

AUDIT and GOVERNANCE COMMITTEE – 17 July 2019

Counter Fraud Strategy and Plan for 2019/20

Report by the Director of Finance

RECOMMENDATION

1. The committee is RECOMMENDED to:
 - a) note the summary of activity from 2018/19; and
 - b) comment and note the Counter Fraud Strategy and Plan for 2019/20.

Executive Summary

2. This report presents the Counter Fraud Strategy and Plan for 2019/20. The 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.
3. The report also provides a summary of counter-fraud activity and cases from 2018/19 (Appendix 1 contains the full 2018/19 plan agreed a year ago).

Background

4. In April 2016, the Government launched the Local Government Counter Fraud and Corruption Strategy 2016-19 – Fighting Fraud and Corruption Locally. The Strategy is supported by CIPFA's Code of Practice on Managing the risk of fraud and corruption. The Council's counter fraud arrangements are designed to adhere to the principles identified within these and therefore the plans for 2018/19 and 2019/20 are aligned to the CIPFA Code's 5 key principles:
 - Acknowledge responsibility
 - Identify risks
 - Develop Strategy
 - Provide resources
 - Take action

Summary of Activity 2018/19

5. During 2018/19 the Council trialled a different and enhanced working arrangement with Oxford Investigation Services (OIS) at Oxford City Council where OIS managed OCC's fraud referral and response service & investigations. This was tested between October 2018 – March 2019 but was discontinued and the referral process brought back in-house (see below for more information on the model of delivery going forwards). A close working relationship continues on specific cases and sharing of information. The Information Sharing Protocol with OIS was officially agreed and signed during the year, facilitating an easier method of information sharing for the purpose of preventing and detecting fraud, and has already been used on numerous occasions.
6. Significant counter-fraud work was undertaken on Direct Payments (DP) during the year. Internal Audit (Counter Fraud) convened a multi-disciplinary meeting to discuss DP cases and OCC's legal position regarding DP frauds committed by Personal Assistants (PA's). A referral flowchart for the DP fraud and recovery process was agreed and implemented between Internal Audit, Safeguarding and Debt Recovery. Quarterly Safeguarding / Debt / Fraud meetings were held to review cases and approach. We also participated in an end-to-end control mapping exercise of the managed-DP process to ensure fraud risks are minimised.
7. The County Council administer over 21,000 Blue Badges in Oxfordshire. In March 2019 the County Council Blue Badge service, working in partnership with City Council Investigation team undertook an on-street operation aimed at preventing and detecting misuse and abuse of the scheme. Over 1000 Badges were checked across the county, with 21 badges seized for being out of date or where the badge holder was not part of the journey. Penalty charge notices were also issued to people parking in Disabled Parking Bays without a badge, further protecting the scheme for those that really need it. In the lead up to the on-street operation the Blue Badge team ran a Blue Badge amnesty jointly with the libraries service, giving people the opportunity to drop off badges that were no longer needed, no questions asked. Over 200 badges were returned and destroyed, removing them from circulation. The impact of the on-street operation and amnesty was enhanced with a proactive media campaign, supported by our colleagues in the Communications Team and lead by our cabinet member for Customer Service.
8. During 2018/19 OCC's Fraud Policy was updated and re-loaded to the website and Intranet.
9. On the operational side, a total of 34 fraud referrals were logged for 2018/19, which can be broken down as follows:

Fraud Type	Number of referrals	Number closed
Direct Payments	10	5
Other ASC (money mgt, declaration of assets)	5	2
Insurance	1	0
Procurement	8	3
HR/Staff	2	0
Whistleblowing	4	4
Blue Badge (not including NFI or Feb 2019 exercise)	3	1
Schools	1	1
TOTAL:	34	16

10. In 3 out of the 5 closed Direct Payment investigations it was established that misuse / overpayment had occurred. 100% of the funds have been recovered or are in the process of being recovered via repayment plans, to the value of £18.9k. This is testament to the hard work and positive joint work undertaken between Internal Audit (Counter Fraud), Adult Social Care, the DP Finance team and Debt Recovery. For context, OCC disbursed £28m in Adult Social Care Direct payments in 2018/19. The total number of all Direct Payments across Adult's, Children's and Health-funded was 1790 in 2018/19 .
11. Further counter-fraud work completed during 2018/19 included:
- NFI data was uploaded and the match analysis commenced
 - As a first step to updating and improving fraud webpages and referral routes, a new fraud referral email address was set up fraud@oxfordshire.gov.uk and all fraud-related policies, webpages and intranet pages were mapped.
 - National Fraud Awareness week internal communications were issued in November
 - Initial input into Deprivation of Assets process improvement work was provided
 - Monthly meetings were held with OIS to discuss cases and ongoing pieces of work
 - Continued participation in the Midlands Fraud Group
 - CIPFA Fraud and Corruption Tracker (CFaCT) annual survey data input
 - Transparency data published for 2018/19

Counter Fraud Plan and Model for Delivery 2019/20

12. 2019/20 will be a pivotal year in determining how the counter-fraud model of delivery will work going forwards. A significant organisational change since 2018/19 is the new partnership between OCC and Cherwell District Council, where areas of joined up partnership working are being sought and developed across both Councils. Internal Audit and Counter-fraud is potentially an area for partnership working. A large part of the strategic work this year will be in researching and developing the best and most effective counter-fraud model for the County.

