Appendix 1

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

Counter Fraud Annual Report 2025-26

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 2025-26 there has been activity in all four of the key areas outlined in the Counter Fraud Plan.

Fraud risk assessments have been reviewed and updated during the year and the fraud risk register refreshed to reflect changes in the council's exposure to fraud risk. Particular attention has been given to emerging and high-risk areas including housing, social care, revenues, procurement and cyber-enabled fraud, helping to inform the targeting of counter fraud resources.

Fraud awareness activity has been expanded throughout the year, with training made available via the council's learning platform and bespoke sessions delivered to a range of services. Significant engagement has taken place with Adult Social Care teams using materials developed through the Fighting Fraud and Corruption Locally initiative, resulting in increased awareness and new referrals being received from areas that had not previously engaged with the Counter Fraud Team. The council also approved an updated Counter Fraud and Corruption Strategy during the year in response to the introduction of the Failure to Prevent Fraud offence.

Pro-active counter fraud activity has continued through participation in the National Fraud Initiative and the Kent Intelligence Network. These exercises have generated significant financial benefits, including the identification of previously unregistered commercial and residential properties and substantial additional revenue liabilities. The team also undertook Blue Badge enforcement activity, resulting in the recovery of 24 badges and the issue of penalty charge notices, while verification visits to temporary accommodation provided assurance that placements were being properly occupied.

Investigative activity has been productive, with 426 investigations concluded during the year. This work identified £552,074 of cashable savings and £119,566 of non-cashable savings, giving an overall total of £671,640. These outcomes included the removal of incorrect council tax discounts and exemptions, recovery of a council property, removal of housing applicants from the waiting list and savings associated with Blue Badge misuse activity. In addition, four internal fraud investigations were concluded, one of which resulted in a successful criminal prosecution relating to abuse of position and fraud involving the Household Support Fund. The overall savings achieved significantly exceeded the council's investment in the Counter Fraud function.

Good liaison has been maintained with the Department for Work and Pensions, Police and other investigative bodies throughout the year, with all requests for information responded to within agreed timescales. The service has also continued to participate in partnership groups including the Serious & Organised Crime Partnership and the Kent & Medway Fraud Panel, supporting the sharing of intelligence and good practice.

There have also been positive outturns in relation to most performance measures, including increases in the proportion of professionally qualified staff and no staff turnover during the year. While overall satisfaction with the service has reduced compared to the previous year, the service continues to deliver strong outcomes and will review feedback to identify opportunities for further improvement.

3. National Context

Fraud remains one of the most significant and rapidly growing crime types in the United Kingdom. The Office for National Statistics estimated approximately 4.2 million incidents of fraud in the year ending March 2025, demonstrating both the scale of the threat and the continuing growth of fraud-related offending.

Fraud is consistently recognised as the most prevalent crime experienced by individuals and organisations. Its growth has been driven by increasing digitisation, the widespread availability of personal data through data breaches, advancements in technology and the activities of organised crime groups, which continue to exploit online systems and vulnerabilities for financial gain. The increasing use of artificial intelligence (AI) by fraudsters is further changing the threat landscape, enabling the creation of convincing phishing emails, forged documents, synthetic identities and impersonation attempts that are increasingly difficult to detect.

The impact on public finances remains substantial. Estimates continue to indicate that tens of billions of pounds are lost annually to fraud and error across the UK, with the public sector accounting for a significant proportion of these losses. While not all losses relate directly to local government, councils remain particularly exposed due to the scale and complexity of services delivered, the volume of financial transactions processed and increasing financial pressures on public services.

For local authorities, this exposure translates into potentially significant financial losses that can adversely affect their ability to deliver essential services, protect vulnerable residents and achieve value for money. The current threat environment also highlights the increasing sophistication of fraud techniques, including social engineering, business email compromise, mandate fraud, cyber-enabled fraud and the exploitation of emerging technologies.

