

By: James Flannery – Counter Fraud Manager
To: Governance and Audit Committee – 21st January 2021
Subject: **COUNTER FRAUD UPDATE**
Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for period April 2020 to September 2021, including reported fraud and irregularities.
- An update on the Counter Fraud Action Plan for in 2020/21 covering reactive and proactive activity.

Recommendation: FOR ASSURANCE

Introduction

- 1.1 This report outlines Counter Fraud work which has been undertaken in Quarter 1 & 2 of 2020/21 and the progression of the Fraud Action plan for 2020/21. The report provides:
- An overview of the work of the Counter Fraud Team;
 - details of savings identified through counter fraud activity; and
 - a spotlight on the volume and variety of investigations work that the Counter Fraud Team undertakes and the competing priorities.

Irregularity Referrals

- 1.2 For Quarter 2 of 2020/21, there were 70 suspected irregularities (Trend analysis shown in tables below) reported to the Counter Fraud Team (compared to 116 in the same period for 2019/20). The distribution and characteristics of the suspected irregularities reported to date show that the highest areas of financial risk this year are from misuse of social care support paid via Direct Payments.
- 1.3 Actual fraud losses for Quarter 1 & 2 2020/21 were £39,251, with prevented fraud losses of £458,232. Most of the actual fraud loss is due to a £20k Personal Transport Budget overpayment following a keying error. The increase in prevented fraud losses are linked to an increase in Spear Phishing attempts at schools (£7,755 per attempt) as well as a few high value referrals received within Direct Payments. Prevented fraud losses will fluctuate depending on the nature of cases referred.

Direct Payments

- 1.4 There have been 15 cases referred in Quarter 1 & 2 of 2020/21 compared to a total of 15 cases for 2019/20, the nature of these referrals is due to funds not being spent in accordance with the care and support plans. As certain services have not been available to recipients due to Covid-19 restrictions, excess funds have been misused. However, through the DP monitoring team, the losses have been minimised through their annual reviews.

1.5 Losses range between £100s to £1,000s and are all subject to financial recovery. Each case is assessed based on the circumstances, with the length of time and amount misused being a factor in the decision to progress an investigation. From the 15 cases, there are 5 where the loss is more than £1,000, with the highest being £7,597.

Blue Badges

1.6 Referrals for Blue Badge misuse for Quarter 2 have increased to 47, although not at the same rate as pre-Covid, this is a good indication that parking enforcement teams, especially in Ashford, Dover and Gravesend, are continuing to detect misuse.

1.7 It has been noted that there has been an upturn in the number of referrals/ complaints from the public where they witness misuse in residential on-street parking, especially where there are parking restrictions in place. This is probably due to the change in the way people are working, with more home working prevalent than before.

1.8 Whilst intelligence can be forwarded to parking enforcement teams to act where appropriate, there is no provision within the on-street parking agreement covering blue badge misuse. This has been raised with representatives in the Growth Environment and Transport Directorate and are awaiting an update from them on a way forward.

Emerging Risks

1.9 The engagement by Counter Fraud Specialist at divisional level in assessing fraud risks has seen referrals being received from different areas of KCC as awareness and the counter fraud culture grows. This has included referrals being received in relation to financial assessment within the adoption and guardianship service.

1.10 There have been concerns raised by other County Councils on the fraud risks associated to grant payments for Infection Control. KCC have been allocated £35.5m to support providers mitigate the risk of infection. Counter Fraud have contacted Finance and Adult Social Care and Health representatives to support them in assessing the fraud risks in this new initiative.

Fraud and Irregularity Trends

1.11 The tables below show trends in reported fraud and irregularities:

Table CF1 - Top Seven areas of reported fraud and irregularities over the past 2.5 years

