L;/By:	James Flannery – Counter Fraud Manager
To:	Governance and Audit Committee – 7th October 2021
Subject:	**COUNTER FRAUD UPDATE**
Classification:	Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for Quarter 1 of 2021/22, including reported fraud and irregularities.

Recommendation: FOR ASSURANCE

Introduction

1.1 This report outlines Counter Fraud work which has been undertaken in Quarter 1 of 2021/22, the report provides:

- An overview of the work of the Counter Fraud Team;
- details of actual, recoverable, potential and prevented losses 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 Irregularities reported to the Counter Fraud team are starting to increase again, a new category has been created to capture the number of referrals from the public on blue badge misuse due to an increase in this area.

1.3 For Quarter 1 for 2021/22, there were 103 suspected irregularities (Trend analysis shown in tables below) reported to the Counter Fraud Team (compared to 63 during the same period in 2020/21).

1.4 Actual losses for Quarter 1 2021/22 were £61,663, however recoverable losses are £29,663. This is due to the loss of £32,000 of income due on school appeals. Potential fraud losses equate to £58,665, with prevented fraud losses amounting to £1,725. Prevented fraud losses will fluctuate depending on the nature of cases referred.

Case Summaries

Charging of School Appeals

1.5 An investigation into school appeals has been completed by the Counter Fraud Team following a financial irregularity being reported. The irregularity related to the failure to charge primary schools the fee for preparing the General Defence Statement as part of the school appeal process.

1.6 It was established that from April 2019 to March 2021, the General Defence Fee applicable to each primary school for their first appeal, totalling £110 was not being included on the invoices to primary schools who used this service, secondary schools however, had been invoiced for this fee. All schools had been charged the fee for the appeal preparation and presenting officer. This has resulted in a financial loss of £32,000 to KCC.

1.7 The investigation identified a number of control weaknesses, namely a lack of segregation of duties in the administration of appeals, no reconciliation of services delivered to amount invoiced, and income received, no budget monitoring occurring for the appeals income and a lack of financial awareness of the charging requirements. The issues on control weaknesses have been reported to management via a management letter and responses to the issues raised have been received. The management responses address the issues to ensure the risk of further loss is suitably mitigated.

Blue Badge Offences

1.8 Referrals for Q1 from District and Borough Councils are relatively low, given this period is just after full lockdown and the health and safety requirement to maintain social distancing means the referral rates are reflective of the situation.

1.9 To support Districts and Borough Councils, two enforcement days in August 2021 to train Civil Enforcements Officers (CEOs) and raise awareness have progressed with Dartford and Tonbridge and Malling. During the enforcement day, a number of blue badge misuse offences were detected and will be progressed to investigation. CEOs welcomed the training to support their enforcement activity, referrals rates will be monitored to assess the impact of the training. A press release has been issued to act as a deterrent for others, this has received favourable local press coverage. The following table shows the referral rates per District/ Borough for Q1:

Council	Referrals	Council	Referrals	Council	Referrals
Ashford	10	Folkestone & Hythe	0	Sevenoaks	0
Canterbury	0	Gravesham	4	Thanet	0
Dartford	1	Maidstone	2	Tonbridge and Malling	0
Dover	2	Swale	0	Tunbridge Wells	0

1.10 Through the National Fraud Initiative, a further 19 referrals have been reviewed following the matching of data relating to deceased individuals whose badges were issued after the date of death. The review of these cases has identified the applications were started prior

to their death but due to processing times were issued after their death. All badges have been cancelled.

1.11 Eight referrals have been received from members of the public regarding misuse identified in residential areas. This information has been passed to the District/ Borough parking teams to monitor and enforce the scheme if required. Two cases have been received in respect of concerns on the representations made through the assessment process.

1.12 The Counter Fraud Team have secured a prosecution for a blue badge offence, with details reported in the press. The offence related to the use of a deceased person's blue badge.   The offender received a £250 fine, £700 contribution to investigation and prosecution costs and a £32 victim surcharge, to be paid within 28 days.   A costly experience for avoiding paying the £2.30 per hour parking charge.

Direct Payments

1.13 There have been 16 cases of financial irregularities reported in Quarter 1 on Direct Payments made to adults and children in social care, with known actual losses equating to £15,599 due to spend outside of the agree care and support plan. All amounts are subject to civil recovery.

