

By: James Flannery – Counter Fraud Manager

To: Governance and Audit Committee – 1st February 2024

Subject: **COUNTER FRAUD PROGRESS REPORT**

Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for the period of September 2023 to December 2023, including reported fraud and irregularities.
- An update on the Counter Fraud Action Plan for 2023/24 covering reactive and pro-active activity.

Recommendations:

The Governance and Audit Committee are asked to;

- Note the Counter Fraud Update report for 2023/24.
 - Note the progress of the Counter Fraud Action Plan for 2023/24.
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Irregularity Referrals – 01 September 2023 to 31 December 2023

Increase in Referrals

- 1.1 There were 156 irregularity referrals received for the reporting period of the 01 September 2023 to 31 December 2023. This brings the total number of referrals for the financial year 2023/24 to 329, compared to 249 for the same period in 2022/23, a 24% increase.
- 1.2 The majority of the increase in referrals relating to blue badges indicating greater enforcement action by District/ Borough Council Parking Enforcement Teams. Additionally, the number of people claiming support from KCC as they have No Recourse to Public Funds (NRPF) continues to grow. The Counter Fraud Team provide due diligence checks for CYPE to ensure that the destitution criteria has been met.
- 1.3 The distribution and characteristics of the irregularities reported to date are shown in the graphs in **Appendix A**.

Financial Losses

- 1.4 There has been an actual loss of £228,378 within this period, bringing the total losses due to fraud and error to £357,440 for this year. All amounts are subject to recovery for the full amount due. The main losses are:
 - £24,106 overpaid in error to an Adult Social Care provider due to a placement not being ended in a timely manner.
 - £48,327 & £58,382 overpaid in error to providers of care due to incorrect hours being entered on care provisions within Children's Services.
 - £3,393 due to a fraudulent request to change bank details within payroll at a maintained school.
 - £23,136 due to a fraudulent request to change bank details within accounts payable at a maintained school.
 - Four cases of salary overpayments totalling £15,495 theft by wrongful credit.
 - Four Direct Payment cases with actual losses of £24,355

East Kent Opportunities – Follow Up

1.5 At the Governance and Audit Committee in October 2023, it was reported that:

- The procurement of consultancy services by Economic Development had not followed any formal procurement processes with around £850,000 spent on consultancy services over the past 12 years.
- There was no contract in place with the consultancy service, despite this being raised over two years ago.
- There was a lack of metrics to inform the performance of the regeneration project.

1.6 Engagement with Management has occurred to see how they are progressing with the management actions. Management have advised they are still progressing the management actions, Internal Audit and Counter Fraud have been informed that a waiver for full tender has been submitted and approved by the Commercial and Procurement Standards and Improvement Team. With a draft contract for review and issue currently with management to implement.

Blue Badges

1.7 Proactive and reactive work continues to address the risk of blue badge misuse across Kent. During this period, there has been an enforcement day held within Maidstone Borough which has resulted in an upturn in enforcement action and referrals.

1.8 The Counter Fraud Team has received 103 blue badge referrals within the reporting period, bring the total received to date from all sources to 229. From the 103 referrals, this has resulted in:

- 27 warning letters being issued;
- 6 closed due to insufficient evidence;
- 38 cases closed due to insufficient resources;
- 9 cases closed no further action;
- 22 cases open for further investigation; and
- 3 cases closed – Simple Caution issued (2 issued on referrals received in previous period).

1.9 There has also been 86 Penalty Charge Notices issued by Parking Enforcement Teams.

1.10 There has been a successful prosecution of a blue badge misuse case that occurred in Canterbury. The offences took place between the 11th of October 2021 and the 21st of February 2022. The suspect displayed two stolen badges in an e-taxi charging point, on a footpath, in a restricted area and on double yellow lines in order to obtain parking concessions.

1.11 When questioned by Parking Officers for Canterbury City Council, the suspect informed them that the badges belonged to her and subsequently her grandmother. Both badges were retained for misuse and the suspect received several Penalty Charge Notices. The person received a one-year conditional discharge, £22 victim surcharge and ordered to pay legal costs of £300 due to mitigating circumstances.

