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Date: 30/10/26

Dear Member

GOVERNANCE AND AUDIT COMMITTEE - TUESDAY, 3 NOVEMBER 2026

This report replaces the report included in the main agenda pack. This report contains some updated figures and dates, and supersedes the original report.

Agenda Item No
8 **Counter Fraud Update (Pages 1 - 24)**

Yours sincerely

Benjamin Watts
Deputy Chief Executive

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COUNTER FRAUD PROGRESS REPORT

2026-27

01 April 2026 – 30 September 2026

Introduction

The roles of the Counter Fraud function are to:

- Receive, track and, where required, investigate financial irregularities (fraud and error) that occur within Kent County Council;
- Provide advice and support to management in mitigating the risk of financial irregularities occurring within their area; and
- Provide awareness and assess the risk of financial irregularities with management and front-line staff.

The Counter Fraud team (CFT) work alongside Internal Audit as one function to provide an independent assurance that the control, risk, and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives.

The Governance and Audit Committee are asked to:

- Note the counter fraud progress report including delivered proactive work, reported irregularities from 01 April 2026 – 30 September 2026 and progress of the Counter Fraud Action Plan for 2026/27 (Appendix B);

Key Assurance Messages

- The Council of Europe Group of States against Corruption (GRECO) evaluation recognised Kent County Council's strong and well-developed anti-corruption and integrity framework, while highlighting opportunities for further enhancement. This provides assurance that arrangements to prevent and detect corruption and promote integrity are operating effectively and are subject to ongoing review and improvement;
- Proactive work continues to assess fraud and error risks, provide insights to management, and raise awareness of threats. This provides assurance that fraud and error risks are being systematically identified, evaluated, and communicated across Kent County Council to support informed decision-making and effective risk management;
- Total value of closed financial irregularities between 01 April and 30 September 2026 **£382k** (0.013% of revenue expenditure). This provides assurance that financial irregularities are being appropriately identified and reported by directorates. Where necessary, these cases are investigated, and management is addressing the root causes of recurring issues to reduce the risk of future occurrences:
- During Quarter 1, the Kent Intelligence Network (KIN) delivered **£1.632m** in savings, including **£516k** attributable to Kent County Council. This demonstrates the continuing effectiveness of partnership intelligence activity in identifying fraud, reducing error, and supporting debtor tracing, thereby protecting public resources and contributing to the maintenance of a healthy tax base.

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Proactive Work

The Council of Europe Group of States against Corruption evaluation report has been published - GRECO: UK 6th round evaluation report published - GOV.UK

The evaluation has highlighted that KCC has good practices that support an anti-corruption and integrity environment, in particular:

- Regular review and up to date anti-corruption policy documents;
- Collaboration across internal and external teams, including law enforcement;
- Layered approach to public procurement;
- A statutory requirement for Members code of conduct, incorporating the Nolan Principles of Public Life;
- Transparency in gifts and hospitality offered and accepted to Members;
- Transparency in Members pecuniary interests and ad-hoc declarations within committee meetings;
- The National Fraud Initiative data matching between payroll data, creditor data and company house information;
- Transparency in meetings including, agendas, reports, minutes and decisions, as well as public consultations processes and Let's Talk Kent community;
- Whistleblowing policies, clear identification of contact points and regular awareness raising.

Areas for improvement have also been identified, both for KCC and for the Ministry of Housing, Community and Local Government (MHCLG) to progress, these being:

- MHCLG fully establish and operationalise the Local Audit Office.
- MHCLG clarify and strengthen the statutory framework relating to sanctions for breaches of codes of conduct by members;
- MHCLG regulate the requirements for transparency of lobbying by lobbyists and 3rd parties, in the absence of regulation for KCC to improve disclosure of contacts of Members involved in decision making with persons carrying out lobbying activities;
- KCC develop mechanisms to keep raising awareness in integrity matters for Members;
- KCC identify a dedicated officer to provide advice on integrity, conflicts of interest and corruption prevention;
- KCC to require annual nil returns to be made by Members if they have not received any gifts and hospitality.

The above improvements have been shared with management with actions identified and assigned to move these forward.

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Proactive Work – Quarters 1 & 2 - 2026 / 27

The Counter Fraud Team have delivered the following key proactive work to raise awareness and strengthen the counter fraud culture:

Fraud Risk Assessments:

The Counter Fraud Team have assisted with Fraud and Error Risk Assessments for the following areas,

- Grant for Oil heating users
- Cash handling within CYPE
- Home to School Transport
- Deprivation of Liberty Mental Health Assessments

This is to support management in assessing the risk of fraud and error, providing advice on controls to mitigate the risk. Including risks associated with the Economic Crime and Corporate Transparency Act (failure to prevent fraud). Deployment of the Cabinet Office AI Risk Assessment Tool has been used, as part of the live trial period.

Relationship Management:

Relationship management liaison meetings have progressed with Serious & Organised Crime (SOC) team, Kent and Medway Fraud Panel, No Recourse to Public Funds oversight board and South East regional panels.

This continuation of relationship management meetings enables the reporting on emerging and current fraud and error risks identified through investigations. Fraud and awareness updates have been presented to ASCH and CYPE Departmental Management Teams to inform them of current trends and emerging risks. Continued attendance at the Commercial & Procurement Oversight Board & Contract Management Review Group.

Local Government Reorganisation

A Fraud and Error Risk Register was created and shared with other fraud leads across all councils in Kent. This covered risks in the creation of the new authorities and then business as usual post-vestment. This is now on hold due to the recent central government announcement.

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Proactive Work – 2026 / 27 Continued

Whistleblowing Hotline and log

The Counter Fraud Team manage the Council's Central Whistleblowing Log and the Whistleblowing helpline. The KCC Whistleblowing policy is being reviewed in relation with SOC and legislative changes on sexual harassment in the work place.

Fraud Awareness

During Q1 26/27 6 fraud awareness training sessions have been delivered to 85 officers.
The training raised awareness about new emerging fraud risks and current risks and also continued to strengthen the anti-fraud and integrity culture.

Member training on the Nolan Principles has been delivered in conjunction with the Monitoring Officer.

Internal Audit

The Counter Fraud Team reviewed 6 draft engagement plans and provided key fraud risk reports to the lead auditors. This was to ensure any issues identified through investigations or relationship management meetings help inform the scope of the planned audits.

Gifts and Hospitality Monitoring

Counter Fraud have developed and are starting to provide management with a gifts and hospitality dashboard to provide insight into gifts and hospitality, including who, what, when, why a gift and hospitality is being offered and accepted/ refused. This will support on building on policy compliance of declaring offers and (when applicable) acceptance of gifts and hospitality.

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Irregularity Referrals – Quarters 1 & 2 – 2026 / 27

411 irregularity referrals were received in Q1 & Q2, following the work by Counter Fraud and Internal Audit within CYPE on Essential Living Allowance processes, irregularities are now being identified and reported by management. Root cause analysis has been embedded to provide insight for management to prevent these occurring. Although the referral numbers are high the losses are low.

