

By: James Flannery – Counter Fraud Manager
To: Governance and Audit Committee – 27th April 2022
Subject: **COUNTER FRAUD UPDATE**
Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for period April 2021 to March 2022, including reported fraud and irregularities.
- An update on the Counter Fraud Action Plan for 2021/22 covering reactive and pro-active activity.
- The proposed Counter Fraud Action Plan for 2022/23.

Recommendations:

The Governance and Audit Committee are asked to;

- 1.1 Note the Counter Fraud Update report for 2021/22.
 - 1.2 To review, comment on and approve the Counter Fraud Plan for 2022/23.
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Irregularity Referrals

- 1.3 For the period 01 Jan 22 to 31 Mar 22, there were 90 suspected irregularities (trend analysis shown in below tables) reported to the Counter Fraud Team (compared to 74 in the same period for 2020/21). This brings the total number of referrals in 2021/22 to 297 (compared to 296 in 2020/21), The distribution and characteristics of the irregularities reported to date show that the highest areas of financial risk this year are from mandate fraud and misuse of social care support paid via a Direct Payment.
- 1.4 Actual losses (fraud & error) for the period 01 Jan 22 to 31 Mar 22 is £35,551, of which £35,537 is recoverable. The main contributors to actual losses in this period are five direct payment misuse cases totalling £30,457. This brings the total actual losses for 2021/22 to £268,593 of which £235,471 is recoverable.
- 1.5 Prevented total losses for 2021/22 stand at £1,161,829 of which a potential of £1,161,829 of losses occurring if the Counter Fraud Team/ Management had not intervened, the majority of this figure is due to two attempts to change a suppliers' bank account details.

Blue Badges

1.6 Referrals for Blue Badge misuse for the period 01 Apr 21 to 31 Mar 22, total 182.

Parking Enforcement Area	Referral numbers – Apr to Mar 22	Parking Enforcement Area	Referral numbers – Apr to Mar 22
Ashford BC	47	Maidstone BC	2
Canterbury CC	11	Swale BC	1
Dartford BC	2	Sevenoaks DC	0
Dover DC	7	Thanet DC	0
Folkestone & Hythe BC	0	Tonbridge and Malling BC	6
Gravesham BC	39	Tunbridge Wells BC	5
		Total	120

1.7 Out of the total 120 cases referred by District Council Enforcement Teams, 74 received a Penalty Charge Notice and 24 warning and advisory letters have been issued. There are currently 44 cases under investigation.

1.8 A further 62 cases have been referred from other sources.

	Referral numbers – Apr 21 to Mar 22	Parking Enforcement Area	Referral numbers – Apr 21 to Mar 22
KCC Enforcement Days	2	Public	36
KCC Blue badge team	2	Kent Police	1
		National Fraud Initiative	21
		Total	62

1.9 From the total 182 cases referred there have been two simple cautions issued, a further two simple cautions awaiting issue and one case passed for legal review.

