

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

Counter Fraud Update

Medway Council

For the period:

1 April – 31 August 2024

1. Introduction

- 1.1 The Audit & Counter Fraud Shared Service for Medway Council & Gravesham Borough Council was established on 1 March 2016. The team provides internal audit assurance and consultancy, proactive counter fraud and reactive investigation services, and the Single Point of Contact between both authorities and the Department for Work & Pensions Fraud & Error Service for their investigation of Benefits Fraud
- 1.2 The Counter Fraud team reports periodically to senior management and the Finance & Audit Committee to provide updates on all counter fraud activity and the results of completed investigations.

2. Executive Summary

- 2.1 The first five months of 2024-25 have been productive with 38% of projected resource already delivered. One of the counter fraud officers has completed their apprenticeship, passing with distinction, and our newest Intelligence Analyst continues to progress well with her Intelligence apprenticeship.
- 2.2 Fraud awareness training sessions have been available on a monthly basis, although only one has taken place with the others cancelled due to lack of attendees. Fraud risk assessments have been taking place across a number of services and only three remain outstanding. The remainder are going through a quality control process as we prepare a draft fraud risk register.
- 2.3 Work arising from the various National Fraud Initiative exercises is up to date and the team have commenced some pro-active work to identify unrated business premises. We have also started working with social care teams to look at processes around direct payments and the identification of potential fraud, and Housing to validate right to buy applications as part of fraud prevention measures.
- 2.4 Investigative activity has continued and cashable savings of £84,550 and notional savings of £96,000 identified during the reporting period. There was also a successful conviction during the period with a former employee handed a rehabilitation order and ordered to repay fraudulently obtained salary and car user allowance totalling more than £8,000 after working for another local authority while off sick from her post with Medway.
- 2.5 Good liaison has been maintained with the Police and other investigative bodies, with all requests for information responded to within set timescales. Information on Housing Benefit claims has been provided to the DWP in accordance with local SLA's for SFIS investigation.

3. Resources

- 3.1 The Internal Audit & Counter Fraud Shared Service reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. The Counter Fraud team now consists of; the Head of Internal Audit & Counter Fraud (0.35FTE), one Counter Fraud Manager, four Counter Fraud Officers, and two Counter Fraud Intelligence Analysts (1.86FTE).
- 3.2 The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 76% for Medway, with the remaining 24% for Gravesham. The establishment at the time the Counter Fraud Plan for 2024-25 was prepared, was forecasted to provide a total of 1138 days available for counter fraud work (net of allowances for leave, training, management, allocation of resource to internal disciplinary and grievance cases, administration etc.) The Counter Fraud Plan for Medway was prepared with a resource budget of 555 days for counter fraud work.

- 3.3 Net chargeable days available for Medway for the period 1 April to 31 August 2024 amounted to 211.1 days. This represents 38% of the 555 days estimated to be available. Of this chargeable time, 6.2 days (2.9%) was spent on fraud awareness & prevention, 23.8 days (11.3%) days on pro-active counter fraud activity, 165.5 days (75.4%) on investigation activity and 22.4 days (10.4%) on other counter fraud activity. The current status and results of work carried out are detailed at section 4 of this report.
- 3.4 A refresh of the resource budgets with updated projections suggests that there is a loss of 92 days from the original estimate of 555 days for counter fraud work. This is due to a counter fraud officer being moved to the internal audit team in August 2024 to help address significant resourcing issues within the team. This arrangement will remain in place until the end of the financial year, although may end sooner if a longer-term solution can be put in place.

4. Results of Counter Fraud work

- 4.1 The Counter Fraud Plan 2024-25 for Medway was approved by the Audit Committee in March 2024. The Plan is intended to provide a clear picture of how the council will use the Counter Fraud resource, reflecting all work to be carried out by the team for Medway during the financial year.
- 4.2 The tables below provide details of the progress of work undertaken as part of the 2024-25 annual plan and the results of investigative work completed during the period.

