

AUDIT and GOVERNANCE COMMITTEE – 21 July 2021

Counter Fraud Plan for 2021/22

Report by the Director of Finance

RECOMMENDATION

1. The committee is **RECOMMENDED** to:
 - a) **Note the summary of activity from 2020/21 in Appendix 1**
 - b) **Note the updated Counter Fraud Strategy and Performance Framework in Appendix 2 and Appendix 3**
 - c) **Comment and note the Counter Fraud Plan for 2021/22**

Executive Summary

2. This report presents the Counter Fraud Plan for 2021/22 and a summary of activity from 2020/21. The plan supports the Council's Anti-Fraud and Corruption Strategy (updated and included in Appendix 2) 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. Appendix 1 contains the full 2020/21 Plan agreed a year ago and an update on activity.
4. Appendix 2 contains the new set of performance indicators that will be reported to the Audit & Governance Committee going forwards (in November and March)
5. Appendix 3 contains the updated Counter-Fraud Strategy which is public on the Council's Intranet and website.

Background

6. The latest 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 "6 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

The Council has a Counter-Fraud Strategy (see Appendix 3) which guides the Council's approach to its fraud response. The Strategy states that "the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to a **zero-tolerance** approach to fraud, corruption and theft."

The Counter-Fraud team's purpose is therefore to adhere and to promote the zero-tolerance approach to fraud by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.

The Strategy has just been updated as part of its twice-yearly review and is attached in Appendix 3 for the Committee to note. Whilst there haven't been any material changes to the tone and content of the Strategy; there have been changes to the fraud referral and investigation process contained in Appendix A of the Strategy, to reflect the new practices undertaken with having the new in-house fraud team in place.

Summary of Counter Fraud Activity from 2020/21

7. An update against the 2020/21 Counter Fraud Plan is included in Appendix 1 – the highlights include:
 - Recruitment and induction of the full Counter-Fraud Team (2 Counter Fraud Officers and 1 Intelligence & Data Officer) was completed and we now provide the service across both OCC (Oxfordshire County Council) and CDC (Cherwell District Council) (from 1st April).
 - The new team has been building a number of new networks within OCC and CDC as well as externally. In particular to note is a new working arrangement with TVP (Thames Valley Police) to refer fraud cases directly into the TVP fraud team to action and allocate to an officer in charge.
 - One of the new Counter Fraud Officers is an Accredited Financial Investigator which brings a skill set and powers that are of great benefit to the team. Both Counter Fraud Officers can undertake Interviews Under Caution. This means that the Counter Fraud team can now undertake a larger part of investigations, presenting less of a resource issue for TVP and greater opportunities for joint working, improving upon timeliness and outcomes of investigations.
 - The Intelligence & Data Officer post in the team is proving extremely beneficial as they are a resource dedicated to undertaking intelligence checks for investigations and working through the NFI matches. They are shortly going to start the apprenticeship in Intelligence Analysis.
 - A new performance framework has been drafted. Appendix 2 provides the suggested set of performance information to be submitted to the Audit & Governance Committee twice a year to update on progress against the annual plan and the operational performance.
 - In total during 2020/21, 28 fraud cases were opened and investigated of which 13 are still open under investigation. Of the 15 that were investigated and closed:
 - 6 were Direct payments (DPs) (3 moved to managed account; 1 not fraud but DP ceased; 1 a repayment of £6.4k of unaccounted for funds was returned; 1 removed PA and care provider appointed instead)
 - 1 Blue Badge misuse (warning letter issued)
 - 5 whistleblowing (3 unsubstantiated and 2 partially, with actions taken) – these will be reported under the Whistleblowing report in September.
 - 1 Adult Social Care (unsubstantiated)
 - 2 Children's Social Care (1 investigation report issued and £5k loss written off; 1 investigated by service and provider no longer used)

