CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee** 8 March 2021

Report Title	Audit Services – Counter Fraud Update	
Accountable Director	Claire Nye, Director of Finance	
Originating Service	Audit	
Accountable employee	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable.	

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The contents of the latest Audit Services Counter Fraud Update.

1.0   Purpose

1.1   The purpose of this report is to provide Members with an update on current counter fraud activities undertaken by Audit Services.

2.0   Background

2.1   The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Ministry of Housing, Communities and Local Government.

3.0   Progress

3.1   At the last meeting of the Audit and Risk Committee in December 2020, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

4.0   Financial implications

4.1   There are no financial implications arising from the recommendation in this report. [GE/22022021/C]

5.0   Legal implications

5.1   Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations. [TS/19022021/W]

6.0   Equalities implications

6.1   There are no equalities implications arising from the recommendation in this report.
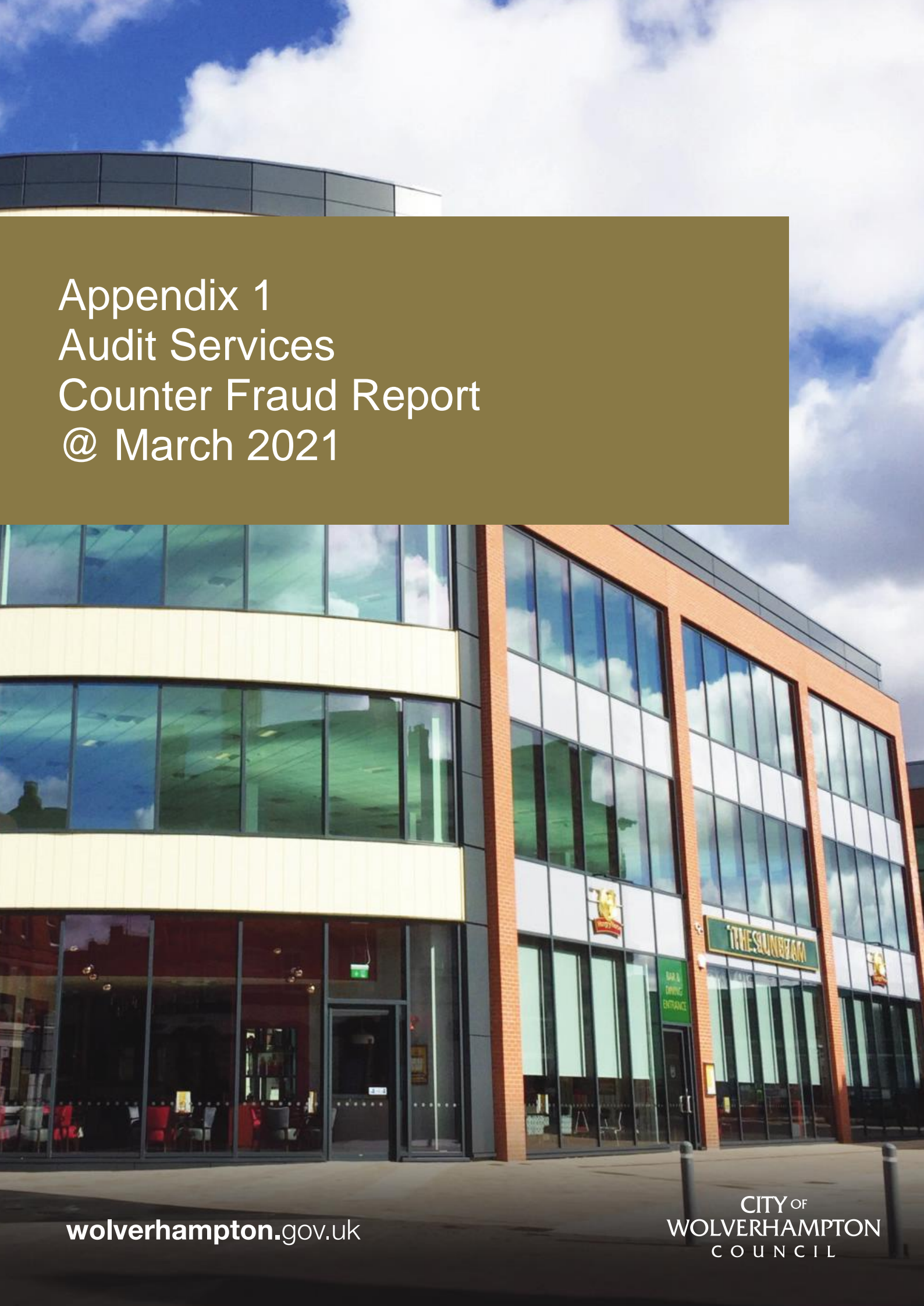
7.0   All other implications

7.1   There are no other implications arising from the recommendation in this report.

8.0   Schedule of background papers

8.1   None.

9.0   Appendices

9.1   Appendix 1: Audit Services – Counter Fraud Report March 2021.

Appendix 1
Audit Services
Counter Fraud Report
@ March 2021

1   Introduction

The counter fraud agenda is one that continues to hold significant prominence from Central Government who are promoting a wide range of counter fraud activities. The purpose of this report is to bring the Audit and Risk Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit within Audit Services.

