

Counter Fraud Annual Report 2023-24

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 2023-24 there has been activity in all four of the key areas outlined in the Counter Fraud plan.

Fraud risk assessments took place across all council services, with a fraud risk register produced and presented to the Finance & Audit Committee. These assessment will be subject to continual review, with the register informing the direction of the Counter Fraud Teams planned activity, ensuring it is focused on the highest areas of risk.

Fraud awareness training has been made available over the course of the year with more than 100 Gravesham employees attending generic awareness sessions to try and reach a wider audience. There was also a Members induction session and publicity during International Fraud Awareness Week to try and raise awareness both internally and externally with the public.

Pro-active activity has been undertaken in a number of areas linked to Housing and will form part of business as usual during 2024-25, along with further planned pro-active activity. Work associated with the National Fraud Initiative has also generated some significant results.

Investigative activity has been productive with 142 investigations concluded in year, with cashable savings of £188,310 identified, non-cashable savings of £186,000 linked to the recovery of two council properties and a prevented loss of £96,000 associated with a prevented right to buy. This gives an overall total of £470,310 in savings (Gravesham share £325,754 after preceptor deductions to council tax) in comparison to £84,148 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 Serious & Organised Crime Partnership meetings.

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

3. National Context

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 several reports have been published including by Chartered Institute of Public Finance & Accountancy (CIPFA), National Audit Office (NAO) and the Ministry of Housing, Communities & Local Government (MHCLG) (now Department for Leveling Up, Housing & Communities), stating that the threat of fraud against local government is both real, causes substantial losses (including reputational and service, as well as financial) and should be prevented where possible, and pursued where it occurs.

In 2022 the Public Sector Fraud Authority (Cabinet Office) published a report stating that in 2021-22 the public sector had experienced more than 5 million acts of fraud, that more than £33bn in public money was lost to fraud each year and that fraud against the Covid-19 Financial Support packages alone had cost £19bn. These figures are more recent, but still dated with the overall financial impact on local government between 2020 and 2024, they do however reflect the ongoing significant risk of fraud that local authorities face.

The latest annual estimates of fraud risk to local government exceed £7bn and research by the Fighting Fraud and Corruption Locally

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 Gravesham.

- 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.

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 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 2023-24 was prepared, this establishment was forecasted to provide a total of 644 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 244 days.

The Counter Fraud resource was increased early 2023-24, with the addition of two Counter Fraud Officers, to handle internal disciplinary and grievance investigations at Medway. As Gravesham did not require additional resource, the split of available resources was adjusted to approximately 75% for Medway and 25% for Gravesham to compensate and deliver the original projection of 244 days.

As of 31 March 2024, the net staff days available for Gravesham for 2023-24 amounted to 352 days of chargeable Counter Fraud work. Of this chargeable time, 21 days (6%) was spent on fraud awareness and prevention, 51 days (14.5%) was spent on pro-active Counter Fraud activity, 251 days (71.3%) was spent on reactive investigation activity and 29 days (8.2%) 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.

5. Fraud Awareness & Prevention

Fraud Risk Assessments

Throughout 2023-24 the team undertook assessments relating to 75 identified fraud risks, across 15 areas of council business. 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 was also offered during the assessment process.

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 assessments undertaken in 2023-24 identified the following risks as being either high, or extremely high risk.

Business Area	Risk	Inherent Risk Score	Residual Risk Score
Housing	Sub-Letting	20	16
Housing	Right to Buy	20	16
IT	Theft/loss of Council information/data	25	15
Benefits	False or inaccurate applications for benefit	20	12
Housing	False homelessness	20	12
Housing	False applications for waiting list	20	12
Housing	Failure to report changes in circumstances	20	12
Finance	Money Laundering	16	12
Housing	False succession	16	12
Benefits	Failure to report a change in circumstances	15	12

These assessments will be used to inform where the Counter Fraud Team directs resource in the future, including determining appropriate areas for pro-active activity. They will be refreshed at least annually, with any newly identified risks added as they arise.

Fraud Awareness

Following the significant efforts in 2022-23, fraud awareness remained a key area of focus during 2023-24; although this was largely directed to more generic awareness to try and expand the number of people to receive training.

A Members induction session took place in July 2023 following the local elections and was delivered by officers from the Counter Fraud Team alongside the Head of Internal Audit & Counter Fraud. This session was well attended by Members from all political groups and received positive feedback.

Awareness sessions giving an overview of fraud risks faced by the council were made available via the iShare training platform and publicised to all staff at both Gravesham and Medway to encourage attendance. In total 13 sessions were run between October 2023 and March 2024, with 103 Gravesham employees known to have attended. While these sessions did not go into the level of detail that specific services may look for, they provided sufficient information to raise awareness on a larger scale and also opened up opportunities for services to seek specific training for their areas, which are being followed up by the team.

During Fraud Awareness week (12-18 November 2023) there was activity to raise awareness both internally and externally. The team were featured in the staff newsletter, with some information about the work the team carries out, alongside a photograph and all contact details, so that people know who they can contact if they wish to report concerns. With the assistance of the Communications Team, so information was also shared via the council's social media channels to raise awareness amongst the public.

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 2023-24, although the Head of Internal Audit & Counter Fraud is part of the corporate Risk Management Working Group.

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 2023-24 and there were no amendments.

The results of the annual survey still indicate that a limited number of people are aware of the strategy and even fewer have read it. Accordingly, we will be looking at how this can be more widely shared in the future to support the council's commitment to countering fraud.

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.

