

By: James Flannery – Counter Fraud Manager

To: Governance and Audit Committee – 21<sup>st</sup> July 2022

Subject: **COUNTER FRAUD UPDATE**

Classification: Unrestricted

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### Summary:

This report details:

- The Counter Fraud activity undertaken for period April 2022 to July 2022, including reported fraud and irregularities.
- An update on the Counter Fraud Action Plan for 2022/23 covering reactive and pro-active activity.

### Recommendations:

The Governance and Audit Committee are asked to;

- 1.1 Note the Counter Fraud Progress report for 2022/23.
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### Irregularity Referrals

- 1.2 For the period 01 April 2022 to 28 June 2022, there were 59 suspected irregularities (trend analysis shown in below tables) reported to the Counter Fraud Team (compared to 63 in the same period for 2021/22). The distribution and characteristics of the irregularities reported to date show that the highest areas of financial risk this year are from mandate fraud with further attempts being made to change bank details.
- 1.3 Actual losses (fraud & error) for the period 01 April 22 to 28 June 22 is £22,927, of which £22,927 is recoverable. The main contributors to actual losses in this period are three direct payment misuse cases totalling £12,397 and a salary overpayment of £6,172.
- 1.4 Prevented total losses for 2022/23 for the period 01 April 22 to 28 June 22 is £569,966 of which a potential of £555,096 of losses occurring if the Counter Fraud Team/ Management had not intervened, the majority of this figure is due to an attempt to change bank account details.

### National Fraud Initiative (NFI)

- 1.5 Following the release of data in 2021 the Counter Fraud Team and service leads have reviewed the majority of matches. As shown below this has seen a significant number of accounts updated to ensure data is as update to date which in turn, in accordance with the Cabinet Office guidance can result in cost avoidance and actual savings:

Report title	Number of matches	Cost Avoidance	Actual / recoverable losses
Pensions/Pension Gratuity to DWP Deceased	271		£13,767.65
Payroll to Payroll	364		£2,268
Blue Badge Parking Permit to DWP Deceased	3146	£592,825	
Concessionary Travel Passes to DWP Deceased	4852	£89,928	
Totals		£682,753	£16,035

- 1.6 In addition to above a number of declarations of interests of officers and members have been updated to reflect any interests they have in any companies or organisations. These have been cross checked against any decision making relating to grants or procurement to ensure that no conflicts have occurred.
- 1.7 Planning for the next round of the NFI is in progress for the 22/23 submission of data which is required by the Cabinet Office every two years.

## Blue Badges

- 1.8 Due to a change in the Counter Fraud Case Management System there has been a temporary loss of access to the referrals by district data for Quarter 1. However, three simple cautions have been issued during this period for offences relating to the misuse of blue badges. Simple cautions can only be issued if there is sufficient evidence to prosecute and the person admits to the offence and no previous offending has occurred.
- 1.9 Blue badge enforcement videos have been completed and are currently being finalised by our communications team for roll out to the District Council Parking Teams. In addition enforcement days have been arranged with a number of Districts to support them in enforcing blue badge misuse.

## Fraud and Irregularity Trends

- 1.10 The below tables show trends in reported fraud and irregularities:

