

By: James Flannery – Counter Fraud Manager
To: Governance and Audit Committee – 22nd January 2020
Subject: **COUNTER FRAUD UPDATE**
Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for the period September 2019 to November 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 with a 25% increase in the number of reported referrals compared to the same period in 2018/19. 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 November 2019, there were 259 suspected irregularities reported to the Counter Fraud Team (compared to 202 for the same period in 2018/19). The distribution and characteristics of the irregularities reported to date show that the highest areas of financial risk so far this year are from abuse of position/ payroll and misuse of social care support paid via a Direct Payment.
- 1.4 Potential and actual losses due to fraud or error within No Recourse to Public Funds have reduced significantly since the Counter Fraud Team started supporting CYPE in enhanced financial checks to establish if the person is destitute.
- 1.5 The majority of the 259 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.
- 1.6 Between September 2019 to November 2019, a total of 64 cases have been concluded, the total actual loss to KCC was £17,618, with recovery action taking place to recover these funds. The total amount of prevented fraud loss amounts to £44,360 for the same period.

1.7 There are currently 84 cases in progression, one simple caution has been issued for a false representation of a blue badge. One prosecution case has progressed to court, the person failed to attend and an arrest warrant without bail was issued by the court. Further prosecution cases are being progressed and will be reported when there is an outcome. There have been 42 warning letters issued to people for misuse of blue badges (following the confiscation of the badge and issuing of a PCN by a Civil Enforcement Officer).

- 1.8 The types of investigation undertaken during this reporting period include:
- Friends and relatives using deceased people’s blue badges to avoid parking charges;
 - 3rd parties using concessionary bus passes to avoid paying for travel;
 - Clients/ 3rd parties receiving Direct Payments and not spending it on care;
 - Theft of KCC assets;
 - False representation of destitution when apply for No Recourse to Public Funds.

