

# Audit and Risk Assurance Committee

## Counter Fraud Report - July 2024



# 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.'*

In 2023 the Home Office's [Fraud Strategy: Stopping Scams and Protecting the Public](#) outlined the fact fraud now accounts for over 40% of crime, but receives less than 1% of police resource. This highlights the significant responsibility that council's and other public bodies have on protecting the public funds they are responsible for administering and being able to tackle fraud themselves, rather than rely upon police forces which are already stretched in dealing with these issues.

## 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.

Throughout the year the Counter Fraud Unit will conduct other duties such as:

- Identify and share fraud alerts in order raise the profile on specific frauds and trends.
- Co-ordinated the council's compliance with the Cabinet Office's National Fraud Initiative.
- Process requests for information from other law enforcement agencies to prevent crime and protect the public purse.
- Provide Fraud Awareness training.
- Act as the Single Point of Contact for the Department of Work and Pensions' Single Fraud Investigation Service.
- Conduct and support corporate council investigations when required to do so.
- Raise the profile of the council's counter fraud activities via press releases.
- Administer the council's 'App Check' program, allowing Applications and changes within the council's Housing stock to be checked and validated against various datasets.
- Provided investigate support to our partners West Midlands Fire Service and Sandwell Children's Trust.

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

They also operate, within the following powers given to local authorities under the Local Government Act 1972

- **Section 222** – Right to prosecute: Where a local authority considers it expedient for the promotion or protection of the interests of the inhabitants of their area they may prosecute, defend or appear in any legal proceedings and, in the case of any civil proceedings, may institute them in their own name.
- **Section 223** – Right to appear in court: Any member or officer of a local authority who is authorised by that authority to prosecute or defend on their behalf or to appear on their behalf in proceedings before magistrates' court shall be entitled to prosecute or appear in any such proceedings and to conduct any such proceedings.
- **Section 111** – Right to act: Without prejudice to any powers exercisable apart from this section but subject to the provisions of this Act and any other enactment passed before or after this Act, a local authority shall have power to do any thing (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to the discharge of any of their functions.

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

## **Anti-Money Laundering**

The council is required to have its own Money Laundering Reporting Officer (MLRO), who is Alex Thompson, the Executive Director of Finance and Transformation. The MLRO is supported in that role by the Counter Fraud Lead who acts as a Nominated Officer as identified by the council's Anti-Money Laundering Policy.

The work undertaken includes the development and reviewing of the Anti-Money Laundering Policy and its associated procedures, the screening of money laundering concerns and producing Suspicious Activity Reports (SARs) for the National Crime Agency.

Under the [Money Laundering Regulations](#) 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. The council has a responsibility to report genuine concerns before processing transactions.

### 3 Counter Fraud Update

#### Council Tax Single Person Discount (SPD)

The Council has a rolling programme to review the discount awarded (25%) to those residents who claim a Single Person Discount. When it is identified that 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.

SPD fraud is identified by a range of pro-active exercises, including an annual screening of data administered by the Cabinet Office through their National Fraud Initiative as well as ongoing verification by council officers and reports from members of the public who contact the council to report fraud. During they year the council had the following successes in tackling SPD fraud.

Council Tax SPD Fraud 2023-24	
Financial value of SPD awards removed	£68,496
Number of penalties issued	192
Financial value of penalties issued	£13,440

#### Completed Investigations – Financial Year 2023-24

Throughout the year the Counter Fraud Unit has undertaken a wide variety of investigations. The main threat 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, Revenues and Benefits and Direct Payments continue to identify suspected fraud which require investigation. Following a concerted effort within the past 18 months, there has also been an increase in the amount of investigations relating to blue badge fraud.

Completed investigations - financial year 2023-24	
Completed investigations	186
Prosecutions	12
Housing applications cancelled prior to allocation	19
Housing properties recovered	30
Housing priority status removed	2
Right to Buy purchases cancelled	1
School places withdrawn	2
Warning letters issued for blue badge misuse	13

The prosecutions contained within the table included matters relating to council tenancy subletting, direct payments, blue badge fraud and a covid business grant.

Fraud associated with social housing continues to be a high-level risk as identified both locally by the Counter Fraud Unit and nationally. It continues to be a threat to local authorities. The National Fraud Authority estimated the cost nationally to be at £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 2023-2024	
Council Tax fraud	£14,917
Covid business grants	£10,000
Direct Payments	£139,169
Other Benefit Awards	£10,551
Unlawful Profit Orders	£5,641
Value of Blue Badge Fraud identified*	£10,350*
Value of housing applications cancelled* (notional value)	£61,560*
Value of housing properties recovered* (notional value)	£2,790,000*
Value of Right to Buy Discount (prevented sales)	£53,457

\*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. They also provide an estimate for the misuse of a disabled person's blue badge (£575), based on the annual cost of blue badge fraud, the likelihood that badges are misused and the duration that fraudulent misuse will continue.

The Council no longer have the ability to prosecute offences of Housing Benefit due to the introduction of the Welfare Reform Act 2012 and this now rests with the Department for Work and Pensions (DWP). However, investigations into other areas of fraud can identify potential overpayments of benefits. In circumstances where this is discovered the Counter Fraud Unit will liaise with Revenues and Benefits and the DWP in order to amend records, identify overpayments and recover losses.

## 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 2022-2024 programme has been processed and concluded. The exercise identified overpayments in certain areas such as pension payments and benefit awards. It also helped detect the misuse of a council property, resulting in the tenancy being terminated and a substantial amount of housing applications being cancelled from the Council's waiting list due to fraudulent and incorrect information being supplied. In certain areas the Cabinet Office calculates additional savings made using its own methodology based on criteria such

as how long the fraud may have continued and associated costs to the council, had the issue not been detected when it had.

