

Counter Fraud Annual Report 2022-23

Gravesham Borough 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 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 200 investigations concluded in year, with cashable savings of £180,164 identified and non-cashable savings of £93,000 linked to the recovery of a council property. This gives an overall total of £273,164 in savings in comparison to £78,287 for Gravesham'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 Gravesham was prepared with a resource budget of 249 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 Gravesham for 2022-23 amounted to 312 days and 289 days (92%) were spent on chargeable counter fraud work. Of this chargeable time, 10 days (3.5%) was spent on fraud awareness and prevention, 22 days (7.6%) was spent on pro-active counter fraud activity, 239 days (82.7%) was spent on reactive investigation activity and 18 days (6.2%) 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, and all team members have had regular one to one meetings with their line manager to monitor progress with work-plans.

4. Fraud Awareness & Prevention

Fraud Risk Assessments

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 hasn't 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 Finance & 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:

- Environmental Enforcement,
- Housing Options,
- Housing Landlord Services,
- RTB & Leasehold,
- Regulatory Services, and
- Revenues.

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:

- Housing Options,
- Housing Landlord Services, and
- Customer Services
- Elected Members

In addition, following the session with Housing Landlord Services, the two counter fraud officers spent time over a period of a week shadowing Housing teams to build relationships and observe working procedures in practice to better understand the process tenants go through. This enabled them to provide advice to Housing staff on where the opportunities to identify potential fraud may occur and when suspicions should be reported to counter fraud, while also guiding Housing staff through the investigation process to help them understand what goes into dealing with the suspicions that are referred. There was also a benefit to the counter fraud officers who were able to gain more information about housing processes that could help to make their investigations more efficient and effective.

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's not being missed because managers simply aren't aware that it's 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** – 934 matches received, and financial savings of approximately £126,350 identified as a result.
- **2020-21 Exercise** – 3,455 matches received, and financial savings of approximately £184,565 identified as a result.
- **2021-22 Exercise** – 1,835 matches received, and financial savings of approximately £149,638 identified as a result.
- **2022-23 Exercise** – 3,166 matches received in January 2023. To date, 2,376 matches have been checked, with financial savings of approximately £82,650 identified.

An annual report relating specifically to NFI will be presented to the Finance & Audit Committee in November 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 completed a number of SPD reviews using software provided by the KIN, leading to additional council tax liability of £35,212, as well as additional liability of £27,796 for future years. They were also able to trace 34 absconded debtors and bring £34,935 back into recovery. A commercial property was added to the ratings list creating a new liability of £4,213 and four properties that had not been registered for council tax were also identified, leading to new liability of £10,553 and future liability of £7,296 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.

Business Rates: Two cases were concluded with no evidence of fraud.

Council Tax: 183 investigations concluded in year, 27 with no evidence of fraud and 156 resulting in corrective action, including the removal of single person discounts, changes to council tax reduction awards or creation of new liability.

This has resulted in the identification of additional liability of £110,321, as well as £67,986 in liability for future years. Two people received civil penalties of £70 for negligently failing to report changes in circumstances and

three people received cautions for criminal offences relating to false statements or failure to report changes, as an alternative to prosecution.

Housing: 15 cases concluded, 10 with no evidence of fraud and one where a local authority error resulted in an overpayment of housing benefit. Four cases resulted in corrective action, including the removal of single person discounts, changes to council tax reduction awards, removal from the housing register and recovery of council property.

This has resulted in the identification of housing benefit overpayments of £1,258, additional council tax liability of £120, as well as £429 in liability for future years, one person removed from the housing waiting list and one council property recovered.

Overall: This represents total cashable savings of £180,164 and non-cashable savings of £93,000 (Total £273,164) against costs of £78,287 for Gravesham's share counter fraud team and £206,074 for the share of the whole Internal Audit & Counter Fraud service.

Responsive Investigation Work (Internal)

One case relating to the alleged falsification of time sheets was referred to the team for investigation. Background enquiries were conducted but it was identified that the records relating to shift patterns and timesheets were inadequate, meaning that it was not possible to identify any evidence of wrongdoing and the case was concluded.

The Head of Internal Audit & Counter Fraud undertook an investigation into a grievance related matter, which resulted in a resignation.

The team have been consulted on some potential disciplinary investigations, which all resulted in advice being provided to managers.

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 seven active cases and requests for information have been dealt with in accordance with the SLA. There has been no notification of any cases concluded with overpayments of Housing Benefit.

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 435 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 Monitoring

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	40.6 days
CF4	Time spent on CPD/non-professional qualification training, learning & development	25 days	14 days
LA Specific Performance Measurements			
CF5	Proportion of available resources spent on chargeable work	N/A	289 days (92%)
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	3.5% 7.6% 82.7% 6.2%
CF7	Number of investigations closed	N/A	200
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	£180,164 £93,000 £0
CF9	Client, Management and Member satisfaction with Counter Fraud services	90%	37 responses were received for the annual survey and 62% confirmed they were happy with the services available. Five respondents had received services from counter fraud in the previous 12 months and 100% confirmed positive satisfaction with those services.