



**Sandwell**  
Metropolitan Borough Council

# Audit and Risk Assurance Committee

## Counter Fraud Report - July 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 within 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 help 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 associated procedures, the screening of money laundering concerns and producing Suspicious Activity Reports (SARs) for the National Crime.

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

### Sandwell School Fraudulent Payment Alert

In July 2022 a Sandwell School was the target of an attempted fraudulent payment attack. Fraudsters created an email account to replicate that of the Headteacher of the School, in an attempt to try and convince school finance employees to process a significant payment. Fortunately, the school staff identified the fraud and no payment was made. The instance

was reported to the Counter Fraud Unit, an alert to all Sandwell Schools was immediately issued in order to raise awareness and make the schools aware of the threat.

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

The NFI programme is an exercise administered by the Cabinet Office. It 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. 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.

Preparations for the 2022-2023 programme are taking place. The Counter Fraud Unit will collect and cleanse the data from multiple Council departments before submitting data by the October 2022 deadline. Data matches will be released to the Counter Fraud Unit in early 2023.

On conclusion of the 2020-2021 exercise 516 matches were processed and investigated. This identified overpayments amounting to £54,965 and an additional estimated saving of £268,000 based on the Cabinet Officer's notional savings calculations. These figures included 52 fraudulent housing applications being cancelled prior to the allocation, the termination of a council property due to tenancy fraud and over £40,000 overpaid benefits.

The national 2020-2021 NFI report is expected to be released by the Cabinet Office in the summer of 2022 and will be shared with the Audit and Risk Assurance Committee once released.

## **Covid-19 Grant and Support Payments**

To support businesses affected by Covid -19, the Department for Business, Energy and Industrial Strategy (BEIS) introduced a series of grant schemes throughout the pandemic. The initial grant schemes were Small Business Grants, Retail, Hospitality and Leisure Grants and Local Authority Discretionary Grants. In total £58 million of grants were paid to businesses within the borough.

The grants were the subject of pre-payment and post payment checks. These checks identified £530,000 worth of potentially fraudulent claims which were prevented before payment and £65,000 in overpaid grants which are the subject of recovery action and a further potential action. The Council has completed the post payment assurance checks outlined by BEIS which did not identify any additional issues.

Following the initial tranche of grants, a series of additional grants and support payments 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.

These additional grants were the subject of due diligence checks, as well as pre-payment and post payment checks similar to that of the earlier Covid-19 grants. These grants payments have now been completed and data of fraud prevention and loss has been

supplied to BEIS as part of the reconciliation and assurance process. Details are included in the table below:

Grant Type	Number of Prevented Fraudulent Incidents	Value (£) of Prevented Fraudulent Incidents	Number of Detected Fraudulent Incidents	Value (£) of Detected Fraudulent Incidents
Restart Grants	12	70,668	-	-
Local Restrictions Support Grants	3	25,000	2	11,000
Additional Restrictions Grants	1	3,000	4	4,000

Investigation work relating to grant payments continues, this includes liaison with BEIS, the Cabinet Office 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.

## Fraud Prosecutions

Pursuing offenders and having the capability to punish those who attack public funds forms part of the Council's anti-fraud strategy. It sends a message to other potential fraudsters and also assists with recovery of losses. Several investigations conducted by the Counter Fraud Unit have concluded in 2022, resulting in positive convictions against fraud. These include:

- ◆ A council tenant who sublet his council accommodation to an unknowing third-party by using an estate agent to collect rental payments. The individual then retained the money leaving substantial rent arrears against his council tenancy. Having failed to attend court a warrant for his arrest was issued, he was later arrested attempting to board a flight to Switzerland. He was fined £250 and ordered to pay compensation and a contribution towards costs. An Unlawful Profit Order under the Prevention of Social Housing Fraud Act 2013 was made in respect of the income that he received from the property being sub-let. In total he was required to pay the total sum of £5,426 in full to avoid spending 60 days in jail
- ◆ An individual who alleged he had paid rent arrears payments of £4,000 to the Council which had not been recorded against the relevant rent account. Payment receipts and bank statements were provided to support the payments he had made. However, a subsequent investigation established these documents and the claims that payments had been made were false. He was sentenced to 12 months in prison, suspended for two years and ordered to carry out 120 hours of unpaid work as well as pay a contribution towards the council's legal fees of £500.

## Fraud Squad

As previously reported, some of the work carried out by the Counter Fraud Unit has this during the 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)

## 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 June 2022 discussions were held on:

- Blue Badges
- Anti-Money Laundering
- Sanctions

## 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 A of this report.