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

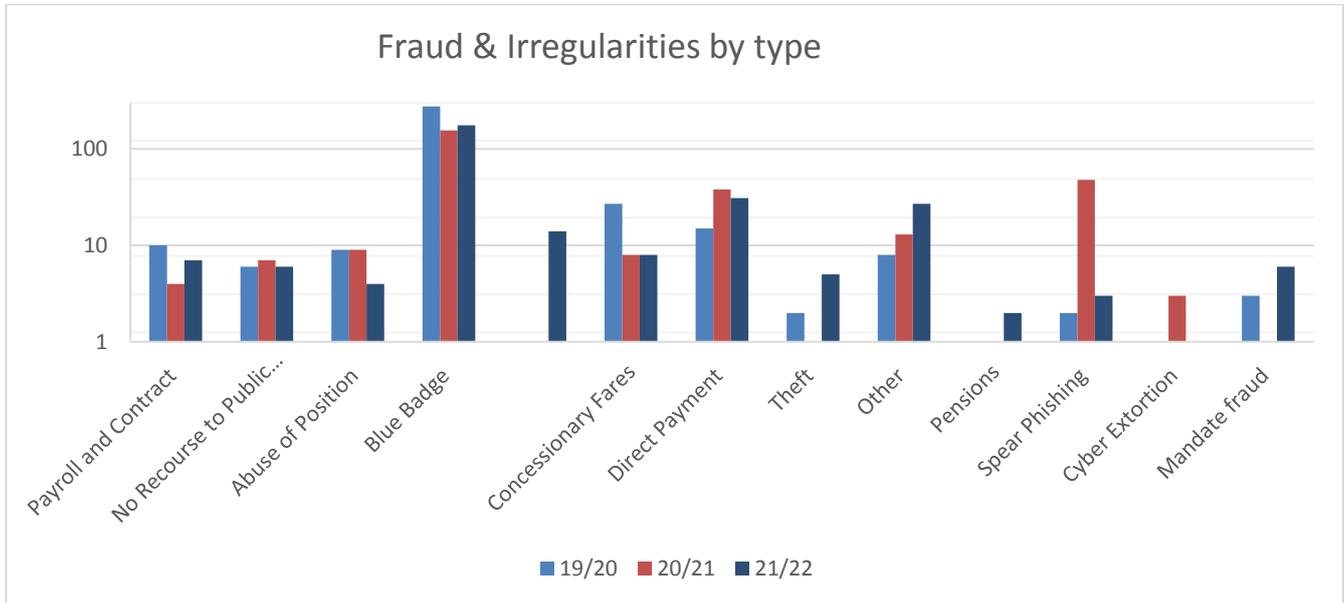


Table CF2 – Number of Irregularities Reported by Month

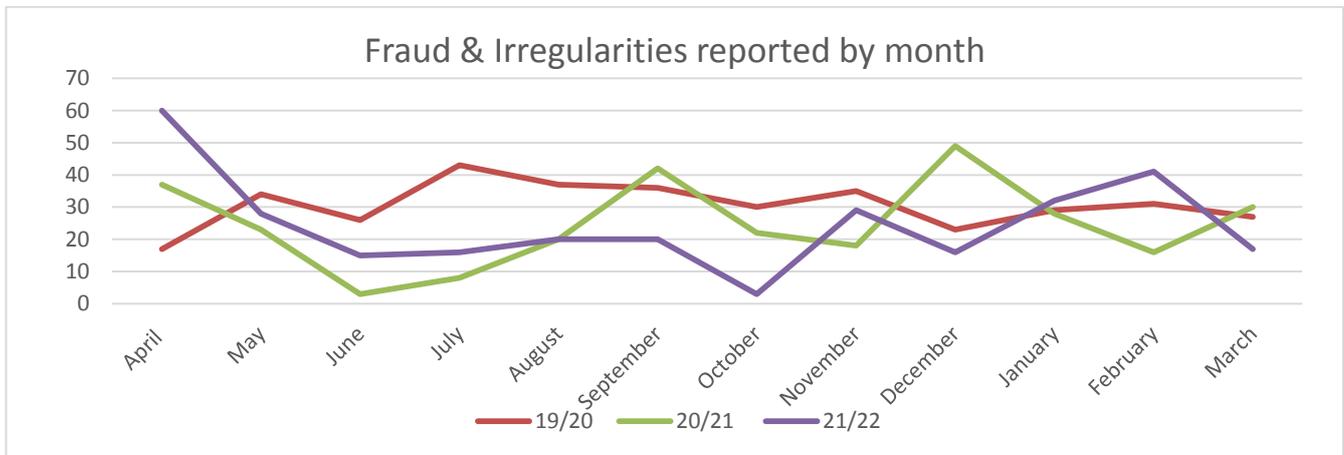
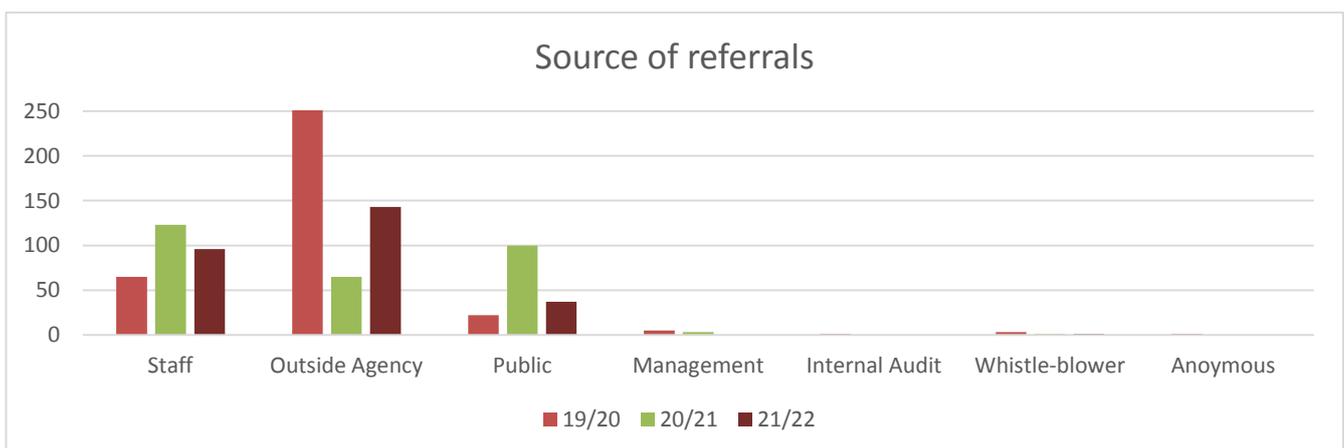
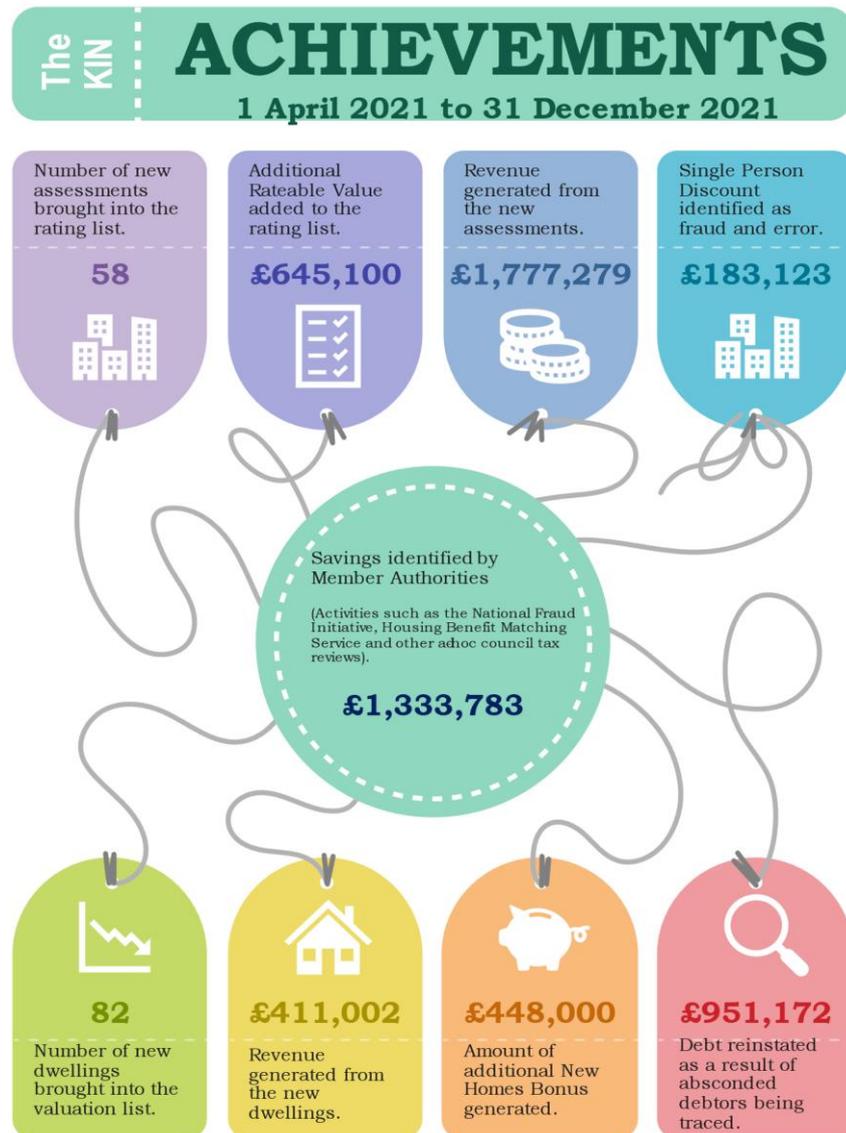


Table CF3 – Referrals by Source



Kent Intelligence Network (KIN)

1.11 The KIN continues to provide valuable support to the District/Borough Councils and the outcomes for the first 9 months of the year, set out below, show the results and financial returns achieved.



