

AUDIT & GOVERNANCE COMMITTEE

29 November 2023

COUNTER FRAUD UPDATE

Report by Executive Director of Resources

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - a) Note the summary of activity against the Counter Fraud Plan for 2023/24.

Executive Summary

2. This report presents a summary of activity against the Counter Fraud Plan for 2023/24, presented to the July 2023 Audit & Governance committee meeting. The Counter Fraud plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has proportionate and effective resources and controls in place to prevent and detect fraud as well as investigate those matters that do arise.

Counter-Fraud Team Update

Counter-Fraud Service & Resources Update

3. As reported to the July 2023 meeting, the Counter Fraud team comprises of the Counter Fraud Team Manager, Senior Counter Fraud Officer, Data and Intelligence Officer and the apprentice Counter Fraud Assistant.
4. As noted in previous updates, the Counter Fraud team receive, log and triage all whistleblowing reports. The Chief Internal Auditor and Counter Fraud Team Manager meet with the Director of Law & Governance monthly to review, discuss and progress all whistleblowing investigations. A separate report on Whistleblowing is being brought to the November 2023 Audit and Governance Committee meeting.
5. **Case Figures 2023/24 (as at October 2023):**

Indicator	Value
New Cases 2023/24 (April – October 2023)	12 cases
Current open cases (by year)	2023/24: 12 2022/23: 6

With the Police	2021/22: 1 2020/21: 2 1 case under joint investigation with the police
New Cases by type	Employee: 4 Whistleblowing (being investigated by the Counter-Fraud Team): 1 Contractor: 2 Blue Badge: 4 Deprivation of Assets: 1
New Cases by referral source	Whistleblower: 1 Government Agency: 3 Employee / Internal Control: 8

6. Update against the Counter-Fraud Plan 2023/24

The 2023/24 Plan, which was previously presented to the Audit & Governance July 2023 meeting, has been structured around the 5 pillars of anti-fraud activity in the Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally:

Objective	Actions	Timescale	Nov 2023 update
Govern: Have robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation.	1) Deliver awareness training sessions to a range of staff and members to include knowledge of fraud risks, their role in prevention activity and process to refer suspicions. 2) Provide the Audit & Governance Committee with reports during the year about the arrangements in place to protect the council against fraud and	1) Ongoing. 2) July, November & March.	1) Fraud awareness training to headteachers and school business managers was delivered in October 2023. 2) Ongoing. Being delivered in accordance with the Counter-Fraud Plan.

	3)	the effectiveness of these. Review the council's anti-fraud strategy and identify areas for development by reference to the Fighting Fraud and Corruption Locally strategy.	3) End of quarter 3.	3) A revised Anti-Fraud and Corruption Strategy has been sent to the Monitoring Officer for review. It will be published once approved.
Acknowledge: Understand fraud risk and maintain a robust anti-fraud response.	1) 2)	1) Undertake an assessment of the council's overall response to fraud and identify any areas for improvement. 2) Continue development of Council's fraud risk register.	1) End of quarter 3. 2) End of quarter 3.	1) This has been incorporated into the review of the Anti-Fraud and Corruption strategy. 2) Work is currently being done on updating and further developing the Council's Fraud Risk Register. The Register is used to aid both audit planning and proactive counter-fraud exercises.
Prevent: Prevent and detect fraud taking place against the organisation, using proactive work and data analysis.	1) 2) 3)	1) Fraud alerts to be provided to service areas as necessary. 2) Delivery of the NFI 2022/2023 exercise. 3) To complete Joint Internal Audit & Counter Fraud proactive reviews into Procurement Cards & Expenses (included in Internal Audit Plan 23/24).	1) Ongoing. 2) End of quarter 3. 3) End of quarter 4.	1) Alerts have been provided to relevant service areas as required. 2) The NFI 2022/23 exercise is currently being completed (please see section 8). 3) The first proactive review into Procurement Cards is currently underway; starting with whole population testing on transaction data, and a review of

