

By: James Flannery – Counter Fraud Manager
To: Governance and Audit Committee – 3rd October 2019
Subject: **COUNTER FRAUD UPDATE**
Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for the period April 2019 to August 2019, including reported fraud and irregularities.
- The Proactive Counter Fraud work delivered and planned for 2019/20

Recommendation: FOR ASSURANCE

Introduction

- 1.1 This report outlines Counter Fraud work which has been undertaken in 2019/20 to date. 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 Fraud referrals continue to increase following a programme of fraud awareness sessions across KCC Business Units and Schools over the past two years. There have, however, been no incidences of material fraud, irregularities or corruption discovered or reported during this reporting period.
- 1.3 For the period April 2019 to August 2019, there were 158 suspected irregularities reported to the Counter Fraud Team. The distribution and characteristics of the irregularities reported to date show that the highest areas of financial risk so far this year are from false applications for financial support from families claiming to be destitute with no recourse to public funds (NRPF) (around £38k) and from abuse of position/ payroll misuse of social care support paid via a Direct Payment (around £9k).
- 1.4 The majority of the 158 irregularities reported relate to the misuse of the Blue Badge and concessionary fare schemes. These types of fraud are low value, high volume activity. The approach to these investigations has been streamlined, freeing up resources to allow for the more serious and complex cases to be progressed.
- 1.5 Between April 2019 to August 2019, a total of 84 cases have been concluded, the total prevented loss through these cases is £37,970. There are currently 74 cases in progress, two simple cautions have been issued for a false representation on a job application and a false representation of a Blue Badge. The Counter Fraud team has received authorisation to progress four prosecutions relating to Blue Badge offences and Abuse of Position.

- 1.6 The types of investigation undertaken so far this year include:
- Friends and relatives using deceased people’s blue badges to avoid parking charges;
 - False representations when applying for No Recourse to Public Funds support;
 - Falsify employment history and qualifications to gain employment with KCC;
 - Theft of cash/ abuse of position when using corporate purchase cards;
 - Clients/ 3rd parties receiving Direct Payments and not spending it on care;
 - False representations when applying for grants.

Fraud and Irregularity Trends

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

Table CF1 - Top Seven areas of reported fraud and irregularities over the past 2 years 8 months