Nationally, the Government continues to place significant emphasis on preventing and reducing fraud. The Public Sector Fraud Authority (PSFA) continues to lead efforts across government to strengthen counter-fraud capability, improve fraud measurement and develop preventative controls. Within local government, Fighting Fraud and Corruption Locally (FFCL), supported by CIPFA and hosted by CIFAS, remains the recognised national strategy for countering fraud and corruption and provides a framework for identifying and responding to emerging fraud risks.

The following fraud risks remain particularly relevant to unitary authorities:

- Commissioning, contract management and partnerships – conflicts of interest, collusion, bribery and fraudulent activity involving suppliers, contractors and partnership arrangements.
- Tenancy fraud – false housing applications, succession fraud and unlawful sub-letting.
- Procurement fraud – manipulation of tender processes, contract splitting, false invoicing and billing for goods or services not provided.
- Payroll fraud – fictitious employees, inflated overtime claims and false expenses.
- Recruitment fraud – falsified qualifications, references, right-to-work documentation and professional registrations.
- Identity fraud – use of false, stolen or synthetic identities to access services, employment or payments.
- Council Tax fraud – incorrect claims for discounts, exemptions and support.
- Business Rates fraud – misuse of relief schemes, false declarations and non-disclosure of properties.
- Blue Badge misuse – fraudulent acquisition or inappropriate use of permits.
- Grant fraud – ineligible claims, diversion of funds and false declarations.
- Insurance fraud – false, exaggerated or staged claims, including public liability cases.
- Disabled Facilities Grants – fraudulent applications or misuse of grant funding.
- Adult social care and direct payment fraud – overstatement of needs, false declarations, misuse of personal budgets, third-party abuse and continuation of claims following changes in circumstances or death.

- Schools – payroll, procurement, recruitment and financial management fraud risks within maintained schools and academy environments.
- Concessionary travel schemes – use of concessions by ineligible persons, including Freedom Pass misuse.
- No Recourse to Public Funds (NRPF) – fraudulent claims of eligibility and false representations regarding immigration status or residency.
- Economic development and partnership funding – fraud and corruption risks associated with grants, partnership arrangements and externally funded programmes.
- Cyber-dependent crime and cyber-enabled fraud – phishing, business email compromise, ransomware-related fraud, account compromise and diversion of payments.
- Insider fraud – abuse of position by employees, contractors or elected members for personal gain.
- Corruption and conflicts of interest – failures to declare interests, inappropriate relationships with suppliers and breaches of ethical standards.

Given the scale, complexity and evolving nature of the fraud threat, it is essential that the Council maintains a robust counter-fraud framework encompassing prevention, detection, investigation and recovery activities. This must be supported by a strong anti-fraud culture, effective governance arrangements, regular fraud risk assessment, staff awareness and training programmes, and close collaboration with local and national partners. Such arrangements help safeguard public funds, protect services for residents and support the Council's commitment to transparency, accountability and value for money.

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).

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 2025-26 was prepared, this establishment was forecasted to provide a total of 788 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 553 days.

As of 31 March 2026, the net staff days available for Medway for 2025-26 amounted to 210.8 days of chargeable Counter Fraud work. Of this chargeable time, 39.6 days (10.3%) was spent on fraud awareness and prevention, 88.2 days (23%) was spent on pro-active Counter Fraud activity, 209.5 days (54.6%) was spent on reactive investigation activity and 46.5 days (12.1%) 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

These 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. Reviews of existing fraud risk assessments were carried out during the 2025-26 and the fraud risk register updated to reflect any changes to residual scores.

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 refreshes undertaken in 2025-26 identified the following risks as being either high, or extremely high risk.