1.12 There has been one case that has been agreed by General Counsel for prosecution.

Table 1: Blue badge referrals by District/Borough Councils

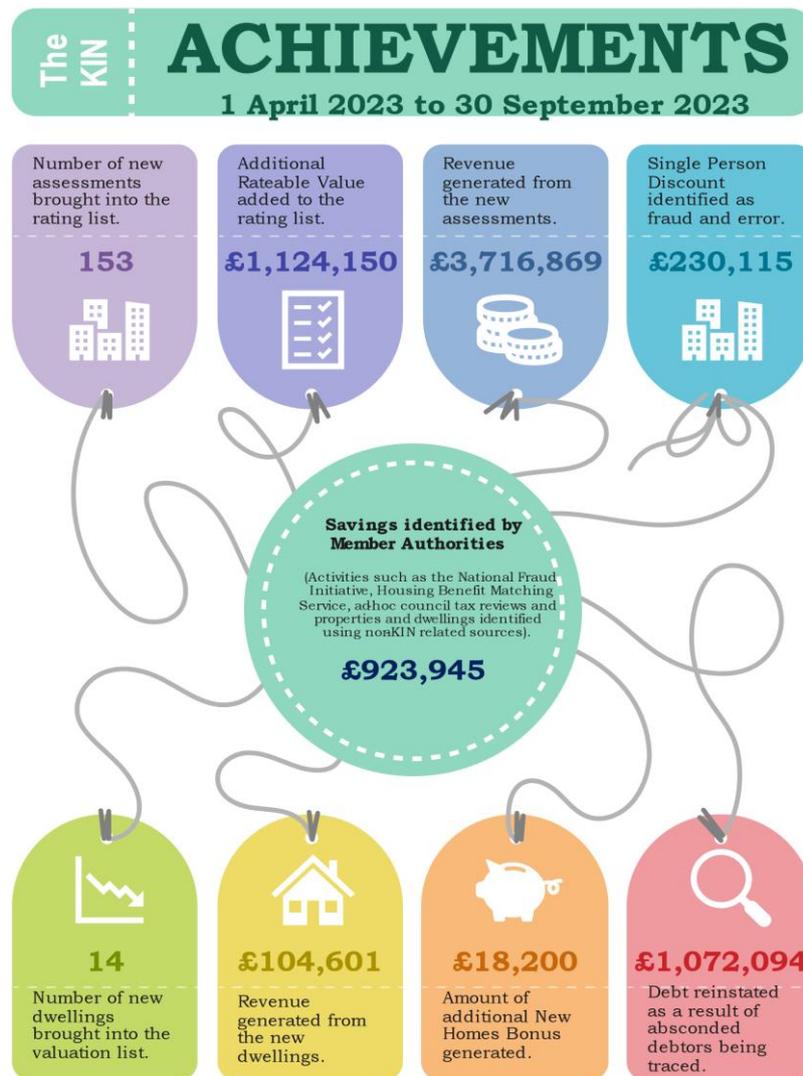
Parking Enforcement Area	Referral numbers – Apr 23 to Dec 23	Parking Enforcement Area	Referral numbers – Apr 23 to Dec 23
Ashford BC	70	Maidstone BC	46
Canterbury CC	22	Sevenoaks DC	3
Dartford BC	2	Swale BC	30
Dover DC	7	Thanet DC	4
Folkestone & Hythe BC	0	Tonbridge and Malling BC	5
Gravesham	31	Tunbridge Wells BC	4

No Recourse to Public Funds (NRPF)

- 1.13 The Counter Fraud Team supports the CYPE Directorate in conducting verification checks on those seeking support due to being destitute and having children. The Counter Fraud Team have received a further nine referrals within this reporting period bringing the total referred in 2023/24 to date are to 18 referrals.
- 1.14 The Counter Fraud Team have supported CYPE in implementing a financial assessment process to capture key financial and address information when Social Workers progress a NRPF referral. This will assist in creating a more efficient and effective process moving forward.

Kent Intelligence Network (KIN)

1.15 The KIN continues to provide valuable support to the District/Borough Councils and the outcomes for the period 1 April 2023 to 30 September 2023, set out below, show the results and financial returns achieved.



1.16 153 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.

1.17 The additional business rates revenue generated from the identification of these missing properties is £3,657,186 (£3,716,869 including Medway), of which broadly 9% (£329,146) comes to KCC, once collected, is a combination of the following:

- The total amount of business rates billed for both the current financial year and previous financial years of £1,970,656 (£2,004,864 including Medway); and
- A 'future loss prevention' provision of 3 years of £1,686,530 (£1,712,005 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.

1.18 It is also pertinent to highlight that on 30 September 2023, there were 152 cases with the Valuation Agency awaiting assessment/valuation, none of which are included in the figures stated above, and

a further 175 cases which are currently under investigation by billing authorities.