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 Authority'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   The Counter Fraud Team

The Counter Fraud Team, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, implements the counter fraud plan and lead on the Cabinet Office's National Fraud Initiative (NFI) exercise.

The team also provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

During the Covid-19 Pandemic members of the Counter Fraud Team in conjunction with colleagues from Finance, Revenues and Benefits, and Audit have supported the due diligence activities undertaken before and after the award of the various support grants introduced by Central Government to ensure the risk of fraud is minimised.

3   Counter Fraud Update

Counter Fraud Plan

The latest status of progress against the counter fraud plan is shown at Appendix 1.

Fraud Risk Register

The Counter Fraud Team maintains the Council's fraud risk register. The register is used to help identify areas for testing and to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at Appendix 2.

Covid-19 Business Support Grants

To support Local Authorities in the administration of these grants, the Government's Counter Fraud Function developed a toolkit that included a range of measures that could be used to reduce the risk of fraud and error in these schemes. Where appropriate these tools were used by the Council when assessing each application and prior to payment.

Type of applicant:	Upfront low-friction controls										Post-event assurance				
	To establish eligibility using existing data sets / Existing data sets	To capture the data fields for upfront controls / and post-event assurance / Data specification	In applications, disclaimers or contracts / Claw back agreements	In applications, disclaimers or contracts / Fraud clause	In applications, disclaimers or contracts / Privacy notice	To identify and verify the individual / GOV.UK Verify	To undertake due diligence on the applicant / Spotlight	To undertake due diligence on the applicant / AppCheck	To pay new bank accounts / Account verification	To pay long standing bank accounts / Existing bank account data	To confirm the identity of the individual (post-payment) / GOV.UK Verify	To detect fraud (post-payment) / National Fraud Initiative	To confirm payees / trace funds / Account verification	To undertake due diligence on the applicant / Spotlight	To detect fraud in residual risk areas (bespoke to each scheme) / Data analytics
Individuals	✓	✓	✓	✓	✓	✓	⊗	✓	✓	✓	✓	✓	✓	⊗	✓
Businesses	✓	✓	✓	✓	✓	⊗	✓	⊗	✓	✓	⊗	✓	✓	✓	✓
Charities	✓	✓	✓	✓	✓	⊗	✓	⊗	✓	✓	⊗	✓	✓	✓	✓

While the Government placed an emphasis on speed of payment the Council completed due diligence checks in accordance with the Governments Counter Fraud toolkit. These checks were designed to reduce the risk of fraud and error in the grant schemes. The Government also agreed to stand behind any erroneous grant payments subject to Local Authorities taking reasonable and practicable measures to minimise the risk of errors and/or fraud, avoid making payments to those not entitled and to take reasonable and practicable steps to recover any over-payments

The total number of Small Business Grants and Retail, Leisure and Hospitality Grants from the first phase of the Government business support scheme was:

Number of small business grants paid	3,255	£32,550,000
Number of Retail, Hospitality and Leisure Grants paid	724	£12,620,000
Total number of grants paid	**3,979**	**£45,170,000**

In addition to the above the Council also rejected 180 applications for several reasons including ineligibility, failure to submit appropriate evidence, lack of clarity regarding occupation and duplication.

From the above near 4,000 grants, following a range of post payments checks invoices were raised to recover payment for ineligibility, as follows:

Number of Small Business Grants found to be ineligible and an invoice raised for recovery	20	£200,000
Number of Retail, Hospitality and Leisure Grants found to be ineligible and an invoice raised for recovery	4	£100,000
Total number of grants where invoices were raised for recovery	**24**	**£300,000**

At the time this update report was prepared, from the 24 invoices five payments have been part or fully repaid totalling £55,000.

A further three grants are currently under review and may fall under the same category whereby the Council may need to seek similar recovery.

The Government has since introduced a series of further additional local and national restrictions support grants designed to provide financial support to businesses and individuals affected by the latest Covid-19 measures. These grants are now subject to similar due diligence checks as those applied to the previous round of grants and this process will remain a significant piece of work. The Council has also introduced a third-party front-end portal (Ascendant) into the pre-payment checking process.

Business grant support payments have recently been introduced into the Cabinet Office's National Fraud Initiative, and the Council has recently submitted a series of data sets in line with the Cabinet Offices requirements. Any data matches are expected back towards the end of March and will then be subject to further investigation as appropriate.

National Fraud Initiative Exercise 2020/2021

The Counter Fraud Unit co-ordinates the investigation of matches identified by the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Where matches are identified, the ensuing investigations may detect instances of fraud, over or underpayments, and other errors. A match does not automatically mean there is a fraud. Often there is another explanation for a data match that prompts bodies to update their records and to improve their systems. The NFI exercise also provides assurance to management that systems are working effectively where fraud and error is not present.