Business Area	Risk	Inherent Risk Score	Residual Risk Score
Housing	Failure to report changes in circumstances	25	16
Housing	Sub-Letting	25	16
Social Care	Failure to disclose income & capital during financial assessments for care packages	20	16
Social Care	Failure to report changes in circumstances	20	16
Housing	False homelessness	25	12
Housing	False applications for waiting list	20	12
HR	False sickness absences	20	12
Procurement	Contract splitting to avoid tender thresholds. (See: Abuse of position by Officers)	20	12
Revenues (Council Tax)	Failure to report changes in circumstances	20	12
Social Care	Direct payment diversion or misuse of direct payment funds	20	12
Education	Failure to declare a change of circumstances when receiving SEND transport/funds	16	12
Finance	Money Laundering	16	12
Housing	False succession	16	12
Housing	Right to Buy	16	12
HR	Ghost Agency Staff	16	12
HR	Abuse of position by Officers	16	12
Blue Badge	Use of deceased Blue Badges	15	12
Blue Badge	Faked or amended Blue Badges	15	12
Revenues (Council Tax)	False or inaccurate applications for exemptions / discounts	15	12
Revenues (NNDR / Business Rates)	Failure to report a change in circumstances	15	12
Social Care	Direct Care/Homecare Contracts	15	12

Benefits	Failure to report a change in circumstances	12	12
Revenues (Council Tax)	Failure to register for Council Tax	12	12
Revenues (Council Tax)	Empty Property Rates	12	12

Fraud Awareness

Fraud awareness sessions, providing an overview of the fraud risks facing the Council, were available throughout the year via the iShare training platform, with 40 employees attending. In addition, 94 people attended sessions on the role of internal audit & counter fraud as part of the complete Medway Manager training programme. Bespoke awareness sessions were also delivered to the Insurance Team and School Finance Managers, and introductory sessions for Housing and Adult Safeguarding teams.

To strengthen fraud awareness within Adult Social Care (ASC), the Fighting Fraud and Corruption Locally (FFCL) Board developed an ASC Fraud Awareness Toolkit based on research conducted across local authorities. The toolkit includes template presentations designed to support the delivery of social care fraud awareness training.

Following a presentation to the ASC Divisional Management Team, which introduced the toolkit and outlined plans for a wider training programme, support was secured to promote engagement across services. Awareness sessions have subsequently been delivered to a range of ASC teams, including Deprivation of Liberty Safeguards (DoLS), Approved Mental Health Professionals (AMHP), Quality Assurance, Long Service, Client Financial Affairs, Direct Payments, Brokerage, and Commissioning.

This targeted engagement has increased awareness of fraud risks within ASC and has already resulted in referrals being received from service areas that had not previously referred concerns to the Counter Fraud Team.

The team also attended Medway Live events at the Hundred of Hoo Academy and MidKent College, where fraud awareness information was made available to members of the public. Officers were also on hand to answer questions, discuss concerns, and provide advice on how suspected fraud could be reported.

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.

There have been no requests to join such groups during 2025-26, although the Head of Internal Audit & Counter Fraud and a Counter Fraud Officer are part of the Corporate Risk Management Working Group where the fraud risk register is discussed.

Corporate Policies

The Economic Crime and Corporate Transparency Act 2023 introduced a new offence of Failure to Prevent Fraud from September 2025. This offence is committed if a fraud is committed by an employee or associate and the organisation benefits either directly or indirectly as a consequence of that fraud.

The only defence is to show that there were reasonable prevention procedures in place and Home Office guidance was issued outlining what could be considered as reasonable fraud prevention measures. A self-assessment was undertaken against the guidance to review the strength of the council's fraud prevention should it ever be required to defend itself.

This review was positive and some recommendations to enhance what was already in place were agreed with corporate management team, which included updates to the council's Counter Fraud and Corruption Strategy to make it much clearer to those who need to read it and add a dedicated fraud response plan.

The new strategy was reviewed by the Audit Committee, Cabinet and BSD Overview & Scrutiny Committee, before being agreed by Full Council in January 2026.

The results of the annual survey showed that 76% of respondents were aware of the strategy and that 62% had also read it. This is an improvement on previous years but shows that further work around distribution methods may be needed.