Fraud and Irregularity Trends

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

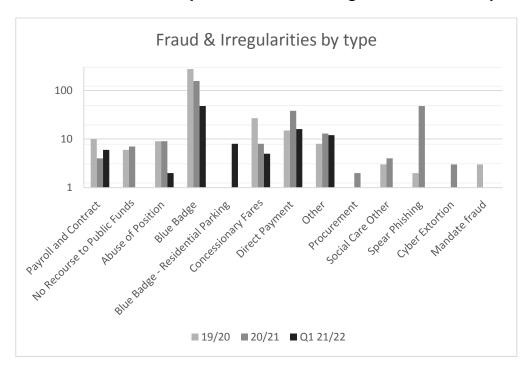*Table CF1 - Areas of reported fraud and irregularities over the past 2 years + Quarter 1.*

Fraud & Irregularities by type

■ 19/20   ■ 20/21   ■ Q1 21/22

Table CF2 – Number of Irregularities Reported by Month

Fraud & Irregularities reported by month

Legend: 19/20, 20/21, 21/22

Table CF3 – Referrals by Source

Referrals by Source

Categories: Staff, Outside Agency, Public, Management, Internal Audit, Whistle-blower, Anoymous

Legend: 19/20, 20/21, Q1 21/22

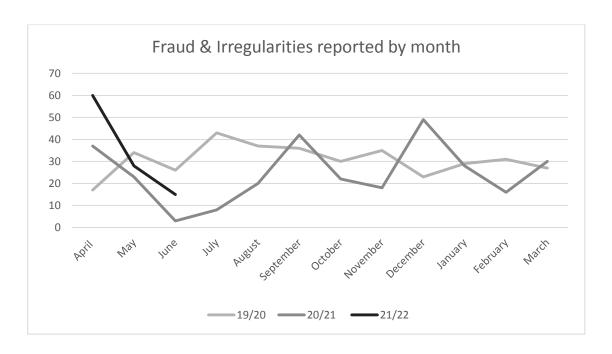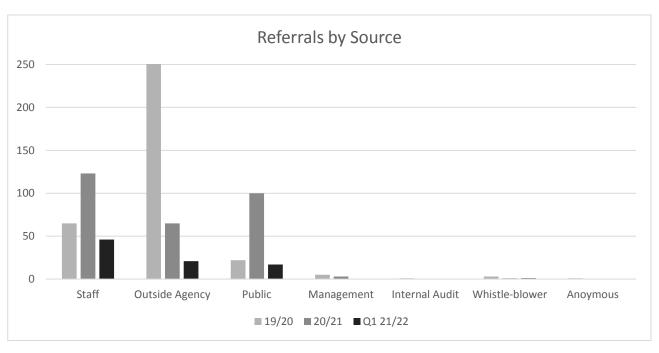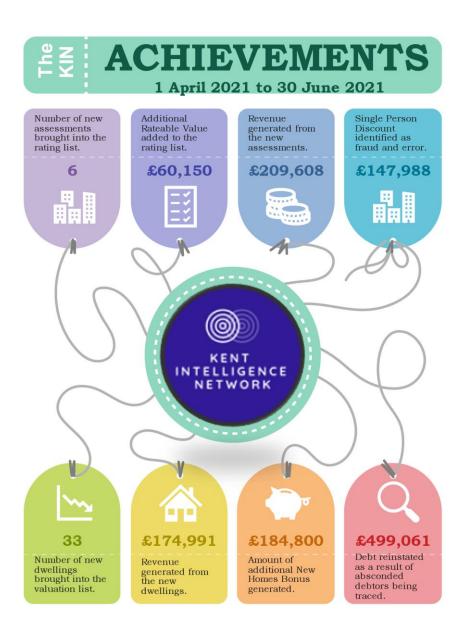**Kent Intelligence Network (KIN)**

1.15 The KIN continues to provide valuable support to the District/Borough Councils and the outcomes at the end of Q1, set out below, show the results and financial returns achieved in the first 3 months of this financial year.

The KIN **ACHIEVEMENTS**
1 April 2021 to 30 June 2021

Number of new assessments brought into the rating list.	Additional Rateable Value added to the rating list.	Revenue generated from the new assessments.	Single Person Discount identified as fraud and error.
6	£60,150	£209,608	£147,988

KENT INTELLIGENCE NETWORK

Number of new dwellings brought into the valuation list.	Revenue generated from the new dwellings.	Amount of additional New Homes Bonus generated.	Debt reinstated as a result of absconded debtors being traced.
33	£174,991	£184,800	£499,061

1.16 Six 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.

1.17 The additional business rates revenue generated from the identification of these missing properties is £209,608, of which broadly 9% comes to KCC, and is a combination of the following:

- The total amount of business rates billed for both the current financial year and previous financial years of £119,562; and

- A 'future loss prevention' provision of 3 years of £90,046. This represents the amount of additional income that would have been lost if the respective properties had not been identified by the KIN.

