

By: James Flannery – Counter Fraud Manager

To: Governance and Audit Committee – 18th May 2023

Subject: **COUNTER FRAUD UPDATE**

Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for period April 2022 to March 2023, including reported fraud and irregularities.
- An update on the Counter Fraud Action Plan for 2022/23 covering reactive and pro-active activity.
- The proposed Counter Fraud Action Plan for 2023/24.

Recommendations:

The Governance and Audit Committee are asked to;

- Note the Counter Fraud Update report for 2022/23.
 - Note the progress of the Counter Fraud Action Plan for 2022/23.
 - To review, comment on and approve the Counter Fraud Action Plan for 2023/24.
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Irregularity Referrals – 01 April 2022 to 31 March 2023

- 1.1 There were a further 109 referrals received for the reporting period 01 January 2023 to 31 March 2023 bringing the total of 353 referrals reported to the Counter Fraud Team to date in the financial year. The distribution and characteristics of the irregularities reported to date are shown in the graphs in **Appendix A**.
- 1.2 Actual losses (fraud & error) for the period 01 January 2023 to 31 March 2023 are £50,516. All amounts are subject to recovery for the full amount due. This accounts for an actual loss of £517,449 for the 2022/23 financial year.
- 1.3 The principal losses were:
 - £27,900 due to a duplicate payment being made for a residential college.
 - £12,703 (six referrals) are due to salary overpayments due to late notification by management in ending employment.
 - £5,773 was due to reported misuse within direct payments.
 - £3,660 was due to a false representation within the Holiday and Food Programme.
- 1.4 Prevented total losses for 01 January 2023 to 31 March are £13,765 of which £13,224 is due to the removal of blue badges from being misused. Referral rates are just at a manageable level based on the resources available, although some lower-level risk referrals have not been progressed for formal investigation due to other higher risk cases taking priority.
- 1.5 Additionally, following the receipt of a number of allegations, a significant investigation into a historic loan made by the Council has been concluded. This will necessitate further work by the Council and will be further discussed in private session at this Committee.

Cyber enabled crime - Schools

- 1.6 Although no losses have been reported, the Counter Fraud Team have been notified of several hacks of school staff email accounts. These have occurred when staff have interacted with a spoofed email. Advice has been provided to the schools that have been impact on how to react and report these instances.
- 1.7 Additionally, alerts have been issued reminding schools of this risk and where they can source free cyber security training. Intelligence from these instances are also being shared with KCC's ICT Compliance and Risk teams.

Direct Payments

- 1.8 In 2022/23, there have been 30 referrals received relating to direct payment misuse, 11 being reported between January 2023 and March 2023. Three have been logged as a financial recovery only and one passed for management to address and there are seven under investigation.
- 1.9 An investigation into one direct payment misuse identified issues following the commissioning of the care management of clients to an outsourced charity. The investigation identified that following the direct payment review where misuse was identified there was:
 - No escalation process in place between the charity and KCC to resolve misuse.
 - No policy or procedure within the charity or clear roles and responsibilities in order to resolve direct payment misuse.
 - No clear process within KCC to progress a reclaim of misuse.
- 1.10 A management letter was issued in November 2022, internal Audit and Counter Fraud have received satisfactory management responses from Adult Social Care and Strategic Commissioning to address the issues, however the management actions to address the first two issues are yet to be implemented.

Blue Badges

- 1.11 Proactive and reactive work continues to address the risk of blue badge misuse across Kent. During this period, there has been one enforcement day completed within Thanet District Council. A press release was issued to raised awareness and the consequences of misusing blue badges.
- 1.12 Positive feedback was received from Thanet District Council Civil Enforcement Officers on the pre-training and delivery of the enforcement day to help them continue to enforce the blue badge scheme. A total of 62 badges were inspected, where genuine badge holders welcomed the checking and validating of badges. Two cases, where cancelled badges were being used, have been referred for further investigation.
- 1.13 The Counter Fraud Team has received 227 blue badge referrals in the 2022/ 23 financial year. A total of 59 referrals have been received for the reporting period (January 2023 to March 23), with 24 resulting in warning letters, eight being closed due to insufficient evidence, 18 closed due to being low risk and insufficient resources, four cases closed with no further action (these are due to the referral relating to the use of an expired badge), one case referred to a partner agency, four open for further investigation. One has received a simple caution for an offence of misuse.
- 1.14 Of the 59 referred cases, 34 have also received a Penalty Charge Notice. Six simple cautions have been issued for offences under the Fraud Act/ Road Traffic Act within this reporting period bringing the total number issued to 14 for 2022-23. Additionally, there are two cases progressing to prosecution.