13. As we look to build the Counter-Fraud service for the longer term, in the short term our aim is to recruit an Investigation Officer who will assist with the delivery of the current resource requirements and the development of the future model.
14. On the operational side, Internal Audit (currently retaining the lead for Counter Fraud) will continue to receive all fraud referrals (via email or phone) and log these on the Council's Fraud Log. In order to improve the efficiency of this, a case management system will be procured. In addition to this reactive work, a number of proactive fraud prevention & detection pieces of work will be taken forward:
- During 2018/19 Internal Audit (Counter Fraud) worked successfully with colleagues in Adult Social Care and Quality & Contracts to review and improve the fraud flagging, referrals, investigations and recovery of Direct Payments. A similar approach will be taken with the Customer Service Centre in 2019/20 to review fraud risks, referrals and investigations for Blue badges, Carer's Grants and Bus Passes.
 - In 2018/19 the Counter-Fraud Policy was updated and uploaded to the Intranet and website. This work will continue, with the updating of all fraud-related Intranet and webpages in 2019/20.
15. The table below provides more detail on the overarching objectives for Internal Audit (Counter Fraud) in 2019/20, the actions supporting these and the success criteria.

Objective:	Actions:	Success Criteria:
<p>1. Develop Oxfordshire Counter-Fraud model</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> • Acknowledge responsibility • Identify risks • Develop Strategy • Provide resources • Take action 	<ul style="list-style-type: none"> • Fraud delivery models will be assessed, looking at comparator Councils and in discussion with local partners. • A Counter Fraud Officer will be recruited to take on the operational delivery of the service. • The County-wide Counter-fraud strategy will be discussed at Oxfordshire Treasurers Association. • In line with corporate direction, establish and build a close working partnership between OCC and Cherwell DC counter-fraud activity. • A close working relationship will continue with Oxford Investigation Service, purchasing additional resource from them as required. • Build relationships with counter- 	<ul style="list-style-type: none"> • A clear and agreed plan for implementing an effective counter-fraud service • Recruitment of Counter-Fraud Officer

	<p>fraud colleagues in other LA's (Hertfordshire Shared Anti-Fraud Service, West Oxon Fraud Hub).</p> <ul style="list-style-type: none"> Internal Audit will retain the strategic lead role on Counter Fraud however the operational activity will be managed as a distinct function. 	
<p>2. Raise the profile of counter-fraud and increase fraud referrals & efficiency of fraud case management</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> Acknowledge responsibility Develop Strategy Provide resources 	<ul style="list-style-type: none"> Update the Fraud pages on the website and intranet Update and improve the fraud referral routes Research case management systems to automate and create efficiencies in logging and updating cases. Deliver counter-fraud training to members and officers. 	<ul style="list-style-type: none"> All Fraud-related webpages up to date with clear & easily accessible fraud referral routes for the public, staff and others to use. New case management system in place Agreed training programme delivered.
<p>3. Fraud risk mapping: Blue badge, Carer's grant, Bus Pass</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> Acknowledge responsibility Identify risks Take action 	<ul style="list-style-type: none"> Review of processes to identify fraud risks Work with the service to embed fraud red flags and referral points in each process and record misuse/fraud issues Review the Blue badge annual exercise performed with OIS to identify any areas for process improvement. 	<ul style="list-style-type: none"> Fraud risks mapped throughout the BB, CG and BP processes Standard Operating Procedure for BB Enforcement developed Successful BB misuse/fraud prosecution(s) and deterrence activity
<p>4. NFI</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> Identify risks Take action 	<p>Complete the review of NFI matches from the 2018/19 exercise</p>	<ul style="list-style-type: none"> All NFI matches reviewed Recovery of funds where appropriate Lessons learnt shared and controls improved