Fraud Awareness & Prevention

| Ref | Activity | Days used | Current status | Summary of activity |
|-----|--------------------------|-----------|-----------------|---|
| 1 | Fraud Risk Assessments | 3.6 | In progress | A large number of identified services have had fraud risk assessments completed, which are now going through a quality control process. Three other assessments remain outstanding and once completed we will be drafting a fraud risk register to present to the Audit Committee. This fraud risk register will be used to direct use of the counter fraud resource to ensure that it remains focused on the highest areas of risk. |
| 2 | Fraud awareness | 2.4 | In Progress | Fraud awareness sessions have been available on a monthly basis since April but all but one have been cancelled due to insufficient number of attendees. The session in June did proceed, albeit with only six attendees as many of those individuals had repeatedly signed up for the earlier cancelled sessions. We continue to publicise the availability of the sessions and are also reaching out to services to attend team meetings for service specific awareness sessions and have been preparing |
| 3 | Corporate Working Groups | N/A | Not yet started | There have been no requests for attendance at corporate working groups during the report period. |

Pro-Active Counter Fraud Activity

| Ref | Activity | Days used | Current status | Summary of activity |
|-----|---------------------------|-----------|----------------|---|
| 5 | National Fraud Initiative | 4.7 | In progress | A total of 14,123 matches were received across the various reports included in the 2022-23 NFI Exercise. The counter fraud team have reviewed the majority of the reports with assistance from some other services, although it was determined that some would not be checked due to the low risk associated with them based on previous levels of results. More than 13,000 matches have been closed and results to date include additional council tax of £152,610, plus additional liability of £10,135 in future years. In addition, 501 blue badges and 835 concessionary bus passes have been cancelled, with notional savings of £325,650 and £23,160, respectively, and the cancellation of 13 residents parking permits. A total of 3735 matches were received in relation to the annual council tax exercise and all have been subject to initial review. Only 50 matches remain open, with decisions being made by the council tax team as to whether discounts should be removed. Results to date include additional council tax of £46,750, plus additional liability of £31,540 in future years. |

| Ref | Activity | Days used | Current status | Summary of activity |
|-----|---------------------------|-----------|-----------------|---|
| 6 | Kent Intelligence Network | N/A | Not yet started | <p>To date the KIN activity has been focused on work relating to revenues (NNDR & CTAX), which has been dealt with by the Revenues team. The Q1 KIN MI return shows no positive results at present, but a number of newly identified business premises are currently with the Valuation Office for rating.</p> <p>Data submissions for the 2024-25 exercise will take place in October.</p> |
| 7 | Pro-Active Exercises | 19.1 | Underway | <p>The team have been undertaking some desktop activity aimed at identifying unrated business premises on farms and industrial Estates. This has so far identified a number of businesses operating from Farms in the Borough and the next stage of the process will be to identify whether these businesses are occupying premises with a view to having them added to the ratings list.</p> <p>Officers have been working closely with the Self-Directed Support team to discuss their processes and the potential identification of fraud within direct payments, with a view to delivering some awareness training and also looking at future activity to try and identify potential fraud pro-actively. Unfortunately, the awareness training has not been able to proceed due to a cancellation by the service and officers now being redirected to other priorities.</p> <p>The team have also started to undertake visits to right to buy applicants as part of the verification process to ensure that applications are genuine and legitimate. This has already identified one application with inaccurate information that has now been withdrawn.</p> |

Responsive investigation work: external investigations

| Area | Number of investigations concluded | Summary of results | Cashable savings | Non-cashable savings | Prevented losses |
|--------------|------------------------------------|--|---|----------------------|------------------|
| Council Tax | 76 | Six cases concluded with no evidence of fraud. 70 cases concluded with the removal of the council tax discount/exemption or reduction. | £53,368 (Historic Liability) £31,181 (Additional liability for future years) | N/A | N/A |
| Tenancy | 5 | Five cases concluded with no evidence of fraud. | N/A | N/A | N/A |
| Right to Buy | 1 | One case closed with the right to buy application withdrawn. | N/A | N/A | £96,000 |

| Area | Number of investigations concluded | Summary of results | Cashable savings | Non-cashable savings | Prevented losses |
|-------------------|------------------------------------|---|------------------|----------------------|------------------|
| School Admissions | 3 | One case concluded with no action and two concluded with the offer of a school place withdrawn. | N/A | N/A | N/A |
| Social Care | 1 | One case concluded with no evidence of fraud. | N/A | N/A | N/A |