1.15 Referral rates from District/ Borough Councils continued to be mixed across the county, work continues to support parking teams in conducting effective enforcement action. Further enforcement days are being planned.

Table 1: Blue badge referrals by district/ borough council

Parking Enforcement Area	Referral numbers – Apr 22 to Mar 23	Parking Enforcement Area	Referral numbers – Apr 22 to Mar 23
Ashford BC	82	Maidstone BC	3
Canterbury CC	39	Sevenoaks DC	0
Dartford BC	5	Swale BC	11
Dover DC	7	Thanet DC	6
Folkestone & Hythe BC	2	Tonbridge and Malling BC	7
Gravesham	46	Tunbridge Wells BC	3

No Recourse to Public Funds

1.16 The Counter Fraud Team supports the CYPE Directorate in conducting verification checks on those seeking support due to being destitute and having children. During 2022/23, the Counter Fraud Team have received 12 referrals, with seven of these being received in this reporting period.

1.17 The Counter Fraud Team are monitoring referral rates and working with CYPE to ensure that relevant information is captured at point of contact, the process is as efficient as possible and resources are in place to meet any increase in demand.

National Fraud Initiative

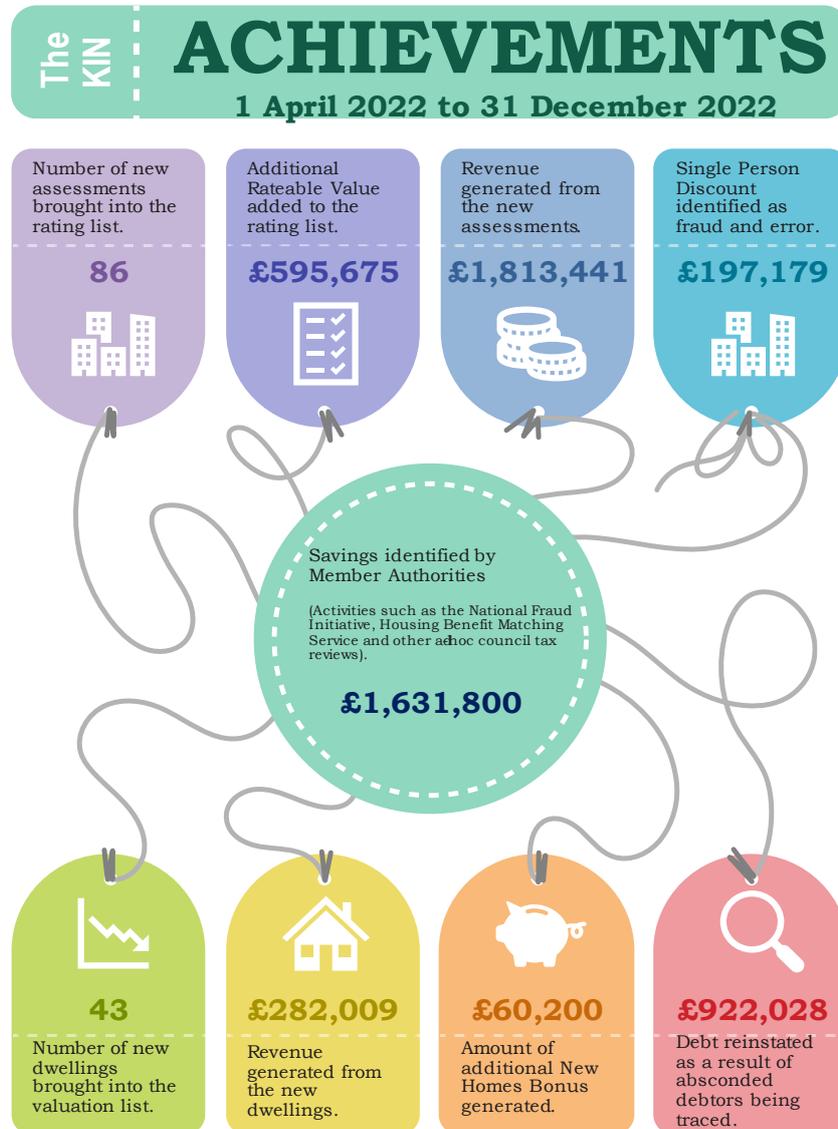
1.18 The matches for the biennial National Fraud Initiative exercise have been released. **Appendix B** provides details of types of reports released and number of matches. This shows a considerable number (30,002) of matches to be cleared.

