CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee** 14 March 2022

Report Title	Audit Services – Counter Fraud Update	
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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 Central Government.

3.0   Progress, options, discussion, etc.

3.1   At the last meeting of the Audit and Risk Committee in December 2021, 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/25022022/S]

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. [TC/28022022/D]

6.0   Equalities implications

6.1   Equalities issues are taken into consideration where appropriate during fraud related activities undertaken during the year.

7.0   All other implications

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

8.0   Schedule of background papers

8.1   There are no background papers.
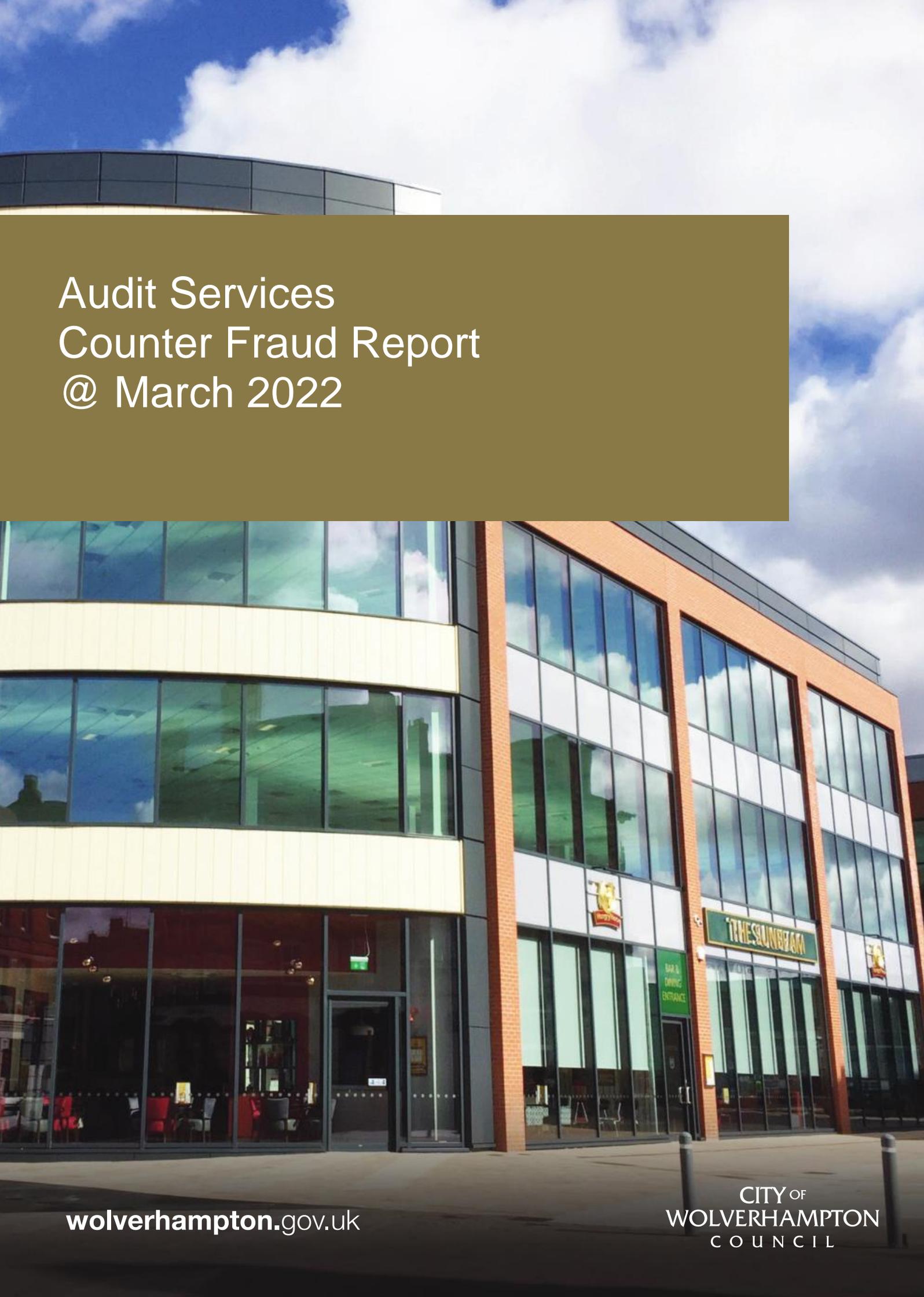
Audit Services
Counter Fraud Report
@ March 2022

