CITY OF WOLVERHAMPTON COUNCIL	**Audit and Risk Committee** 6 March 2023

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 2022, 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/22022023/E]

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. [TC22022023/B]

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 2023

CITY OF
WOLVERHAMPTON
COUNCIL

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.

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.

National Fraud Initiative Exercise 2022/23
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 those systems are working effectively where fraud and error is not present.

The latest NFI exercise commenced in January 2023 and a total of 6,912 matches have been released. The matches are graded with those classed as the highest quality of match, prioritised for investigation. Work is progressing to investigate the various types of matches. Details of the progress made will be brought before the Committee.

Counter Fraud Team - Tenancy Fraud

The Counter Fraud Teams Tenancy Fraud results for the financial year April 2021 to March 2022 and for the first ten months of 2022/23 are shown in the following table:

Type of fraud and / or error	Apr 2021 – March 2022		April 2022 – January 2023	
	Cases	*Value £	Cases	*Value £
Social Housing Application fraud – offers withdrawn and/or applicants excluded from waiting list	8	25,920	5	16,200
Tenancy sub-letting – Illegal subletting of properties which were recovered	1	93,000	4	372,000
Succession/Assignment – applicant prevented from obtaining a tenancy to which they are not entitled.	4	372,000	1	93,000
Right to buy – preventing fraudulent RTB applications	2	168,400	-	-
Non-occupation – not using the property as a residence.	4	372,000	1	93,000
Total	**19**	**1,031,320**	**11**	**574,200**

*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 per property recovered based on average four year fraudulent tenancy and an estimate of the duration that the fraud may have continued undetected. This includes temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.

Social housing application fraud – Notional £3,240 per applicant removed from the waiting list, 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 £84,200 per application withdrawn based on average house prices and the minimum right to buy discount available

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, 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 June 2022 discussions were held on:

- Blue Badges.
- Money Laundering.
- Sanctions

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Next round of training to be planned
	Develop on-line fraud training for staff.	To be refreshed Spring 2023
	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 Spring 2023
	Establish measures for assessing the level of employee fraud awareness.	Spring 2023
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2023
	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 2023
	Complete the regular 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 June 2022 next meeting Spring 2023
	Attend external fraud seminars and courses.	Procurement Fraud June 2022, Counter Fraud and Forensic Accounting Conference June 2022, National Anti-Fraud Network Annual

Issue	Action	Timescale
		Conference October 2022
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
	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	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Liaise with other services where appropriate

Issue	Action	Timescale
investigated in accordance with best practice and professional standards.	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 Summer 2023
	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 2023
	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 2023
	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 @ February 2023

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
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
Blue Badge	Fraudulent applications use by others and continuing use after a person dies.	Amber
Electoral	Postal voting, May 2023 - Introduction of Voter ID	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Green
Schools	School accounts, expenses, procurement, finance leases.	Green
Bank Mandate Fraud	Fraudulent request for change of bank details.	Green
Theft	Theft of Council assets including cash.	Green
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

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