Counter Fraud Plan 2021/22

8. With the new team in place and inducted into the Council and the Counter-Fraud service, the focus for the coming year will be to refine the processes we have been establishing for referrals and investigations to ensure efficiency and operational effectiveness until business as usual is fully established.
9. The team will then be in a position to move increasingly into the proactive anti-fraud work such as delivering more fraud awareness training and fraud detection exercises.
10. To inform this work, the fraud risk assessment process (which has started but hasn't been fully developed) will be built within the team, with the objective being a Fraud Risk Register is in place and updated routinely to inform proactive work areas.
11. In order to provide the strategic capacity to achieve the above the Audit Manager and Counter-Fraud Lead will be working solely on Counter-Fraud until the autumn.
12. Two areas already identified as requiring focused fraud awareness training are Direct Payments and Schools. Direct Payments fraud training has already been delivered for a number of years as part of the DP induction training – however with the recent changes in DP arrangements and the fraud risk profile of DP's adapting to various changes; now is a good time to review and refresh the fraud DP training. Furthermore, a new arrangement is being put in place with the DP lead to meet regularly to discuss DP fraud cases and implement appropriate corrective controls in real-time as and when fraud investigations are ongoing.
13. Schools fraud awareness training has been identified as an area to focus on following several recent school fraud referrals, in particular relating to the use of purchasing cards.
14. Regarding proactive reviews, there are several options, which will be explored and confirmed following the fraud risk assessment exercise.
15. Fraud communications will be issued where appropriate – working with the Communications Teams to ensure that appropriate channels are used for all fraud-related news.
16. Blue Badge enforcement work has been on hold during the pandemic, however during 2021/22 the team plan to re-commence on-street enforcement exercises, albeit under a slightly different format. A proposed methodology is being drafted.
17. The work into investigating the NFI data matches from the 2020 upload will continue. The team have been in discussion with other Local Authorities to discuss pooling resources to investigate greater use of data matching capabilities for Councils. Later this year or going into 2022/23 this will be developed further.

Objective	Actions
<p>Strategic: Establish BAU referral and investigation processes; agree and start using the Performance framework; move into building proactive anti-fraud work</p> <p>Culture Capacity Competence</p>	<ol style="list-style-type: none"> 1. Document key processes and flow charts for the CF Team (Q2) 2. Sign-off the proposed Performance Framework to monitor the team's performance, case levels and outcomes. (Q2) 3. Monitor team performance and outcomes (Ongoing)
<p>Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council.</p> <p>Culture Capability Capacity Communication Collaboration</p>	<ol style="list-style-type: none"> 1. Complete and routinely update the Fraud Risk Register (Q2) 2. Deliver fraud awareness training (DP's and Schools – plus others as identified from fraud risk assessment) (ongoing and by Q4) 3. Undertake joint fraud/audit exercises (ongoing and by Q4) 4. Deliver fraud communications in line with a comms strategy under development (internal and external) 5. Blue Badge enforcement exercise (ongoing and by Q4) 6. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4)
<p>Reactive: Manage fraud referrals and investigations</p> <p>Capacity Competence Collaboration</p>	<ol style="list-style-type: none"> 1. Manage fraud referrals 2. Investigate 3. Implement appropriate sanctions 4. Make recommendations to improve the control environment 5. Work with partner agencies and teams.
<p>Data: Use data to detect and prevent fraud</p> <p>Competence Collaboration</p>	<ol style="list-style-type: none"> 1. Complete the 2020 NFI data matching (ongoing and by Q4) 2. Continue to participate into potential data matching exercise with other LA's.

LORNA BAXTER

Director of Finance

Background papers: None. Contact Officer: Sarah Cox, Chief Internal Auditor

Appendix 1 – Counter Fraud Plan from 2020/21

Objective	Actions	Update – Nov 2020	Update – Feb 2021	Update – June 2021
<p>Strategic: Implement agreed Proposal for Counter Fraud arrangements</p> <p>Capability Capacity Competence</p>	<ol style="list-style-type: none"> 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 monitoring 	<p>New model of joint working approved by CEDR Sept 2020. To be fully operational by new financial year.</p> <p>This has included the approval of 3 dedicated Counter-Fraud posts – 2 Counter-Fraud Officers and one Intel & Data Officer.</p> <p>Work now in progress to develop operational processes and define performance monitoring system.</p>	<p>All 3 Counter Fraud posts recruited to (2 Counter Fraud Officers in post and Intelligence & Data Officer offer accepted).</p> <p>Handover process of CDC counter fraud progress to start from 1st April 2021.</p> <p>Work on governance framework ongoing.</p>	<p>Counter-Fraud Team fully staffed and inductions complete</p> <p>Took on CDC Fraud Service from 1st April. Open cases handed over. Now processing all new referrals for CDC.</p> <p>Performance Framework in place developed and currently under sign-off.</p> <p>Conclusion: Complete</p>
<p>Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council.</p> <p>Culture Capability Communication</p>	<ol style="list-style-type: none"> 7. Establish and routinely update a Fraud Risk Assessment 8. Deliver fraud awareness training 9. Undertake joint fraud/audit exercises 	<p>Fraud Risk Assessment for OCC commenced which will inform fraud awareness training and joint exercises.</p>	<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</p>	<p>Fraud Risk Register in Draft & ongoing update process under establishment.</p> <p>2021/22 Plan includes Fraud awareness training and joint exercises</p> <p>Conclusion: Partially complete, with proactive work ongoing</p>