wolverhampton.gov.uk

CITY OF
WOLVERHAMPTON
C O U N C I L

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 leads 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 have supported the due diligence activities undertaken before and after the award of the various support grants introduced by Central Government to reduce the risk of fraud.

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 Department for Energy & Industrial Strategy (BEIS) 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.

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

While BEIS placed an emphasis on speed of payment the Council completed due diligence checks in accordance with the BEIS Counter Fraud toolkit. These checks were designed to reduce the risk of fraud and error in the grant schemes. BEIS 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

Business Grants Paid April to September 2020

The total number of Small Business Grants, Retail, Leisure and Hospitality Grants and Discretionary Grants paid was:

Small Business Grants paid	3,255	£32,550,000
Retail, Hospitality and Leisure Grants paid	724	£12,620,000
Discretionary Grants paid	296	£2,275,000
Total number of grants paid	**4,275**	**£47,445,000**

Following a series of post payments checks on the above 4,275 grants, invoices were raised to recover payment for ineligibility, as follows:

Small Business Grants found to be ineligible and an invoice raised for recovery	20	£210,000
Retail, Hospitality and Leisure Grants found to be ineligible and an invoice raised for recovery	3	£75,000
Discretionary Grants	3	£15,000
Total grants where invoices were raised for recovery	**26**	**£300,000**

Of the above 26 invoices raised £152,065 has been recovered. The number of grants being recovered previously totalled 31, but this has reduced to 26 after recipients provided additional evidence to confirm eligibility to receive a grant. Recovery action for the remaining outstanding amounts is continuing and further progress will be reported to future meetings of this Committee.

Business Grants Paid October 2020 onwards

Since October 2020 BEIS introduced a series of additional local and national restrictions support grants designed to provide financial support to businesses and individuals affected by the ongoing Covid-19 measures. These grants are subject to similar due diligence checks to those applied to the previous rounds of grants and this process will remain a significant piece of work. As at the mid-February 2022 the following grants had been awarded.

Total number of grants paid (all types)	11,220	£32,840,431

To assist with managing the grants awarded since October 2020 the Council has used third party software to manage the application, checking and award process.

Following a series of post payments checks on the above 11,220 grants paid, invoices were raised to recover payment for ineligibility, as follows:

Total Local and National Restrictions Support Grants (all types)	23	£102,528

Of the above 23 invoices raised £17,123 has been recovered. The number of grants being recovered previously totalled 25, but this has reduced to 23 after recipients provided additional evidence to confirm eligibility to receive a grant. Recovery action for the remaining invoices is continuing and further progress will be reported to future meetings of this Committee.

Reporting Potentially Fraudulent Business Grants

The Council will continue to complete pre and post payment checks for all business grants awarded and take recovery action where necessary. Further action may also be required due to fraudulent activity. It is anticipated that BEIS will provide the Council with further advice and guidance on any recovery or legal action required to be taken.

Grants where an invoice has been raised to recover the payment, plus several other applications where a payment was not made but potential fraud was suspected, have been reported to the National Anti-Fraud Network (NAFN). BEIS has appointed NAFN to collate details of all potentially fraudulent activity in relation to the Covid-19 Business Grants. The information is also used by Crime Agencies to identify potential criminal activity and organised crime.

BEIS Business Grant Post Payment Assurance

Following completion of the first three business grant schemes, in September 2020, the Council was required to provide evidence of the pre and post payment checks completed for fifteen applications randomly selected by BEIS. A similar process will

now be required for each of the Business Grant schemes introduced since October 2020. BEIS will assess the evidence to determine whether the Council has followed a satisfactory process when awarding the grants.