The latest NFI exercise commenced in January 2021 and a total of 9,682 matches have been released. As the Cabinet Office continues to develop and refine the NFI exercise it is anticipated that further matches may be released in the coming months. Work has now commenced to investigate the various categories of matches based on those deemed to be the highest risk. Details of the progress made will be brought before the Committee as it becomes known. Examples of the type of matches the exercise identifies includes:

- Payroll to Payroll
- Pensions to Payroll
- Housing Benefit Tenants to DWP Deceased
- Pensions to DWP Deceased
- Blue Badge Parking Permit to Deceased
- Housing Benefit Claimants to Student Loans
- Housing Tenants to Housing Tenants
- Waiting List to Housing Tenants
- Council Tax Reduction Scheme to Payroll
- Duplicate Creditors
- Procurement to Payroll

Counter Fraud Team - Tenancy Fraud

During the Covid-19 pandemic the Counter Fraud Team has continued to provide a Tenancy Fraud Service. Potential fraud referrals have been recorded and investigated where possible. Due to the restrictions imposed by the lockdown and social distancing measures it has not been possible to visit premises or to interview suspects. There is also a restriction on the ability to evict tenants from a property

Since the last meeting the following cases have been progressed:

- A former tenant of a property pleaded guilty to three charges of fraud. They were sentenced to receive a community order, involving being electronically tagged for 6 months (between 7pm and 7.45am) and to pay full costs of £1,567 plus an £85 victim surcharge.

- A succession to a property was stopped following an investigation. The applicant for the succession did not satisfy the succession criteria. The three-bedroom property involved is now available for let to a family in genuine need.

Protect

In the last report to the Committee it was identified that the Council had entered into a support arrangement with Protect (formerly Public Concern at Work), the whistleblowing charity and leading authority on whistleblowing in the UK.

This arrangement gives access to Protect's Whistleblowing Benchmark and diagnostic tools to enable the council's performance to be assessed and any strengths and gaps in the arrangements to be identified across key areas including governance, staff engagement and operations.

The Council is committed to upholding the highest standards of conduct and ethics and has also launched a new safe space for employees to report any serious concerns about any aspects of the council's work. The site can be accessed at any time via a link on the City People homepage.

SeeHearSpeakUp provide an external and independent confidential reporting service and have been appointed to manage the safe space. Employees who have serious concerns about any aspect of the council's work, can choose to come forward and voice those concerns in a safe and secure environment, in the knowledge that they will be taken seriously, and concerns will be investigated appropriately.

Senior council officers who have been trained by SeeHearSpeakUp will consider the concerns and identify any potential investigation and provide governance and assurance on all safe space matters disclosed with a view to safeguarding, consistency, equality and fairness.

National Anti-Fraud Network Intelligence Notifications

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. Alerts which either involve suppliers used by the Council, are flagged to appropriate sections of the Council. The most common alerts relate to Covid-19 Business Rates Relief Grant frauds, Bank Mandate fraud, Council Tax Refund fraud, cyber fraud including ransomware and email interception.

Midland Fraud Group

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in February 2021 discussions were held on Post verification of Corvid grants, Interviews under caution, Business Rates and general cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Physical fraud-based training provided Autumn 2019. To be revisited post Covid-19
	Develop on line fraud training for staff.	To be refreshed Spring 2021
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People. On-going use of online training package.
	Establish measures for assessing the level of employee fraud awareness.	Spring 2021
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2021.
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People.
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Next exercise commenced January 2021.
	Complete the annual CIPFA fraud survey.	CIPFA Survey last completed Aug 2020.
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match.
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting February 2021 next meeting June 2021
	Attend external fraud seminars and courses.	Tackling Fraud Across the Public Sector – November 2020.
Assess the counter fraud strategy against	Complete national fraud self-assessments, for example:	

Issue	Action	Timescale
best practice	• New CIPFA Code of Practice	June 2015 (the last time required)
	• CIPFA Counter Fraud Tracker Survey	Annually
	• The former Department for Communities and Local Government – ten actions to tackle fraud against the Council.	On-going
	• Consideration of fraud resilience toolkit	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	The Council's Counter Fraud Team provide a tenancy fraud service to Wolverhampton Homes.
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; CIPFA's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Ongoing
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Ongoing
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee as appropriate.
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version planned to be presented to the Audit and Risk Committee in Summer 2021.

Issue	Action	Timescale
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – planned for Spring 2021.
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potentially fraudulent activity at the Council.	Fraud surgeries planned for Spring 2021.
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site.
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	On-going
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

Appendix 2

Fraud Risk Register @ March 2021

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single person's discount and Local Council Tax Support Schemes.	Red
Personal Budgets	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.	Red
Cyber Security	Using technology as a tool to commit acts of fraud – this currently has a very high profile and is an ever-increasing area susceptible to fraud	Red
Covid-19	The Council is open to fraud and misappropriation due to size of and the speed in which government support grants need to be processed.	Amber
Welfare Assistance	Fraudulent claims.	Amber
Procurement	Collusion (employees and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status.	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Amber
Blue Badge	Fraudulent applications use by others and continuing use after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details (increased following a recent case).	Amber
Theft	Theft of Council assets including cash (increased following a recent case).	Amber
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green

Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green