1.19 Work is underway in engaging with the relevant teams to review the reports and individual matches. Report 172.2 Concessionary Fare to Deceased (DWP mortality data) has already been cleared. This match cancels an active Concessionary Bus Pass due to the pass holder being deceased. The Cabinet Office has recorded a cost avoidance figure (based on the Cabinet Officer criteria) of £124,062.

1.20 Historically, there has been a number of false positives in the data matching (a false positive is where the conditions of the match has been met but due to data quality the condition is not realised). These are most common within the creditor data that has been received. Sample testing will determine the value of progressing of these matches against the resources needed to clear them.

Kent Intelligence Network (KIN)

1.21 The KIN continues to provide valuable support to the District/Borough Councils and the outcomes for the period 1 April 2022 to 31 December 2022, set out below, show the results and financial returns achieved.



1.22 86 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.

1.23 The additional business rates revenue generated from the identification of these missing properties up to 31 December 2022 is £1,724,909 (£1,813,441 including Medway), of which broadly 9% (£155,241) 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 £936,021 (£986,689 including Medway); and
- A 'future loss prevention' provision of 3 years of £788,888 (£826,752 including Medway). This represents the amount of additional income that would have been lost if the respective properties

had not been identified by the KIN.

- 1.24 It is also pertinent to highlight that as at 31 December 2022, there were 72 cases with the Valuation Agency awaiting assessment/valuation, none of which are included in the figures stated above, and a further 147 cases which are currently under investigation by billing authorities.
- 1.25 The KIN also helps to identify dwellings missing from the valuation list and so far, 43 dwellings have been identified.
- 1.26 The additional council tax revenue generated from the identification of these missing properties is £277,534 (£282,009 including Medway), of which broadly 73% (£202,599) 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 £70,678 (£71,805 including Medway); and
 - A 'future loss prevention' provision of 3 years of £206,856 (£210,204). This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.
- 1.27 It is also pertinent to highlight that as at 31 December 2022, there were 16 cases with the Valuation Agency awaiting assessment/valuation, none of which are included in the figures stated above, and a further 22 cases which are currently under investigation by billing authorities.
- 1.28 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 42 dwellings identified (43 dwellings including Medway) will generate £58,800 in NHB (£60,200 including Medway), of which 20% (£11,760) comes to KCC.
- 1.29 It should be noted, however, that the value of NHB for each new dwelling identified has been reduced for this year from £5,600 to £1,400. This is to reflect the fact that the NHB scheme has been wound down over previous years and to acknowledge that the future of the NHB remains uncertain.
- 1.30 In respect of the £922,028 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 £645,419 and this would amount to £471,155.
- 1.31 In total, the financial benefit to KCC from the initiatives and successes detailed above amounts to £840,755.

Counter Fraud Pro-Active Work

- 1.32 The Counter Fraud Pro-Active Work delivered for period January 2023 to March 2023 includes:
- Blue Badge enforcement awareness to Thanet District Council
 - Fraud and Error awareness to the Integrated Children's Service Business Support Team
 - Developing a joint working protocol with the NHS Counter Fraud function delivered by TIAA
 - Fraud and bribery risk updates to Infrastructure
 - Fraud risk assessment for the Food and Holiday programme
 - Reviewing internal referral processes to support No recourse to Public Fund assessments
 - Attendance at GET & CYPE DMT meetings to raise awareness of fraud and error trends
 - Supporting the Serious and Organised Crime co-ordinator within ASCH
 - Attendance at the Kent Fraud Panel meetings to share and disseminate knowledge on latest threats
 - Fraud awareness sessions to management teams across Commercial Services Group.