There has been a small increase in contract management referrals, this is attributed to working with services where there is evidence of invoicing for services not being delivered. Counter Fraud are continuing to work in this space as a critical friend to management to ensure there are relevant controls to detect and prevent any financial loss.

An increase in Direct Payment referrals in both ASCH & CYPE is being monitored to ensure financial recovery is occurring and where needed arrangements are reviewed to prevent any misuse of funds intended for care delivery.

The types and volumes of irregularities reported are shown in **Appendix A**

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

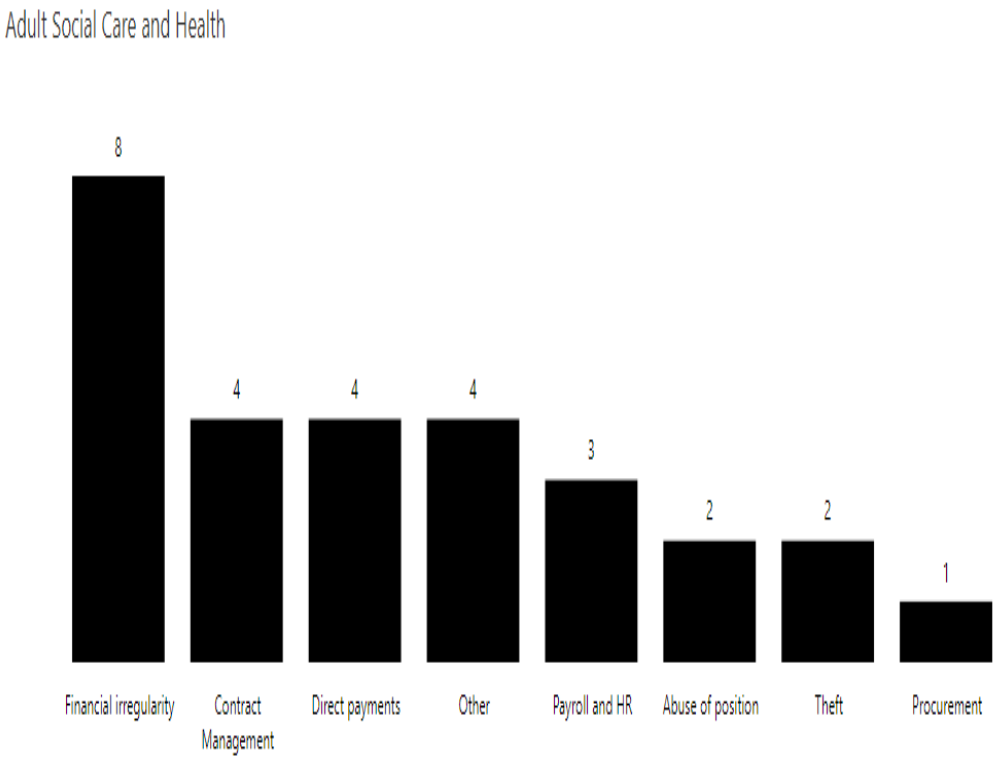
Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health

There have been a further 27 referrals (excluding blue badges) reported to Counter Fraud between April 2026 and September 2026.



Direct Payments

- Four irregularities relating to direct payments have been received. Six direct payment cases have been closed, resulting in recovery of £48k.
- One case of theft due to a salary overpayment within a direct payment has been reported, with £8,054 of funds being recovered from the recipient.

Contract Management

- Four irregularity referrals relating to contract management have been received. Five financial irregularities have been concluded by the Invoice Validation Team who have identified £45k of invoicing for services not being delivered, all of which are subject to full financial recovery.

Theft

- Two cases of missing laptops have been received, five missing laptops have been recovered.

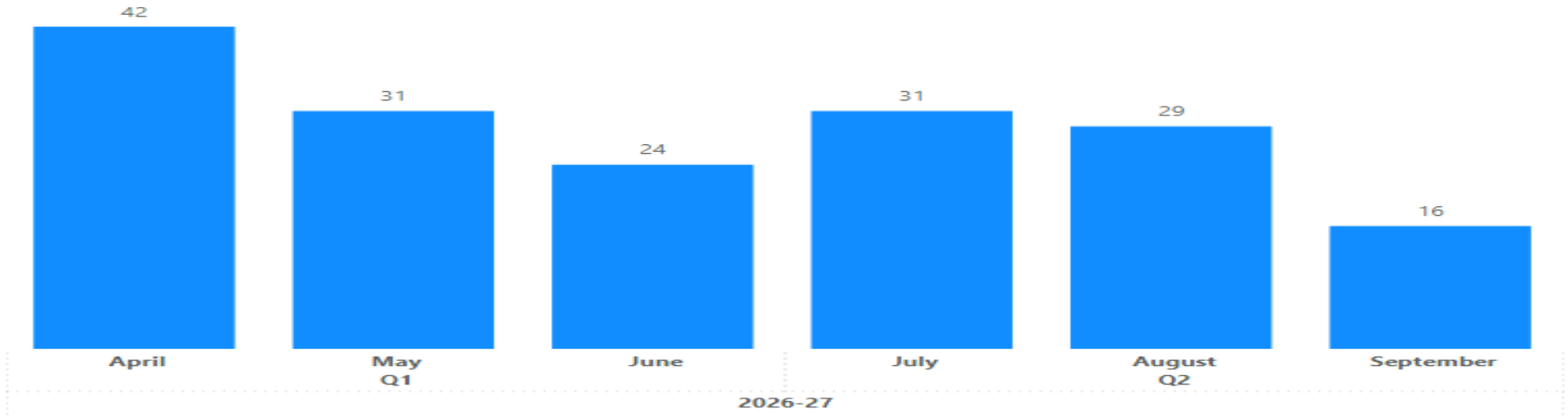
Salary Overpayments

- Two cases of salary overpayment irregularities totalling £15k have been reported, all subject to full recovery. Managers have been supported in ensuring correct processes are followed to prevent these occurring again.

Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail
Appendix B: Counter Fraud Action Plan 2026/27 in detail

Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health - Continued

Adult Social Care – Blue Badge Q1 & 2 2026 / 27



Blue badges:

There have been a further 173 referrals relating to blue badges misuse were received. This represents a decrease of 18% compared to the same reporting period in 2025/26. A breakdown of referrals by district is held at **Appendix A,** Swale, Ashford and Maidstone reporting the most blue badge misuse cases across Kent. Work is in progress to establish a task and finish group with nominated managers, this will be chaired by the chief executive of Gravesham Council with all bar one local authority signed up to participate. The aims will be to knowledge share best practice to support stronger enforcement activity.

The outcomes of these referrals are (multiple outcomes can occur from one referral):

- 142 Penalty Charge Notices being issued across Kent resulting in an estimated £4,260 of additional parking revenue for the parking enforcements teams.
- 161 warning letters to reminder users of the appropriate use.
- 39 badges removed from being misused again, this includes lost, stolen, deceased and expired badges.

