

AUDIT & GOVERNANCE COMMITTEE

16th March 2022

COUNTER FRAUD UPDATE

Report by Lorna Baxter, Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - a) Note the summary of activity against the Counter Fraud Plan for 2021/22.

Executive Summary

2. This report presents a summary of activity against the Counter Fraud Plan for 2021/22, presented to the July 2021 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

3. Counter-Fraud Service & Resources Update

The Counter Fraud team is fortunate to have an Accredited Financial Investigator as one of the Counter Fraud Officers. This means they have certain powers under POCA (Proceeds of Crime Act) to obtain and analyse financial information and data as part of investigations. This has been of great benefit in several investigations and has speeded up investigations as this is a function usually performed within the Police. The Manager of the team is undertaking the NCA (National Crime Agency) training to become an accredited SAO (Senior Appropriate Officer) which will support this function in reviewing and signing off their requests for financial information within the team.

As noted in the previous update report, the Counter Fraud team now receive, log and triage all whistleblowing reports. The Chief Internal Auditor and Audit Manager meet with the Director of Law & Governance monthly to review, discuss and progress all whistleblowing investigations.

4. Key Performance Indicators & Trends:

Indicator	Value
New Cases YTD 2021/22	23 new cases during April 2021 – February 2022
Current open cases (by year)	22 open cases currently: 9 from 2021/22 9 from 2020/21 3 from 2019/20 1 from 2018/19
With the Police	5 joint cases with TVP
YTD New Cases by type	Employee: 7 Provider: 5 Direct Payment: 3 School: 2 Financial Assessment: 2 Procurement: 1 Recruitment: 1 Deprivation of Assets: 1 Grant: 1
YTD New Cases by referral source	Employee/internal control: 11 Whistle blower: 3 Member of public: 4 Other govt agency: 2 Service user/family: 1 Business: 1 Member of public (email): 1 Member of public Anon (letter): 1
Loss, recovery and prevented future loss YTD	Future loss prevented: £71,800 Recovery: £64,000
Outcomes YTD (dismissals, prosecutions, repayments, Investigation Reports etc)	Not proven: 10 Supplier no longer used: 1 DP moved to managed account: 1 DP ceased: 1 Disciplinary: 1 Referred to Action Fraud: 1 Partially proven: 1 Dismissal: 2
Fraud Awareness, Comms and Training sessions delivered YTD	Fraud awareness sessions delivered: 3 sessions for Schools (Head Teachers, Business Managers, Governors) Q3 followed by comms in the School Newsletter Finance Fraud Awareness Session Q4

	<p>Comms: International Fraud Awareness Week Nov: News Headlines on the Intranet; Update from Yvonne newsletter; Your Oxfordshire</p> <p>'60 seconds with' staff profile on Counter Fraud team member and Update from Chief Executive's story on OCC values in the team.</p> <p>Reminder in Managers Briefing on Conflicts of Interest</p> <p>News Headline on the Intranet on Conflicts of Interest and the new Whistleblowing policy</p>
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5. Update against the Counter-Fraud Plan 2021/22

Objective	Actions	Update Nov 2021	Update Feb 2021
<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 Counter-Fraud 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) 	<ol style="list-style-type: none"> 1. Counter-Fraud Strategy agreed 2. Performance Methodology with PI's agreed 3. Costs Methodology developed and in use 4. PI s/s developed to monitor cases & progress & outcomes 5. Regular Performance Meetings scheduled and taking place (with S151) 	<p>All complete. Fraud risk assessment process started Q3, and this is feeding into proactive work plan for 2022 (see below).</p>
<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 (Direct Payment's and Schools – plus others as identified from fraud risk assessment) (ongoing and by Q4) 	<ol style="list-style-type: none"> 1. Fraud Risk Register developed and populated. Meeting scheduled Nov to agree methodology for use. 2. Fraud awareness training delivered for School Business Managers, Head Teachers and Governors. 	<ol style="list-style-type: none"> 1. Fraud Risk Register now business as usual (bi-monthly review meetings) 2. Fraud awareness training delivered for Finance staff 3. Direct Payment Fraud Awareness for new ASC staff