1.12 58 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 including backdated charges.

1.13 The additional business rates revenue generated from the identification of these missing properties is £1,777,279, 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 £876,743; and
- A 'future loss prevention' provision of 3 years of £900,536. 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 December 2021, there were a further 10 cases with the Valuation Agency awaiting assessment/valuation.
- 1.15 The KIN also helps to identify dwellings missing from the valuation list. So far, 82 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 £411,002, of which broadly 73% comes to KCC, and is a combination of the following:
- The total amount of council tax billed for both the current financial year and previous financial years of £85,653; and
 - A 'future loss prevention' provision of 3 years of £325,349. 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 82 dwellings identified will generate £448,000 in additional NHB, of which 20% will come to KCC.
- 1.18 It is also pertinent to highlight that as at 31 December 2021, there were a further 22 cases with the Valuation Agency awaiting assessment.
- 1.19 In total, the financial benefit to KCC from the initiatives and successes detailed above amounts to £530,546.

Kent Fraud Panel

- 1.20 A Kent Fraud Panel has been established which brings together Kent Police, KCC Trading Standards, KCC Community Safety, KCC Counter Fraud, Medway Trading Standards, Medway Community Safety, Medway Counter Fraud and Victim Support.
- 1.21 Initial meetings to agree terms of reference have been held, with the purpose of the panel as *'Several agencies in Kent have a statutory role in investigating allegations of fraud, prosecution of offenders, recovery of criminal assets and the safeguarding of residents and victims. The Fraud Panel has been formed to work collaboratively in all these areas to reduce the prevalence.'*
- 1.22 There will be two subgroups reporting into the panel which will concentrate on two key themes, namely, victim safeguarding and communications (prevent and protect) & enforcement, investigation, and intelligence (pursue).

Counter Fraud Pro-Active Work

- 1.23 The Counter Fraud Pro-Active Work delivered for period Jan 22 to Mar 22 includes:
- Fraud and Bribery awareness within procurement to the Infrastructure Division;
 - Fraud and Bribery awareness to external clients.
 - 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, 2.6FTE Counter Fraud Specialists, 2FTE Counter Fraud Technician, 0.8FTE Intelligence Officer and 1FTE Counter Fraud Apprentice.
- 1.25 With the retirement of the 0.6FTE Counter Fraud Specialist from March 2022, a recruitment exercise has been completed, and it is pleasing to report that one of the Counter Fraud Technicians was successful in securing the Counter Fraud Specialist position which they will commence on the 08 April 22. A recruitment exercise has been undertaken for the Counter Fraud Technician position. The successful candidate is due to start at the end of April 22.

Counter Fraud Action Plan 2021/22

- 1.26 Updates to the 2021/22 Counter Fraud Action Plan can be found at **Appendix A**.

Counter Fraud Action Plan 2022/23

- 1.27 The proposed Counter Fraud Action Plan for 2022/ 23 can be found at **Appendix B**. The Counter Fraud Plan is to support the Anti-Fraud and Corruption Strategy, in that the plan delivers the Govern, Acknowledge, Prevent, Pursue and Protect themes.
- 1.28 From assessment of current risk areas, work in 2022/ 23 is focused within Adult Social Care and Children, Young People & Education directorates in relation to identification and reporting of fraud and error. In addition to this, there will be authority wide engagement with commissioners/ project managers on fraud and bribery risks in procurement.

Conclusions

- 1.29 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

- 1.30 The Governance and Audit Committee are asked to:
- Note the Counter Fraud Update report for 2021/22.
 - To review, comment on and approve the Counter Fraud Plan for 2022/23.