Counter Fraud Action Plan 2022/23

1.33 Updates to the 2022/23 Counter Fraud Action Plan can be found at **Appendix C**. The balance between pro-active and re-active work continues to be a challenge within resource levels. The Counter Fraud Team continues to challenge and support management in managing their fraud and error risks.

Counter Fraud Action Plan 2023/24

1.34 The proposed Counter Fraud Action Plan for 2023/ 24 can be found at **Appendix D**. 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.

Counter Fraud Resources

1.35 The team comprises; 1FTE Counter Fraud Manager, 3FTE Counter Fraud Specialists, 2FTE Counter Fraud Technician, 0.8FTE Intelligence Officer and 1FTE Intelligence Assistant. These resources are there to support not only KCC but as part of our shared services with Tonbridge and Malling Council, as well as our external clients.

1.36 The recruitment exercise for the Intelligence Assistant has been successful. One of the Counter Fraud Specialists has resigned and therefore there is a recruitment exercise underway.

Conclusions

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

Recommendations

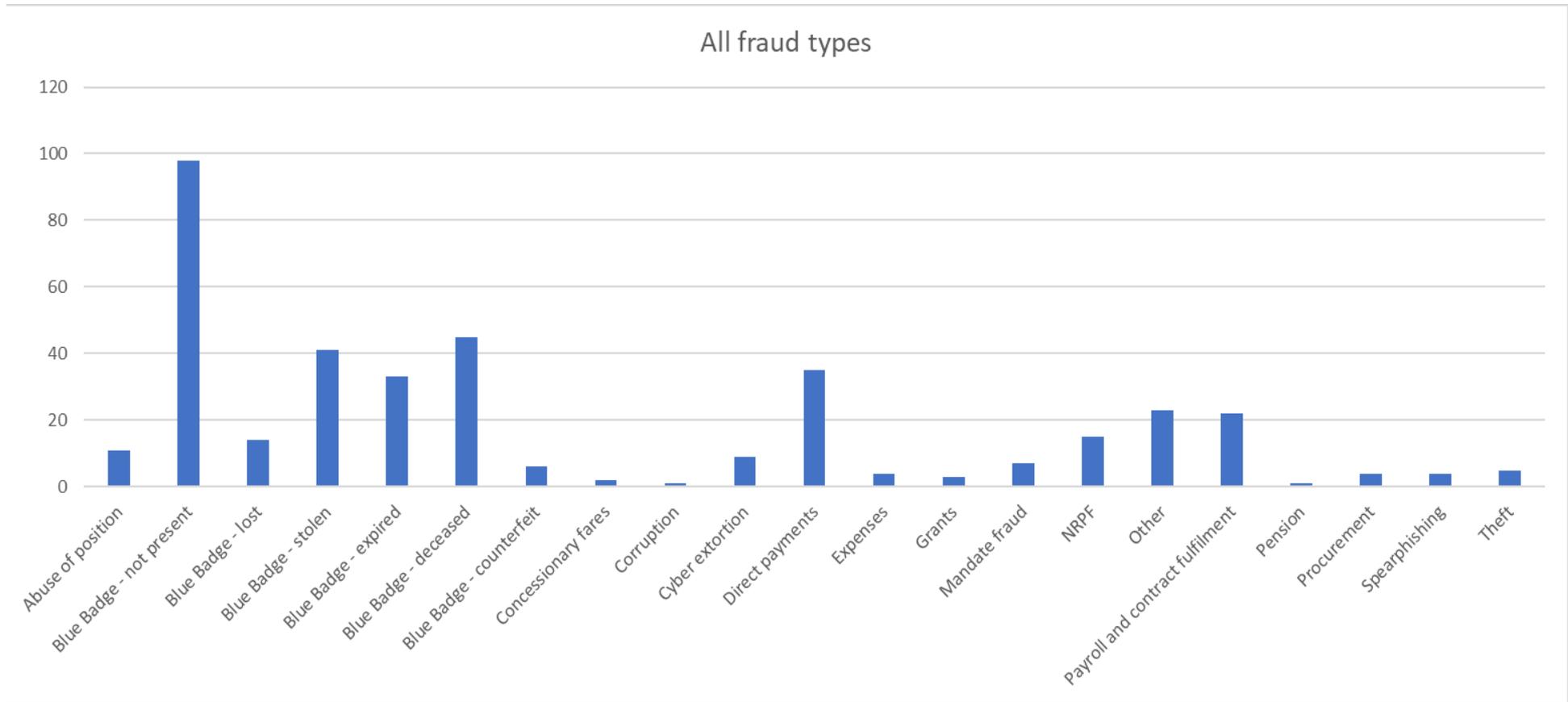
1.38 The Governance and Audit Committee are asked to:

