience, staff, systems and processes were better prepared than in March 2020. To assist with these grants the council has utilised third party software, developed to manage applications, check entitlement and aid with the award process.

Total number of grants paid (all types)	8,103	£35,810,807
Total number of grants overpaid and subject of recovery actions	29	£95,957

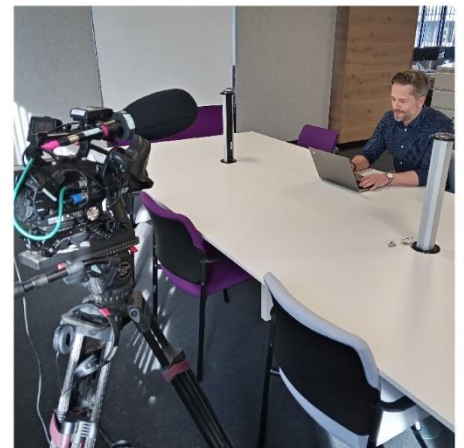
Some of the second phase grants are still being concluded, therefore an element of post payment assurance checks will remain.

Due to the nature of fraud, it may often be found retrospectively and due to the urgency with which these grants were processed and paid there was a risk that some fraudulent payments may have occurred. However, the Counter Fraud Unit continue to work with BEIS, the Cabinet Officer (data matching) and other assigned business grant counter fraud partners, NAFN (National Anti-Fraud Network) and NATIS (National Investigation Service) to detect and investigate any potential fraudulent payments, criminal activity and organised crime. At this time 16 grant payments are the subject of ongoing investigations by the Counter Fraud Unit, with one matter currently progressing through the criminal court system and due to appear at Wolverhampton Magistrates Court later in March 2022.

Fraud Squad

Some of the work carried out by the Counter Fraud Unit has this year featured on the BBC One TV series, Fraud Squad.

Proactive work such as this is a tactic aimed to increase the likelihood of frauds being reported, helping to deter fraudsters from targeting the council and demonstrating to council residents what we are doing as a council to tackle crime and protect public money.



The show was aired in January 2022 and can still be accessed via the BBC iPlayer@ [bbc.co.uk/programmes/m001433f](https://www.bbc.co.uk/programmes/m001433f)

Sandwell School Fraud Awareness Bulletin

In December 2021 all Sandwell schools were provided with a fraud awareness bulletin. The purpose of which was to provide them with knowledge and advice from the lessons that have been learnt from a previous fraud investigation conducted by the council, as well as serving as a reminder for general good practices to avoid fraud and misuse of school funds.

The bulletin was aim at school Senior Leadership Teams and members of Governing Body. It also provided reporting mechanisms, should concerns of fraud occur. A copy of the document is attached to this report at *Appendix A*.

Midland Fraud Group

The Counter Fraud Unit organise, host and chair the Midland Fraud Group. The group consists of the Heads of Fraud from councils across the Midlands. Its purpose is to identify fraud trends, share best practice and collectively combat fraud across a regional area. At the last meeting in February 2022 discussions were held on:

- Fraud within the Council Tax Reduction Scheme
- Post verification of Covid-19 grants, and
- Anti-Money Laundering

Direct Payment Fraud Prosecution



In February 2022 the council secured a conviction against an individual who committed fraud against the Social Care Direct Payment scheme.

The investigation uncovered the misuse of funds, which were intended to assist with the care needs of another family member. Further offences, included the use of false bank statements, aimed to conceal of the misuse of funds when the Direct Payment package was reviewed by officers.

The individual was convicted for three offences under the Fraud Act 2006, which resulted in a £14,000 loss, having pleaded guilty to the offences at an earlier hearing. They were sentenced to a 4-month custodial sentence suspended for 12 months and ordered to pay £1,200 in prosecution costs.

Fraud Risk Register

The Counter Fraud Unit maintain the Council's Fraud Risk Register which helps inform the counter fraud work undertaken, and the latest version can be found at Appendix B of this report.