

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

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# Counter Fraud Annual Report 2024-25

Medway Council

# 1. Introduction

Section 151 of the Local Government Act states that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The Director of Corporate Services holds the position of S.151 Officer and is responsible for ensuring that the authority complies with its duty to 'protect the public purse'.

The work of Counter Fraud is a key element to ensuring that the council complies with this duty and 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.

## 2. Executive Summary

Over the course of 2024-25 there has been activity in all four of the key areas outlined in the Counter Fraud plan.

Fraud risk assessments have taken place across a number of council services and existing assessments were also refreshed, with the first iteration of the fraud risk register presented to the Audit Committee in January 2025. The register was subsequently used to inform planning for 2025-26.

Fraud awareness training was made available over the course of the year, although all but one session was cancelled due to lack of sign up.

Work associated with the National Fraud Initiative exercises has continued, building on the significant results already achieved, and the team has also undertaken a tenancy data match, which did not yield any positive results, but does therefore provide some assurance that council properties are properly occupied. Validation of right to buy applications was undertaken, resulting in the cancellation of one application, and visits to temporary accommodation were also commenced to verify residency, which resulted in the cancellation of a placement for non-occupation. Joint working with Civil Enforcement Officers was also undertaken, resulting in fraud or misuse being identified in around 23% of checks.

Investigative activity has been productive with 212 investigations concluded in year, with cashable savings of £222,391 identified, non-cashable savings of £105,558 linked to the recovery of a council property and cancellation of a TA placement and prevented losses of £103,800 linked to a blocked right to buy application and an attempted Household Support Fund Fraud being prevented. This gives an overall total of £413,749 in savings in comparison to £243,605 for Medway's share of Counter Fraud resource, which also includes the cost of investigators dedicated to internal disciplinary and grievance investigations.

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 most performance measures.

## 3. National Context

Fraud is now the most common crime in the UK, accounting for around 41% of all reported crime and the National Audit Office and Cabinet Office estimate that fraud and error costs UK taxpayers between £55 billion and £81 billion annually.

While not all of this is specific to local government, councils are considered particularly vulnerable due to high volumes of transactions, complex service delivery and limited resources available for fraud prevention. This translates into potentially significant financial losses, which directly impact a local authority's ability to deliver essential public services.

The Fighting Fraud and Corruption Locally Board (FFCL), hosted by the Credit Industry Fraud Avoidance System (CIFAS), identified a number of key areas of fraud risk through its research, with the following being applicable to Medway.

- Right to Buy – Fraudulent applications under the right to buy
- Money Laundering – Exposure to suspect transactions
- Commissioning of Services – including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion.
- Tenancy – fraudulent applications for housing or successions of tenancy, and sub-letting of the property.
- Procurement – tendering issues, split contracts, double invoicing.
- Payroll – false employees, overtime claims, expenses.
- Identity Fraud – false identity/fictitious persons applying for services/payments.
- Council Tax – discounts and exemptions, council tax support.
- Blue Badge – use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased persons badge, badges issued to institutions being misused by employees.
- Grants – work not carried out, funds diverted, ineligibility not declared.
- Business Rates – fraudulent applications for exemptions and reliefs, unlisted properties.
- Insurance Fraud – false claims, including slips and trips.
- Disabled Facility Grants – fraudulent applications for adaptations to homes aimed at the disabled.
- Social care fraud: personal budgets and direct payments - overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims.
- Schools – many of the payroll and procurement risks have also been raised as issues within schools.
- Concessionary travel schemes – use of concession by ineligible person, including freedom passes.
- No recourse to public funds – fraudulent claims of eligibility.
- Local Enterprise Partnerships – partnerships between local authorities and businesses. Procurement fraud, grant fraud.
- Cyber-dependent crime and cyber-enabled fraud – enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

It is essential that the Council has effective measures in place to address the risks and prevent and deter potential fraud, as well as investigate and prosecute identified fraud.

## 4. 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 eight officers (7.21FTE), made up 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). Approx 2FTE of Counter Fraud Officer resource is dedicated to internal grievance and disciplinary investigations, leaving 5.21FTE for counter fraud related activities.

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. At the time the Counter Fraud Plan for 2024-25 was prepared, this establishment was forecasted to provide a total of 830 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 555 days.