	4)	To enhance data analytic capability to support potential areas of proactive work.	4) Ongoing.	<p>Procurement Card Guidance. Sample testing will then be carried out based on the outcome of the whole population testing.</p> <p>4) A review of potential areas for proactive work is ongoing.</p>
Pursue: Carry out fraud investigations, apply sanctions to offenders and recover losses.	1) 2)	<p>1) Conduct investigations into suspected fraud and malpractice.</p> <p>2) Continue enforcement activities against Blue Badge fraud and misuse by completing on-street exercises.</p>	<p>1) Ongoing.</p> <p>2) One per quarter.</p>	<p>1) Ongoing. There are currently 21 open cases.</p> <p>2) The most recent Blue Badge on-street exercise was completed in September 2023 (please see section 8).</p>
Protect: Recognising the harm that fraud can cause in the community.	1) 2) 3)	<p>1) Review and share fraud trends and new threats with relevant service areas.</p> <p>2) Respond to information requests from the Police, other Local Authorities and investigation bodies such as HMRC.</p> <p>3) Continue to foster relations with other internal teams.</p>	<p>1) Ongoing.</p> <p>2) Ongoing.</p> <p>3) Ongoing.</p>	<p>1) Information on new trends and alerts have been provided to relevant service areas as required.</p> <p>2) Ongoing and as required.</p> <p>3) Ongoing. 8 new cases in 2023/24 have been received from other internal teams / internal controls.</p>

7. Cases to Note (open/closed)

A confidential detailed update on Counter Fraud cases and current activity was provided to the Audit Working Group meeting on 8 November 2023. This reports on cases which have recently been completed.

Financial Management of a school.

A fraud investigation was undertaken into the financial practices of a managed School. This was undertaken alongside a governance and financial management audit by the Internal Audit Team. Inconsistencies with the school's financial administration and lack of adherence to expected financial management procedures were noted. This resulted in the audit team agreeing 38 management actions, 36 of which have been implemented by the new Headteacher and Senior Leadership Team. The remaining two are not yet due. A separate Counter Fraud report was issued with corporate management actions to follow up and resolve issues identified, these actions are all in progress of being implemented.

Attempted hijacking of supplier bank details.

An investigation took place into a fraudulent attempt at obtaining a payment of approx. £40k for a child's social care placement. A supplier's email account was compromised, and the hacker used this to communicate with OCC. Internal systems highlighted the irregular activity and no payments were made. A review of internal controls is currently taking place to establish if further control enhancements are required. Both Action Fraud and the National Anti-Fraud Network (NAFN) were notified of the attempt.

School business manager.

A school business manager has been dismissed for defrauding a primary school. The matter was referred to Thames Valley Police and the individual will receive a police caution (which results in a criminal record). A condition of the caution is that he signs an agreement to repay OCC in full.

8. Other updates

Blue Badge:

The most recent blue badge on street enforcement exercise took place on the 26 September 2023 and resulted in two blue badges being seized for misuse. Both cases are currently under investigation. One of the badges being misused had been reported stolen and the person using the badge appears to have provided false name and address details. We have however been able to identify the badge user / driver following PNC requests made to Thames Valley Police.

Pre interview disclosure has been issued in both cases in order to carry out interviews under caution. Should the evidential and public interest tests be passed, prosecution files will be sent to OCC Legal with a request that prosecutions be undertaken under the Road Traffic Regulation Act 1984.

These are cases that OCC itself, rather than the CPS will prosecute. The team will liaise with external comms in order that any prosecution can be publicised in order to provide reassurance to the public, that this is an area the council takes seriously.

NFI:

The National Fraud Initiative (NFI) reports from the 2022/23 bi-annual data matching exercise were released in February 2023 and are in the process of being reviewed. There are a total of 33 reports and 30,934 matches.

There are 10 reports relating to potential duplicate payments to creditors, or duplicate creditor records. A sample of the duplicate creditor record matches have been reviewed by the Counter-Fraud Team and the Financial Systems Support Manager. No issues or fraudulent records were found and all 3 reports were closed.

