

Divisions: All

AUDIT and GOVERNANCE COMMITTEE – 17 November 2021 Counter Fraud Plan for 2021/22

Report by the Director of Finance

RECOMMENDATION

1. The committee is **RECOMMENDED** to 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, which was previously 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 in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

Background

3. 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
4. The Council has a Counter-Fraud Strategy (presented to July 2021 Audit and Governance Committee) 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.”

5. 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.

Counter-Fraud Service & Resources Update

6. The newly formed Counter-Fraud Team continues to develop within the organisation, making links into the relevant teams and responding promptly and professionally to new referrals and queries. The team is fully staffed with a Counter Fraud Officer / Financial Investigator; a Counter Fraud Officer; and an Intelligence & Data Analysis Officer (who has just commenced their Intelligence Analysis apprenticeship).
7. The Counter-Fraud Team and Head of Internal Audit have been working jointly with the Director of Law & Governance (Monitoring Officer) and the Principal Governance Officer on updating the Whistle blowing Policy and establishing a new Whistle blowing procedure internally. It has now been agreed that all Whistle blowing cases will be collated and recorded by the Counter-Fraud Team on their case management system. Each case will be referred to the Monitoring Officer for a decision regarding whether it falls within the Whistle blowing policy & next steps. The Counter-Fraud Team will then oversee the investigation to completion.
8. On the back of several school fraud referrals, the Counter-Fraud Team have developed an up-to-date school fraud awareness presentation. We have delivered this to school Business Managers (2 sessions) and to Governors & Head Teachers (1 session delivered, with another due in November). So far, feedback has been extremely positive.
9. The Counter-Fraud Team have been members of the Midlands Fraud group for some time (attending bi-annual meetings to discuss fraud developments and cases). The Team are now also members of the South East Fraud group, in order to extend contacts and share knowledge across a wider geographical area. As part of the latter group, a meeting was arranged between the Officers (not managers) of our counterparts in Herts, Bucks and Essex to discuss fraud risk areas, share knowledge & best practice and discuss cases in common.

These networks are proving extremely beneficial in building anti-fraud partnerships and fostering joint working between Local Authorities.

Key Performance Indicators & Trends:

Indicator	Value
New Cases YTD 2021/22	18 new cases April – Oct 2021
Current open cases (by year)	30 cases currently open, of which: 10 from 2021/22 12 from 2020/21 6 from 2019/20 2 from 2018/19
With the Police	5 cases currently with the police
YTD New Cases by type	Employee: 4 Provider: 4 Direct Payment: 3 School: 2 Direct Payment/Employee: 1 Carer's Grant: 1 Deprivation of Assets: 1 Financial Assessment: 1 Recruitment: 1
YTD New Cases by referral source	Employee/internal control: 9 Member of public Anon webform: 2 Whistle blower: 2 Member of public Anon letter: 1 Member of public email to Council leader: 1 Member of public webform: 1 HMRC: 1 Service user/Family: 1
Outcomes YTD (dismissals, prosecutions, repayments, Investigation Reports etc)	1 Disciplinary 1 Supplier no longer used 1 DP moved to managed account 1 DP ceased
Fraud Awareness, Comms and Training sessions delivered YTD	3 Schools Fraud Awareness Sessions delivered Oct/Nov 2021 1 Fraud Team Awareness in OCC News Headline April 2021

Update against the Counter-Fraud Plan 2021/22

Objective	Actions	Update Nov 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>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) 	<ol style="list-style-type: none"> 1. Fraud RR developed and populated. Meeting scheduled Nov to agree methodology for use. 2. Fraud awareness training delivered for School Business Managers, HT's and Governors. 3. DP 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

		<p>Fraud Awareness Week w/c 16th November.</p> <p>6. Blue Badge Enforcement Strategy developed & for sign-off.</p>
<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).
<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).

Cases to Note (open/closed)

10. There are currently 4 cases to note which are joint investigations with the Police. They relate to Direct Payment, Provider and Employee frauds. Joint interviews under caution are currently being conducted in 2 cases and in the other 2 cases the files are being compiled for review by the CPS. In another case with the Police (not currently under investigation) a £64k payment is due to OCC for a Proceeds of Crime Act (POCA) award from the Courts following a Police investigation into deprivation of assets.
11. The KPI's in Section 2 show new fraud cases this year by type. This shows that Employee fraud, Provider fraud and Direct Payment fraud are the top three fraud types received so far this year.

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

NFI Update:

12. All NFI reports have been reviewed, with the majority Closed, with some matches still open and under investigation. The following provides a summary by report type. A full and detailed report of Outcomes will be submitted to the March Audit & Governance Committee, by which time the review should have been completed.

Pensions: Of the 5 reports relating to Pensions 3 reports have been reviewed, with the other 2 due to start review imminently (the Pensions team review these). Of the 3 reports already reviewed, 13 matches are still being investigated.

Payroll: All 3 Payroll reports have been completed with no fraud identified.

Blue Badge: All 6 BB reports have been reviewed. Out of the 1,178 matches there is just 1 still under investigation.

Concessionary Travel Passes: The 2 Concessionary Travel Pass reports have been reviewed, with all 2368 matches reviewed and closed down.

Resident Parking Permit: The 2 Residential Parking Permits reports have been reviewed and out of the 25 matches, there is 1 still under investigation.

Creditors: The matches for potential duplicate creditors and payments and VAT overpaid have been sent to the external company currently contracted by Accounts Payable to undertake creditor checks.

Procurement: The two reports comparing employee data to Companies House are almost complete (116/120 matches closed – with 4 matches still under investigation). No fraud identified, however instances where potential conflicts of interest should have been disclosed but were not on the interests' register were identified.

Note: This year, there was no data matching relating to Adult Social Care (Direct Payments and social care providers) due to data protection issues with NHS data. The NFI team have informed local authorities that the aim is to be able to resume this data matching and this may yet happen this financial year.

Fraud Risk Register

13. The Fraud Risk Register for OCC has been compiled. A meeting with the Assistant Director of Finance will take place in November to agree the

methodology to be used for using the risk register, identifying areas for further review, etc.

Fraud Communications Plan

14. A Fraud Communications Strategy is under development, with a calendar and programme of awareness – raising communications being compiled. The first will be some communications activity during International Fraud Awareness week w/c 16th November 2021.

Blue Badge Enforcement Strategy

15. The Counter-Fraud Team have met with colleagues from the Parking Team and the parking enforcement provider to agree a Blue Badge Enforcement Strategy going forwards. The Strategy has been documented in draft form and is currently proceeding through the internal sign-off process. This will be brought back to the next Audit & Governance Committee meeting in January 2022.

SARAH COX

Chief Internal Auditor

Background papers: None

Contact Officer: Sarah Cox sarah.cox@oxfordshire.gov.uk