Responsive investigation work: internal investigations

| Allegation | Investigation activity & recommendations |
|---------------------------------------|--|
| Alternative employment while off sick | In 2022 the council was made aware that a former employee may have commenced employment with another local authority while on sick leave from Medway Council. The employee in question was on sick leave for a period of almost three months between January 2022 and March 2022, before leaving the council in April 2022. The investigation identified that she had commenced employment with London Borough of Brent, via an Agency, a few days after going off sick and remained in that employment throughout the period of sickness and up until the date she left the council. She subsequently admitted wrongdoing during an interview and was summonsed to appear before Magistrates where she pleaded guilty to an offence under Section 3 of the Fraud Act 2006. She was sentenced to a 6-month Community Order which includes the requirement to undertake 10 sessions of a Rehabilitation Activity. She must also repay the salary and car user allowance she fraudulently obtained, as well as all investigation costs, totalling £8,631.60. The court also awarded costs of £250. |

Other Counter Fraud Activity

| Ref | Activity | Days used | Summary of activity |
|-----|------------------------------------|-----------|---|
| 9 | Liaison with the DWP | 2.3 | The team have responded to requests for Housing Benefit data linked to 22 DWP investigations, providing all necessary details. We have also received notification of four cases being concluded with no fraud identified and one has led to a housing benefit overpayment of £5,001 and excess council tax reduction of £801. |
| 10 | Responding to information requests | 19.7 | The team have responded to 431 requests for information from the Police and a number of other investigative bodies during the period, providing necessary information in accordance with the data protection protocols. |
| 11 | Partnership Liaison | 0 | No activity in the period. |

5. Performance Monitoring

5.1 The Counter Fraud Plan includes a suite of 11 performance indicators used to monitor the effectiveness of the team. The monitoring of performance data largely automated through the team's time recording processes and reports available from their case management system. It should be noted that the results recorded below have not been subjected to independent data quality verification.

5.2 The table below sets out the performance targets, which are grouped into measures for the service and those that are specific to the individual authority. Targets have been set for four of the 11 indicators; however, it should be noted that these are for full year outturns; as such outturns at present are not to target levels but are provided for Members information.

| Ref | Indicator | Target | Outturn for period |
|---|---|---------|---|
| Non LA Specific Performance Measurements | | | |
| CF1 | Proportion of staff with professional qualification relevant to counter fraud: | N/A | Annual outturn only |
| CF2 | Proportion of non-qualified staff undertaking professional qualification training | N/A | Annual outturn only |
| CF3 | Time spent on Professional qualification training: | N/A | 20 |
| CF4 | Time spent on CPD/non-professional qualification training, learning & development | 25 days | 15.6 |
| LA Specific Performance Measurements | | | |
| CF5 | Proportion of estimated resources delivered | N/A | 38% |
| CF6 | Proportion of chargeable time spent on: a) Fraud Awareness & Prevention b) Pro-Active Counter Fraud Activity c) Responsive Investigation Activity d) Other Counter Fraud Activity | N/A | 2.9% 11.3% 75.4% 10.4% |
| CF7 | Number of investigations closed | N/A | 86 |
| CF8 | Value of fraud losses identified: a) cashable (losses that can be recovered) b) non-cashable (notional savings based on national estimates) c) Prevented Losses (Savings associated with blocked applications) | N/A | £84,549 £0 £96,000 |
| CF9 | Number of civil actions resulting from investigative activity a) Civil penalties for negligence b) Right to Buys cancelled c) Council Properties recovered | N/A | 0 0 0 |
| CF10 | Number of criminal sanctions applied a) Cautions b) Administrative Penalties c) Prosecutions | | 0 0 1 |
| CF11 | Client, Management and Member satisfaction with Counter Fraud services | 90% | A satisfaction survey will be issued at the end of 2024-25. |