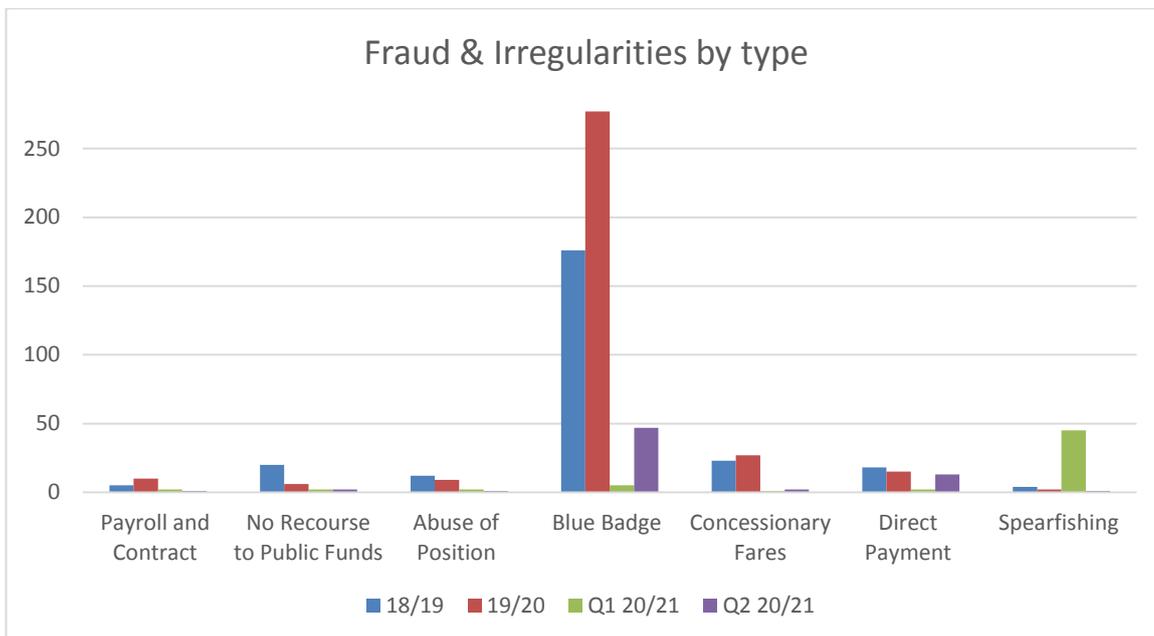


Table CF2 – Number of Irregularities Reported by Month

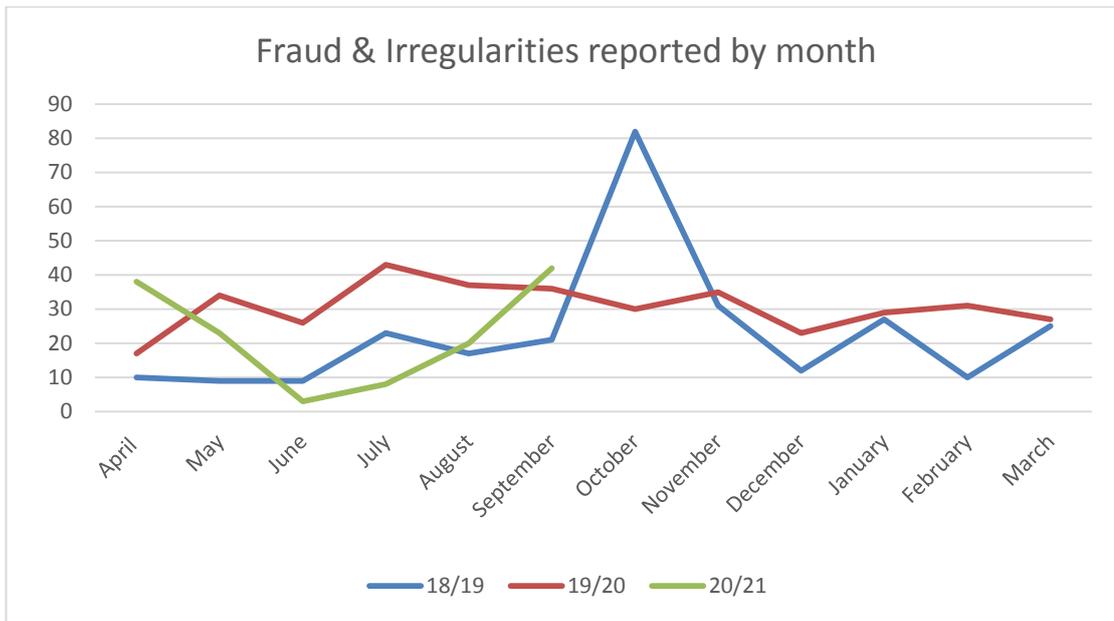
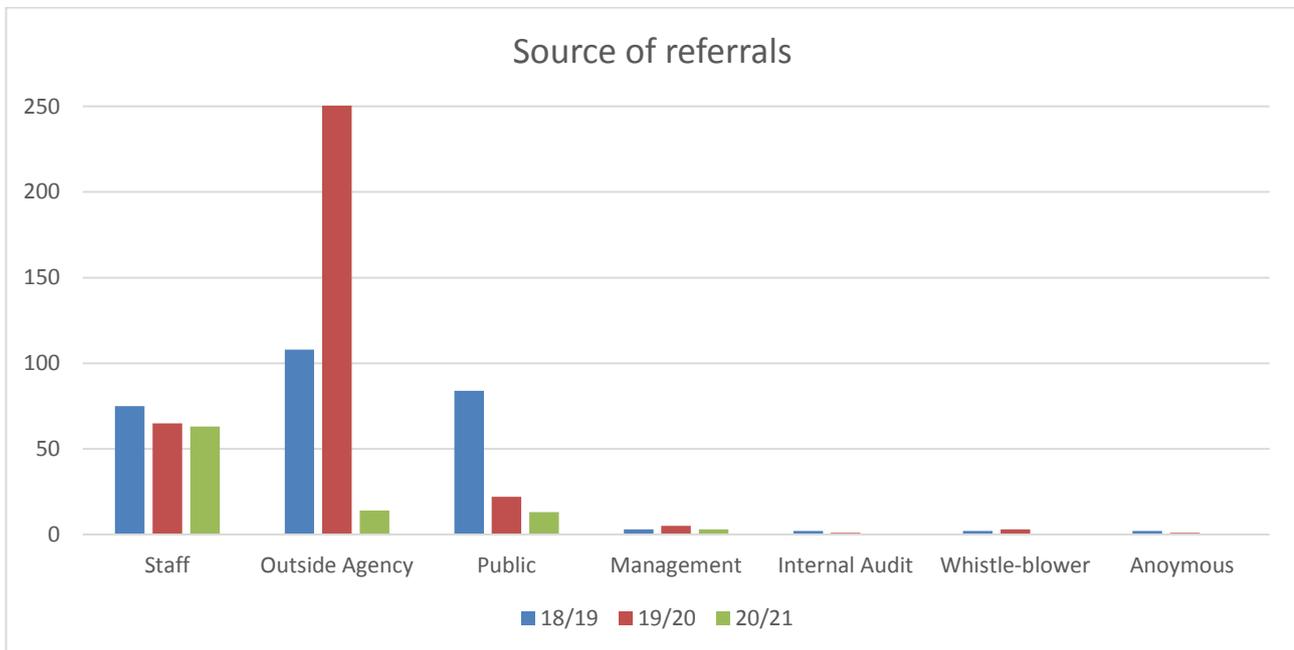


Table CF3 – Referrals by Source



Kent Intelligence Network (KIN)

1.12 The KIN, the lead officer for which is employed by KCC, continues to provide support to the District/Borough Councils and the outcomes for Q2, set out below, show some impressive financial returns in the first 6 months of 2020/21:



1.13 59 commercial properties 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 and consequently, the businesses occupying these properties are now paying business rates.

1.14 The additional business rates revenue generated from the identification of these missing properties is £3,081,322, of which broadly 9% (approx. £277,300) comes to KCC, is a combination of the following:

- The total amount of business rates billed for both the current financial year and previous financial years of £1,639,797; and
- A 'future loss prevention' provision of 3 years of £1,441,525. This represents the amount of additional income that would have been lost if the respective properties had not been identified by the KIN.

1.15 The KIN has recently expanded its remit and is now starting to identify dwellings missing from the valuation list. So far, 35 dwellings have been identified, the majority of which are self-contained annexes missing from the list.

