

AUDIT & GOVERNANCE COMMITTEE

13 March 2024

COUNTER FRAUD UPDATE

Report by Executive Director of Resources

RECOMMENDATION

1. The Committee is **RECOMMENDED** to
 - a) Note the summary of activity against the Counter Fraud Plan for 2023/24.

Executive Summary

2. This report presents a summary of activity against the Counter Fraud Plan for 2023/24, presented to the July 2023 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

Counter-Fraud Service & Resources Update

3. As reported to the July 2023 meeting, the Counter Fraud team comprises of the Counter Fraud Team Manager, Senior Counter Fraud Officer, Data and Intelligence Officer and the apprentice Counter Fraud Assistant.
4. As noted in previous updates, the Counter Fraud team receive, log and triage all whistleblowing reports. The Chief Internal Auditor and Counter Fraud Team Manager meet with the Director of Law & Governance monthly to review, discuss and progress all whistleblowing investigations.
5. **Case Figures 2023/24 (at February 2024):**

| Indicator | Value |
|--|---|
| New Cases 2023/24 (April – October 2023) | 16 cases |
| Current open cases (by year) | 2023/24: 10 2022/23: 3 2021/22: 1 |

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|------------------------------|--|
| With the Police | 2020/21: 1 No current cases are with the police. |
| New Cases by type | Employee: 6 Whistleblowing (being investigated by the Counter-Fraud Team): 1 Contractor: 3 Blue Badge: 4 Deprivation of Assets: 1 Financial Assessment Fraud: 1 |
| New Cases by referral source | Whistleblower: 1 Government Agency: 3 Employee / Internal Control: 11 Other Local Authority: 1 |

6. Update against the Counter-Fraud Plan 2023/24

The 2023/24 Plan, which was previously presented to the Audit & Governance July 2023 meeting, has been structured around the 5 pillars of anti-fraud activity in the Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally:

| Objective | Actions | Timescale | Feb 2024 update |
|---|---|---|---|
| Govern: Have robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation. | 1) Deliver awareness training sessions to a range of staff and members to include knowledge of fraud risks, their role in prevention activity and process to refer suspicions. 2) Provide the Audit & Governance Committee with reports during the year about the arrangements in place to protect the council against fraud and the effectiveness of these. | 1) Ongoing. 2) July, November & March. | 1) Fraud awareness training to headteachers and school business managers was delivered in October 2023. Direct Payment Fraud awareness training was delivered to Adult Social Care in February 2024. 2) Ongoing. |

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| | 3) | Review the council's anti-fraud strategy and identify areas for development by reference to the Fighting Fraud and Corruption Locally strategy. | 3) End of quarter 3. | 3) A revised Anti-Fraud and Corruption Strategy has been approved by the Monitoring Officer and the Executive Director of Resources and is in the process of being added to the intranet and public website. |
| Acknowledge: Understand fraud risk and maintain a robust anti-fraud response. | 1) | Undertake an assessment of the council's overall response to fraud and identify any areas for improvement. | 1) End of quarter 3. | 1) This has been incorporated into the review of the Anti-Fraud and Corruption strategy. |
| | 2) | Continue development of Council's fraud risk register. | 2) End of quarter 3. | 2) Work is currently being done on updating and further developing the Council's Fraud Risk Register. The Register is used to aid both audit planning and counter-fraud activity. |
| Prevent: Prevent and detect fraud taking place against the organisation, using proactive work and data analysis. | 1) | Fraud alerts to be provided to service areas as necessary. | 1) Ongoing. | 1) Alerts have been provided to relevant service areas as required. |
| | 2) | Delivery of the NFI 2022/2023 exercise. | 2) End of quarter 3. | 2) The NFI 2022/23 exercise is currently being completed. |
| | 3) | To complete Joint Internal Audit & Counter Fraud proactive reviews into Procurement Cards & Expenses (included in Internal Audit Plan 23/24). | 3) End of quarter 4. | 3) The proactive review into Procurement Cards is complete and at reporting stage. The proactive review of Expenses is almost complete – both will be reported to the May A&G meetings as part of the Internal Audit update. |