**Table CF1 - Key areas of reported fraud and irregularities**

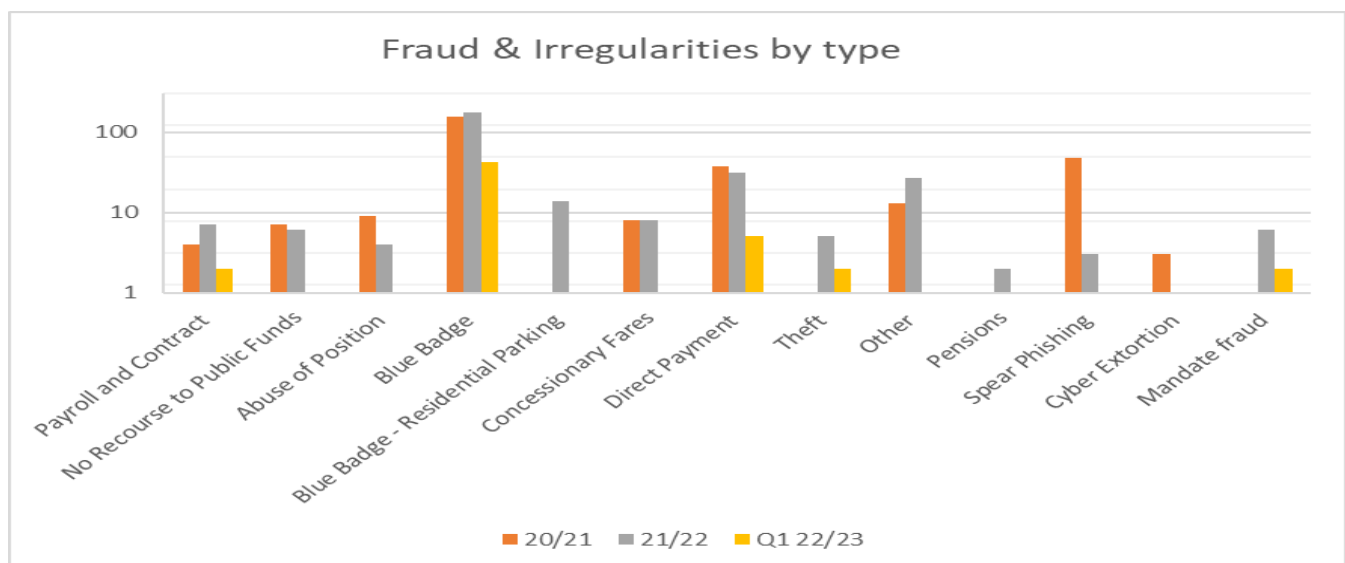


Table CF2 – Number of Irregularities Reported by Month

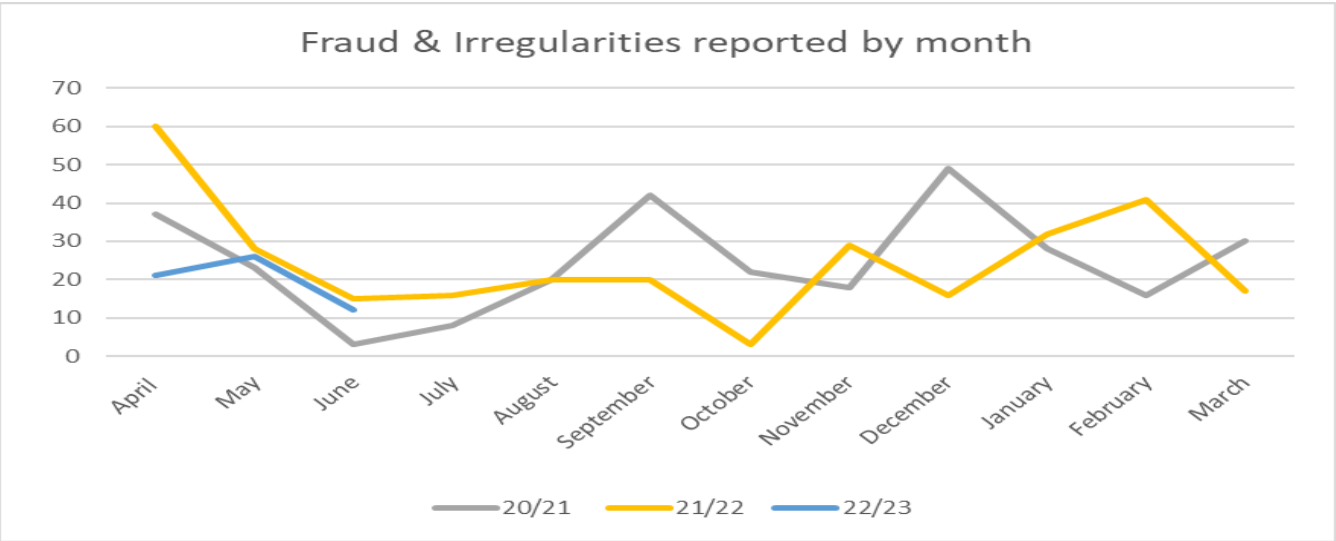
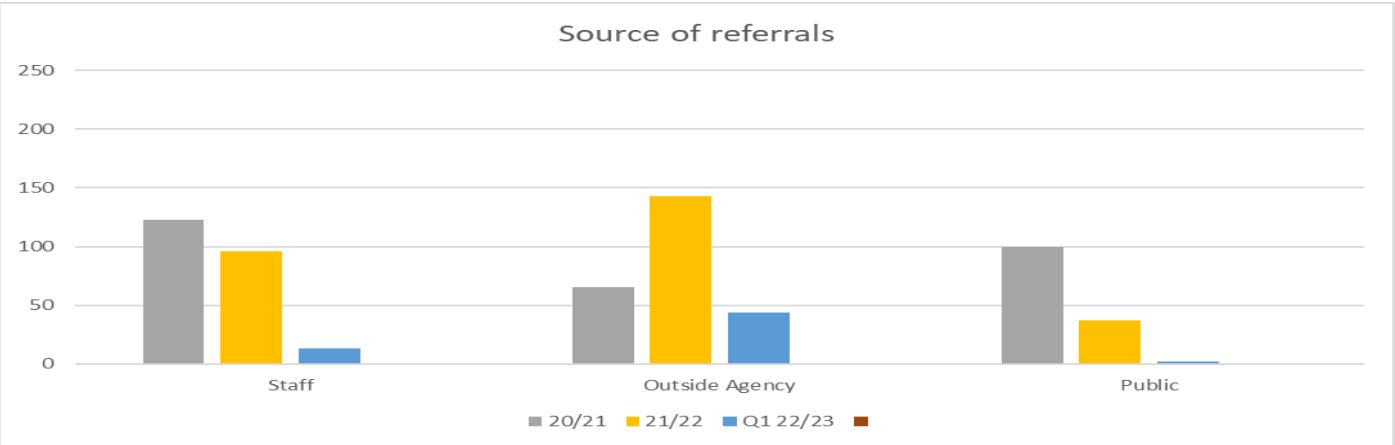
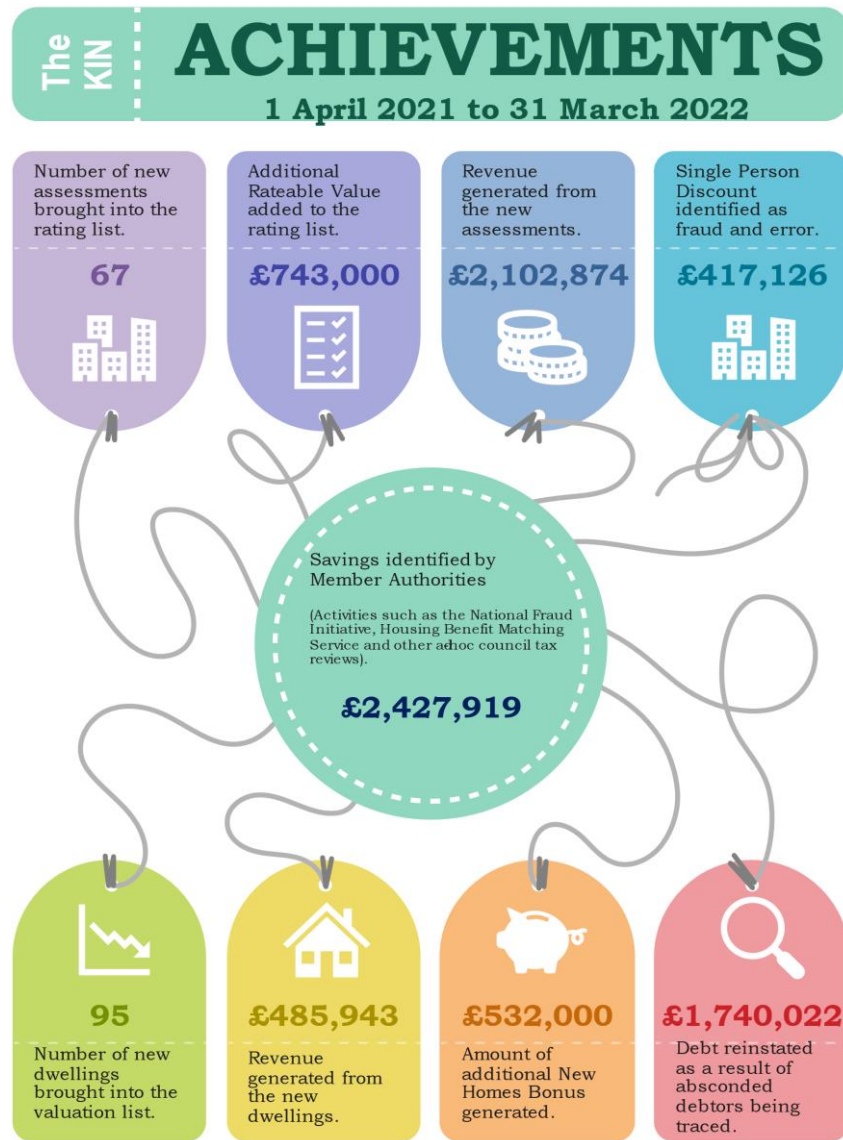


Table CF3 – Referrals by Source



## Kent Intelligence Network (KIN)

1.11 The KIN continues to provide valuable support to the District/Borough Councils and the outcomes for 2021/22, set out below, show the results and financial returns achieved.