- 1.16 The additional council tax revenue generated from the identification of these properties is £261,079, of which broadly 73% (approx. £190,600) comes to KCC, is a combination of the following:
- The total amount of council tax billed for both the current financial year and previous financial years of £98,527; and
 - A 'future loss prevention' provision of 3 years of £162,552. This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.
- 1.17 Dwellings added to the valuation list also help to generate additional New Homes Bonus (NHB) for both Districts/Boroughs and KCC. It is estimated that the 35 dwellings identified will generate £196,000 in additional NHB, of which 20% (approx. £39,200) _ will come to KCC.
- 1.18 In total, the financial benefit to KCC from the initiatives detailed above in 2020-21 amounts to £507,105.
- 1.19 The financial returns continue to demonstrate the value of the KIN and, consequently district councils have now agreed a 'payment-by-results' scheme that will help to fund the project going forward. The main principle behind this is that for every commercial property and domestic dwelling found by the KIN, districts will pay a fee based on the following:
- A charge of 8% of the Rateable Value identified for commercial properties added to the rating list, and
 - A charge of 50% of the gross current year Council Tax liability for domestic dwellings added to the valuation list.
- 1.20 The total amount to be billed to districts, as at the end of September, is £102,788. This amount, together with the balance of funds currently available in the KIN's budget, means that the project's costs can be fully underwritten for both 2020/21 and 2021/22.

The KIN is also gaining national recognition for the work it is undertaking. Having already won the ALARM Risk Award for Best Initiative in Combatting Fraud in 2019, the KIN has also been shortlisted as a finalist in the national awards detailed below:

- Public Finance Awards 2020 in the category of Outstanding Proactive Fraud Detection and Recovery Awards (finalist), and
 - Credit & Collections Technology Awards in the category of Best Use of Technology in Credit & Collections, in partnership with Destin Solutions.
- 1.21 KIN were also shortlisted for the Fighting Fraud & Corruption Locally 2020 in the category of Outstanding Proactive Fraud Prevention and Recovery Award. KIN received a highly commended award at the presentation for their continued work in how local authorities collaborate across the county.

Counter Fraud Pro-Active Work

1.22 The Counter Fraud Pro-Active Work delivered for 2020/21 includes:

- Fraud awareness to 30+ Commissioners;
- Reviewing and updating the Financial Abuse Toolkit;
- Awareness campaign across KNet.

1.23 The Fraud awareness presentation to Commissioners concentrated on fraud and corruption in commissioning cycle. It concentrated on the research by the Cabinet office on the risks of fraud and corruption in local government procurement. Feedback from those that attended when asked if they would do their job differently included:

'Having gained further insight into this area, I will apply this additional knowledge to my work.'

'Be more vigilant, as well as continue to be open, fair and transparent when dealing with clients/framework.'

'I am taking account of fraud in the new commissioning framework I have written as discussed with Shelley and James.'

1.24 The Financial Abuse Toolkit has been reviewed and updated following its introduction in 2014. The document is owned by Adult Social Care and Health, Safeguard team with the Counter Fraud Team responsible for reviewing and updating it.

1.25 The review process consisted of engagement with key stakeholders, Care Management, Trading Standards, Financial Assessment, ASC&H Policy and Adult Safeguarding. It has seen the introduction of common scenarios that stakeholders and Counter Fraud have experience over the years and how to manage the scenario's through a roles and responsibilities matrix. This will not only help prevent Kent residents from financial abuse but also ensure that if they are a victim that a clear escalation process is in place to the relevant agency for investigation.

1.26 Feedback from both Adult Safeguarding and Care Management has been positive, the next stage of this project is to develop and introduce a communication strategy with front line staff to ensure awareness and knowledge is shared.

1.27 The Fraud Awareness week in November saw a collaboration between the Counter Fraud Team, Serious and Organised Crime Project Board, Trading Standards and ICT Security and Risk team. The week brought together key messages to staff to ensure awareness of the risks facing not only KCC but Kent residents as well.

Counter Fraud Resources

1.28 The team has received notice from the Counter Fraud Apprentice recently, this will result in some resource shortages whilst recruitment into this post occurs. The recruitment process is underway and it is anticipated that someone will be in post by the end of January 2021.

Counter Fraud Action Plan 2020/21

1.29 There has been good progression of the Counter Fraud Action Plan to date, given the current environment there will need to be an agile approach to some of the planned work to meet any additional demands from services on new initiatives, policies and strategies. Progression against the plan can be found at **Appendix A**.

Conclusions

1.30 Fraud risks are being assessed, however the embedding of fraud risks assessments in new policies, strategies and initiatives needs strengthening to ensure services engage with us at concept stage to properly assess the risks, in particular with the new initiatives to respond to the pandemic for example the Infection Control grant funding.