Fraud and Irregularity Trends

1.9 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

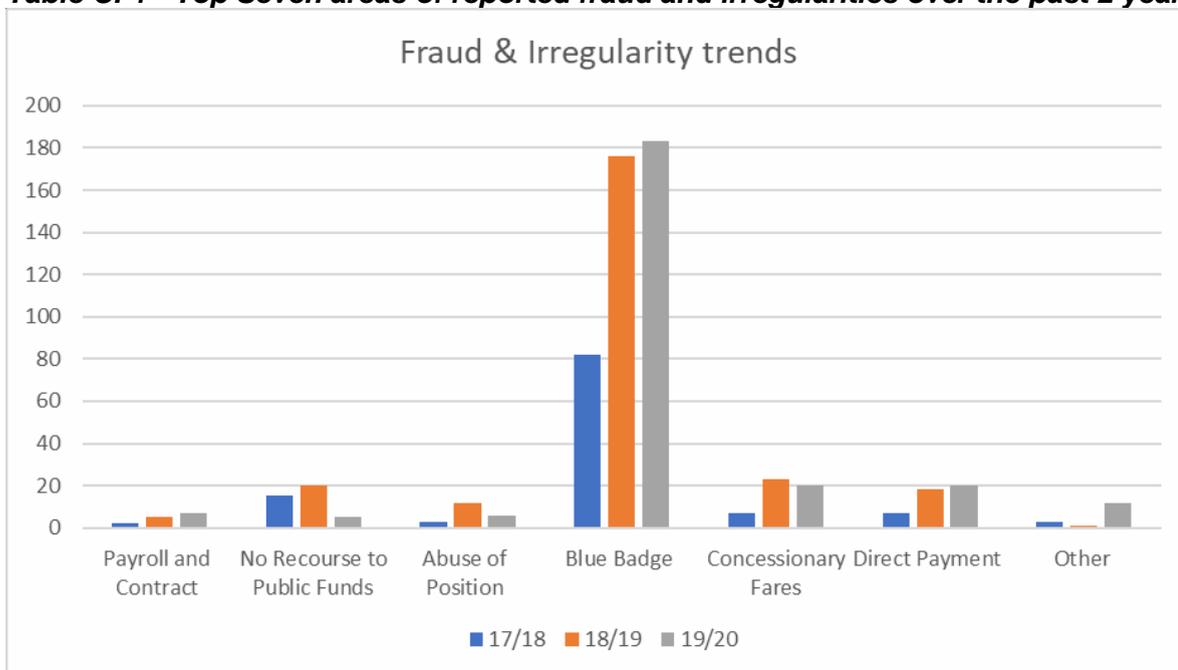


Table CF2 – Number of Irregularities Reported by Month

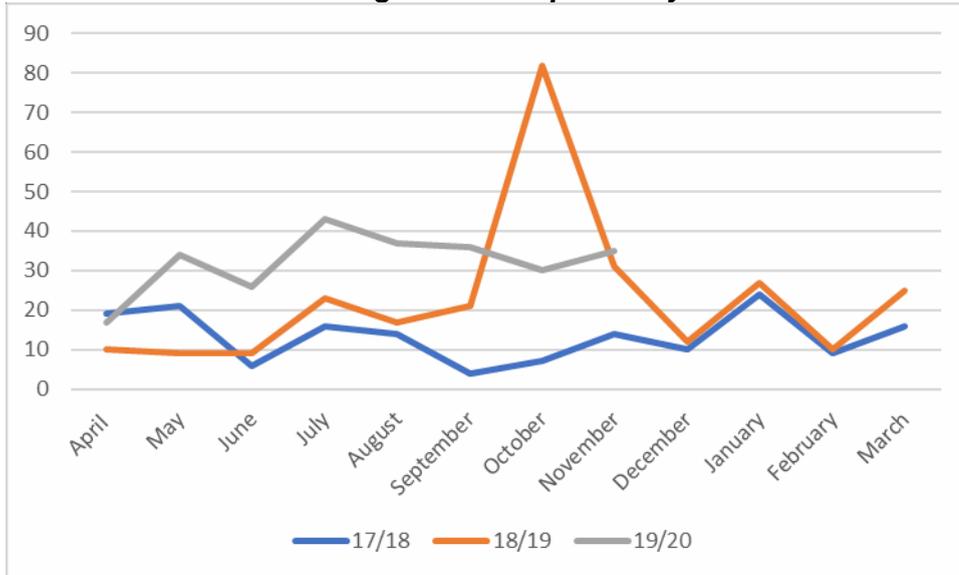


Table CF3 – Referrals by Source

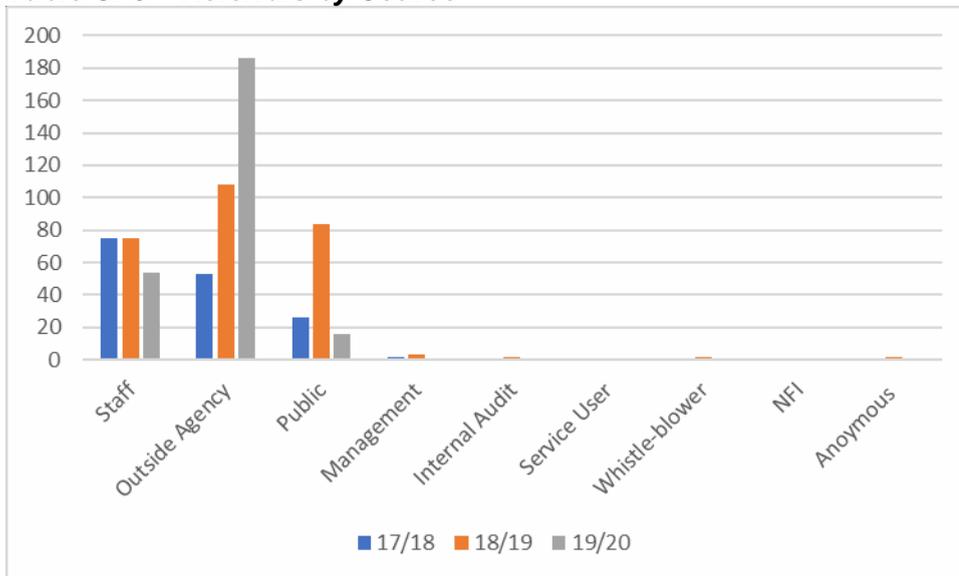
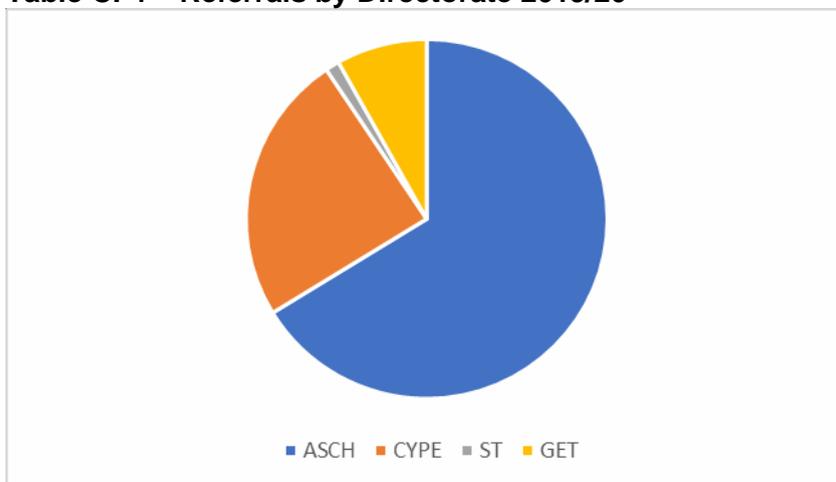


Table CF4 – Referrals by Directorate 2019/20



Kent Intelligence Network (KIN)

1.10 The KIN continues to provide support to the District/ Borough Councils, the below infographic illustrates the achievements since January 2019:



1.11 47 existing business 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 (VOA) and consequently, the liable businesses are now paying business rates.

