

Internal Audit & Counter Fraud Shared Service
Medway Council & Gravesham Borough Council

Counter Fraud Annual Report 2022-23

Medway Council

1. Introduction

The Internal Audit & Counter Fraud Shared Service was established on 1 March 2016 to provide internal audit assurance and consultancy, proactive counter fraud and reactive investigation services to Medway Council & Gravesham Borough Council.

The team works with both councils to manage their fraud risks, including work to prevent, detect and investigate fraudulent activity committed against the councils. The close working relationship with Internal Audit also means that counter fraud activity provides additional assurance to the council in relation to fraud risk management and control.

The team also acts as the Single Point of Contact between both authorities and the Department for Work & Pensions Fraud & Error Service for their investigation of housing benefit fraud.

2. Executive Summary

Over the course of 2022-23 there has been activity in all four of the key areas outlined in the counter fraud plan for 2022-23.

Fraud awareness training has been at the forefront of the fraud awareness and prevention workstream, and a number of introductory and formal awareness sessions have taken place over the course of the year to improve awareness across the organisation. Work has also commenced on a fraud risk register with key fraud risk areas identified and inherent risk scores calculated. Work will continue during 2023-24 to assess the controls in place and resulting residual scores as the fraud risk register is formed.

Work on the National Fraud Initiative exercises now means that the council is in an extremely up to date position with all active work only linked to the most recent exercise that started in January 2023. This means that the service is in a much stronger position to start considering other areas of pro-active activity aimed at identifying potential fraud and error in other areas of the council.

Investigative activity has been productive with 528 investigations concluded in year, with cashable savings of £661,998 identified and non-cashable savings of £190,000 linked to the recovery of two council properties and a removal from the housing waiting list. This gives an overall total of £851,998 in savings in comparison to £136,321 for Medway's share of the costs for the counter fraud resource.

Good liaison has been maintained with the Police and other investigative bodies throughout the year, with all requests for information responded to within set timescales. There has also been other partnership working activity with officers representing the council at the Kent & Medway Fraud Panel and Serious & Organised Crime Partnership meetings.

There have also been good outturns in relation to all performance measures.

3. Resources

The Internal Audit & Counter Fraud Shared Service reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. At the start of the year, the counter fraud team had an establishment of six officers (5.21FTE), made up of the Head of Internal Audit & Counter Fraud (0.35FTE), one Counter Fraud Manager, two Counter Fraud Officers, and two Counter Fraud Intelligence Analysts (1.86FTE).

The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 64% for Medway with the remaining 36% for Gravesham. At the time the Counter Fraud Plan for 2022-23 was prepared, this establishment was forecasted to provide a total of 691 days available for counter fraud work (net of allowances for leave, training, management, administration etc.). The Counter Fraud Plan for Medway was prepared with a resource budget of 442 days.

There was a brief period of vacancy after one Counter Fraud Officer resigned and left at the end of February 2023, but this had a minimal impact on resources in year.

As of 31 March 2023, the net staff days available for Medway for 2022-23 amounted to 569 days and 528 days (93%) were spent on chargeable counter fraud work. Of this chargeable time, 18 days (3.4%) was spent on fraud awareness and prevention, 72 days (13.7%) was spent on pro-active counter fraud activity, 384 days (72.7%) was spent on reactive investigation activity and 54 days (10.2%) were spent on other counter fraud activity. The detailed results of all work carried out during the year are detailed in sections four to seven of this report.

Learning and development needs and objectives were agreed through the Performance Development Review (appraisal) process and delivered through a mixture of formal qualification training (including apprenticeships), formal skills training, job-shadowing/mentoring and 'on the job' training. Team meetings have taken place throughout the year, both virtually and in person, and all team members have had regular one to one meetings with their line manager to monitor progress with their work.

4. Results of Counter Fraud Work

Fraud Awareness & Prevention

It is intended that the service will create a fraud risk register that sits alongside the council's corporate risk register, which will involve assessing fraud risks and controls across the various services of the council. The Counter Fraud Manager completed a CIPFA course during 2022-23 and was awarded a Certificate in Fraud Risk Management as part of starting this process.

Work has commenced on collating a list of the services with areas of potential fraud risks, the specific risks within those services and the inherent risk scores in the event that they are not addressed. The next part of the process will involve liaison with the specific services to look at the controls already in place to mitigate those risks for the purposes of calculating the residual risk scores.

This will enable the counter fraud team to advise on any additional controls to further mitigate those risks and help inform areas for potential pro-active activity that may identify instances of potential fraud. As this has not been done in the past, it is quite an extensive piece of work, and with other operational demands associated with active investigations, it was not possible to complete it all in year. Work on this area will continue in 2023-24 and once completed, the fraud risk register will be presented to the Audit Committee.

Fraud Awareness

Following a survey at the end of 2021-22, it was clear that there had been a lack of fraud awareness training across the organisation, but there was a clear desire to know more from officers who responded to the survey and a number provided the details of their service for consideration.