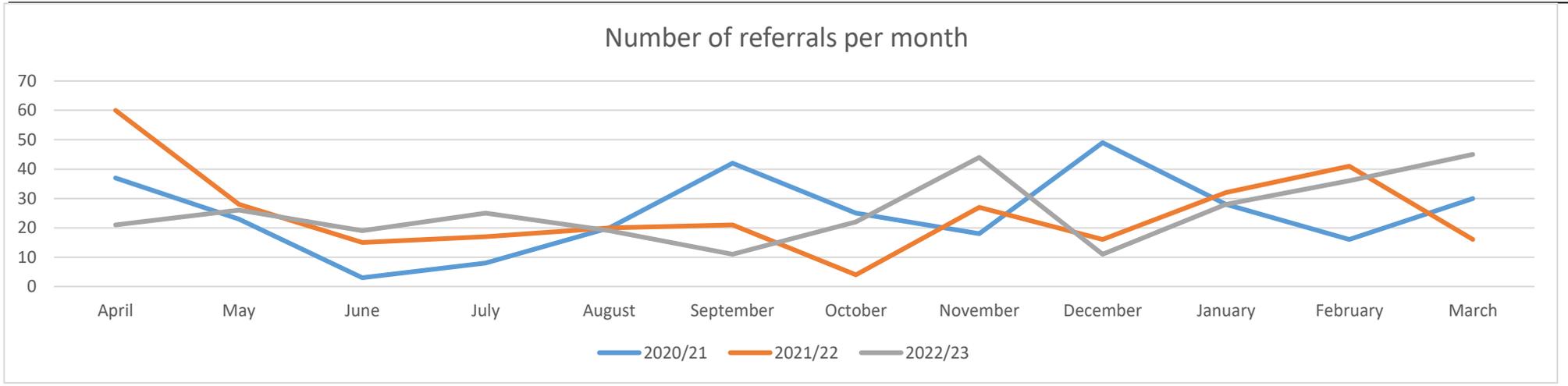
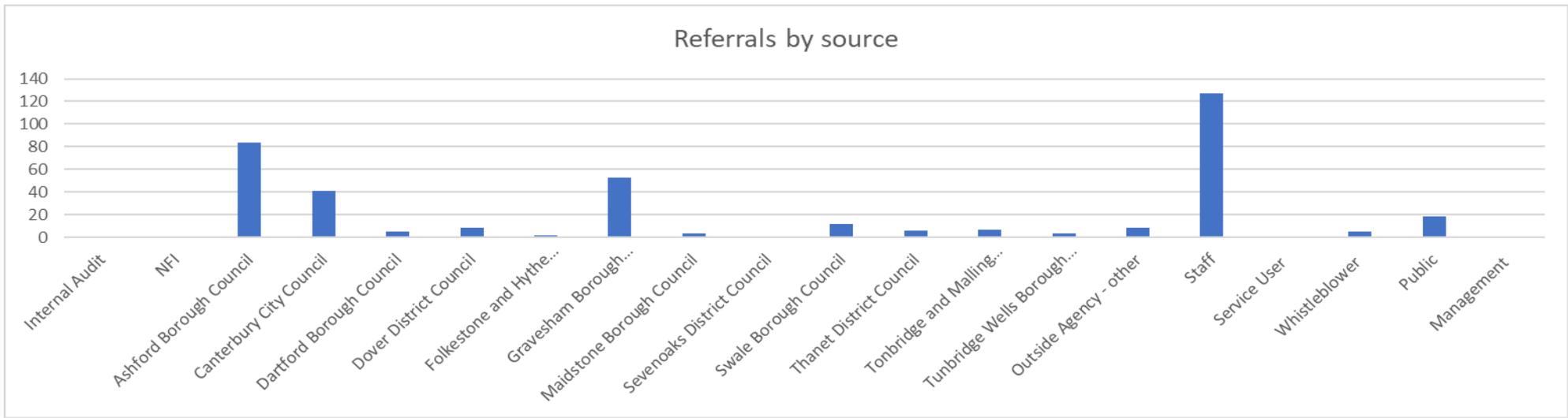
- Note the Counter Fraud Update report for 2022/23.
- Note the progress of the Counter Fraud Action Plan for 2022/23.
- To review, comment on and approve the Counter Fraud Action Plan for 2023/24.