- 1.19 The KIN also helps to identify dwellings missing from the valuation list and so far, 14 dwellings have been identified.
- 1.20 The additional council tax revenue generated from the identification of these missing properties is £104,601, of which broadly 73% (£76,358) comes to KCC, once collected, is a combination of the following:
 - The total amount of council tax billed for both the current financial year and previous financial years of £36,265; and
 - A 'future loss prevention' provision of 3 years of £68,336. This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.
- 1.21 It is also pertinent to highlight that on 30 September 2023, there were 15 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.
- 1.22 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 14 dwellings identified will generate £18,200, of which 20% (£3,640) comes to KCC, once collected.
- 1.23 In respect of the £1,072,094 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 £750,465, once collected, and this would amount to £547,839.
- 1.24 Finally, the proactive work being undertaken in respect of identifying erroneous claims for Council Tax Single Person Discounts has resulted in the additional billing of Council Tax amounting to £230,115, of which broadly 73% (£167,983) comes to KCC, once collected.
- 1.25 In total, the financial benefit to KCC from the initiatives and successes detailed above amounts to £1,124,966 for the first half of 2023/24.
- 1.26 It is also important to highlight the investment made by KCC to help billing authorities achieve these outcomes. This investment is by way of an annual grant given to the respective billing authorities, the components for which are broken down as follows:
 - A grant of £352,646 for the provision of additional resources to help carry out KIN related work, and also to assist with non-KIN related initiatives that help to increase the tax base and rates base.
 - A grant of £19,710 towards a product that helps to trace absconded council tax debtors.
- 1.27 Solely in respect of the KIN related work, the return-on-investment to date (April to September) is £752,610 (this figure is derived from the total financial benefit to KCC, less the grants given to billing authorities to help achieve the outcomes detailed above).

Counter Fraud Proactive Work

1.28 The Counter Fraud Proactive Work delivered for period September 2023 to December 2023 includes:

- Fraud Awareness to the Governance and Law Division;
- Blue Badge Enforcement day at Maidstone;
- Attendance at KCC Serious and Organised Crime working group.
- Attendance at Kent Fraud Panel meetings; and
- Working with ASCH on Supporting Living Invoicing processes.

Counter Fraud Action Plan 2023/2024

1.29 Updates to the 2023/24 Counter Fraud Action Plan can be found at **Appendix B**. 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 Resources

1.30 There is currently one vacancy that is subject to a recruitment exercise to replace a Counter Fraud Technician (TMBC Lead) position.

1.31 The team comprises; 1FTE Counter Fraud Manager, 3FTE Counter Fraud Specialists, 1FTE 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.

Conclusions

1.32 The key fraud related areas to highlight are cyber enabled fraud, which continues to be a risk for all organisations, in particular schools.

1.33 There is a significant increase in referrals relating to blue badges and NRPF checks so resources are having to be allocated accordingly.

1.34 Positive feedback is being received from those receiving fraud awareness Reactive fraud work continues to address the irregularities being reported, with lessons learnt being reported back to management where there has been a lack of control or a control failure. There are instances where low level cases cannot be progressed due to resource pressures.