6. Pro-Active Counter Fraud Activity

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI), coordinated by the Cabinet Office, is a nationwide data-matching exercise that compares records held by councils and other public bodies to identify potential fraud, error, and irregularity. The Counter Fraud Team is responsible for reviewing the majority of matches generated for the Council, with the Head of Internal Audit & Counter Fraud and the Counter Fraud Manager acting as the Council's key contacts for the exercise.

The information below provides a high-level summary of the outcomes achieved from NFI exercises worked on during 2025–26. It should be noted that NFI exercises span multiple financial years and, therefore, not all results will be reflected in the 2025–26 Counter Fraud performance figures reported later in this report.

- **2024–25 Exercise** – 19,552 matches reviewed, resulting in identified savings of £895,940.
- **2025–26 Exercise** – 5,836 matches received to date, so far resulting in identified savings of £3,866.

An annual report relating specifically to NFI was presented to the Audit Committee in July 2026, providing a more detailed breakdown of the savings and the areas where these have been identified.

Kent Intelligence Network

The Kent Intelligence Network (KIN) is a partnership comprising Kent County Council, Medway Council, and the 12 district authorities across Kent. The partnership facilitates the sharing of data at a local level to identify potential instances of fraud, error, and irregularity. It also enables member authorities to achieve better value for money through the joint procurement of data-matching services and software, benefiting from economies of scale.

During 2025–26, no referrals were made to the Counter Fraud Team as a direct result of KIN activity. However, the Revenues Team investigated several referrals relating to residential properties that may not have been included within the council tax valuation list and commercial properties that may not have been included on the business rates rating list.

As a result of this work, 27 commercial properties were added to the rating list following assessment by the Valuation Office Agency (VOA), resulting in additional business rates liability of £784,331 and an ongoing increase in annual liability of £347,813.

In addition, three residential properties that were missing from the council tax valuation list were identified, resulting in the creation of new council tax liabilities. This generated additional council tax income of £907, together with ongoing annual revenue of approximately £4,415 in future years.

Pro-Active Exercises

As part of National Blue Badge Awareness Week in May, the Counter Fraud Team worked in partnership with Civil Enforcement Officers to proactively identify potential misuse of Blue Badges. This activity resulted in the recovery of 24 Blue Badges, representing notional savings of £18,600, and the issue of 12 Penalty Charge Notices (PCNs) with a combined value of at least £300.

The team also carried out proactive visits to out-of-borough temporary accommodation placements to support Housing Services in preventing and detecting potential fraud. No instances of non-occupation were identified, providing assurance that properties were being occupied by the intended residents.

In addition, the team has commenced exploratory work to identify potential tenancy fraud and fraud relating to supported accommodation placements. While this work remains at an early stage, it is intended to help develop a more proactive approach to identifying and addressing fraud risks in these areas.

7. Responsive Investigation Activity

Responsive Investigation Work (External)

The team concluded 422 investigations into alleged fraud linked to external parties during 2025-26 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
Blue Badge	2	Two cases concluded with no evidence of fraud/misuse.	N/A	N/A	N/A
Council Tax	389	362 cases concluded with the removal of the council tax discount/exemption or reduction (34 replaced with a student discount). Four cases concluded with new liability created. 23 cases closed with no evidence of fraud.	£386,315 (Historic Liability) £165,460 (Additional liability for future years)	N/A	N/A
Housing	17	One case concluded with the recovery of a council property. Two cases concluded with removal from the waiting list. 13 cases concluded with no evidence of fraud and one case referred to a third party for investigation into other matters.	N/A	£101,566	N/A
Parking	1	One case concluded with no evidence of fraud.	N/A	N/A	N/A
School Admissions	9	Two cases concluded with the offer of a school place withdrawn. Seven cases concluded with no change to school offer.	N/A	N/A	N/A
Social Care	3	Three cases concluded with no evidence of fraud.	N/A	N/A	N/A

Overall: This represents total cashable savings of £552,074 and notional savings of £119,566 (including the £18,600 identified in the blue badge pro-active), giving an overall total of £671,640 against costs of £289,959 for Medway's share of the Counter Fraud team, which also includes the cost of investigators dedicated to internal disciplinary and grievance investigations.