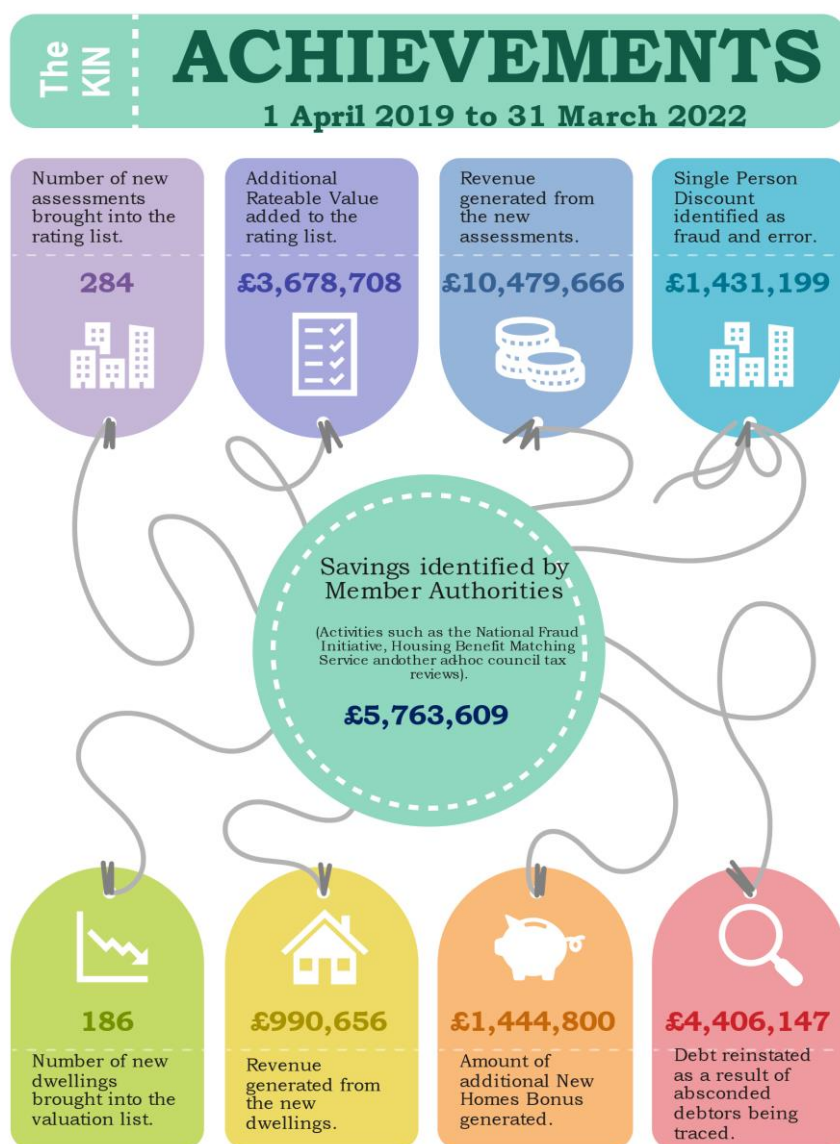


1.12 67 commercial properties have been identified that were previously missing from the rating list. These properties have now been brought into the list by the Valuation Office Agency and consequently, the businesses occupying these properties are now liable for business rates.

1.13 The additional business rates revenue generated from the identification of these missing properties is £2,102,874, of which broadly 9% 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 £1,038,825; and
- A 'future loss prevention' provision of 3 years of £1,064,049. This represents the amount of additional income that would have been lost if the respective properties had not been identified by the KIN.

- 1.14 It is also pertinent to highlight that as at 31 March 2022, there were a further 36 cases with the Valuation Agency awaiting assessment/valuation.
- 1.15 The KIN also helps to identify dwellings missing from the valuation list. So far, 95 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 £485,943, 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 £95,448; and
  - A 'future loss prevention' provision of 3 years of £390,495. 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 95 dwellings identified will generate £532,000 in additional NHB, of which 20% will come to KCC.
- 1.18 It is also pertinent to highlight that as at 31 March 2022, there were a further 22 cases with the Valuation Agency awaiting assessment.
- 1.19 In respect of the £1,740,022 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 £1,218,015 and this would amount to £889,150.
- 1.20 In total, the financial benefit to KCC from the initiatives and successes detailed above amounts to £1,539,547.
- 1.21 The KIN has now completed 3 years with a dedicated Operations Manager coordinating the project. The project has moved forward at pace since 1 April 2019 and the outcomes for the 3 years, set out below, show the results and financial returns achieved.