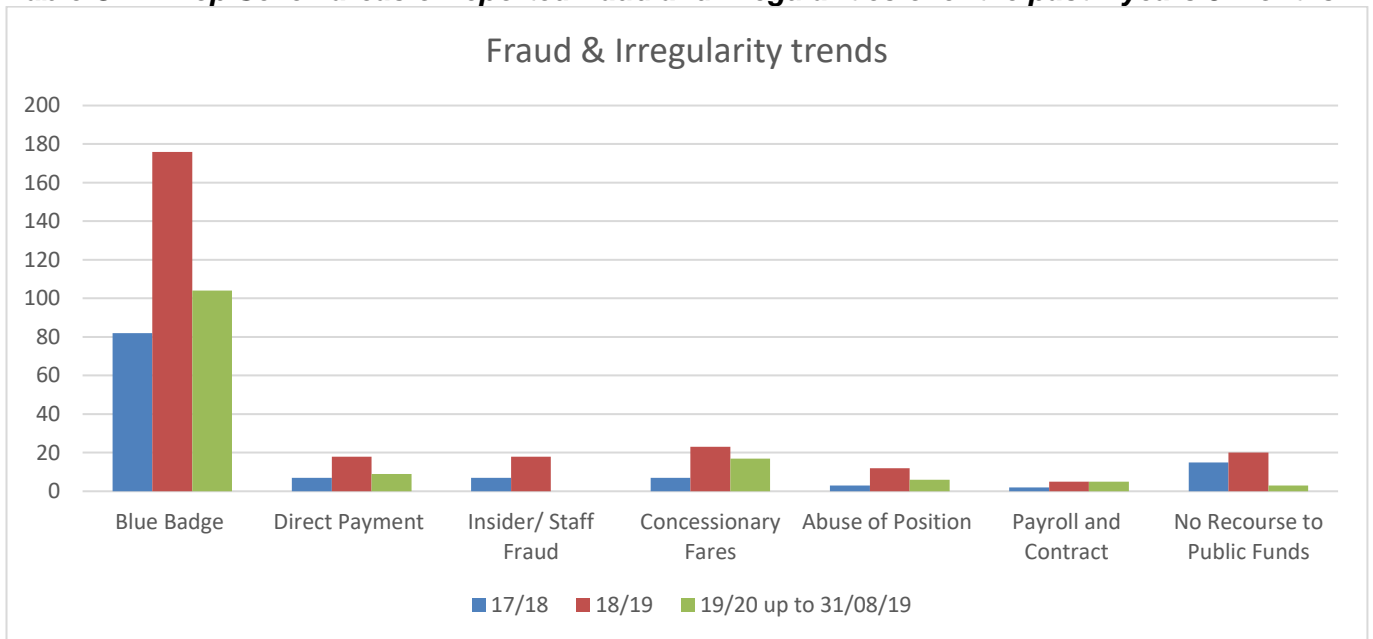


Table CF2 – Number of Irregularities Reported by Month

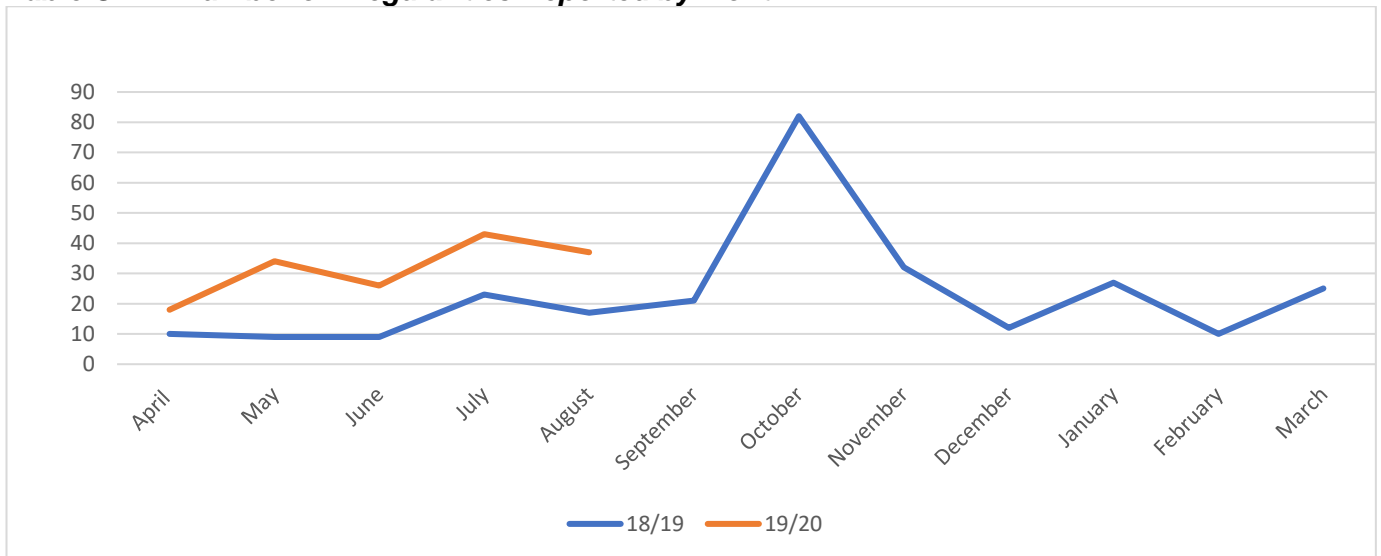


Table CF3 – Referrals by Source

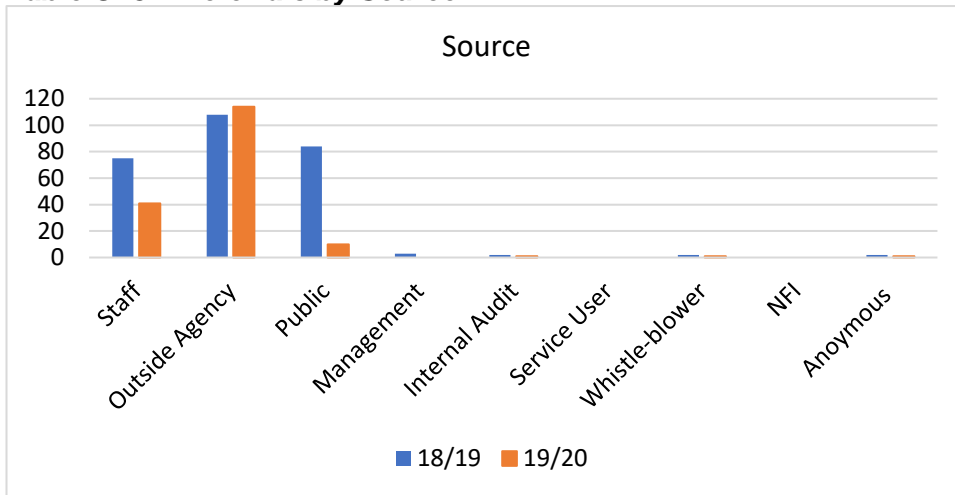
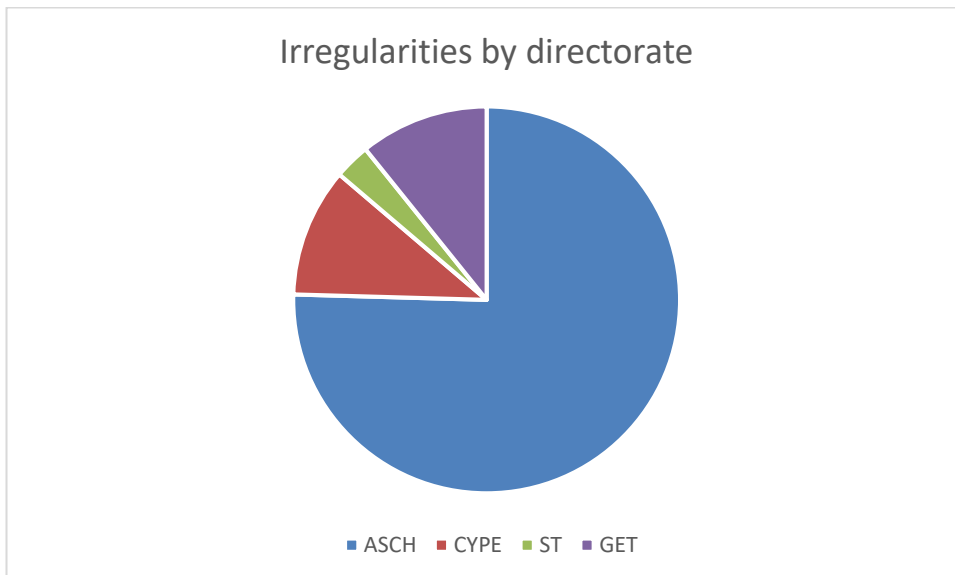


Table CF4 – Referrals by Directorate 2019/20



National Fraud initiative

1.8 KCC take part in the National Fraud Initiative, this matches data between several key data sets to help prevent and detect fraud. As a biennial exercise, it places additional pressure on resources to review and clear significant matches. In order to address this resource pressure, it is intended to utilise the Kent Intelligence Network to conduct more frequent matches to reduce the impact on having two years' worth of matches to progress. Key activity has been:

- 2,741 Concessionary Travel Passes cancelled following a match to deceased data;
- 2,271 Blue Badges to be cancelled following a match to deceased data;
- 260 pension payments under review following a match to deceased data.

1.9 A new match was received in August 2019 that matched people in residential care's financial assessment against HMRC Self-Assessment data, initial work is being conducted by the Financial Assessments team as a priority, this has identified:

- 42 matches between financial assessment data and HMRC property data;
- 85 matches between financial assessment data and HMRC income and capital data.