As of 31 March 2025, the net staff days available for Medway for 2024-25 amounted to 305.4 days of chargeable counter fraud work, which equates to 55% of the resource estimated to be available at the start of the year. Of

this chargeable time, 7.1 days (2.3%) was spent on fraud awareness and prevention, 79.5 days (26%) was spent on pro-active Counter Fraud activity, 166.8 days (54.6%) was spent on reactive investigation activity and 52 days (17%) 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, and all team members have had regular one to one meetings with their line manager to monitor progress with work-plans.

## 5. Fraud Awareness & Prevention

### Fraud Risk Assessments

During 2024-25 the team continued to complete assessments relating to identified fraud risks, across areas of council business, and also refresh those undertaken during 2023-24. The areas of risk were identified through research on nationally recognised fraud risks, local knowledge from previous fraud cases, and discussions with managers within council services. The assessments establish the severity of fraud risks using a recognised scoring matrix provided by CIPFA, with the calculation of inherent risk determined on the basis of no fraud prevention controls and the residual risk score after fraud prevention measures have been applied. Further advice on additional fraud prevention measures has also been offered during the assessment process.

Although some reviews remain outstanding, the Audit Committee was furnished with the first version of the Fraud Risk Register in January 2025, and this register will continue to be expanded as further assessments are completed, or new risks are identified.

Unlike the council's corporate risk register, there is no target risk score used in the assessments. The council may implement significant robust fraud prevention controls but the likelihood of fraud being attempted may remain high. This does not mean that the council is tolerating the level of risk but is acknowledging that it remains high and as such, will target its fraud resource to those areas of high risk.

Anything with a residual score of more than 11 is considered to be high risk, with anything scoring 16 or more considered to be extremely high risk. The work undertaken in 2024-25 identified the following risks as being either high, or extremely high risk.

Business Area	Risk	Inherent Risk Score	Residual Risk Score
Housing	Sub-Letting	25	16
Housing	Failure to report changes in circumstances	25	16
Social Care	Failure to disclose income & capital during financial assessments for care packages	25	16
Social Care	Failure to report changes in circumstances	25	16
ICT	Theft/loss of Council information/data (cyber-attack)	25	15
Housing	False homelessness	25	12
Social Care	Direct payment diversion or misuse of direct payment funds	25	12

Housing	False applications for waiting list	20	12
HR	False Sickness Absence	20	12
Housing	Failure to report changes in circumstances	20	12
Procurement	Inflated invoices	20	12
Procurement	Framework contractors bypassing procurement process	20	12
Procurement	Contract splitting to avoid tender thresholds	20	12
Revenues (Council Tax)	Failure to report changes in circumstances	20	12
Social Care	Direct Care/Homecare Contracts	20	12
Benefits	Failure to report a change in circumstances	16	12
Education	Failure to declare a change of circumstances when receiving SEND transport/funds	16	12
Finance	Money Laundering	16	12
HR	Ghost Agency Staff	16	12
Housing	False succession	16	12
Revenues (Business Rates)	Fail to register for Business Rates	16	12
Transport & Parking	Faked or amended Blue Badges	16	12
Housing	Right to Buy	15	12

## Fraud Awareness

Awareness sessions giving an overview of fraud risks faced by the council were made available throughout the year via the iShare training platform and publicised to all staff at both Gravesham and Medway to encourage attendance. Unfortunately, all but one were cancelled due to a lack of sign up, the one that did proceed only having six attendees from across Gravesham and Medway.

## 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 2024-25.

# 6. 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.

The following provides a brief overview of the results achieved across the exercises that have been worked on during 2024-25. It should be noted that these results cross over financial years, so will not all form part of the results reported for 2024-25 later in this report.

- **2023-24 Exercise** – 3,735 matches received, with savings of £123,041.
- **2024-25 Exercise** – 19,491 matches received to date, with savings of £246,618

An annual report relating specifically to NFI was presented to the Audit Committee in July 2025, 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 2024-25, however, the Revenues Team have dealt with a number of referrals relating to council tax and business rate liability issues. This has resulted in 21 commercial properties that were not in the ratings list being identified, although all are currently with the Valuation Office Agency for rating, so the financial impact is currently unknown. A residential property missing from the banding list was also identified with new liability created, resulting in additional council tax of £2,340 and future liability of £3,501 per year in future years.

## Pro-Active Exercises

The team conducted desktop reviews targeting farms and industrial estates to identify potentially unrated business premises. This work has already uncovered several businesses operating from farms within the borough.

Engagement took place with the Self-Directed Support team to review processes and explore fraud risks within direct payments. Plans for awareness training were unfortunately postponed due to service reprioritisation, but discussions continue regarding future proactive fraud detection initiatives.