Accordingly, fraud awareness was considered to be a key area of activity in the new counter fraud plan for 2022-23 and the team have spent time educating services on how fraud can impact their services delivery, what types of potential fraud they should be alert to and how to report it, as well as what the counter fraud team can do to support services.

The approach to awareness training was split into two workstreams, with officers from the counter fraud team joining team meetings in other services to engage with those teams, provide an introduction on the role of the counter fraud team and gather information that could be used to create a fraud awareness session tailored to the potential areas of fraud that those officers should be alert to.

During 2022-23, those introductory sessions took place with the following teams/services:

- Highways
- Shared Lives Team,
- CABS Team 1,
- Adult Commissioning,
- Parking Services,

- Finance Management Team,
- Housing Tenancy services,
- Libraries,
- Theatres & events Management Team,
- Communications,
- Planning & Regeneration team Leaders,
- Medway Task Force,
- Business Change,
- School admissions,
- CABS Managers.

The second of the two workstreams was specific fraud awareness sessions for teams/services, where they provided with information about fraud risks, they should be alert to, and the potential impacts fraud can have on the council and delivery of its services.

Fraud Awareness sessions were delivered to the following teams/services during 2022-23:

- Direct Payments Team,
- Benefits,
- Adults Commissioning,
- Revenues,
- Revenues System Team, and
- Care Providers (following session with Adults Commissioning).
- CABS - Revenues and Bens/Housing Team

Corporate Working Groups

Included in the plan was resource dedicated to being able to attend Corporate Working Group and Project Group meetings to provide advice on fraud risks and prevention.

While this has been communicated to managers, there were no requests to join such groups during 2022-23. We will look at increasing communications about this service to see whether there is demand and ensure it is not being missed because managers simply are not aware that it is available.

Corporate Policies

The Council has a Counter Fraud and Corruption Strategy that was approved by Cabinet on 22 March 2021. This must be reviewed annually to ensure that it continues to reflect any changes in legislation and aligns to best practice.

The Head of Internal Audit & Counter Fraud completed a full review of the strategy during 2022-23 and there were no material amendments. However, some inconsistencies in references to the counter fraud team were corrected.

5. Pro-Active Counter Fraud Activity

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI) exercise, which is co-ordinated by the Cabinet Office, is a nationwide data matching exercise, comparing computer records held by the council against other computer records held by councils and other public bodies, with a view to identifying potential instances of fraud or irregularity. The Counter Fraud team has responsibility for reviewing the bulk of the matches received in respect of these exercises

and the Head of Internal Audit & Counter Fraud and Counter Fraud Manager act as the key contacts for the overall exercise.

Significant backlogs of work associated with the checking of matches had been created by the covid pandemic and redeployment of counter fraud staff during periods of response and recovery. A significant amount of effort was directed at clearing this backlog during 2022-23 and this has now put the council in a very strong position with work relating to the 2019-20, 2020-21 and 2021-22 exercises all now concluded, and the checking of matches from the 2022-23 exercise almost complete, although investigations relating to some of those matches will remain ongoing during 2023-24.

The following provides a brief overview of the results achieved across the exercises that have been worked on during 2022-23. It should be noted that these results cross over financial years, so will not all form part of the results reported for 2022-23 later in this report.

- **2019-20 Exercise** – 3003 matches received, and savings of approximately £129,064 identified as a result.
- **2020-21 Exercise** – 15,290 matches received, and savings of approximately £837,322 identified as a result.
- **2021-22 Exercise** – 1,835 matches received, and savings of approximately £273,448,638 identified as a result.
- **2022-23 Exercise** – 9,677 matches received in January 2023. To date, 4,508 matches have been checked, with savings of approximately £507,470 identified.

An annual report relating specifically to NFI was presented to the Audit Committee in June 2023, providing a more detailed breakdown of the savings and the areas where these have been identified.

Kent Intelligence Network

The Kent Intelligence Network comprises of Kent County Council, Medway Council and the twelve District Authorities. The purpose of this partnership is to share data at a more local level to identify potential instances of fraud and error and also negotiate with providers for data matching software using economies of scale to achieve a better deal.

There were no referrals to the counter fraud team as a result of KIN activity during 2022-23, however, the Revenues Team have dealt with a number of referrals relating to council tax and business rate liability issues. This has resulted in five commercial properties that were not in the ratings being identified, generating additional NNDR of £50,688 and future liability of £12,621 per year in future years. An annexe that had been built at a residential property was also identified and a new liability created resulting in additional council tax of £1,174 and future liability of £1,268 per year in future years.

Pro-Active Exercises

Due to the level of resource directed to clearing the backlog of work associated with the NFI exercises, it was not possible to undertake any other pro-active activity, such as internal data matching. However, potential pro-active activity has been discussed at a number of team meetings and we hope to start bringing this activity forward during 2023-24.

6. Responsive Investigation Activity

Responsive Investigation Work (External)

The team concluded 200 investigations into alleged fraud linked to external parties during 2022-23 in Revenues and Housing and a summary of the results for each area is included below.