	<ol style="list-style-type: none"> 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) 	<ol style="list-style-type: none"> 3. Direct Payment Fraud Awareness training delivered in June 2021. 4. Joint fraud/audit exercises undertaken in relation to Provider investigations and a school audit/investigation. 5. Comms Fraud Awareness Strategy under development. Comms awareness due for International Fraud Awareness Week w/c 16th November. 6. Blue Badge Enforcement Strategy developed & for sign-off. 	<p>delivered Nov 2021</p> <ol style="list-style-type: none"> 4. Two investigations led to internal audits with Counter Fraud and Internal Audit Officers working jointly 5. Multiple fraud comms issued as per the comms plan (see KPI's above) 6. First on-street Blue Badge exercise planned for March 2022.
<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. 	<ol style="list-style-type: none"> 1. Fraud referrals received and investigated ongoing as appropriate. Currently 30 open cases. 2. Sanctions applied as appropriate (see KPI's above). 3. Joint working with TVP in particular is developing well, with several joint investigations ongoing (joint interviews under caution and investigations plans). 	<ol style="list-style-type: none"> 1. See KPI's above
<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. 	<ol style="list-style-type: none"> 1. NFI data matching is ongoing – on track to complete by end Q4 (see summary in next section). 	<ol style="list-style-type: none"> 1. See NFI update section

6. **Cases to Note (open/closed)**

There are currently 5 cases we have referred to the Police and we are working jointly together on the investigations. These relate to Direct Payment, Provider and Employee frauds/theft. In a joint investigation with HR into an employee theft, a disciplinary process has resulted in dismissal due to gross misconduct and an internal audit is reviewing the control environment.

Meetings have been held every 1-2 months between the Counter Fraud team and the Supported Transport Unit to discuss next steps in several investigations that have been ongoing with regards transport suppliers. An internal audit is currently underway also to review the contract management arrangements in this area (as part of a wider audit of contract management for 2021/22).

A separate report summarising the 'Operation Edifice' investigation is on the agenda of this Committee meeting.

7. **Other updates (NFI, Strategies, Proactive Reviews, Fraud Comms and Fraud Risk Register)**

National Fraud Initiative (NFI) Update

We have completed the review of NFI matches for the 2020 data upload. All reports have been closed other than some of the Pensions reports where investigations are ongoing. The outcomes of the exercise are:

Pensions expected recovery (so far): £55k (for cases where pensions continued to be paid after date of death)

Number of Blue Badges cancelled (deceased): 648 (=£372.6k prevented future loss, calculated using the NFI's methodology that a Blue Badge is valued at £575 per annum)

Number of Concessionary Travel Passes cancelled (deceased): 1980 (=£47.5k prevented future loss)

The payroll reports identified some instances where potential conflicts of interest should have been declared but had not (these have since been registered). The Counter Fraud team have worked with the Director of Law and Governance to update the Declaring Conflicts at Work policy and a recent communication has been issued in the Managers Briefings and the News Headline to remind managers and staff to check on an annual basis whether staff have any conflicts that need to be declared.

Fraud Risk Register

The Fraud Risk Register is complete, and a business-as-usual process is in place to review, update and re-assess the register on a bi-monthly basis. This will then identify the areas of fraud risk in the organisation so we can target pro-active work.

Pro-active work and comms

So far, the pro-active work undertaken has focused on staff training and awareness sessions. This began with schools, as we delivered presentations in the Head Teachers, Governors and Business Managers forums. We also recently delivered a fraud awareness and risk identification session to all Finance staff. We are currently organising a session with the Financial Assessment and Social Care Debt Recovery team, as well as the recently formed Direct Payments teams (Direct Payment audit and Direct Payment advice teams). In addition, 6-weekly meetings with this team are held to discuss Direct Payment fraud cases and risks.

The Counter Fraud team recently participated in a fraud discussion with finance and fraud staff at Hampshire to discuss fraud risk and anti-fraud controls. It is planned that these meetings will take place more frequently going forwards.

Blue Badge Enforcement

Following the sign-off of the Blue Badge Enforcement Strategy at the January Audit & Governance Committee, the Counter Fraud Team have drafted an Operational Order in advance of the first scheduled on-street exercise in March. The team is working closely with the Blue Badge team in Customer Services, Legal, Parking and Conduent to plan the exercise, which will be undertaken jointly with Officers from the Counter Fraud Team and a Civil Enforcement Officer from Conduent. The results will be reported back to the next Committee meeting and will be published externally by the Press team.

Financial Implications

8. 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:

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Legal Implications

9. 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:

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Staff Implications

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

Equality & Inclusion Implications

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

Sustainability Implications

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

Risk Management

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

Lorna Baxter, Director of Finance

Annex: Nil

Background papers: Nil

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