Home visits have been established to verify the legitimacy of Right to Buy applications. This activity led to the withdrawal of one application due to inaccurate information. A tenancy data matching exercise was also completed, but this produced no results that required investigation. This provides some assurance that council properties are properly occupied, although we are currently looking into whether the lack of results are linked to data quality.

In December, the team partnered with Civil Enforcement Officers in Chatham to actively seek out potential misuse of Blue Badges. This activity resulted in five expired badges being recovered (in all cases the badge holders were present and had their new badges also) and six Penalty Charge Notices (PCN) being issued; three due to badges being displayed that had been reported lost/stolen (they were unable to recover the badges as driver not present), one with a photocopy of a badge being displayed, one on display before its registered start date, and one where it was suspected false information was being provided when attempts were made to contact the badge holder.

# 7. Responsive Investigation Activity

## Responsive Investigation Work (External)

The team concluded 211 investigations into alleged fraud linked to external parties during 2024-25 across various council services and a summary of the results for each area is included below.

Area	Number of investigations concluded	Summary of results	Cashable savings	Non-cashable savings	Prevented losses
Council Tax	199	170 cases concluded with the removal of the council tax discount/exemption or reduction. 10 cases concluded with new liability created. 19 cases closed with no evidence of fraud.	£121,436 (Historic Liability) £88,397 (Additional liability for future years)	N/A	N/A
Direct Payments	1	One case concluded with no evidence of fraud.	N/A	N/A	N/A
Grants	1	One case concluded with an attempted fraudulent household support fund application blocked.	N/A	N/A	£700
Housing	10	One case concluded with the recovery of a council property. One case concluded with the cancellation of the right to buy. One temporary accommodation placement ended for non-occupation. Seven cases concluded with no evidence of fraud.	N/A	£105,558	£103,100
School Admissions	4	Three cases concluded with the offer of a school place withdrawn. One case concluded with no change to school offer.	N/A	N/A	N/A

**Overall:** This represents total cashable savings of £222,391, notional savings of £105,558, and prevented losses of £103,800 (Total £413,749) against costs of £243,605 for Medway's share of the Counter Fraud team, which also includes the cost of investigators dedicated to internal disciplinary and grievance investigations.

### Responsive Investigation Work (Internal)

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. In July 2024 she was sentenced to a 6-month Community Order which included the requirement to undertake 10 sessions of a

Allegation	Investigation activity & recommendations
	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.

## 8. 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 44 active cases and requests for information have been dealt with in accordance with the SLA. Closure notices have been received in respect of 12 cases, but we are unable to advise how many remain ongoing. The Medway Revenues and Benefits Service have completed assessments in relation to five cases based on evidence provided by the DWP. These have resulted in housing benefit overpayments totalling £56,972 and excess council tax reduction awards totalling £3,206.

### 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 1040 data protection requests were received during 2024-25 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 2024-25 the Counter Fraud Intelligence Analysts have been attending SOCP meetings, sharing and receiving intelligence as necessary. The Counter Fraud Manager has also attended Kent & Medway Fraud Panel meetings.

## 9. Performance Measures

The agreed Counter Fraud Plan for 2024-25 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 2025 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
<b>Non-LA Specific Performance Measurements</b>			
CF1	Proportion of staff with professional qualification relevant to Counter Fraud	N/A	63%
CF2	Proportion of non-qualified staff undertaking professional qualification training	N/A	33%
CF3	Time spent on Professional qualification training:	N/A	63.1



Ref	Indicator	Target	Outturn for period
CF4	Time spent on CPD/non-professional qualification training, learning & development	25 days	91.2
<b>LA Specific Performance Measurements</b>			
CF5	Proportion of estimated resources delivered	N/A	55%
CF6	Proportion of chargeable time spent on: Fraud Awareness & Prevention Pro-Active Counter Fraud Activity Responsive Investigation Activity Other Counter Fraud Activity	N/A	2.3% 26.0% 54.6% 17.0%
CF7	Number of investigations closed	N/A	212
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	£222,391 £105,558 £103,800
CF9	Number of civil actions resulting from investigative activity: Civil penalties for negligence Right to Buys cancelled Council Properties recovered	N/A	0 1 1
CF10	Number of criminal sanctions applied Cautions Administrative Penalties Prosecutions	N/A	0 0 1
CF11	Client, Management and Member satisfaction with Counter Fraud services	90%	112 responses were received for the annual survey and 50.9% confirmed they were happy with the services available. 33 respondents had received services from Counter Fraud in the previous 12 months and 81.8% confirmed positive satisfaction with those services.