Blue Badge: Three cases were concluded with no evidence of fraud/misuse.

Business Rates: Three cases were concluded with no evidence of fraud. One case was referred to a third party for investigation into other matters.

Care Services: Once case concluded with no evidence of fraud.

Council Tax: 499 investigations concluded in year, 79 with no evidence of fraud and a further two passed to the DWP for investigation of potential benefit offences. 418 cases resulting in corrective action, including the removal of single person discounts, changes to council tax reduction awards or creation of new liability and housing benefit overpayments.

This has resulted in the identification of additional liability of £355,296, as well as £185,487 in liability for future years and £121,215 in housing benefit overpayments. Three people received cautions for criminal offences relating to false statements or failure to report changes, and one received an Administration Penalty of £1,000, as alternatives to prosecution.

Finance: Once case concluded with no evidence of fraud.

Housing: Ten cases concluded, seven with no evidence of fraud. One case resulted in the individual being removed from the Housing Register and two cases resulting in the recovery of council properties.

School Admissions: Seven cases concluded in year, two with no evidence of fraud. The remaining five cases resulted in the offer of a school place being withdrawn due to false information having been supplied.

Overall: This represents total cashable savings of £661,998 and notional savings of £190,000 (Total £848,998) against costs of £136,321 for Medway's share counter fraud team and £366,323 for the share of the whole Internal Audit & Counter Fraud service.

Responsive Investigation Work (Internal)

In addition to investigations into matters relating to internal fraud, the Counter Fraud Team conducts disciplinary and grievance investigations on behalf of HR into a range of matters. Details cannot be provided while investigations are ongoing, but an anonymised summary is included for cases that have been concluded.

7. Other Counter Fraud Activity

Liaison with DWP

The team is responsible acting as the Single Point of Contact (SPOC) for the DWP Fraud & Error Service for their investigation of Housing Benefits administered by the council.

The DWP have notified the service of 102 active cases and requests for information have been dealt with in accordance with the SLA. The Medway Revenues and Benefits Service have completed assessments in relation to 13 cases based on evidence provided by the DWP and these have resulted in housing benefit overpayments totalling £84,329 and excess council tax reduction awards totalling £11,867.

Joint working requests have been limited and, in many cases, it has not been cost effective for the counter fraud team to join the investigation, however, should there be information received to suggest that claims for housing benefit and/or council tax reduction may be inaccurate, we will ensure that these are amended accordingly by the benefits team.

Responding to Information Requests

The team is responsible for responding to information requests from the Police, local authorities, and other investigatory bodies under exemptions in the Data Protection Act/General Data Protection Regulations.

A total of 884 data protection requests was received during 2022-23 and 100% were responded to within the expected ten-day turnaround times that have been set for performance monitoring purposes.

Partnership Liaison

The counter fraud team actively participates in meetings with partner organisations, such as the Kent Investigation Officers Group (KIOG), Serious & Organised Crime Partnership (SOCP) and Kent & Medway Fraud Panel.

During 2022-23 the Counter Fraud Intelligence Analysts have been attending the monthly SOCP meetings, sharing and receiving intelligence, as necessary. The Counter Fraud Manager has been attending the Kent and Medway Fraud Panel monthly meetings, which cover fraud trends and scams in the local area.

8. Performance Measures

The agreed Counter Fraud Plan for 2022-23 contained a number of performance measures that would be provided to demonstrate the effectiveness of the service.

The collection and monitoring of performance data largely automated through the team's time recording and quality management processes as well as reports drawn from the team's case management system and the outturns as of 31 March 2023 are presented in the table below. It should be noted that the results recorded below have not been subjected to independent data quality verification.

Ref	Indicator	Target	Outturn for period
Non LA Specific Performance Measurements			
CF1	Proportion of staff with professional qualification relevant to counter fraud:	50%	67%
CF2	Proportion of non-qualified staff undertaking professional qualification training	50%	100%
CF3	Time spent on Professional qualification training:	N/A	72 days
CF4	Time spent on CPD/non-professional qualification training, learning & development	25 days	25 days
LA Specific Performance Measurements			
CF5	Proportion of available resources spent on chargeable work	N/A	528 days (93%)
CF6	Proportion of chargeable time spent on: Fraud Awareness & Prevention Pro-Active Counter Fraud Activity Responsive Investigation Activity Other Counter Fraud Activity	N/A	3.4% 13.7% 72.7% 10.2%
CF7	Number of investigations closed	N/A	528
CF8	Value of fraud losses identified: cashable (losses that can be recovered) non-cashable (notional savings based on national estimates) Prevented Losses (Savings associated with blocked applications)	N/A	£661,998 £190,000 £0
CF9	Client, Management and Member satisfaction with Counter Fraud services	90%	88 responses were received for the annual survey and 35% confirmed they were happy with the services available. 12 respondents had received services from counter fraud in the previous 12 months and 66% confirmed positive satisfaction

Ref	Indicator	Target	Outturn for period
			with those services.