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| | 4) | To enhance data analytic capability to support potential areas of proactive work. | 4) Ongoing. | 4) Ongoing. |
| Pursue: Carry out fraud investigations, apply sanctions to offenders and recover losses. | 1) 2) | 1) Conduct investigations into suspected fraud and malpractice. 2) Continue enforcement activities against Blue Badge fraud and misuse by completing on-street exercises. | 1) Ongoing. 2) One per quarter. | 1) Ongoing. There are currently 16 open cases. 2) The most recent Blue Badge on-street exercise was completed in September 2023 and a prosecution file has been sent to OCC Legal. |
| Protect: Recognising the harm that fraud can cause in the community. | 1) 2) 3) | 1) Review and share fraud trends and new threats with relevant service areas. 2) Respond to information requests from the Police, other Local Authorities and investigation bodies such as HMRC. 3) Continue to foster relations with other internal teams. | 1) Ongoing. 2) Ongoing. 3) Ongoing. | 1) Information on new trends and alerts have been provided to relevant service areas as required. 2) Ongoing and as required. 3) Ongoing. 11 new cases in 2023/24 have been received from other internal teams / internal controls. |

7. Cases to Note (open/closed)

A confidential detailed update on Counter Fraud cases and current activity was provided to the Audit Working Group meeting on 8 November 2023. This reported on cases which have recently been completed and some of current cases being investigated.

School business manager.

As reported to the committee in November 2023, a school business manager was dismissed for defrauding a primary school. The matter was referred to Thames Valley

Police and since our last report the individual has now received a police caution (which results in a criminal record). A condition of the caution was that he signed an agreement to repay OCC in full and this is now being monitored by debt recovery. The case is now closed.

8. Other updates

Economic Crime and Transparency Bill:

The Economic Crime and Transparency Bill has now received Royal Assent. The legislation allows for an organisation such as a Local Authority to be criminally liable for the failure to prevent fraud. The 'adequate procedures' in the Bill appear to be similar to those within the UK Bribery Act 2010. County and District Councils have been advised to draw up risk assessments and the team is currently liaising with other councils to ensure consistency in order to prepare a draft which will be shared with the S151 Officer. We will supply further briefings/updates to the Audit & Governance Committee once more is known about the legislation.

Blue Badge:

As reported to the November committee, a blue badge on street enforcement exercise took place on the 26 September 2023 and resulted in two blue badges being seized for misuse. Both people suspected of misusing the blue badges attended interviews 'under caution' with the team. One of the cases has been concluded by the issuing of a warning letter to the person misusing the badge and another to the badge holder, reminding them of their responsibilities. The other case is being taken forward to prosecution as the person admitted to having bought the badge from an on-line site and a full prosecution file has been submitted to OCC Legal Services.

NFI:

The National Fraud Initiative (NFI) reports from the 2022/23 bi-annual data matching exercise were released in February 2023 and are in the process of being reviewed. There are a total of 33 reports and 30,934 matches. A full update on the completed reviews was reported to the November 2023 Audit & Governance Committee.

Since the last update made to the Committee in November 2023, all matches identifying potentially undeclared interests have been closed. These matched the details of employees on the payroll to directors of companies that are suppliers to the council. Of the 31 matches, one undeclared interest was identified, this has now been rectified and the employee has declared the interest.

Training and awareness:

Fraud Awareness training is provided to teams across the Council, for example HR, Direct Payments, Social Care Debt Recovery and Financial Assessments. We often see a positive impact of the training delivered with increased referrals received. Fraud Awareness training and an overview of whistleblowing has also been provided to members of the Audit & Governance Committee. The ongoing programme of training and awareness sessions is continuing, with Headteachers and School Business

Managers receiving training in October 2023. Tailored fraud awareness training was provided to Direct Payment staff and social workers in February 2024.

The combined areas of Finance and Procurement now meet quarterly for an 'all team' event and the April meeting will include a presentation from the fraud team.

Controls Improvement:

Upon the conclusion of each investigation, where applicable, the control environment is reviewed, and a post investigation report issued. The report highlights any weaknesses identified and includes agreed actions to prevent, stop and minimise the risk of reoccurrence. The agreed action plan is monitored for implementation by the Counter Fraud Team.

Since the last update to the November 2023 Audit Committee and November 2023 Audit Working Group, the team have issued one investigation report regarding control improvements required when suppliers request changes to their details held on the IBC portal. (Detail of the case was discussed at the November 2023 Audit Working Group Meeting)

Financial Implications

9. 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:

Lorna Baxter, Executive Director of Resources,
lorna.baxter@oxfordshire.gov.uk

Legal Implications

10. 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:

Paul Grant, Head of Legal, paul.grant@oxfordshire.gov.uk

Staff Implications

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

Equality & Inclusion Implications

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

Sustainability Implications

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

Risk Management

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

Lorna Baxter, Executive Director of Resources

Annex: Nil

Background papers: Nil

Contact Officers: Sarah Cox, Chief Internal Auditor
sarah.cox@oxfordshire.gov.uk
Declan Brolly, Counter Fraud Team Leader,
Declan.brolly@oxfordshire.gov.uk

March 2024