1.12 The additional business rates revenue generated, £939,252, from the identification of these existing properties, of which broadly 9% comes to the Council, is a combination of the following:

- The total amount of business rates billed for the current financial year;
- The total amount of business rates billed for previous financial years; and

- A 'loss avoidance' provision of 3 years for each property identified. This represents future income losses which have been prevented as a result of a property being found.
- 1.13 The majority of billing authorities currently use a company to help find properties missing from the rating list. This company charges a commission fee for every property found, so because the KIN have picked up these properties before the company concerned has, this has helped to make a saving of £33,504 for District/ Borough Councils.
- 1.14 Every billing authority has a separate contract with a software provider that helps to trace absconded debtors and monitor the validity of council tax single person discounts. Through the KIN, these contracts have been renegotiated to help drive down costs and ensure fairness and transparency in the pricing structure. The revised contracts are for 3 years and this has helped to deliver an overall saving of £362,736 for this period for all Preceptors. From April 2019 to October 2019 District/ Borough Councils have identified £311,908 in additional Council Tax through the removal of Single Person Discounts.
- 1.15 72 properties that were previously classified as long-term empty for council tax purposes have been identified as being occupied through a data-matching exercise involving credit reference agency data. On average, this initiative helps to increase New Homes Bonus by £1,400 per annum - 20% of which comes to the Council.
- 1.16 Through a software solution that pools and tags all ratepayer data published by every local authority, the KIN has identified a number of businesses who should not have been entitled to small business rate relief. The amount withdrawn, £492,683, is the total withdrawn from 89 companies.

Counter Fraud Pro-Active Work

- 1.17 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 the School Governor Forum. This raised awareness to over 100 school governors across Kent, feedback from governors on the awareness included:
 - *"We shall be more careful when awarding contracts";*
 - *"There was useful information in all the presentations. The fraud prevention presentation was particularly thought-provoking";*
 - *"Very interested with the presentation about Fraud. Will be looking at the procedures we have in place";*
 - *"The fraud awareness presentation was interesting and useful. I have already raised the issue of fraud and risk register at Finance meeting. We will regularly check and review our risk register".*
 - The Counter Fraud Culture Survey results across the Council are supporting teams by enabling them to tailor their training to improve the counter fraud culture within their team.
 - The Counter Fraud Team, along with Counter Fraud Specialists from District/ Borough Councils across Kent, held a workshop with the Fighting Fraud Locally Secretariat. The workshop allowed us as key stakeholders to inform the Governments refresh of the Fighting Fraud Locally Strategy due for release in April 2020.
 - Reviewed KCC's approach to the threat of Serious and Organised Crime against the Home Office Guidance, this high-level review has been reported to the Serious and Organised Crime Project Board to take forward, key recommendations include:

- Training of key staff on what Serious and Organised Crime is and how to identify it;
- Further develop the Counter Fraud Culture work within key risk areas;
- Use of data matching to identify any expose to Serious and Organised Crime Groups;
- Further collaboration with key partners both internally and externally.

The Serious and Organised Crime Project Board has started a more detailed review to further support these initial findings.

1.18 Further planned pro-active work includes:

- Continuing the roll out of the Counter Fraud Culture Survey to set areas to assess culture in preventing and detecting fraud and corruption;
- Developing a business case to match Social Care Financial Assessment data with HMRC data on interest bearing bank accounts;
- Further fraud awareness with School Senior Leaders; and
- Continued engagement with Parking Managers through attendance at the Kent Parking Managers meetings.

Counter Fraud Resources

1.19 With the increasing levels of referrals, staffing resources continue to be under pressure. The employment of an undergraduate on a work placement contract for 44 weeks has commenced. This has enabled support to the team by taking on the administration of referrals. This brings the total resource to 4.6 FTE currently working within the team.

1.20 One of our Accredited Counter Fraud Specialists was successful in their appointment to the Governments Counter Fraud Profession. They have also been awarded a position on the advisory panel as a Local Government Representative. This is not only a good opportunity for the Specialist but for KCC as we will receive insight and best practice as the profession develops.

1.21 Resource levels will be reviewed on an ongoing basis.

Conclusions

1.22 Referrals are still increasing overall with a 25% increase compared to the same period in 2018/19. Currently, some of the lower level cases are not being progressed due to insufficient resources. Fraud Awareness is receiving positive feedback and the culture work is support services in understanding what training is needed to improve their counter fraud culture.

Recommendation

1.23 The Governance and Audit Committee note the Counter Fraud Update report for the period September 2019 to November 2019.

Background Documents

None

James Flannery, Counter Fraud Manager

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

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