Kent Intelligence Network (KIN)

- 1.10 As a reminder, the KIN is a DCLG grant funded, Kent wide, cross local authority data analytics collaboration initiated by the Kent Finance Officers Group (KFOG) with the shared objective to detect, prevent and deter fraud and corruption. A grant of nearly £1/2 million was awarded. The network has been operating since October 2016 and in its initial operations recoveries of £1/4 million matched the grant spend to that date. KCC is the accountable body for these resources and directly project managed it until a board structure representing the Kent Local Authorities was formed last year.
- 1.11 Activity within KIN from November 2018 and for quarter 1 2019/20 has concentrated on addressing fraud and error within the Business Rates systems, looking at entitlement to Small Business Rate Relief and unrated properties. For this period, a total of £483,694 in Small Business Rate Relief has been identified and being collected through normal billing arrangements.
- 1.12 Additionally, data matching and the use of other sources of intelligence to detect unrated properties commenced in 2019/20, resulting in an additional £268,074 of income so far across the County. There are currently 60 cases with the Valuation Office awaiting valuation, therefore, the additional income figure is expected to be significantly increased. Kent County Council receive in the region of 9% of the additional income recovered through this activity.
- 1.13 Further workstreams are in progress to address fraud within Social Housing and Social Care. For Social Care, Internal Audit have received a Data Match via the National Fraud Initiative looking at the financial assessment of people in residential care. This has been matched to HMRC tax return data to identify undeclared income, capital and property that may impact on their care contributions.

Joint Counter Fraud Funding with Other Preceptors

- 1.14 Funding from KCC, Police, Fire and Rescue as major preceptors has been agreed for a further 2 years, to support District, Borough and City Councils in tackling fraud and error within the Council Tax and Business Rate system. KCC currently grants the 12 District, Borough and City Councils a total of £515k for 2019/20.
- 1.15 Activity conducted so far for Q1 2019/20 has identified a total of £707,340 of underpaid Council Tax and future income expected through the cancellation of discounts/ exemptions. Kent County Council receive in the region of 80p for every additional £1 collected, therefore on track to provide a 3:1 return on investment.

Counter Fraud Pro-Active Work

- 1.16 The balance between reactive and proactive Counter Fraud Work continues to be a challenge for the Counter Fraud Team, with a continued rise in reported fraud and irregularities. To assist in the prevention of fraud occurring, in 2019/20 the Counter Fraud Team have delivered so far:
- Fraud awareness to School Business Managers & Finance Officers, School Senior Leaders and The Sports and Physical Activity Service;
 - The drafting and engagement of fraud risk assessments for Directorates to review and adopt;
 - Blue Badge enforcement event with 10 of the 12 Parking Managers and senior Civil Enforcement Officers;
 - Enforcement day with Gravesham Borough Council; and
 - Implemented the two medium and one low risk recommendations made as part of the independent counter fraud review conducted by Medway Council.

1.17 Further planned pro-active work includes:

- Progressing a pilot with the Cabinet Office to match financial assessment data to more HMRC data sets;
- Delivery of fraud awareness to School Governor forums across the County;
- Roll out a Counter Fraud Culture Survey to set areas to assess culture in preventing and detecting fraud and corruption; and
- Continued engagement with Parking Managers through attendance at the Kent Parking Managers meetings.

Counter Fraud Resources

1.18 With the increasing levels of referrals, staffing resources are under pressure. This will, in part, in the short term be mitigated by the employment an undergraduate on a work placement contract for 44 weeks. This will complement the 3.8 FTE currently working within the team.

1.19 Resource levels will be reviewed on an ongoing basis.

Conclusions

1.20 Referrals are still increasing overall, certain areas such as Blue Badge and Concessionary Passes have inherent weaknesses due to the nature of the scheme. However, where KCC have more influence over the process and as services counter fraud culture improves, Internal Audit are seeing a reduction in fraud and irregularities, for example No Recourse to Public Funds.

1.21 The Counter Fraud Team are increasing the number of prosecutions compared to previous years, this places additional work pressure to ensure that cases are court ready and robust. Additional resources are being obtained to ensure Internal Audit deliver both the reactive and proactive activity.

Recommendation

1.22 The Governance and Audit Committee note the Counter Fraud Update report for the period April to August 2019.

Background Documents

None

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