The results for the council from the last NFI exercise were:

NFI Data Set	Overpayment	Cabinet Office Estimated Fraud Saving
Council Tax and Housing Benefit	£198,396	£97,769
Pensions (due to deceased)	£36,813	£137,276
Housing Tenancy	-	£78,300
Cancelled Housing Applications	-	£963,675

In August 2024, work will begin, ready for the 2024-2026 NFI exercise. This involves collating data from various services areas, the cleansing of data before submitting to the Cabinet Office, as well as ensuring the correct privacy notices and associated conditions are in place.

### Prosecutions and Publicity

Pursuing offenders and having the capability to punish those who commit fraud against 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 investigations conducted by the Counter Fraud Unit concluded in 2024, resulting in positive convictions against fraud. These include:

- A tenant who was identified as subletting his council property to a third-party. The investigation established this was the second time they had sublet the property and when doing so, had been charging the sub-tenants a rental figure in excess of their own council rent to make themselves a rental profit. The investigation also identified the tenant had submitted a Right to Buy application while not living at the address and was awarded a discount of £53,000 from the market value of the property. They were convicted of seven offences relation to the Prevention of Social Housing Fraud Act 2013 and Fraud Act 2006. They were sentenced to 26 weeks in prison, suspended for 2 years, 180 hours of unpaid work and received a rehabilitation activity requirement.

The Right to Buy Application was cancelled and the property was recovered and brought back into use by a genuine tenant. The council also obtained an [Unlawful Profit Order](#) of £2,600, that being the value of the profit he had made through renting the property and were awarded costs of £2,700.

- A driver was detected as misusing a blue badge belonging to a family member, who they claimed was at home while parked on double yellow lines outside a school. The investigation identified that the badge belonged to a family member who had passed away almost two years earlier, and that the driver had provided a false name to the APCOA Parking Warden in an attempt hide their identify and avoid detection. They were sentenced to a 12-month conditional discharge and ordered to pay £300 in costs and a £26 victim surcharge.
- Additionally, cases also appeared in the local press which, included:

## **Woman who secretly rented out West Bromwich council house for a year hit with hefty court bill**

Oluwatoyin Akolisa illegally sub-let the home she got from Sandwell Council

[Tenancy Fraud Forum Link](#)

## **Mother who took money that was meant to go to carer for her daughter is ordered to do unpaid work**

A woman who collected payments towards a carer for her daughter but failed to actually employ someone for almost five years has received a suspended jail term.

Raising awareness and publishing results 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 issue and protect public money.

### **Achievements and Recognition**

The work undertaken by the Counter Fraud Unit in partnership with other departments including Legal Services, the Council's Parking Enforcement Team and APCOA Parking was recently acknowledged by the Association of Local Authority Risk Managers (ALARM), a national association that promotes and supports good practice in risk management.

The joint team effort received nominations in the ALARM annual awards ceremony, being shortlisted for two categories the Service Delivery Award and the Partnership Award.

The council and APCOA were winners of the Partnership Award 2024. The collaborative effort involved a number of officers across several teams who implemented a programme of training, joint working and data sharing which was used to effectively implement a scheme to target and tackle blue badge misuse in Sandwell.

Work continues in the area, and to date there has been 10 prosecutions and a further 18 warning letters issued as well as a cancelled blue badge application. With a further 12 cases under investigation or in the process of prosecution proceedings.



## RISK AWARD WINNERS 2024

Partnership Award winner 2024 - Sandwell Metropolitan Borough Council and APCOA



Sandwell Metropolitan Borough Council's Blue Badge Misuse Initiative Team is a joint initiative with the Counter Fraud Unit, APCOA Parking Enforcement and Legal Services. It successfully implemented a renewed scheme to target blue badge misuse. The Team's actions have resulted in increased prosecutions and community awareness, protecting vulnerable residents.

### 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 fraud 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)

### Potential Fraud Risk Areas

The Counter Fraud Unit, using various national and local information, data and intelligence have identified the following to be the key risk areas of fraud that could impact upon local authorities including the council:

<b>Housing/Tenancy</b>	Subletting, Right to Buy, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home.
<b>Council Tax</b>	Fraudulently claiming for discounts and exemptions such as the single persons discount, Local Council Tax Support.
<b>Personal Budgets / Direct Payments</b>	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.
<b>Procurement</b>	Collusion (staff, bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.



<b>Cyber Crime</b>	Cyber enabled fraud and Use of cyber resulting in loss of service, resources as well as reputational harm.
<b>Money Laundering</b>	Accepting payments from the proceeds of crime.
<b>Blue Badge</b>	Fraudulent applications and misuse.
<b>Business Rates Fraud and Avoidance</b>	Evading payment, falsely claiming rate relief, empty property exemption, charity status.
<b>Bank Mandate Fraud</b>	Fraudulent request for change of bank details.
<b>Theft</b>	Theft of council assets including cash and equipment.
<b>Grants</b>	False grant applications, failure to use for its intended purpose.
<b>Payroll</b>	Expenses, other claims, recruitment, ghost employees.
<b>Schools</b>	School accounts, expenses, procurement, finance leases.
<b>Discretionary hardship fund payments</b>	False applications and fraudulent / exaggerated claims indicating significant hardship.
<b>Sale of Land and Assets</b>	Sale of council owned land and buildings.
<b>Insurance</b>	Fraudulent and exaggerated claims.
<b>Bribery</b>	Awarding of contracts, decision making.
<b>Electoral</b>	Postal voting, Voter ID.
<b>School Admissions</b>	Fraudulent application to gain school place which a child may not be entitled to.
<b>Manipulation of data</b>	Amending financial records and performance information.

These are currently being used to help develop a comprehensive fraud risk register for the council.