

AUDIT & GOVERNANCE COMMITTEE - 16th March 2022

OPERATION EDIFICE INVESTIGATION REPORT

**Report by Steve Jorden, Corporate Director – Commercial,
Development, Assets & Investment (CDAI)**

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - (a) Note the findings from the 'Operation Edifice' investigation.
 - (b) Consider the management response and Action Plan resulting from the investigation in Annex 1.

Executive Summary

2. This report presents a summary of the investigation named 'Operation Edifice' conducted by the Council's Counter Fraud team since September 2020 and overseen by the Corporate Director CDAI.
3. The investigation reviewed issues surrounding engagement of suppliers and practices within the Facilities Management department and the construction of the Temporary Place of Rest (TPOR).
4. There were multiple strands to the investigation. Some of the issues have been substantiated, whilst others were not. The investigations into the various strands have now been completed, hence this report to conclude the investigation.
5. One strand of the investigation regarding a supplier has been referred to the police, so cannot be disclosed further at this stage and has not yet been closed down. Other suppliers were included within the investigation and contract management discussions were held with the Corporate Director CDAI but were not referred to the police.
6. Improvement actions were identified and have been addressed, as captured in the Action Plan in Annex 1.
7. Changes implemented within Facilities Management (not all as a result of this investigation) have addressed the concerns raised. These include the restructuring, the Joint Property Transformation Programme and the Provision Cycle.

Exempt Information

8. The public should be excluded during consideration of Annex 1 because its discussion in public would be likely to lead to the disclosure to members of the

public present of information in the following categories prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

9. It is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would be to the detriment of the Council's ability to properly discharge its fiduciary and other duties as a public authority.

Summary of Investigation

10. Background

In September 2020, concerns were raised with the Counter Fraud Team which were considered under the Council's Whistleblowing Policy. The concerns surrounded the engagement of suppliers and practices within the Facilities Management department and the construction and maintenance of the Temporary Place of Rest (TPOR) established at the outset of the Covid pandemic in March 2020.

The investigation was overseen by the Corporate Director for CDAI, the Monitoring Officer, the Director of Finance and Director of HR and co-ordinated by the Counter Fraud team within Internal Audit.

As well as the elements investigated by the Counter Fraud team, two separate external investigators were engaged to provide independence, additional resource and technical expertise. One was a specialist fraud investigator engaged via an external agency to support with the fraud investigation into suppliers. The other was an HR/Legal specialist investigator to review the concerns relating to HR and management issues.

The Internal Audit team also undertook an audit into the expenditure and governance processes surrounding the TPOR (Executive Summary submitted to the Audit & Governance Committee in June 2021). The attached Action Plan in Annex 1 to this report includes the agreed management actions from Covid Payments expenditure Report.

The Audit Working Group were briefed on the ongoing investigation during 2021 in the Fraud update papers. The Corporate Director for CDAI also attended the Audit Working Group in April 2021 to provide a more detailed verbal update.

This report and the appended Action Plan (in Annex 1) provide a summary of the investigation and findings from all these sources, as the investigation is now complete. References to Actions are included in brackets in the report. Annex 1 also contains the confidential information in relation to the suppliers investigated and the values of the activity.

11. Timeline

March 2020 – Urgent need for additional mortuary capacity identified and decision made by Gold Command to commission the construction of a Temporary Place of Rest (TPOR) at the former RAF base in Heyford (in line with the 'Excess Deaths Plan').

Facilities Management were responsible for engaging suppliers for the construction, assets, utilities and security of the site. The 3 main suppliers selected were existing OCC suppliers.

April 2020 – The site was set up and operational within 10 days, as 3 hangars were transformed into TPOR's for a period of up to 6 months (April – September 2020).

September 2020 – The TPOR site was de-commissioned and by October was stood down completely.

An audit into the accuracy and integrity of Covid expenditure commenced, including the TPOR. A separate but linked investigation (Operation Edifice) into the engagement of suppliers in the TPOR as well as wider practices in FM commenced.

December 2020 – Audit Working Group informed of investigation through the Chief Internal Auditor quarterly update and were updated ongoing through their quarterly reports.

April 2021 – Covid Payment audit report issued and subsequently submitted to the June 2021 Audit & Governance Committee. In April the Corporate Director for CDAI attended the Audit Working Group to brief members on the evolving investigation.

End 2021 – Investigation into the TPOR Suppliers, the Facilities Management issues and HR investigation concluded.

February 2022 – This report compiled for Senior Leadership Team and Audit & Governance Committee to present final findings.

12. Key Findings

The key issues have been divided into 3 strands (Practices within FM, the TPOR and HR/Management issues). The issues, findings and actions/lessons learnt are summarised as follows:

I. Practices within Facilities Management

Summary of alleged issues: Some FM staff and managers were not following correct policies and procedures in relation to the use of OCC resources, purchasing, procurement, expenses and Health & Safety checks. There were 6 issues specifically that were investigated and concluded upon (as detailed in Annex 1).