James Flannery, Counter Fraud Manager

May 2023

Appendix A: Fraud and Irregularity referrals – Graphs





Report Title	Description of match	No of matches
Pension/ Pension Gratuity/ Deferred Pension to DWP Deceased (52, 53)	The purpose of the match is to identify instances where an occupational pensioner has died but the pension is still being paid	388
Pension to Payroll (54,55,78)	To identify pensioners who may have gone back into employment that could result in an abatement of their pension	436
Payroll to Payroll (65,66, 67.2,68.1)	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time	87
Payroll to Creditors (80, 81)	The match identifies instances where an employee and creditor are linked by the same bank account or the same address to identify employees with interests in companies with which your organisation is trading	195
Blue Badge to Blue Badge (170, 170.1, 172.7, 172.8, 172.9)	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge	1,303
Blue Badge to DWP Deceased (170.1)	Individuals who have a blue badge have been matched to deceased records. This will identify cases where a permit holder has died, but the local authority may not have been notified	2,887
Blue Badge to Amberhill data (303, 304)	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities	2
Concessionary Travel Passes to DWP Deceased (172.2)	Individuals who have a concessionary travel pass have been matched to deceased records. This will identify cases where a permit holder has died, but the local authority may not have been notified	5,286
Concessionary Travel Passes to Amberhill Data (306, 307)	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities	2
Duplicate Creditors by creditor reference (700)	Duplicates identified in this match suggest poor creditor management as the system has permitted a creditor reference to be used more than once	27
Duplicate Creditors by creditor reference, name,	Duplicates identified in this match suggest poor creditor management as the system has permitted a creditor reference to be used more than once	1,200

address, account number (701, 702, 703, 707)		
Duplicate records by amount and creditor reference (708)	This match highlights possible duplicate payments in excess of £1,000 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff	17,374
VAT overpaid (709)	This report identifies instances where VAT may have been overpaid	190
Duplicate records – creditors (711, 712, 713)	This match highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff	483
Procurement – Payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage	142

Appendix C: 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	Data received – outturn being worked on.
CF-KCC02-23	Corporate Fraud	Policy, Strategy and Risk Review	Reviews of directorate risk levels is underway to inform what risks will be escalated from service risk registers to the corporate risk registers.
CF-KCC03-23	Corporate Fraud	Kent Intelligence Network	Out turn for 22/23 reported above. Work on the Digital Economy Act Business Case continues, this is to support matching data between district/ borough councils and Kent County Council to make the financial assessment for adult social care more effective and efficient.
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. Fraud awareness sessions delivered to: County Safeguarding Leads Chief Accountants Team Financial Analysis and Support Team Finance Operations Management Team Finance Business Partners Review of policy and application process within the Gypsy and Traveller service Fraud, Bribery and Corruption awareness to the Gypsy and Traveller service Fraud awareness to CSG Management Teams. Fraud and Error awareness to the Integrated Children's Service Business Support Team Developing a joint working protocol with the NHS Counter Fraud function delivered by TIAA Fraud and bribery risk updates to Infrastructure Fraud risk assessment for the Food and Holiday programme GET & CYPE DMT meetings to raise awareness of fraud and error trends Supporting the Serious and Organised Crime co-ordinator within ASCH Attendance at the Kent Fraud Panel meetings to share and disseminate knowledge on latest threats
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 14 Senior Leaders
CF-KCC06-23	Blue Badge fraud risk	Pro-active Fraud Exercise - Blue Badges Enforcement Days and liaison with Parking Managers	Enforcement days – 4 completed
CF-KCC07-23	Social Care fraud risks - ASCH & CYPE	Review of Financial Abuse Tool Kit	Completed and issued to business to adopt.
CF-KCC08-23	Procurement fraud risks	Pro-active Fraud Exercise - Commissioning	In progress – Task and Finish group attendance to support ASCH in supported living contracts.