A sample of the 7 duplicate payment reports have been reviewed by the Counter-Fraud Team and is still underway. For one key report that had captured sets of payments with identical invoice amounts and creditor references, the Counter Fraud Team exported the 5,000 total matches and performed a number of 'whole population' data analysis tests to reduce the sample size in a targeted way. This enabled the team to focus on analysing potential duplicate payments with the highest risk of fraud. Nil duplicate creditor payments were found, which demonstrates strong controls in place within the organisation.

A total of 1,149 matches relating to Blue Badges have been processed by the Customer Services Team, with 4 matches still being investigated by Customer Services and Counter Fraud. 510 badges have been cancelled where it was identified that the badge holder had passed away, which reduces the risk of the badges being misused. The Cabinet Office allocates a figure for reporting purposes of £650.00 per cancelled badge, which is their estimate of the value of parking charges up to the point of cancellation plus an estimate of future losses prevented. (510 badges = £331,500)

A total of 2607 matches relating to Concessionary Travel Passes have been processed by the Customer Services Team. 2159 passes were cancelled where it was identified that the pass holder had passed away, which reduces the risk of the passes being misused. The Cabinet Office allocates a figure for reporting purposes of £31.00 per pass cancelled, which is their estimate of future losses prevented. (2607 passes = £66,929).

A total of 18 matches related to Resident Parking Permits have also been processed by the Customer Services Team. 3 passes were cancelled where it was identified that the pass holder had passed away, and a further 8 are still under investigation. A new report matching vehicle registration numbers to parking permits was released in September and is currently under review.

The 3 Pensions reports are in the process of being reviewed by the Pensions Team. 12 accounts identified in the 'Pensions to DWP Deceased' report are being investigated, resulting in a potential total overpayment of £49,071. Information from the 'Tell Us Once' service is now provided to the Pensions Team on a monthly basis. They

now also use a monthly mortality tracing service to identify any relevant information not provided through 'Tell Us Once'. This means that the number of NFI matches needed to be investigated has decreased compared to previous years. However, this provides positive assurance that the information held by the Pensions Team is accurate and up to date.

All reports remaining are on target to be reviewed within Quarter 3.

Training and awareness:

Fraud Awareness training is provided to teams across OCC, for example HR, Direct Payments, Social Care Debt Recovery and Financial Assessments. We often see a positive impact of the training delivered with increased referrals received. Fraud Awareness training and an overview of whistleblowing has also been provided to members of the Audit & Governance Committee. The ongoing programme of training and awareness sessions is continuing, with Headteachers and School Business Managers receiving training in October 2023.

The combined areas of Finance and Procurement now meet quarterly for an 'all team' event and the December meeting will include a presentation from the fraud team. Government figures show that procurement, is one of the high-risk areas for fraud and a tailored training session will be provided.

Controls Improvement:

Upon the conclusion of each investigation, where applicable, the control environment is reviewed, and a post investigation report issued. The report highlights any weaknesses identified and includes agreed actions to prevent, stop and minimise the risk of reoccurrence. The agreed action plan is monitored for implementation by the Counter Fraud Team. Since the last update, the Team have issued one investigation report regarding financial irregularities at a maintained school (as reported above).

Financial Implications

9. There are no direct financial implications arising from this report. The report presents amounts recovered and prevented future losses from individual investigations.

Comments checked by:

Lorna Baxter, Executive Director of Resources,
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Legal Implications

10. There are no direct legal implications arising from this report. The Director of Law and Governance and also the Head of Legal are involved in all

Whistleblowing referrals and fraud referral cases that proceed to investigation stages.

Comments checked by:

Paul Grant, Head of Legal, paul.grant@oxfordshire.gov.uk

Staff Implications

11. There are no direct staff implications arising from this report.

Equality & Inclusion Implications

12. There are no direct equality and inclusion implications arising from this report.

Sustainability Implications

13. There are no direct sustainability implications arising from this report.

Risk Management

14. There are no direct risk management implications arising from this report.

Lorna Baxter, Executive Director of Resources

Annex: Nil

Background papers: Nil

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