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Irregularity Referrals by Directorate and Fraud Type – Children Young People and Education

There were 199 irregularity referrals reported during the reporting period.

CYPE – Q1 & 2 2026 / 27

Essential Living Allowance:

Following the work by the Counter Fraud Team and Internal Audit review, 93 irregularities relating to ELA overpayments totalling £16k have been reported. The root causes are being captured to address any reoccurring themes.

Home to School Transport:

68 Contract Manager H2S irregularities with a total value of £256k, have been reported. All amounts are subject to full financial recovery. Work continues supporting management in addressing these, with engagement from legal services to strengthen contract management approaches and sanctions.

Mandate Fraud

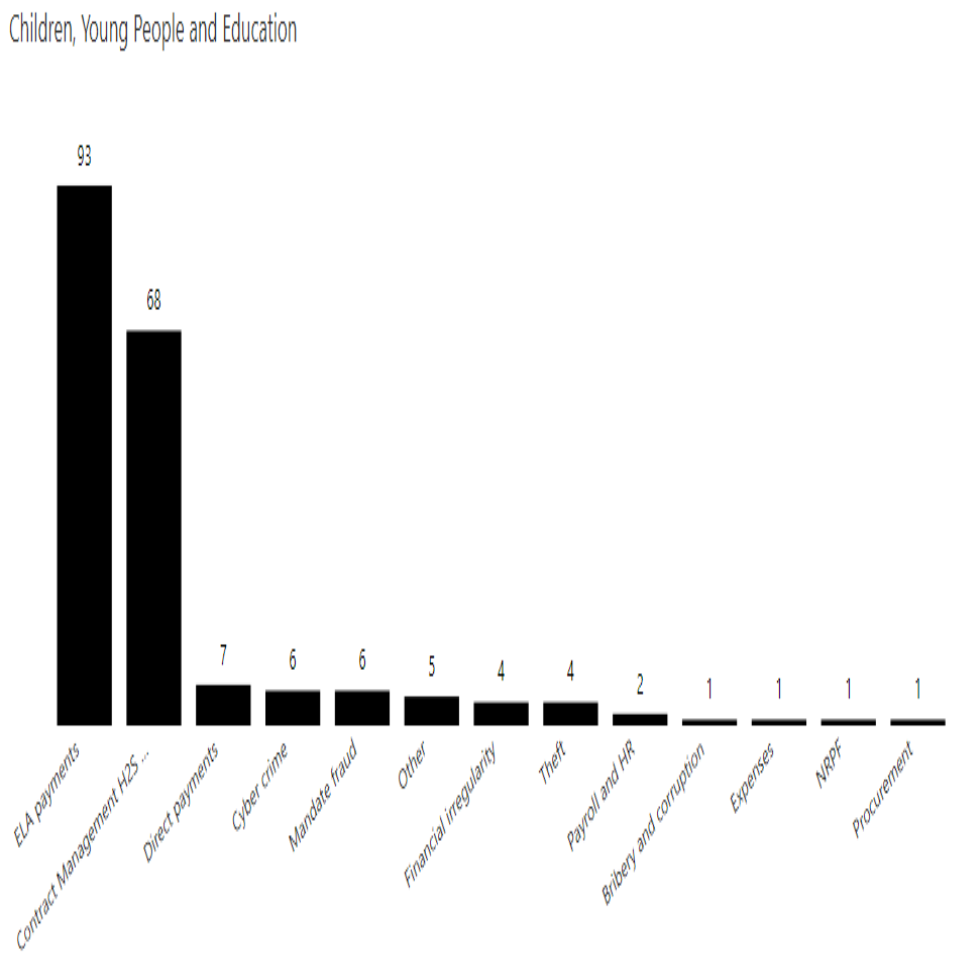
6 mandate fraud referrals have been reported, 5 relating to school payroll with a loss of £7k, additional controls have been implemented to prevent any further losses.

Theft

7 missing laptops have been recovered. In addition a £750 irregularity within an imprest account has been reported.

Direct Payments

7 direct payment irregularities have been received, resulting in £11k of financial loss, recovery action is occurring to recover these funds.



Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail
Appendix B: Counter Fraud Action Plan 2026/27 in detail

Irregularity Referrals by Directorate and Fraud Type – Growth, Environment and Transport

5 irregularity referrals have been reported.

Other

1 referral relating to misuse of KCC property, unfounded, and 1 referral relating to the Regional Growth Fund, advice provided.

Bribery and Corruption

Unfounded allegation made, monitoring officer oversight.

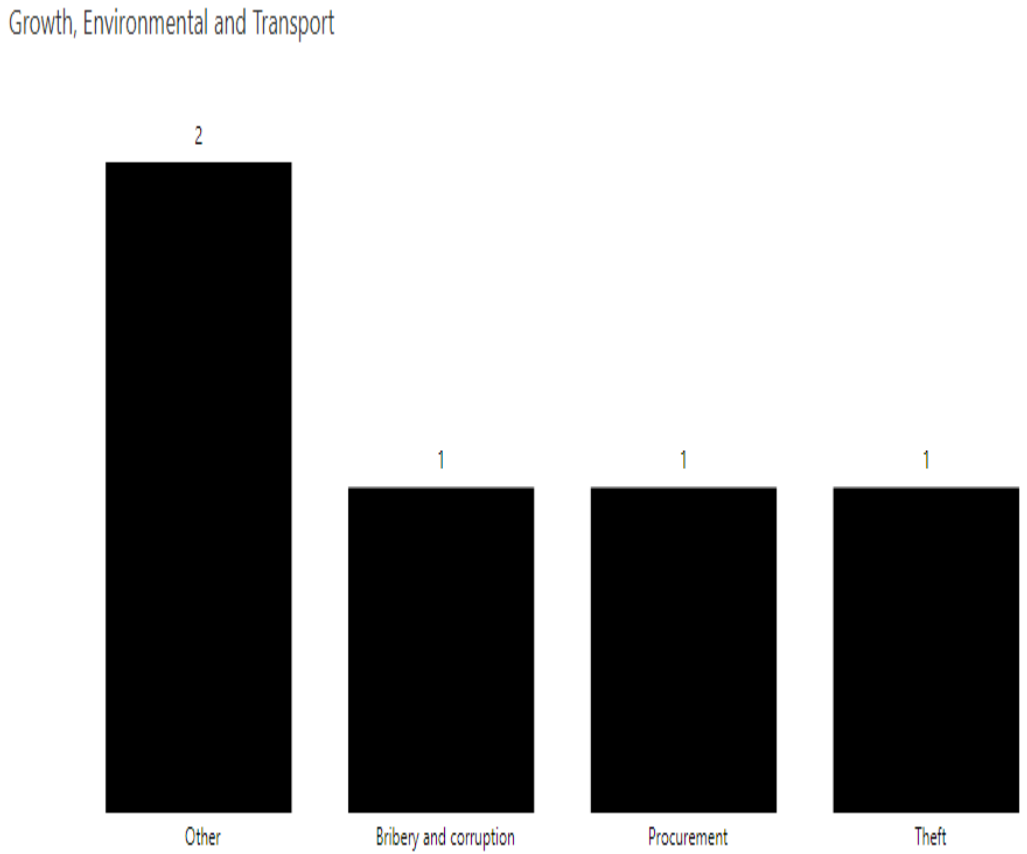
Procurement

Allegation investigated, no further action required.

