



Sandwell
Metropolitan Borough Council

Audit and Risk Assurance Committee

Counter Fraud Report February 2025



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 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.

The Council's Anti-Money Laundering Policy is currently under review and the latest policy will be presented to a future meeting of the Audit and Risk Assurance Committee.

3 Counter Fraud Update

National Fraud Initiative (NFI)

The NFI programme is an exercise administered by the Cabinet Office. It has been in existence since 1996. It operates on a two-year cycle, where data from public bodies and is collated and matched. Participating agencies receive reports for consideration and investigation. 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 2024-2026 exercise is now underway. In the Autumn of 2024 work began on collating, cleansing and submitting data from 11 data sets to the Cabinet Office. Data matches have now been conducted and there are currently 3,500 matches following the first release, with more matches likely in the coming months.

The data matches identify a range of issues that may require further investigation and allow potentially fraudulent claims, payments and omissions to be identified. Matches include issues relating to social housing, Council Tax reduction, employment and blue badges. Work will be conducted by the Counter Fraud Unit and relevant service areas, depending on the nature of the matches. As the work continues on the NFI exercise, further updates will be provided.

Right to Buy - Increased Risk

Following national changes to the Right to Buy scheme in November 2024 the Council received a significant increase in the amount of right to buy applications usually received.

These changes saw the maximum discount allowed reducing from £102,400 (for a property outside of London) to £26,000. Any applications received after 21 November 2024 would not be entitled to the previous and higher discount rate.

As a result, the Council received in excess of 700 applications in a three-week period prior to the 21 November 2024 deadline. While there will obviously be a large number of genuine applications within that amount, the increased numbers do increase the risk of potential fraud or money laundering involved in any transaction.

There is already an established working relationship and good communication channels between the Council's Home Ownership Team and the Counter Fraud Unit. To help manage the increased risk within the area, additional screening will be undertaken, including additional use of the Cabinet Office's AppCheck software. Any money laundering concerns will be escalated through the anti-money laundering process, identified within the council's anti-money laundering policy and escalated to the Money Laundering Reporting Officer.

Blue Badge Scheme

As referenced in our previous report, in 2024 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 acknowledged by the Association of Local Authority Risk Managers (ALARM), a national association that promotes and supports good practice in risk management.

The Council's incentive to tackle blue badge fraud is ongoing. The Parking Enforcement Team and APCOA continue to identify instances of blue badge misuse, with matters of concern being referred to the Counter Fraud Unit.

In the 2024 calendar year, there were 15 successful prosecutions and 16 warning letters issued. Another five prosecution cases have been dealt with through the courts in early 2025. This included a magistrate's trial, whereby the defendant was found guilty of misusing their niece's blue badge in order to park in a disabled parking bay while shopping. When approached by a Parking Warden the driver became abusive and refused to allow the badge to be inspected. They were fined £500, ordered to pay a victim surcharge of £200 and costs of £1,500.

NFI Single Person Discount Review

There is a rolling programme to identify and investigate instances of Council Tax Single Person Discount fraud. Within the first three quarters of the 2024/2025 financial year a total of £40,975 in Single Person Discount savings has been identified and reapplied to the relevant Council Tax account. 72 penalties were issued, with a total value of £5,040.

Part of the ongoing work involves the use of the National Fraud Initiative's Single Person review, which involves data being submitted and matched on an annual basis. Usually this process is undertaken in December of each year, as it incorporates the publishing of the Council's electoral register. However, as 2025 is a fallow year for elections, there has been a decision to publish the electoral register in February 2025. In line with this, it has been agreed that the annual exercise would begin in 2025 to ensure relevant and accurate data is used to maximise the effective of the exercise.

Prosecutions and Publicity

Pursuing offenders and having the capability to take action against those who decide to commit fraud against public purse 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. Investigations recently concluded include:

- A Council tenant and prospective right to buy homeowner, who was identified as having a long-term partner living with them who had not been declared for the purpose of the tenancy. The investigation came from the purchase proceedings and accompanying anti-money laundering due diligence checks. It resulted in identifying overpayments of benefits in excess of £34,000 and a Council Tax Reduction amount of £5,000. They pleaded guilty to three offences at court at the first hearing and were sentenced to 20

weeks suspended prison sentence as well as being ordered to pay costs of £1,300 and a victim surcharge of £80. The overpaid benefits have been recovered and the right to buy purchase, with a £87,000 discount, was ceased.

- An individual who was prosecuted under the Fraud Act 2026 for the misappropriation of a Direct Payment award, amounting to £7,000. They were sentenced to a Community Order for 24 months with a requirement to undertake 100 hours unpaid work. With a compensation order of £3,600 also applied.
- A tenant and their father who colluded to sublet a Council property for monetary gain. Both pleaded guilty to offences under the Prevention of Social Housing Fraud Act 2013. Each defendant was ordered to a Community Order for 12 months (one with 180 hours unpaid work, the other with 220 hours unpaid work) and instructed to pay costs of £250 and victim surcharge of £90. In addition, the Council also were awarded an unlawful profit order against the tenant for the amount of £8,900. The Council property had already been relinquished as part of the investigation and the property has since been re-let.

Partnership Working

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

The Counter Fraud Unit also has a number of other links 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:

Housing/Tenancy	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. Following the recent changes to the Right to Buy legislation referred to earlier in this report, the risk in this area will increase until the influx of new applications has been processed.
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Council Tax	Fraudulently claiming for discounts and exemptions such as the single persons discount, Local Council Tax Support.
Personal Budgets / Direct Payments	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.
Procurement	Collusion (staff, bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.
Cyber Crime	Cyber enabled fraud and Use of cyber resulting in loss of service, resources as well as reputational harm.
Money Laundering	Accepting payments from the proceeds of crime.
Blue Badge	Fraudulent applications and misuse.
Business Rates Fraud and Avoidance	Evading payment, falsely claiming rate relief, empty property exemption, charity status.
Bank Mandate Fraud	Fraudulent request for change of bank details.
Theft	Theft of Council assets including cash and equipment.
Grants	False grant applications, failure to use for its intended purpose.
Payroll	Expenses, other claims, recruitment, ghost employees.
Schools	School accounts, expenses, procurement, finance leases.
Discretionary hardship fund payments	False applications and fraudulent / exaggerated claims indicating significant hardship.
Sale of Land and Assets	Sale of Council owned land and buildings.
Insurance	Fraudulent and exaggerated claims.
Bribery	Awarding of contracts, decision making.
Electoral	Postal voting, Voter ID.
School Admissions	Fraudulent application to gain school place which a child may not be entitled to.
Manipulation of data	Amending financial records and performance information.

In January 2025 the Public Sector Fraud Authority published a Practice Note on Enterprise Fraud Risk Assessments. This will be applied to the Council's current fraud risk profile (as shown above) and an updated fraud risk assessment will be presented to a future meeting of the Audit and Risk Assurance Committee.