BEIS has indicated that they are to provide further guidance on business grant debt recovery and counter fraud activities. Once details are known the Council will determine the impact and report any outcomes to future meetings of this Committee.

National Fraud Initiative Exercise 2020/21

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 10,407 matches have been released. The matches are graded with over 1,500 classed as the highest quality of match, these are prioritised for investigation. Work is progressing to investigate the various types of matches with over 1,543 matches checked. As further matches are processed details of the progress made will be brought before the Committee.

Counter Fraud Team - Tenancy Fraud

The Counter Fraud Teams Tenancy Fraud results for April 2021 to February 2022 are shown in the following tables:

	Apr 2021 – Aug 2021		Sept 2021 – Feb 2022	
Type of fraud and / or error	Cases	*Value £	Cases	*Value £
Social Housing Application fraud – offers withdrawn and/or applicants excluded from waiting list	1	3,240	4	12,960
Tenancy sub-letting – Illegal subletting of properties which were recovered	1	93,000	-	-
Succession/Assignment – applicant prevented from obtaining a tenancy to which they are not entitled.	1	93,000	3	279,000
Right to buy – preventing fraudulent RTB applications	-	-	1	65,000
Non-occupation – not using the property as a residence.	-	-	3	279,000
Total	**3**	**189,240**	**11**	**635,960**

*The savings figures for tenancy fraud are based on methodology and calculations produced by the Cabinet Office in support of the National Fraud Initiative. The figures include:

Social housing tenancy fraud - Notional £93,000 this recognises the future losses prevented from recovering the property. Previously the calculation only considered one year's loss.

Social housing application fraud – Notional £3,240 this is based on the annual cost of temporary accommodation, the likelihood that individuals on the waiting list would be provided a council property, and the duration for which fraud or error may continue undetected.

Right to Buy fraud – Notional £65,000 the notional saving for a Right to Buy (RTB) application that has been withdrawn is calculated by the Cabinet Office based on the region in which the property is based, the increases in the maximum RTB cap and the changes in average house prices. This method allows for benchmarking to be carried out.

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 or are applicable to all Councils, are notified 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.

Emerging areas of fraud and subject to recent fraud alerts include Omicron grant fraud where the details of a number of fraudulently used bank accounts have recently been provided. All have been checked and none were found to have been used at Wolverhampton. Another alert was issued regarding Postal Vote Fraud.

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 2022 discussions were held on:

- Post verification of Covid-19 grants.
- Money Laundering.
- Other cases of interest.

Appendix 1

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided Autumn 2019. Next round of training to be planned
	Develop on-line fraud training for staff.	To be refreshed Spring 2022
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries previously promoted through City People New training package to be introduced Summer 2022
	Establish measures for assessing the level of employee fraud awareness.	Spring 2022
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2022
	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. Latest exercise commenced January 2021
	Complete the annual CIPFA fraud survey.	CIPFA Survey last required to be completed Aug 2020
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Ongoing
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting February 2022 next meeting June 2022
	Attend external fraud seminars and courses.	Midland Fraud Forum Conference July 2021, CIFAS Working together to prevent fraud September

Issue	Action	Timescale
		2021, NAFN AGM & Conference October 2021, Cyber Security Conference November 2021, Whistleblowing November 2021, Economic Crime Conference February 22
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	• CIPFA Code of Practice	As and when next updated by CIPFA
	• 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.	Updated quarterly and presented to the Audit and Risk Committee
	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.	Liaise with other services where appropriate
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going

Issue	Action	Timescale
	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.	Liaise with other services where appropriate
	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version will be presented to the Audit and Risk Committee in Summer 2022
	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 2022
	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 2022
	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 2022

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 was open to fraud and misappropriation due to changes in legislation and the speed in which government support grants needed 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 |