Theft

Laptop recovered.

GET – Q1 & 2 - 2026/27



Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail
Appendix B: Counter Fraud Action Plan 2026/27 in detail

Irregularity Referrals by Directorate and Fraud Type – Chief Executive/ Deputy Chief Executive Departments

CED/CDED – Q1 & 2 – 2026 / 27

7 irregularity referrals have been reported.

Financial Irregularity & Other

Two minor issues relating to an unauthorised transaction on a Kent Card & an attempt to change bank details to a company KCC did not have a contract with.

Both cases were detected and resolved with no loss by services through normal controls.

Salary Overpayment

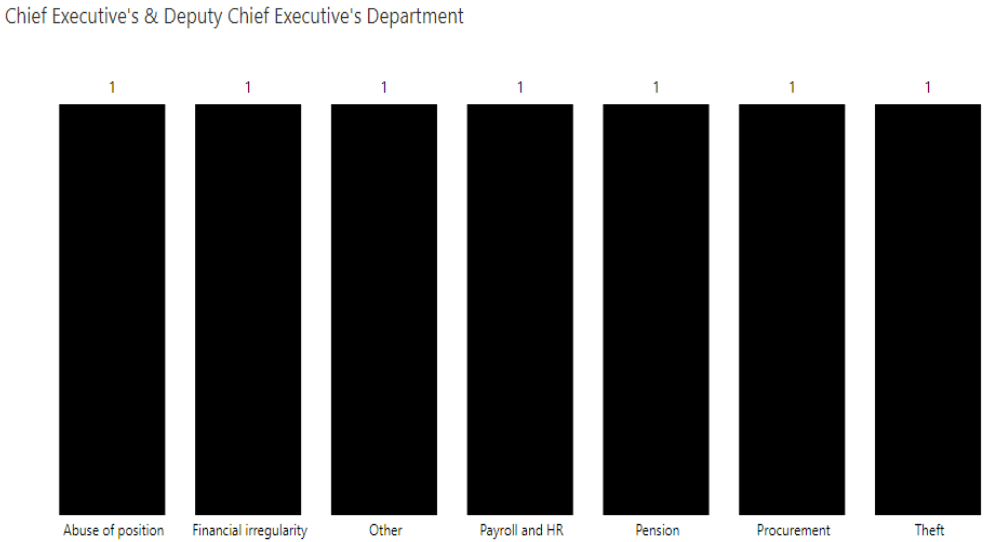
1 salary overpayment resulted in a loss of £6k due to management not ending an assignment in a timely manner, repayment plan in place.

Pensions

1 irregularity relating to a mandate fraud resulting in an eventual loss of £60.

Theft

1 laptop has been recovered.



Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail
Appendix B: Counter Fraud Action Plan 2026/27 in detail

Kent Intelligence Network (KIN) Overview – 01 April 2026 to 30 June 2026

The KIN continues to provide valuable financial support to KCC, Police, Fire Authority and District Councils and the outcomes for the period 1 April 2026 to 30 June 2026, set out below, show the results and financial returns achieved.

Business Rates Activity

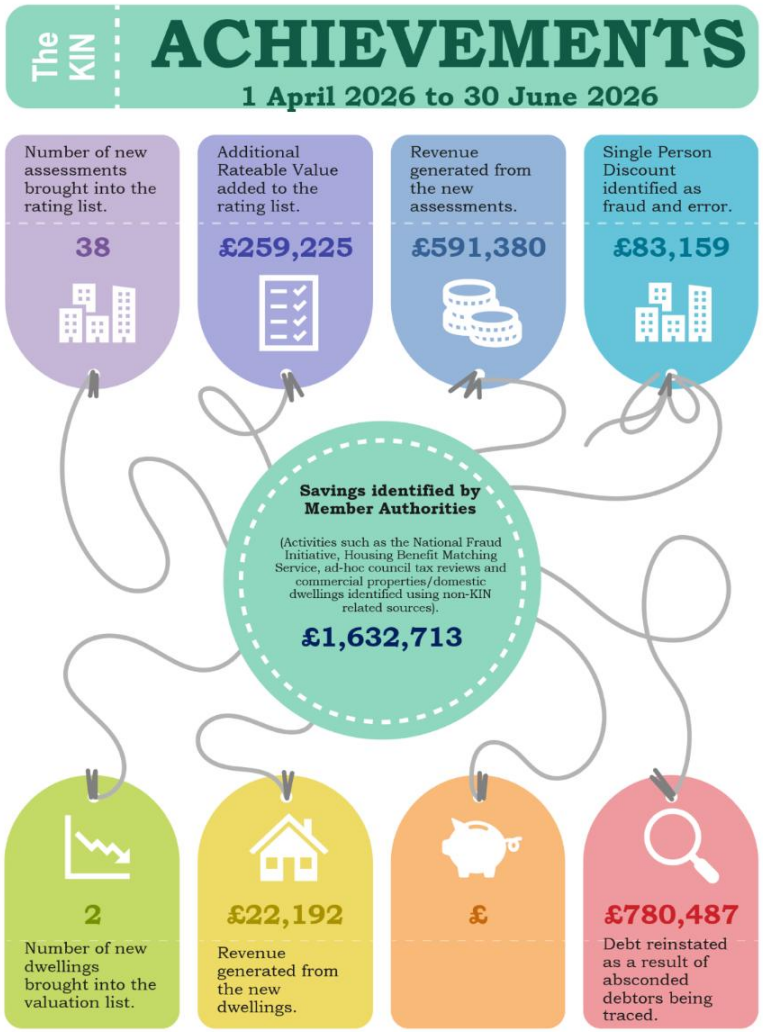
38 commercial properties, amassing a combined rateable value of £245,725 (£259,225 including Medway), have been identified that were previously missing from the rating list. These properties have now been brought into the list by the Valuation Office Agency (VOA) and consequently, the businesses occupying these properties are now liable for business rates.

The additional business rates revenue generated from the identification of these missing properties is £567,965 (£591,380 including Medway), of which broadly 9% (£51,117) comes to KCC, once collected, is a combination of the following:

The total amount of business rates billed for both the current financial year and previous financial years of £215,749 (£221,668 including Medway); and

A 'future loss prevention' provision of 3 years of £352,216 (£369,712 including Medway). This represents the amount of additional income that would have been lost if the respective properties had not been identified by the KIN.