The team also secured a successful conviction for a SEND Transport fraud in March 2026; however, the sentencing hearing did not take place until 11 August, so the case remained open until conclusion of the court matters and is not included in the details of concluded cases above, but the conviction forms part of the stats included in section 9. Full details of the case outcome will be included in future updates when the case file is closed.

Responsive Investigation Work (Internal)

The team concluded four investigations into alleged fraud linked to members of staff during 2025-26. Three of these investigations were concluded with no evidence of fraud; however, one case resulted in a successful conviction and a summary of the result is detailed below.

Allegation	Investigation activity & recommendations
Abuse of Position	The employee of a contractor working on behalf of Medway to administer applications under the Household Support Fund was found to have used their position to obtain vouchers for personal gain, totalling £10,370. The findings were passed to West Yorkshire Police as the employee was a remote worker living in the North of England. The employee made admissions when interviewed by Police and subsequently pleaded guilty to offences under the Fraud Act 2006. She was sentenced to 12 months imprisonment, suspended for 24 months, 20 days of rehabilitation activity and an order to pay costs. The contractor, who immediately took disciplinary action resulting in dismissal, has reimbursed Medway the £10,370 to ensure there is no loss to the public purse despite these being the actions of a rogue employee.

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 30 active cases and requests for information have been dealt with in accordance with the SLA. Closure notices have been received in respect of nine cases, but we are unable to advise how many remain ongoing. The Medway Revenues and Benefits Service have completed assessments in relation to six cases based on evidence provided by the DWP. Only one case resulted in a change to entitlement, with an overpayment of housing benefit overpayment of £247 and excess CTR of £1,027.

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 were received during 2025-26 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 Serious & Organised Crime Partnership (SOCP), and Kent & Medway Fraud Panel.

During 2025-26 the Counter Fraud Intelligence Analysts have been attending SOCP meetings, sharing and receiving intelligence as necessary.

9. Performance Measures

The collection and monitoring of performance data is 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 2026 are presented in the tables below. It should be noted that the results recorded below have not been subjected to independent data quality verification.

Appendix 1

The agreed Counter Fraud Plan for 2025-26 contained a number of performance measures that would be used to assess the performance of the service. and its efforts for continuous improvement.

Performance Measures

Ref	Indicator	Outturn for period
CF1	Proportion of estimated resources delivered	69%
CF2	Proportion of chargeable time spent on: Fraud Awareness & Prevention Pro-Active Counter Fraud Activity Responsive Investigation Activity Other Counter Fraud Activity	 10.3% 23% 54.6% 12.1%
CF3	Number of investigations closed	426
CF4	Number of civil actions resulting from investigative activity Civil penalties for negligence Right to Buys cancelled Council Properties recovered	 0 0 1
CF5	Number of criminal sanctions applied Administrative Penalties Prosecutions	 0 2
CF6	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)	 £552,074 £119,566 £0
CF7	Net costs of counter fraud function (including internal investigation resource) based on savings achieved	(£381,681)

In addition to the performance measures, the counter fraud plan for 2025-26 also included a number of measures designed to assess the continuous improvement of the team's service delivery. The outturns from 2024-25 are used as a baseline for comparison against the outturns for 2025-26.

Measures for continuous improvement

Ref	Indicator	Outturn 2024-25 (Baseline)	Outturn 2025-26
CF8	% of staff with professional qualification relevant to their role:	63%	75%
CF9	% of staff pursuing professional qualifications to support their career development:	33%	13%
CF10	Number of days spent on professional qualification training:	63.1	64.4
CF11	Number of days spent on CPD/non-professional qualification training, learning & development (including corporate training)	91.2	69.1
CF12	% Staff turnover	27.7%	0%
CF13	Overall satisfaction with counter fraud services	81.8% (33 responses)	60% (10 responses)