<p>Collaboration</p>	<p>10. Participate in Council initiatives to reduce fraud exposure 11. Fraud comms</p>		<p>of spend and considering inherent fraud risks nationally associated with Covid-related payments, support and relief. – will be completed and reported upon - April 2021.</p>	
<p>Reactive: Manage fraud referrals and investigations Competence Collaboration</p>	<p>6. Manage fraud referrals 7. Investigate 8. Implement appropriate sanctions 9. Work with partner agencies and teams.</p>	<p>Currently 32 open cases for OCC, all under investigation.</p>	<p>Currently 29 open cases for OCC, all under investigation. Since our last report in Nov 2020, there have been 5 new cases.</p>	<p>Currently 34 open cases for OCC Conclusion: Complete</p>
<p>Data: Use data to detect and prevent fraud Capability Competence</p>	<p>3. Undertake the 2020 NFI data upload 4. Close down the remaining data match investigations from previous NFI 5. Embed data analytics into the new Proposal and model</p>	<p>2020 NFI upload is underway, to be completed in November.</p>	<p>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.</p>	<p>NFI 2020/21 matches are under review. A more detailed report will be provided in the November meeting. Conclusion: Ongoing</p>

Appendix 2 – PI Framework

The bi-annual updates (in November and March) to the Audit & Governance Committee will include a Service & Resource update, an update against the annual Counter Fraud Plan and the following performance indicators.

As part of the Internal Audit paper a narrative update will be provided to the Audit Working Group also, where cases can be discussed in more detail and Officers called in where necessary – these are in September, December and March/April).

CF Objective:	How	Measure
To log, investigate and close down fraud referrals and cases on a timely basis	Add new cases in OPUS (the fraud case management system) – complete investigation – close down.	No. new cases YTD and previous f/y No. open cases total (broken down by FY)
To recover costs and funds where possible; to prevent future losses; to apply relevant sanction	Sanctions will be pursued where fraud or overpayment is proven; repayments requested; fines applied Investigation costs will be allocated for cases going to Court. Hours spent per case (for cases likely to go to prosecution) will be recorded on OPUS Loss, recovery and prevented loss values will be recorded in OPUS	Figures on the financial loss; recovery; prevented loss figures per case for last 6 months. Outcomes: No. prosecutions; dismissals; warning letters issued etc for last 6 months. Cases to note

CF Objective:	How	Measure
To identify control weaknesses / exposures and lessons learnt for the Service to address	<p>Investigation Reports (includes control weaknesses, lessons learnt and recommendations)</p> <p>Actions for CF to take forward eg fraud training, will be covered under the Fraud RR.</p>	<p>No. Investigation Reports issued in 6-month period</p> <p>Narrative: added value examples for last 6 months</p>
To undertake proactive and preventive fraud work	<p>Fraud Training</p> <p>Fraud Comms</p> <p>Data matching</p> <p>NFI</p> <p>Fraud Risk Assessments</p> <p>Proactive Reviews</p> <p>National fraud developments</p> <p>Participating in fraud networks and training</p>	<p>Figures and narrative on:</p> <p>Fraud trainings delivered</p> <p>Fraud comms issued</p> <p>Proactive reviews</p> <p>Update on data matching/NFI work</p> <p>Update on the Fraud Risk Register, with any new or emerging fraud risks nationally or locally. And any narrative on participation in fraud networks, meetings, trainings, or any other partnership working initiatives.</p>