It is also pertinent to highlight that on 30 June there were 97 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 173 cases which are currently under investigation by billing authorities



Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail
Appendix B: Counter Fraud Action Plan 2026/27 in detail

Kent Intelligence Network (KIN) Overview – 01 April 2026 to 30 June 2026

Council Tax

The KIN also helped to identify dwellings missing from the valuation list and an additional 2 dwellings have been identified in this financial year.

The additional council tax revenue generated from the identification of these missing properties is £8,155 (£22,192 including Medway), of which broadly 73% (£5,953) comes to KCC, once collected, is a combination of the following:

The total amount of council tax billed for both the current financial year, and previous financial years is £2,039 (£7,572 including Medway); and

A future loss prevention' provision of 3 years of £6,116 (£14,620 including Medway). This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.

It is also pertinent to highlight that on 30 June there were 374 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 267 cases which are currently under investigation by billing authorities.

Dwellings added to the Valuation List before April 2026 contributed to housing growth and, under the previous funding arrangements, helped generate New Homes Bonus (NHB) funding for local authorities, including District Councils and KCC. The NHB has now ended, with the associated funding returned to the core Local Government Finance Settlement and redistributed through the new needs and resources-based funding system. Consequently, this report no longer separately references the NHB generated as a result of KIN activity.

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Kent Intelligence Network (KIN) Overview – 01 April 2026 to 30 September 2026

Debtor Tracing

In respect of the £780,487 that has been traced from absconded council tax debtors, this will generate additional income for KCC, depending on the amount that is collected. Even if a bad debt provision of 30% is applied to the amount of debt brought back into recovery, KCC would broadly receive 73% of £546,341, once collected, and this would amount to £398,829.

Single Person Discount

Finally, the proactive work being done in respect of identifying erroneous claims for Council Tax Single Person Discounts has resulted in the additional billing of Council Tax amounting to £83,159, of which broadly 73% (£60,706) comes to KCC, once collected.

Conclusion

In total, the financial benefit to KCC from the KIN related initiatives and successes detailed above amounts to £516,605.

It is also important to highlight the investment made by KCC to help billing authorities achieve these outcomes. This investment is by way of an annual grant given to the respective billing authorities, the components for which are broken down as follows:

- A grant of £440,374 for the provision of additional resources to help carry out KIN related work, and also to assist with non-KIN related initiatives that help to increase the tax base and rates base.

- A grant of £24,615 towards a product that helps to trace absconded council tax debtors.

Solely in respect of KIN-related work, the £464,989 financial investment made by KCC for 2026/27 has already been fully offset within the first three months by additional revenue generated through KIN initiatives. KIN activity during the remainder of this year will therefore deliver a positive return-on-investment for KCC.

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Counter Fraud Action Plan 2026/2027

Updates to the 2026/27 Counter Fraud Action Plan are set out in Appendix B.

The balance between proactive and reactive activity is working to drive improvements across KCC to ensure management understand and can manage the risks as well as ensuring staff are aware of the threats. Reactive work continues to deliver outcomes to ensure any financial loss is fully recovered and appropriate sanctions applied. Resource levels below include staff working within the shared service with Tonbridge and Malling Council (0.4 FTE Counter Fraud Manager/ specialist, 1 FTE Counter Fraud Technician & 0.8 FTE Intelligence Officer) as well as our other external client base.

The Action Plan for 2026/27 is being progressed with key activity being reported in the body of this report.

Counter Fraud Resources

Position	Current number of employees
Interim Head of Counter Fraud	1
Interim Deputy Counter Fraud Manager	2
Counter Fraud Specialists	1
Counter Fraud Technician	2.8
Intelligence Officer	0.8
Intelligence Assistant	1

A recruitment exercise has taken place, this resulted in the intelligence assistant moving to the newly created Counter Fraud Technician position. The intelligence assistant position has been filled by an external candidate.

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

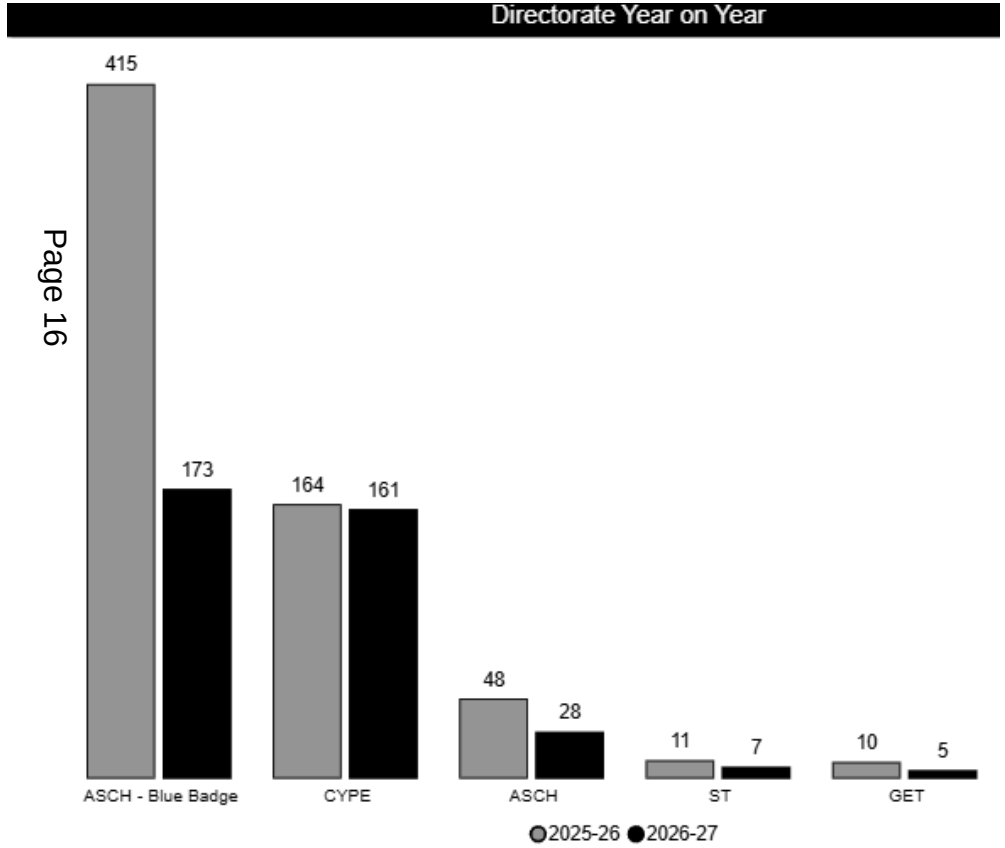
Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Appendix A - Year on Year Comparison – by Directorate

Blue Badge cases still represent the largest number of referrals the Counter Fraud service receives although with a 18% decrease compared to this time last year. CYPE Essential Living Allowance irregularities have resulted in the total number of referrals for Q1 & Q2 nearly matching the total numbers received for 2025/26. As the service addresses root causes these numbers should reduce.



Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

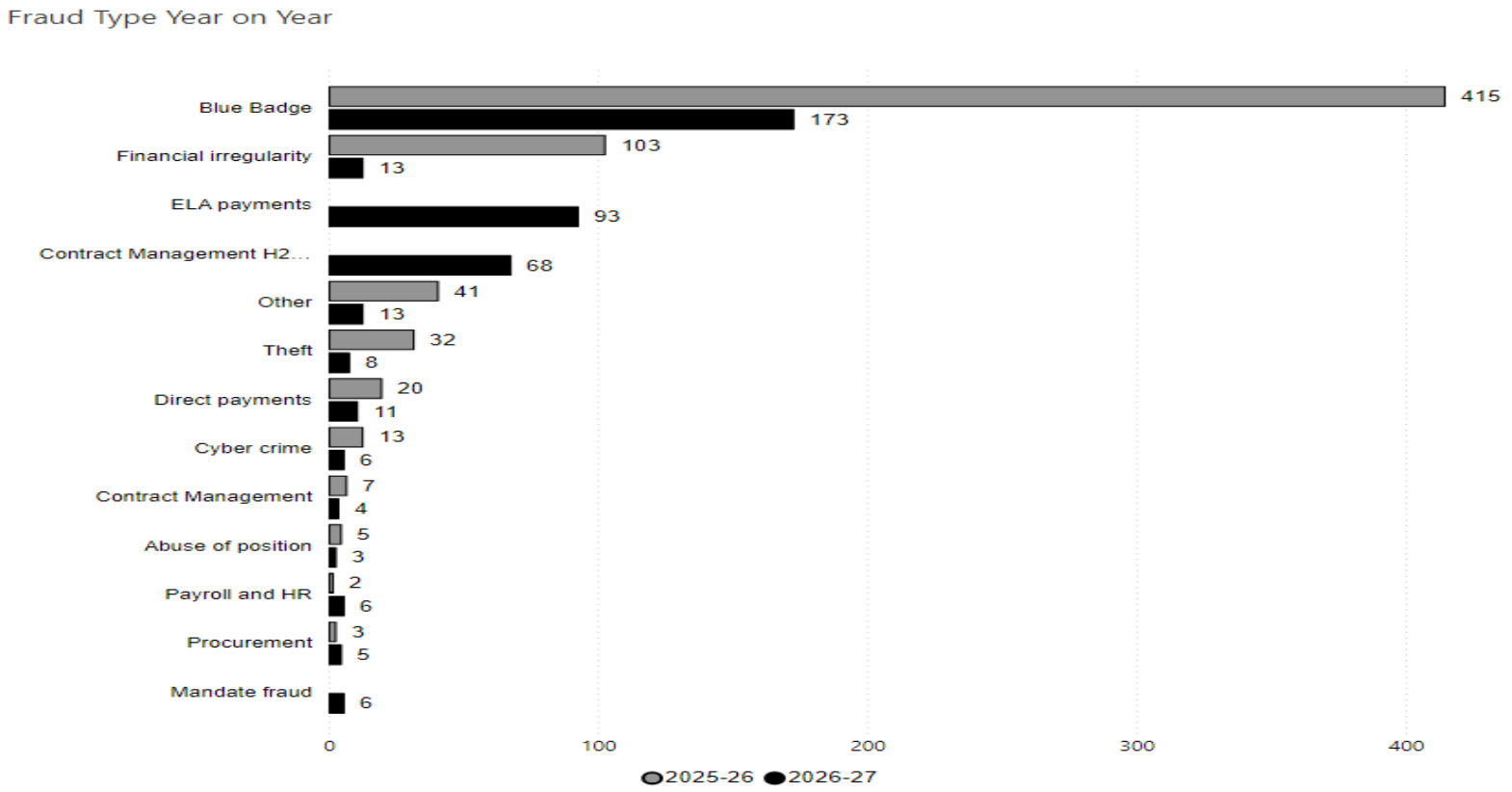
Appendix A: Current Year Referrals in Detail

Appendix B: Counter Fraud Action Plan 2026/27 in detail

Appendix A - Year on Year Comparison – by Fraud Type

Financial Irregularities being reported to the Counter Fraud Team have increased by 18% compared to this time last year. This provides management with insight to address root causes.

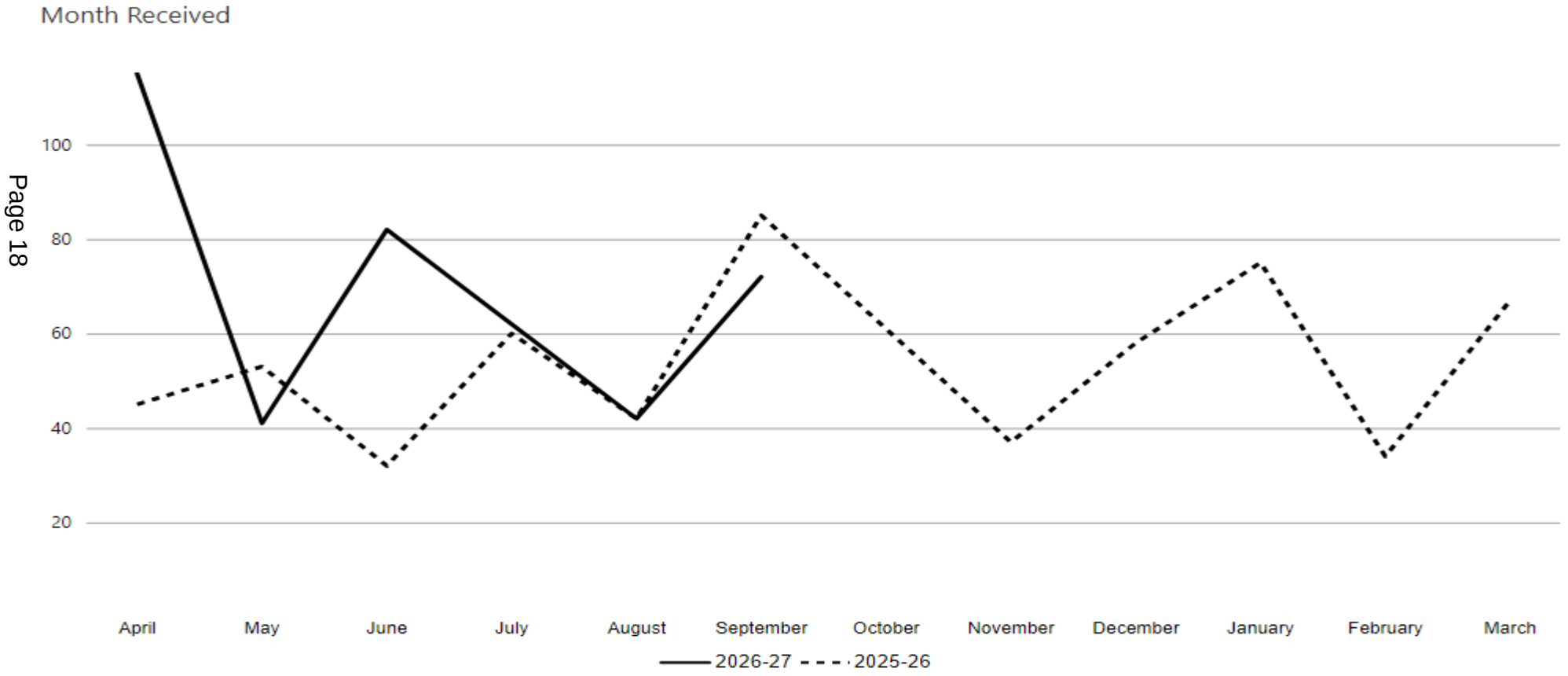
A new fraud type for Contract Management – Home to School Transport has been added for Q2 2026/27 reporting, which is currently being reported as a financial irregularity.



Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail
Appendix B: Counter Fraud Action Plan 2026/27 in detail

Appendix A - Year on Year Comparison – by Month Received

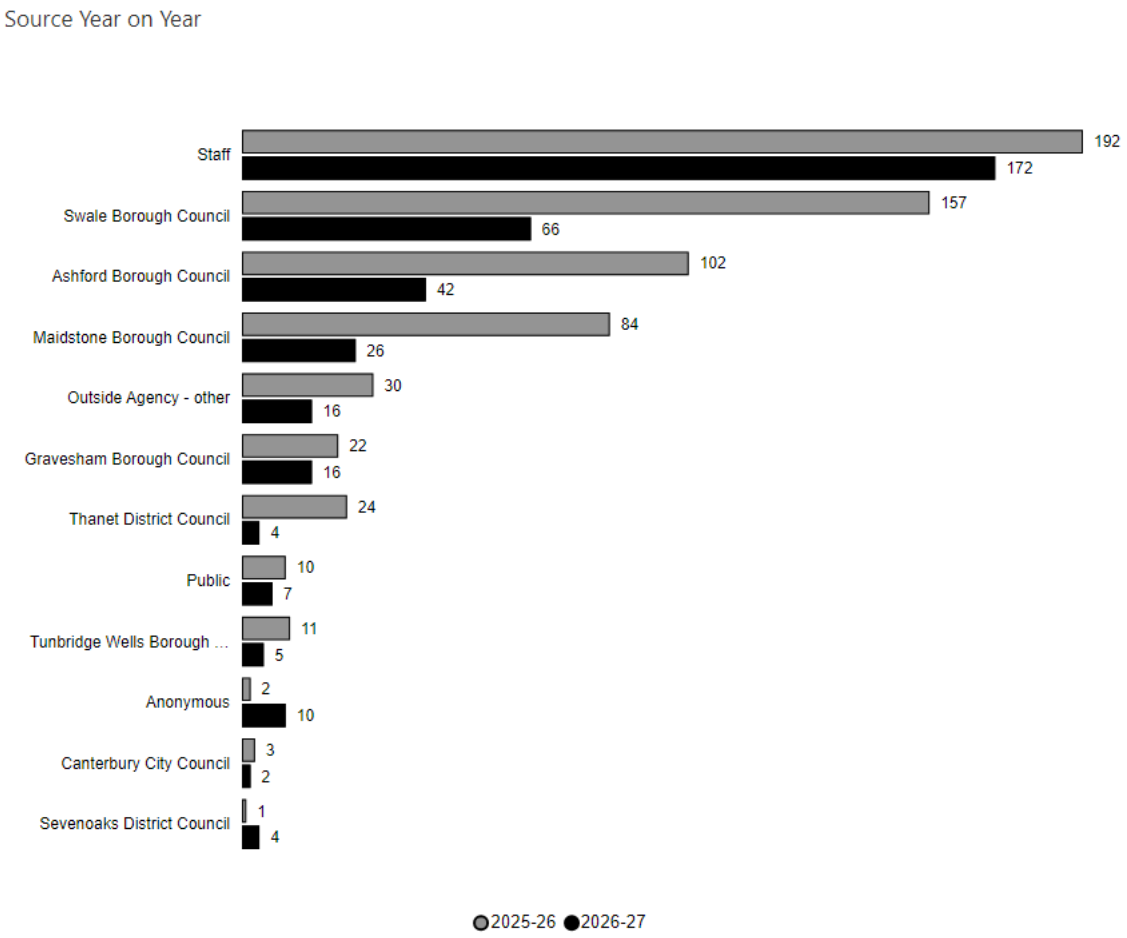
The spikes in referrals received in April relate to the Essential Living Allowance being added. Referrals are being managed within resource levels, with advice provided to management on civil reclaims where needed and identification of root causes to support management with better processes and when needed additional controls.



Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail

Appendix A - Year on Year Comparison – by Source of Referral

Relationship management/ awareness continues to work, as in most cases, the number of referrals received from KCC staff and Parking Enforcement Officers is showing continued awareness of reporting financial irregularities to Internal Audit and Counter Fraud.



Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail

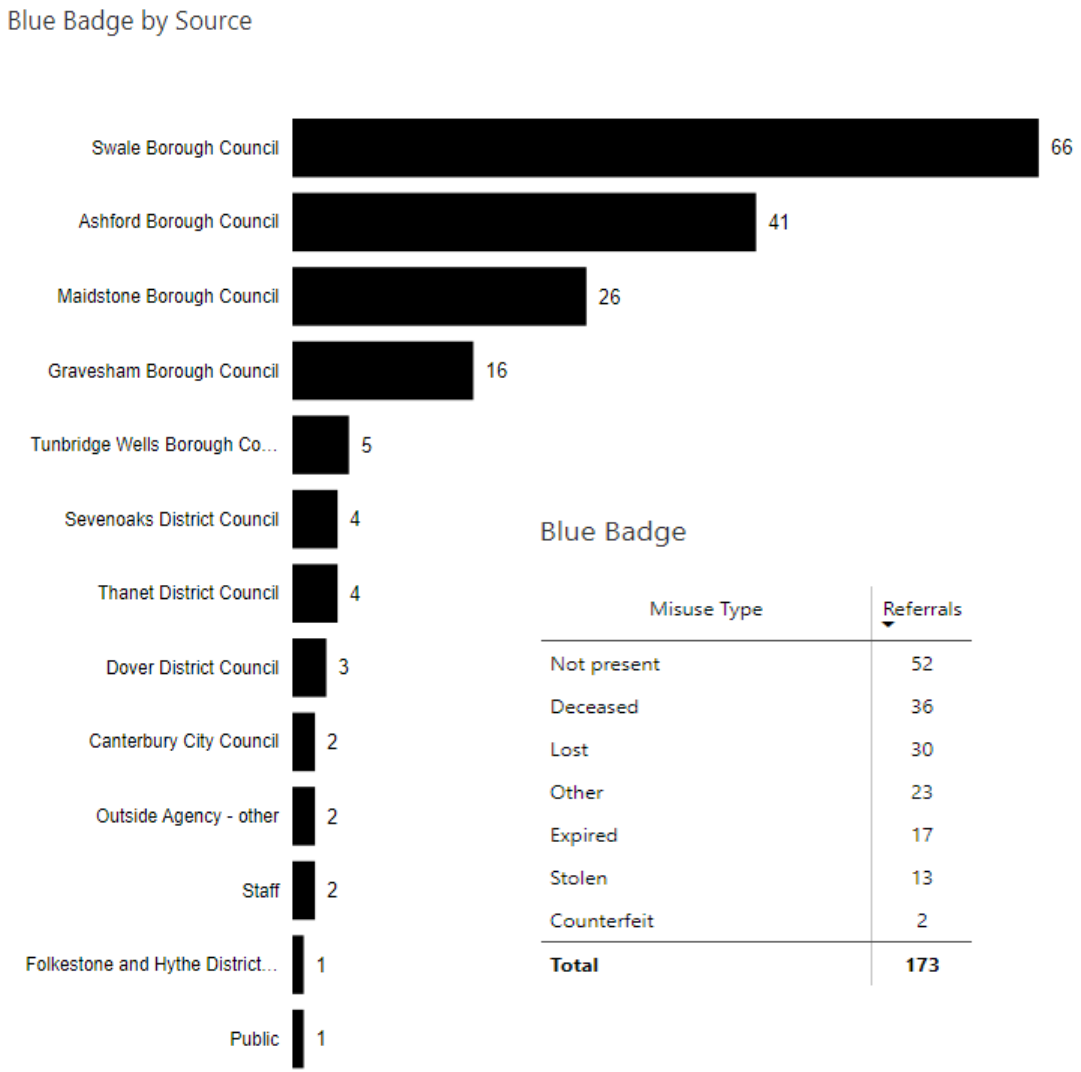
Appendix A - Blue Badge Referrals – by Type and Referring Parking Team

Swale Borough Council is detecting the highest number of blue badge misuse compared with other District/Borough Councils. This is a good indication of the level of misuse occurring across the whole of Kent.

Badge holder not present is the highest detected misuse type, followed by use of cancelled badges due to the badge holder being deceased or reported as lost.

'Other' reasons include, badges being used following them being reported as damaged or being cancelled as they were no longer needed.

The task and finish working group with parking managers is in progress to support parking teams with improving detection rates that will benefit the disabled community in ensuring that parking is available for their use.



Blue Badge

Misuse Type	Referrals
Not present	52
Deceased	36
Lost	30
Other	23
Expired	17
Stolen	13
Counterfeit	2
Total	**173**

Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail

Appendix B - Fraud Action Plan 2026/27

Pillar	Activity	Detail	Update
Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Counter Fraud Update, Audit Committee	At least two yearly Counter Fraud update will be provided to Corporate Management Team and the Audit Committee to demonstrate the activities undertaken by the Counter Fraud Team against the plan to prevent and detect Fraud, Bribery and Corruption.	Q1 & Q2 Progress report provided to November 2026 G&A Committee
Acknowledge - An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.	Fighting Fraud and Corruption Locally Checklist	The Counter Fraud Team to undertake an assessment of the authority against the Fight Fraud and Corruption Locally Checklist.	Due Q4
	Fraud Risk Assessments	The Counter Fraud Team to support management in assessing the risk of fraud and error, providing advice on controls to mitigate the risk. Including risks associated to the Economic Crime and Corporate Transparency Act (failure to prevent fraud). Deployment of the Cabinet Office AI Risk Assessment Tool to be deployed to key areas as fraud risk owners.	On going – Proactive details covered in main report
	Relationship Management	Strengthening the anti-fraud culture within the organisation requires Counter Fraud to continue with relationship management meetings to report on emerging and current fraud and error risks identified through investigations.	On going – Proactive details covered in main report
	Local Government Reorganisation	Support in the preparation of de-aggregation of services ahead of vestment day. This will Include fraud risk assessing the de-aggregation process as well as informing delivery of counter fraud services post vestment.	Paused
	Whistleblowing Hotline and log	The Counter Fraud Team manage the Councils Central Whistleblowing Log and the Whistleblowing helpline.	On going – working with HR&OD on review

Section Navigation
Introduction and Key Messages
Proactive Counter Fraud Work
Irregularity Referrals
Irregularities by Directorate
Kent Intelligence Network
Appendix A: Current Year Referrals in Detail

Appendix B - Fraud Action Plan 2026/27

Pillar	Activity	Detail	Update
Prevent - Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture	Fraud Awareness	Deliver fraud awareness training to teams to ensure that sessions delivered to officers on a risk- based approach. The training will seek to raise awareness about new emerging fraud risks and current risks, continue to strengthen the anti-fraud and integrity culture.	On going – Proactive details covered in main report
	Internal Audit	The Counter Fraud Team will review draft engagement plans to ensure any issues identified through investigations or relationship management meetings help inform the scope of any audits.	On going – Proactive details covered in main report
	International Fraud Awareness Week Campaign	To deliver an internal campaign to officers during International Fraud Awareness week.	Due in Q3
	National Fraud Initiative	The Counter Fraud Team will lead on the NFI submission that matches data within and between public and private sector bodies to prevent and detect fraud. A nominated person from each of the data sets will be identified and liaised with through the project to ensure matches are cleared.	Due in Q3
	Kent Intelligence Network	The Counter Fraud Team will support the Kent Intelligence Network on activities that benefit KCC and the wider Kent Residents.	On Going – Update on Q1 in main report
	Artificial intelligence – Counterfeit/ Forgery	To explore the use of AI as a detection tool to identify counterfeit/ forged documents used to access services.	Awaiting a suitable test site

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

Appendix B - Fraud Action Plan 2026/27

Pillar	Activity	Detail	Update
Pursue **Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders.** **Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps**	Investigations	The Counter Fraud Team will apply a risk-based approach to investigating all instances of actual, attempted and suspected fraud and financial irregularities. The Counter Fraud Team will ensure; that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice the Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council employee appropriate sanctions are applied Staff meet the standards of the Government Counter Fraud Profession	On going – relevant oversight by commissioning managers for secondary investigations. Section 151 Officer updated on progression of secondary investigations. All staff have a completed self-assessment to the Government Counter Fraud Professional Standards. Reviews progressing on evidence that supports self-assessment.
	Partnership Working	To maintain and develop working with key partner agencies in the prevention and detection of fraud such as the Kent Intelligence Network, Local Authorities, Kent Police as well as internal teams within KCC.	On-Going

Section Navigation

Introduction and Key Messages

Proactive Counter Fraud Work

Irregularity Referrals

Irregularities by Directorate

Kent Intelligence Network

Appendix A: Current Year Referrals in Detail

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