Recommendations

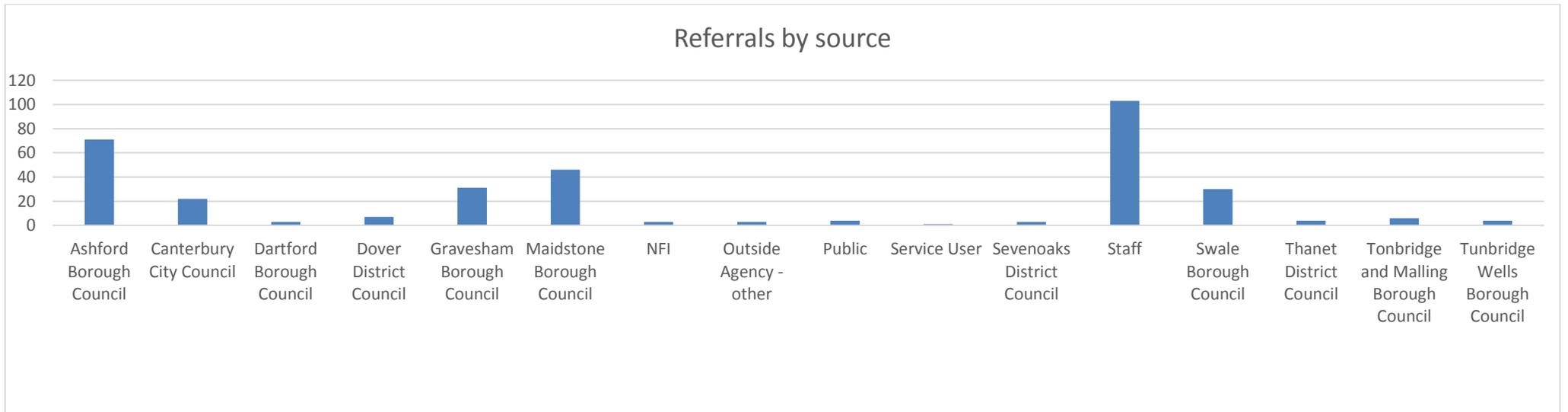
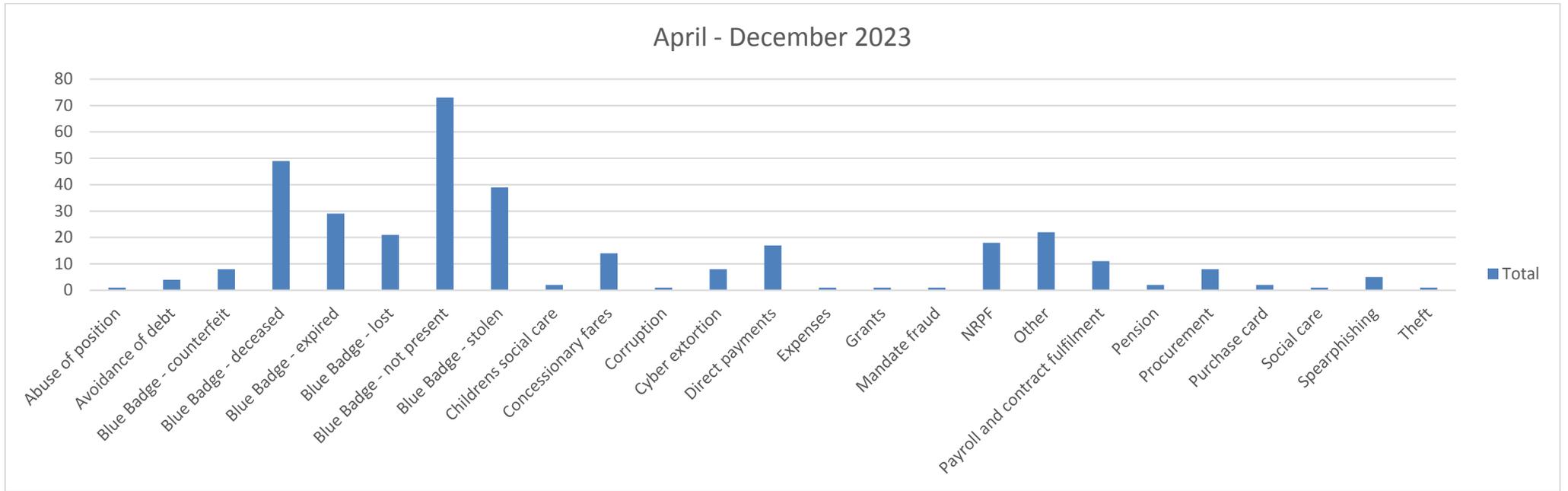
1.35 The Governance and Audit Committee are asked to:

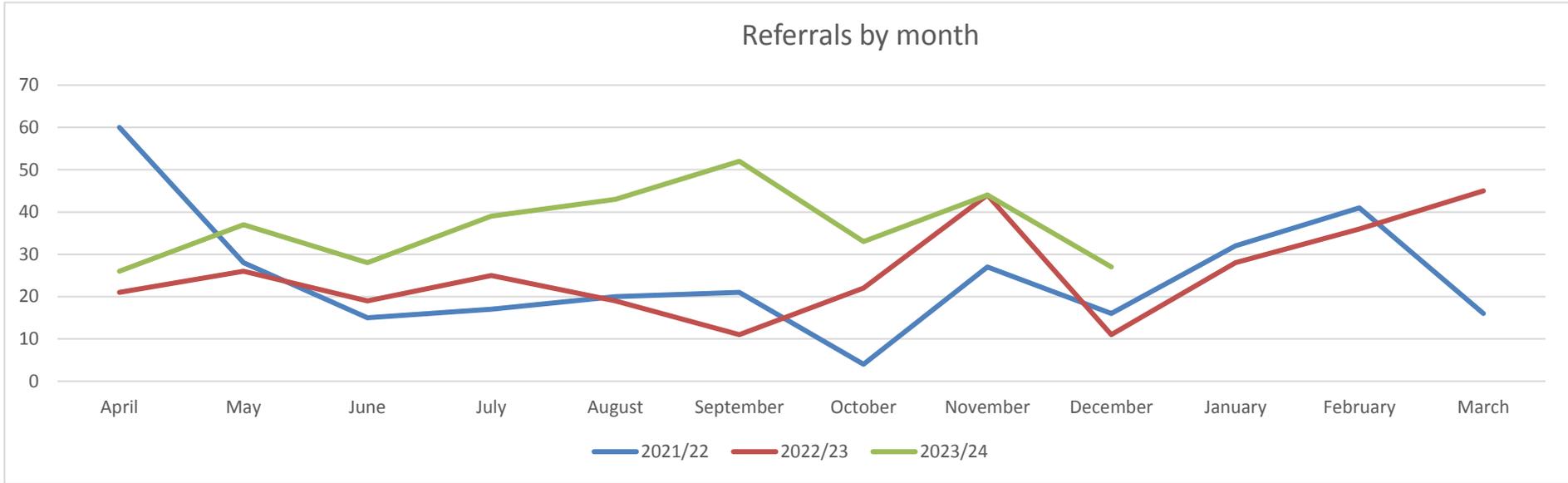
- Note the Counter Fraud Update report for 2023/24.
- Note the progress of the Counter Fraud Action Plan for 2023/24.

