

Division(s): N/A

AUDIT and GOVERNANCE COMMITTEE – 3 March 2021 Counter-Fraud Update

Report by the Director of Finance

RECOMMENDATION

1. **The committee is RECOMMENDED to comment and note the progress update for counter-fraud activity.**

Executive Summary

2. This report presents a progress update for counter-fraud activity. The plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.
3. The report includes a summary of counter-fraud activity against the annual plan (see table 1 below) and an overview of open and closed cases as at February 2021 (see table 2 below).

Background

4. At the September 2020 Audit & Governance Committee meeting the Counter-Fraud Strategy and Plan for 2020/21 was presented. This included the objective to review joint working opportunities for the delivery of a counter-fraud service across OCC (Oxfordshire County Council) and CDC (Cherwell District Council). The committee were updated on the plan of activity for 2020/21.
5. At the November 2020 Audit & Governance Committee an update was made regarding the proposal for the creation of a joint working counter-fraud service across OCC and CDC, which has been approved by the OCC CDC Partnership Working Group.
6. This will see the existing Internal Audit joint working arrangement extended to include counter-fraud where the service is provided by the OCC team jointly across both Councils. This required an increase in staff resource to have the capacity to deliver the service. The new arrangements include 2 Counter-Fraud Officers and 1 Intelligence & Data Officer (who will be supported to complete an apprenticeship intelligence analyst qualification). Both Counter Fraud Officers are now in post and the Intelligence and Data Officer has been appointed, currently subject to pre-employment checks.

7. The joint working arrangement presents an excellent opportunity to strengthen both Councils' approaches to the prevention and detection of fraud. Both Councils have similar anti-fraud and corruption policies and a zero tolerance to fraud. The inherent risk of fraud across both Councils' services is high, both from external sources, but also internal corporate fraud. Whilst systems and controls are generally sound, fraud remains a risk. Fraud risk is also a high priority for the Government.
8. The table below provides an update on the overarching objectives for Internal Audit - Counter Fraud in 2020/21 and the actions supporting these.

An updated Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally was launched in 2020. The Council's Counter-Fraud arrangements are designed to adhere to the “six C's” Themes contained within this national Strategy, which are:

- Culture – creating a culture where fraud and corruption are unacceptable
- Capability - assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate
- Capacity - deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance
- Competence - having the right skills and standards commensurate with the full range of counter fraud and corruption activity
- Communication - raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes
- Collaboration - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

Table 1:

Objective	Actions	Update – Nov 2020	Update – Feb 2021
Strategic: Implement agreed Proposal for Counter Fraud arrangements Capability Capacity Competence	1. Explore joint working opportunities between OCC-CDC 2. Produce and agree Proposal for joint working 3. Implement the agreed structure and working arrangements, including processes and performance	New model of joint working approved by CEDR Sept 2020. To be fully operational by new financial year. This has included the approval of 3 dedicated Counter-Fraud posts – 2 Counter-Fraud Officers (CFO) and one Intel & Data Officer (IDO).	All 3 Counter Fraud posts recruited to (2 Counter Fraud Officers in post and Intelligence & Data Officer offer accepted). Handover process of CDC counter fraud progress to start from 1 st April 2021. Work on governance

	monitoring	Work now in progress to develop operational processes and define performance monitoring system.	framework ongoing.
<p>Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council.</p> <p>Culture Capability Communication Collaboration</p>	<ol style="list-style-type: none"> 1. Establish and routinely update a Fraud Risk Assessment 2. Deliver fraud awareness training 3. Undertake joint fraud/audit exercises 4. Participate in Council initiatives to reduce fraud exposure 5. Fraud comms 	Fraud Risk Assessment for OCC commenced which will inform fraud awareness training and joint exercises.	<p>Fraud comms for Fraud Awareness Week in Nov 2020 disseminated.</p> <p>Vaccine fraud comms disseminated Jan 2021.</p> <p>Joint audit/fraud work being undertaken on a sample of Covid-19 related payments and expenditure – covering the accuracy and integrity of spend and considering inherent fraud risks nationally associated with Covid-19 related payments, support and relief. – will be completed and reported upon - April 2021.</p>
<p>Reactive: Manage fraud referrals and investigations</p> <p>Competence Collaboration</p>	<ol style="list-style-type: none"> 1. Manage fraud referrals 2. Investigate 3. Implement appropriate sanctions 4. Work with partner agencies and teams. 	Currently 32 open cases for OCC, all under investigation.	Currently 29 open cases for OCC, all under investigation. Since our last report in Nov 2020, there have been 5 new cases.
<p>Data: Use data to detect and prevent fraud</p> <p>Capability Competence</p>	<ol style="list-style-type: none"> 1. Undertake the 2020 NFI data upload 2. Close down the remaining data match investigations from previous NFI 3. Embed data analytics into the new Proposal and model 	2020 NFI upload is underway, to be completed in November.	NFI 2020/21 matches are being released and issued to the relevant staff to review. 3-month timescale requested for initial review. High risk flags are being prioritised for review.

Table 2 – Fraud referrals and cases as at February 2021

	Totals
Open cases as at Feb 2021	2018/19: 4 2019/20: 7 2020/21: 18 Total: 29
New fraud cases during 2020/21 as at Feb 2021:	Total: 25 Open: 18 Closed: 7
Breakdown by category of 2020/21 cases:	Counter-Fraud cases: Personal Budgets / Direct Payments: 8 (5 open) Procurement / supplier: 6 (5 open) Whistleblowing: 6 (4 open) Deprivation of assets: 4 (4 open) Benefits: 1 (closed)
Cases to note:	Financial Recoveries in the last 6 months: <ul style="list-style-type: none"> • One Deprivation of Assets case which Counter Fraud supported with has been closed down, with £63.6k successfully recovered. • One Pensions cases identified from the 2018/19 NFI exercises which Counter Fraud supported with has been closed down, with £32k successfully recovered. • One Direct Payment case which Counter Fraud supported with has been closed, with £6k overpayment returned to OCC and the Direct Payment suspended. <p>There are currently 2 open cases that Counter Fraud have referred to the Police (both Direct Payments) for investigation and potential prosecution.</p>

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Background papers: None.

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