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.	Ongoing – All received engagement plans reviewed and advice provided to auditors on relevant fraud risks.
CF-KCC12-23	All fraud risk areas	Reactive Investigations	50 Ongoing referrals and investigations
CF-KCC13-23	No Recourse to Public Funds	Review of Counter Fraud referral processes	Referral forms updated and available to CYPE to use, work on front end data capture continues.
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 – Video software purchased and content development in progress

Appendix D – Counter Fraud Action Plan – 2023/24

Ref	Strategy link	Risk Area	Activity	Description
CFT-01	Govern	Corporate Fraud	Policy, Strategy and Risk Review	Review each policy bi-annually, presented to CMT & G&A and once agreed to be communicated across KCC management via Kmail for managers. Expected policies to be reviewed: Anti Fraud and Corruption Strategy Anti Bribery Policy Anti Money Laundering Policy Financial Regulations Spending the Councils Money To review any other policy that may have an inherent fraud, bribery & corruption risk
CFT-02	Govern	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.	Ensure that the culture which is supported by Corporate Management Team and Governance and Audit Committee is embedded throughout the organisation through Counter Fraud attendance at relevant meetings and focus groups.
CFT-03	Prevent	All fraud risk areas faced by schools to support the prevention and detection of fraud	Proactive Fraud Exercise - Schools	Create and deliver a communication strategy to provide Fraud awareness sessions to school finance staff, senior leaders and governors. Including existing and emerging risks. As well as providing ad-hoc advice
CFT-04	Prevent	Blue Badge fraud risk	Proactive Fraud Exercise - Blue Badges	Provide regular communication to parking managers to inform them of latest guidance, what's working well what needs improving, including the issuing of a quarterly newsletter. Provide enforcement awareness sessions to district CEOs.
CFT-05	Prevent	Social Care fraud risks - ASCH	Financial Abuse Review	To progress a review of the approach taken by ASCH safeguarding on addressing financial abuse against vulnerable adults.
CFT-06	Prevent	Fraud Risks – ASCH	To deliver fraud culture work/ awareness sessions ASCH	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.

CFT-07	Prevent	Fraud Risks - CYPE	To deliver fraud culture work/ awareness sessions CYPE	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.
CFT-08	Prevent	Fraud Risks - GET	To deliver fraud culture work/ awareness sessions across GET	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.
CFT-09	Prevent	Fraud Risks - CED/ DECD	To deliver fraud culture work/ awareness sessions across CED/ DECD	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.
CFT-10	Prevent	No Recourse to Public Funds	review of CF Process	To review the guidance, forms and controls in place to enable effective assessments of someone's destitution. Review NRPF Applications where these financial checks are required.
CFT-11	Prevent	All risk areas to support the prevention and detection of fraud and corruption	Fraud Awareness	Agile awareness sessions to be delivered in conjunction with emerging risks
CFT-12	Pursue	Payroll Pension Blue Badge Concessionary fares Trade Creditors	Progression of NFI Data Matches	Coordinate the Council's and its LATCO's participation in the National Fraud Initiative, including the monitoring of matches being completed by the relevant team.
CFT-13	Pursue	Corporate Fraud	Kent Intelligence Network	Actively participate in the Kent Intelligence Network and develop data matching proposals to increase detection of fraud at KCC and across Kent authorities.
CFT-14	Protect	Counter Fraud Profession	Professional standards	Engagement with the Cabinet Office on the Counter Fraud Profession

CFT-15	Protect	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.	Provide advice and support on key fraud controls in specific audits.
CFT-16	Acknowledge	All fraud risk areas	Reactive Investigations	To manage and complete investigations into the financial irregularities reported to Internal Audit & Counter Fraud. Including criminal, civil and where needed disciplinary investigations. Providing management with any areas of improvements needed to reduce the risk of fraud or error occurring again.
CFT-17	Acknowledge	All fraud risk areas	Data Analytics	Providing advice/ guidance and data analytical support in order to identify fraud and error occurring.