James Flannery, Counter Fraud Manager

April 2022

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 and Whistleblowing policy
CF03-2022	Corporate Fraud	Kent Intelligence Network	In progress – savings reported in the main report
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. Review of the Enterprise Business Capabilities strategic outline case. Supporting the IR35 Task and Finish group. Supporting the Finance Resilience group. Supporting the Kent Fraud Panel. No new requests for fraud risks assessments on any new initiatives, policies or strategies have been received from management.
CF05-2022	All fraud risk areas faced by schools to support the prevention and detection of fraud	Pro-active Fraud Exercise - Schools	Two sessions delivered to the Finance officers' group. Two sessions delivered to the Schools Senior Leader group
CF06-2022	Blue Badge fraud risk	Pro-active 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	Pro-active Fraud Exercise - Social Care	Completed – issued and live on Knet.
CF08-2022	Procurement fraud risks	Pro-active Fraud Exercise - Commissioning	Received Commissioning Standards currently under review
CF09-2022	Payment/ procurement fraud risks	Data analytics development - payments	Awaiting outcome of Data Strategy.
CF10-2022	Procurement fraud risks	Data analytics development - procurement card usage	Deferred to Q4 – awaiting outcome of Schools Themed Review
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	Completed - tax evasion risks and the mitigating controls and actions recommended to Senior Accountant.
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. 280 cleared referrals & investigations for 2021/22 (including carried forward investigations)

| from 2020/21)

Appendix B: Counter Fraud Plan 2022/23

Ref	Risk Area	Activity	Output/ Outcome
CF-KCC01-23	Payroll, Pension, Blue Badge, Concessionary fares, Trade Creditors	Progression of NFI Data Matches – Full submission due in Q3	Prevention: Removal of entitlement of concessionary fare passes, blue badges, pension from mortality data matches to prevent financial loss. Pursue: To detect conflicts of interests in relation to related party payments, undeclared 2 nd jobs, duplicate invoices.
CF-KCC02-23	Corporate Fraud	Policy, Strategy and Risk Review	Govern, Acknowledge & Protect: To ensure polices, strategies and initiative acknowledge the risk of fraud, bribery and corruption. To ensure the risk of fraud is appropriately measured at a strategic level.
CF-KCC03-23	Corporate Fraud	Kent Intelligence Network	Prevent & Pursue: Council Tax / Business Rates To identify properties that are not included in the tax base. To identify properties receiving an incorrect discount/ exemption/ relief
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	Acknowledge & Protect: To ensure the risk of fraud is appropriately measured at an operational level – Directorate/ Divisional/ Service level fraud risk assessments where appropriate. National networking to support the measurement of fraud and horizon scanning.
CF-KCC05-23	All fraud risk areas faced by schools to support the prevention and detection of fraud	Pro-active Fraud Exercise - Schools	Acknowledge & Protect: Fraud awareness sessions for Governors, Senior leaders and finance staff
CF-KCC06-23	Blue Badge fraud risk	Pro-active Fraud Exercise - Blue Badges Enforcement Days and liaison with Parking Managers	Prevent & Pursue: Enforcement awareness to Civil Enforcement Officers and Parking Managers
CF-KCC07-23	Social Care fraud risks - ASCH & CYPE	Review of Financial Abuse Tool Kit	Prevent & Pursue: Provision of awareness of how KCC handles financial abuse against those where KCC have a strategy duty to protect
CF-KCC08-23	Procurement fraud risks	Pro-active Fraud Exercise - Commissioning	Acknowledge and Protect: Fraud, bribery and corruption awareness sessions to commissioning leads across all directorates.
CF-KCC09-23	Social Care Fraud Risks - CYPE & ASCH	To deliver fraud culture work/ awareness sessions across both CYPE and ASCH	Acknowledge and Protect: Fraud and error (including financial responsibilities) to management & front-line staff within ASCH/ CYPE.
CF-KCC10-23	Counter Fraud Profession	Professional standards	Prevent, Pursue, Protect: Increasing capabilities of Counter Fraud Team to support and challenge

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.	Prevent & Protect: To ensure fraud, bribery & corruption risk and relevant controls are in place when conducting audits.
CF-KCC12-23	All fraud risk areas	Reactive Investigations	Prevent, Pursue & Protect: Completion of investigation to pursue criminality and wrongdoing, issuing of management letters on any control weaknesses identified within an investigation.
CF-KCC13-23	No Recourse to Public Funds	Review of Counter Fraud referral processes	Prevent: Updating of guidance and processes to ensure those charged with completing no recourse to public fund assessments complete relevant checks.
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.	Acknowledge, Prevent & Protect: To raise awareness across Knet and through eLearning to equip staff on roles and responsibility and what to do if fraud or error detected.