The following provides a brief overview of the results achieved across the exercises that have been worked on during 2023-24. It should be noted that these results cross over financial years, so will not all form part of the results reported for 2023-24 later in this report.

- **2022-23 Exercise** – 3,738 matches received. To date, 3,349 matches have been checked, with financial savings of approximately £205,761 identified.
- **2023-24 Exercise** – 762 matches received, and financial savings of approximately £46,193 identified as a result to date.

An annual report relating specifically to NFI will be presented to the Finance & Audit Committee in November 2024, 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 2023-24, however, the Revenues Team have completed a number of SPD reviews using software provided by the KIN, leading to additional council tax liability of £65,650, as well as additional liability of £63,340 for future years. They were also able to trace 37 absconded debtors and bring £74,443 back into recovery. In addition, ten commercial properties were added to the ratings list creating additional liability of £73,450 and future annual liabilities of £81,696, and seven residential properties that had not been registered for council tax were also identified, leading to new liability of £25,000 and future liability of £13,466 per year in future years.

Pro-Active Exercises

The team commenced a pilot for more collaborative working with Housing during the year, undertaking visits to right to buy applicants to provide an additional layer of verification and fraud prevention to the right to buy process. A total of 17 applications have been reviewed during the year with visits to all addresses, although none have resulted in cancellation of the right to buy. This activity will now be business as usual with validation included as part of the right to buy process in future.

Due to the increasing costs of temporary accommodation, and the high level of fraud risks associated with potential false applications for housing, the team commenced pro-active visits to all temporary accommodation placements to confirm that tenants were in occupation. In total, 492 visits have been conducted (some properties visited on multiple occasions) and this has resulted in one placement being ended for non-occupation, although no formal criminal action was pursued. The average period of a temporary accommodation placement is 38 weeks, which has been used to calculate the estimated saving from this activity. The cancellation of the placement resulted in savings of more than £12,000. As with the right to buy visits, this work will now form part of business as usual, although the team will be focused on out of borough placements.

Data Protection Impact Assessments have also been completed to enable further data matching within Housing but this will take place in 2024-25.

6. Responsive Investigation Activity

Responsive Investigation Work (External)

The team concluded 142 investigations into alleged fraud linked to external parties during 2023-24 in relation to Revenues, Housing, and grants, 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	130	129 cases concluded with the removal of the council tax discount/exemption or reduction, one of which also resulted in an overpayment of housing benefit, a fraudulent right to buy being prevented and the council property being recovered. 11 cases closed with no evidence of fraud.	£104,630 (Historic Liability) £53,591 (Additional liability for future years) £11,953 (Housing benefit overpayment)	£93,000	£96,000
Housing	11	One case concluded with the removal of the council tax discount/exemption or reduction. One case concluded with the closure of a temporary accommodation placement. One case concluded with the recovery of a council property. Eight cases concluded with no evidence of fraud.	£109.01 (Historic Liability) £514.85 (Additional liability for future years) £12,740 (temporary accommodation savings)	£93,000	N/A
Grants	1	One case concluded with no evidence of fraud.	N/A	N/A	N/A

Overall: This represents cashable savings of £188,310, non-cashable savings of £186,000 and a prevented loss of £96,000. This means total savings of £470,310 (Gravesham share £325,754 after preceptor deductions to council tax) against costs of £84,148 for Gravesham's share Counter Fraud Team and £222,433 for the share of the whole Internal Audit & Counter Fraud service.

Responsive Investigation Work (Internal)

There were no allegations of fraud linked to members of staff during 2023-24. The team have however been involved in the investigation of some internal disciplinary/grievance matters.

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 67 active cases and requests for information have been dealt with in accordance with the SLA. Decision requests have been received in relation to five cases during the year, resulting in Housing Benefit overpayments totalling £47,446 and excess council tax reduction awards of £10,502. There has been one notification of a case conclusion.

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 518 data protection requests was received during 2023-24 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 2023-24 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.

Officers from the team also attended the inaugural meeting of the Southeast Investigators Group, which brought together fraud professionals from across the South East to share best practice and learning.

8. Performance Monitoring

The agreed Counter Fraud Plan for 2023-24 contained a number of performance measures that would be provided to demonstrate the effectiveness of the service.

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 2024 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	N/A	50%
CF2	Proportion of non-qualified staff undertaking professional qualification training	N/A	50%
CF3	Time spent on Professional qualification training:	N/A	15.4 days
CF4	Time spent on CPD/non-professional qualification training, learning & development	25 days	18.7 days
LA Specific Performance Measurements			
CF5	Proportion of available resources spent on chargeable work	N/A	352 days (144%)
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	6% 14.5% 71.3% 8.2%
CF7	Number of investigations closed	N/A	142
CF8	Value of fraud losses identified:	N/A	

Ref	Indicator	Target	Outturn for period
	a) cashable (losses that can be recovered) b) non-cashable (notional savings based on national estimates) c) Prevented Losses (Savings associated with blocked applications)		£188,310 £186,000 £96,000
CF9	Number of civil actions resulting from investigative activity Civil penalties for negligence Right to Buys cancelled Council Properties recovered	N/A	Quarterly 0 1 2
CF10	Number of criminal sanctions applied Cautions Administrative Penalties Prosecutions	N/A	 0 0 0
CF11	Client, Management and Member satisfaction with Counter Fraud services	90%	57 responses were received for the annual survey and 63.2% confirmed they were happy with the services available. 14 respondents had received services from Counter Fraud in the previous 12 months and 93% confirmed positive satisfaction with those services.