1.18 It is also pertinent to highlight that as of 30th June 2021, there were a further 32 cases with the Valuation Agency awaiting assessment/valuation. The KIN also helps to identify dwellings missing from the valuation list. So far, 33 dwellings have been identified, the majority of which are self-contained annexes missing from the list.

1.19 The additional council tax revenue generated from the identification of these properties is £174,991, of which broadly 73% 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 £38,387; and
- A 'future loss prevention' provision of 3 years of £136,604. This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.

1.20 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 33 dwellings identified will generate £184,800 in additional NHB, of which 20% will come to KCC.

1.21 In total, the financial benefit to KCC from the initiatives and successes detailed above in the first quarter of the financial year amounts to £183,408.

Counter Fraud Pro-Active Work

1.22 The Counter Fraud Proactive Work delivered for this period, is set out below. Further details of activity against the Counter Fraud Plan can be found at Appendix A:

- Providing fraud awareness sessions to our external clients and school finance officers.

- Supporting the Reconnect grant funding process through reviewing the application processes, producing a fraud risk assessment as well as providing advice and support on some of the application being received.

- Completing Blue Badge enforcement days with two parking teams.

- Completing a review of the way 'Indi' contracts for the adult social care provision has been managed following a complaint from a provider.

- Working with the Accountancy Team in developing the Tax Evasion Strategy and risk assessing Tax Evasion within KCC to support compliance with the Criminal Finances Act 2017.

Counter Fraud Resources

1.23 The team is now at full strength with the appointment of the Counter Fraud Apprentice who joined the team in August. This now means the team compromises of; 0.8FTE Counter Fraud Manager, 2.6FTE Counter Fraud Specialists, 1FTE Counter Fraud Technician and 1FTE Counter Fraud Apprentice.

Conclusions

1.24 The number of referrals (103) received in Q1, 2021/22 is the highest figure the Counter Fraud Team has received over the past four financial years.

Recommendation

1.25 The Governance and Audit Committee note the Counter Fraud Update report for quarter 1 2021/22.

James Flannery, Counter Fraud Manager

03000 416092, james.flannery@kent.gov.uk Sept 2021

Appendix A: Counter Fraud Plan 2021/22

Ref	Risk Area	Activity	Progress
CF01-2022	Payroll Pension Blue Badge Concessionary fares Trade Creditors	Progression of NFI Data Matches	In progress – Matches being cleared
CF02-2022	Corporate risk of Fraud	Policy and Strategy Review	Completed review of Anti-Fraud and Corruption Strategy, Anti Bribery Policy, Anti Money Laundering Policy, Financial Regulations. Whistleblowing policy and procedure reviewed and issued to the Monitoring Officer and Corporate Director for People and Communications for review and progression.
CF03-2022	Corporate Fraud	Kent Intelligence Network	In progress – savings reported above
CF04-2022	All risk areas to support the prevention and detection of fraud and corruption	Relationship Management Strategy for Senior Stakeholders - Including Fraud, Bribery and Risk Assessments.	Fraud risk assessment of the Reconnect grant programme completed. Relationship management meetings being arranged for Oct/Nov to discuss current risk assessments
CF05-2022	All fraud risk areas faced by schools to support the prevention and detection of fraud	Proactive Fraud Exercise - Schools	Two sessions delivered to the Finance officers' group.
CF06-2022	Blue Badge fraud risk	Proactive Fraud Exercise - Blue Badges	Two enforcement days delivered – with press release to raise awareness Training video under development Engagement with Parking managers occurring
CF07-2022	Social Care fraud risks	Proactive Fraud Exercise - Social Care	Completed – issued and live on Knet.
CF08-2022	Procurement fraud risks	Proactive Fraud Exercise - Commissioning	Awaiting Strategic Commissioning to release the commissioning standards for Counter Fraud to review and comment on.
CF09-2022	Payment/ procurement fraud risks	Data analytics development - payments	Planned for Q3
CF10-2022	Procurement fraud risks	Data analytics development - procurement card usage	Planned for Q3

CF11-2022	Counter Fraud Profession	Professional standards	Engagement with the Cabinet Office on the Counter Fraud Profession.
CF12-2022	Tax evasion	Support the development and introduction of a tax evasion strategy and risk assessment	In progress - working with the Chief Accountant and project lead to provide project support in the assessment of tax evasion risks and the mitigating controls and actions.
CF13-2022	Payment fraud risks	Supporting Audit on specific audits where there is a fraud risk	In progress
CF14-2022	All fraud risk areas	Reactive Investigations	In progress.