1.22 Using the calculations detailed above for the respective categories, this equates to additional income for KCC amounting to £4.2M.

## Counter Fraud Pro-Active Work

1.23 The Counter Fraud Pro-Active Work delivered for period April 22 to July 22 includes:

- Fraud awareness to school governors and senior leaders;
- County Safeguarding strategic group
- Fraud Culture workshop to an external client.
- Fraud briefing to Direct Payment Co-Ordinators
- Fraud briefing to HR Advisors
- Review of Emergency planning guidance to schools

## **Counter Fraud Resources**

1.24 The team comprises; 1FTE Counter Fraud Manager, 3FTE Counter Fraud Specialists, 2FTE Counter Fraud Technician, 0.8FTE Intelligence Officer and 1FTE Counter Fraud Apprentice.

## **Counter Fraud Action Plan 2021/22**

1.25 Updates to the 2022/23 Counter Fraud Action Plan can be found at **Appendix A**.

## **Conclusions**

1.26 Delivery of pro-active awareness sessions are continuing with good feedback being received on their impact and value. Reactive work is being managed within current resources, with several complex cases being progressed alongside the high-volume low complex cases.

## **Recommendations**

1.27 The Governance and Audit Committee are asked to:

- Note the Counter Fraud Update report for 2021/22.
- Note the progress of the Counter Fraud Action Plan for 2022/23.

**James Flannery, Counter Fraud Manager**

July 2022

## Appendix A: Counter Fraud Plan 2022/23

Ref	Risk Area	Activity	Update
CF-KCC01-23	Payroll, Pension, Blue Badge, Concessionary fares, Trade Creditors	Progression of NFI Data Matches – Full submission due in Q3	Due in Q3 – Project planning stage
CF-KCC02-23	Corporate Fraud	Policy, Strategy and Risk Review	Homes for Ukraine fraud risk assessment completed and passed to service. Ongoing engagement to support changing process until embedded into Business As Usual activity.
CF-KCC03-23	Corporate Fraud	Kent Intelligence Network	Out turn for 21/22 reported above. Work on the Digital Economy Act Business Case continues.
CF-KCC04-23	All risk areas to support the prevention and detection of fraud and corruption	Relationship Management Strategy for Stakeholders - Including Fraud, Bribery and Risk Assessments – new Initiatives, policies and strategies. Enhanced vetting of senior officers. Kent Fraud Panel Fighting Fraud and Corruption Locally	Enhance vetting checks being completed for senior officers.
CF-KCC05-23	All fraud risk areas faced by schools to support the prevention and detection of fraud	Pro-active Fraud Exercise - Schools	Awareness sessions delivered to: 150 School Governors 11 Senior Leaders
CF-KCC06-23	Blue Badge fraud risk	Pro-active Fraud Exercise - Blue Badges Enforcement Days and liaison with Parking Managers	Enforcement days – Planning stage
CF-KCC07-23	Social Care fraud risks - ASCH & CYPE	Review of Financial Abuse Tool Kit	Planned for Q3
CF-KCC08-23	Procurement fraud risks	Pro-active Fraud Exercise - Commissioning	In progress
CF-KCC09-23	Social Care Fraud Risks - CYPE & ASCH	To deliver fraud culture work/ awareness sessions across both CYPE and ASCH	Providing Counter Fraud Support to County Safeguarding Strategic Group and operational support on financial abuse referrals.
CF-KCC10-23	Counter Fraud Profession	Professional standards	On going
CF-KCC11-23	All risk areas to support the prevention and detection of fraud and corruption	Supporting Audit on specific audits where there is a fraud risk, through planning, fieldwork and reporting stages as required.	On going
CF-KCC12-23	All fraud risk areas	Reactive Investigations	68 Ongoing referrals and investigations
CF-KCC13-23	No Recourse to Public Funds	Review of Counter Fraud referral processes	Q3 activity.



CF-KCC14-23	All risk areas to support the prevention and detection of fraud and corruption	Fraud Awareness – Review and update of e-Learning on Delta, fraud awareness week.	In progress
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