Recommendations

1.31 The Governance and Audit Committee note the Counter Fraud Update report for 2020/21.

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Jan 2021

Appendix A

Work to Prevent and Pursue Fraud and Corruption

Ref.	Activity	Outline Scope / Rationale	Update
CF01 2021	Fraud Awareness / Detection and Prevention Authority Wide	Plan and deliver a fraud awareness campaign in 2020-210 that is supported by the leadership team and includes both internal and external communications. The latter should raise awareness across clients and customers and include 'good news' stories such as successful prosecution or fraud prevention activity.	Commissioning Fraud Awareness completed. KNet Fraud Awareness Week completed. 207 Fraud E-Learning Courses completed
CF02 – 2021	NFI	Coordinate the Council's and its LATCO's participation in the National Fraud Initiative	Data extraction and upload completed. Results due in Jan/ Feb 2021
CF03 – 2021	Review Policies & Procedures <ul style="list-style-type: none"> • Anti-Fraud Strategy • Whistleblowing • Bribery • Code of Conduct 	Review each policy annually ahead of the April G&A Committee and ensure that this is presented to CMT and once agreed to be communicated across KCC management via Kmail for managers.	Completed
CF04 – 2021	Kent Intelligence Network	Actively participate in the Kent Intelligence Network and develop data matching proposals to increase detection of fraud at KCC and across Kent authorities	Ongoing
CF05 – 2021	Relationship Management Strategy for Senior Stakeholders - Including Fraud, Bribery and Risk Assessments	To ensure that key Senior Stakeholders are kept up to date on the fraud risks and mitigation: <ul style="list-style-type: none"> • Leader as Portfolio Holder • CMT (In particular, Head of Paid Service) S.151 and Monitoring Officer, Corporate Directors • Governance and Audit Committee • Directorate/ Divisional Directors 	Ongoing Risk assessments within CYPE and ASCH Division for final review. Risk Assessments within GET ongoing through engagement at divisional level. Risk Assessments within ST, G&L, Finance Final draft. Strategic Commissioning/ HR&OD to be completed.

CF06 2021	Proactive Fraud Exercise - Schools	Provide Fraud awareness sessions to school finance staff, emerging leaders and governors. Including existing and emerging risks	Awareness sessions cancelled for Q2 & Q3 due to School commitments now planned for Q4.
CF07 2021	Proactive Fraud Exercise - Blue Badges	Provide regular attendance at the parking managers meetings to inform them of latest guidance, what is working well and what needs improving. Provide enforcement awareness sessions to district CEOs.	Ongoing however enforcement days planned have been deferred to Q4 due to Covid.
CF08 2021	Proactive Fraud Exercise - Social Care	Review the Financial Abuse Toolkit to support Social Care in identifying and managing financial abuse.	Final version completed following stakeholder engagement, communication strategy being developed with ASCH safeguarding and policy teams.
CF09 2021	Proactive Fraud Exercise - Commissioning	Work with Commissioning in assessment of the fraud risks within the supply chain.	Ongoing Supplier set up process being progressed with Strategic Commissioning. Data analytics on payments to dissolved companies being investigated. Awareness training provided.
CF10 2021	Reactive Investigations	To manage and complete investigations.	Ongoing 68 cleared referrals and investigations in Q1 & Q2.
CF11 – 2021	Data Analytics Development - Payments	To identify a way to use data analytics to help identify fraud and error within the payments systems.	On-Going Results from NFI on creditor data due in Q4 will inform next steps
CF12 – 2021	Data Analytics Development - Procurement Card Usage	To identify a way to use data analytics to help identify fraud and error within the procurement card systems.	Planned for Q4
CF13 – 2021	Covid-19 Fraud Risk Assessments	To updated COVID-19 Fraud Risk assessments as new threats emerge.	Completed and under review
CF14 – 2021	Supporting Internal Audit on specific audits where there is a fraud risk, through planning, fieldwork and reporting stages as required.	Provide advice and support on key fraud controls in specific audits, support in testing and reporting as required.	On-going and good engagement from auditors on assessing fraud risks. Training provided to Internal Audit on fraud risks and controls in Q3