Findings and Conclusions: None of the 6 specific issues were substantiated. However, they did lead to the identification of some improvement actions in relation to policies and procedures within FM which included processes for matching orders to expenditure, oversight of overtime and the team's contract, tendering and procurement processes.

Actions/Lessons Learnt:

- The matching of FM Orders to expenditure (mostly on p-cards) needs to be more robust and transparent to enable purchases and spend per job to be traced (Action 8).
- As part of the wider FM review and re-structuring, changes have been made to the expenses, mileage and overtime arrangements within the team to ensure these are in line with business need (Action 10).
- A review of all services and contracts has been underway within FM to ensure all service areas have been properly tendered and contracts in place and contract monitoring arrangements are confirmed. Provision Cycle training will be delivered to FM staff (Actions 2, 4, 5 and 6).

II. Practices in the TPOR project

Alleged issue: Price inflation and over-charging by suppliers at the TPOR project.

Findings and Conclusions: The project was undertaken within a very challenging emergency context and at speed. As such in order to complete the project at the necessary pace the Council's Contract Procedure Rules - Exemption Procedure were applied as per governance rules.

The investigation substantiated issues with the engagement and transparency of costs with some suppliers at the TPOR project. In the case of one supplier in particular, a referral for potential fraud has been made to the police for a potential overcharge.

In the case of other suppliers the Corporate Director CDAI and Director of Joint Property Services met with them to challenge the values charged (Action 12). It was concluded that whilst there were lessons learnt for emergency planning situations, there was no evidence of fraud.

The audit of the TPOR also identified issues with inadequate asset management at the site (as reported in the April 2021 audit report). Assets were not adequately tracked and where disposed of this was not signed off correctly (Action 14).

Actions/Lessons Learnt:

The Council has noted lessons to be learnt in the Emergency Planning strategy to ensure Procurement and Finance are engaged at the outset of an emergency. Greater transparency on supplier costs and charges in quotes and invoicing is another lesson learnt for any future emergency context. (Actions 13, 15, 16).

As per Section i) above, the review of contracts in FM has been undertaken.

III. HR and Management issues

Alleged issue: Issues raised prior to the September 2020 notification to Counter Fraud had not been adequately addressed by management or HR.

Findings: The HR investigation (Action 17) identified that some issues had been properly addressed, however it did identify that some issues raised previously should have been considered under the Whistleblowing policy but were not.

Actions/Lessons Learnt: The Council's Whistleblowing Policy was in need of updating and a procedure for receiving and dealing with whistle blowing complaints centrally put in place (Actions 18, 19).

Staff training and awareness raising is required on the Whistleblowing policy to ensure staff, managers and HR are aware of what constitutes a potential Whistle blowing and how this should be treated. This will be rolled out during 2022. (Action 20)

13. **Outcomes and Actions Taken**

Annex 1 contains the comprehensive Action Plan that was developed and tracked during the course of the investigation. It contains the findings and actions from all elements of the investigation: the fraud investigation (by the Counter Fraud team and the externally-sourced investigator); the HR investigation undertaken by the external HR investigator; and the internal audit of the TPOR.

20 actions are listed in the Action Plan (Annex 1) with 10 having been implemented and 10 are ongoing or not yet due.

The Council has undertaken a robust investigation into all strands of the allegations received - overseen and supported at SLT level.

Improvements to the control environment have been identified and actions taken to address these undertaken promptly. The key focus is to ensure organisational improvement in practices and minimise the risk of any future occurrence.

The Whistleblowing Policy has been reviewed and updated by the Monitoring Officer. A new procedure for centrally receiving, coordinating and monitoring Whistle blowing allegations has been put in place. A training and awareness programme will be rolled out during 2022, led by the Monitoring Officer and Director of HR.

Improvements within FM have been embedded into the review and restructuring of that service area. There are some actions to be completed in this area during 2022 as the new structure is put into place, including for example FM staff training on the new Provision Cycle.

The joint working between the Counter Fraud team and TVP has worked effectively in the specific case referred to them. A joint investigation plan was undertaken including joint interviews under caution. This investigation is still ongoing so further information cannot be provided at this stage.

Legal Implications

14. There are no direct legal implications arising from this report. The Head of Legal Services has been involved at all stages of the investigation.

Comments checked by: Sukdave Ghuman, Head of Legal Services
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Financial Implications

15. The cost of the fraud investigation was £21k in addition to staff time of those involved in the investigation. Depending on the outcome of the ongoing police investigation, there may be a potential recovery cost element as a result of the fraud investigation.

Comments checked by: Lorna Baxter, Director of Finance
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Staff Implications

16. There are no staffing implications arising directly from this report.

Equality & Inclusion Implications

17. There are no equality and inclusion implications arising directly from this report.

Sustainability Implications

18. There are no sustainability implications arising directly from this report.

Risk Management

19. There are inherent fraud risks in local authorities in some of the areas under investigation, in particular when dealing with suppliers and the use of suppliers. The Action Plan captures the actions taken to mitigate and manage the risks identified specifically in this investigation.

Steve Jordan, Corporate Director CDAI

Annex: Annex 1 contains the Actions with implementation progress listed against each action.

Background papers: None.

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