James Flannery, Counter Fraud Manager

January 2024

Appendix A: Fraud and Irregularity referrals April 2023 to December 2023 – Graphs





Appendix B: Counter Fraud Plan 2023/24

Ref	Strategy link	Risk Area	Activity	Description	Update
CFT-01	Govern	Corporate Fraud	Policy, Strategy and Risk Review	<p>Review each policy bi-annually, presented to CMT & G&A and once agreed to be communicated across KCC management via Kmail for managers.</p> <p>Expected policies to be reviewed:</p> <ul style="list-style-type: none"> Anti-Fraud and Corruption Strategy Anti Bribery Policy Anti Money Laundering Policy Financial Regulations Whistleblowing Policy Spending the Councils Money <p>To review any other policy that may have an inherent fraud, bribery & corruption risk</p>	<p>Anti-Fraud and Corruption Strategy</p> <p>Anti Bribery Policy</p> <p>Anti Money Laundering Policy</p> <p>Whistleblowing Policy</p> <p>Above agreed to be reported to the March 2024 G&A Committee</p> <p>Review of Financial Regulations from a Counter Fraud perspective</p> <p>Review of Artificial Intelligence policy completed and policy updated with updates.</p>
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.	<p>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.</p>	<p>ASCH Supporting Living risk assessment plus management letter to raise issues.</p> <p>ICT Compliance and Risk Team & Counter Fraud emerging risk meetings – Cyber risks</p> <p>Kent Fraud Panel & Kent</p> <p>Laptop refresh governance board – Advice and Support provided to track assets moving forward and tracking of old assets being returned.</p>

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	Alerts issued on mandate fraud Awareness sessions delivered in Autumn to schools more planned for Spring 24.
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.	Parking Manager meetings attended to provide engagement and feedback. One enforcement day in Maidstone delivered.
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.	Support in place, challenge and support provided on a case by case basis, including engagement with Kent Police in progress.
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.	Supporting Living main area of engagement – Task and Finish group on invoicing Counter Fraud Leading on this.
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.	In progress – Awareness session delivered to East Kent Social Worker teams. Fraud Awareness to East Kent Social Worker Team Risk Assessment and reporting requirements for overpayments within LAS payment system.
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.	Working through Relationship management meetings at present to map out.
CFT-09	Prevent	Fraud Risks - CED/ DECD	To deliver fraud culture work/ awareness	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.	Awareness to Client Financial Affairs on fraud awareness and forgery/counterfeiting of documents.

			sessions across CED/ DECD		
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.	In progress- review of process completed, new financial assessment form completed and passed to service for review and implementation. NRPf checks being completed
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	Bespoke engagement to: CYPE quality assurance Shared Lives management GET Economic Development Management
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.	In progress further update to be provided in April 2024.
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.	In progress – update included in report.
CFT-14	Protect	Counter Fraud Profession	Professional standards	Engagement with the Cabinet Office on the Counter Fraud Profession	Practitioners group updating standards. Onboarding Managers into profession being progressed.
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.	In progress- Engagement plans reviewed.

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.	In progress – outputs reported in main report.
CFT-17	Acknowledge	All fraud risk areas	Data Analytics	Providing advice/ guidance and data analytical support in order to identify fraud and error occurring.	Reviewed Supporting Living information to inform if data analytics can be used for reconciliation, data structure not in place to enable data analytics.