		where necessary
<p>5. Adult Social Care</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> • Acknowledge responsibility • Identify risks • Provide resources • Take action 	<ul style="list-style-type: none"> • Continue to implement the DP fraud risk process and make any necessary amendments, as well as deliver DP Fraud Awareness training • Continue to hold quarterly Safeguarding/Fraud/Debt review meetings to discuss specific cases and implementation of new process • Discuss with stakeholders the opportunities for improvement in the use of intelligence on PA's where financial abuse or other safeguarding/fraud concerns are raised. • Review whether improved mechanisms for referral and acceptance of financial abuse cases to the Police can be implemented. 	
<p>6. Deprivation of Assets</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> • Acknowledge responsibility • Identify risks • Develop Strategy • Provide resources • Take action 	<p>Participate in project team reviewing DoA policies and processes to ensure fraud risks are assessed and included.</p>	<ul style="list-style-type: none"> • Service develop polices and processes which include proper assessment, identification and follow up of fraud risk
<p>7. Networking</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> • Identify risks • Provide resources • Take action 	<ul style="list-style-type: none"> • Continue to engage with Midlands Fraud Group • Build working relationships with well developed counter-fraud services • Engage with the Fraud Knowledge Hub to share information and learning. • Attend Fraud conferences 	<ul style="list-style-type: none"> • Attended Group meetings and conferences • Established useful and productive professional working relationships
<p>8. Data reporting</p>	<ul style="list-style-type: none"> • Submit the annual CIPFA Fraud 	<ul style="list-style-type: none"> • All data reporting

<p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> • Identify risks • Take action 	<p>Tracker data</p> <ul style="list-style-type: none"> • Publish the annual Transparency Code data 	<p>requirement submitted accurately and on time.</p>
<p>9. Fraud referral management & investigations</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> • Identify risks • Take action 	<ul style="list-style-type: none"> • Receive all fraud enquiries and referrals via email, phone and the whistleblowing line/webform • Log these on the Fraud Log • Investigate each referral to establish next steps • Pursue as fraud investigation / management investigation / safeguarding investigation / other, as appropriate. • Working with relevant Officers from other teams • Update fraud log records as case progresses • Escalate and keep management informed where appropriate • Liaise with relevant external stakeholders, eg District Councils, DWP, Police • Take forward the correct outcome actions, eg recovery, prosecutions, disciplinary action etc. • Identify & share lessons learnt. • Close the case 	<ul style="list-style-type: none"> • Response to referrals and enquiries within 48 hours • Appropriate sanctions applied (repayments, prosecution, disciplinary, etc)

LORNA BAXTER
 Director of Finance

Background papers: None. Contact Officer: Sarah Cox, Chief Internal Auditor 07393 001246

Appendix 1 – Counter Fraud Plan from 2018/19

CIPFA CODE KEY PRINCIPLE	ACTIVITY	SCHEDULING	COMPLETED?
Acknowledge responsibility	Improved quarterly reporting on counter fraud to Strategic Directors Meetings and Directorate Leadership Team Meetings.	From Sept 2018 updates.	Yes
	Implementation of formal handover plan by Oxford City to take on responsibility for receiving and triage of referrals.	June – Sept 2018	Yes, but responsibility taken back.
	Review and refresh of Intranet and external Fraud & whistleblowing webpages, as well as referral methods	Sept – Dec 2018	Completed May 2019 by Internal Audit
	Review and promotion of Fraud awareness e-learning package, training, internal communications.	Sept – Dec 2018	Ongoing
Identify risks	Continue to develop the approach to fraud risk. This will initially focus on building on the work completed by the City Investigation Team to produce a fraud risk register. This will identify the resource requirement for delivery of proactive testing and control reviews in areas of high fraud risk.	Throughout 2018/19	Ongoing
	Work has already commenced in identifying fraud risk areas in relation to adult social care (other than direct payments). This has identified that fraud awareness training and improved guidance and procedures is required. (For example; Financial Assessments, including the issue of deprivation of assets and non-declaration, Money Management, Debt Management)	From June 2018.	Direct Payment work complete, other streams included in 2019/20 Plan
	Review of the fraud referral routes and awareness to ensure that potential fraud and irregularity is being captured and action taken in accordance with the Anti-Fraud and Corruption Strategy.	July – October 2018	Started and ongoing
	Emerging risks – Continued participation in the Midlands Fraud Group, other benchmarking, continuous horizon scanning, legislative changes, undertake the CIPFA Fraud and Corruption	Throughout 2018/19	Yes and ongoing

	Tracker (CFaCT) annual survey, alerts from the networks of the Oxford City Investigation Team.		
Develop Strategy	Review of the Anti-Fraud and Corruption Strategy and associated policies (for example Bribery, Whistleblowing, etc).	By March 2019	Completed
	Development of the use of continuous monitoring within the organisation in areas of risk of fraud / error and improved used of data analytics and intelligence sharing within Internal Audit/Fraud Team.	Throughout 2018/19	Ongoing
	Working with the Districts and City Council to review and agree the strategy and detailed approach to SPD (Single Person Discount) and other Council Tax Reductions.	By March 2019	Ongoing
Provide resources	Formal agreement for Oxford City Investigation Team to provide resource to fully deliver the management of all referrals, including appropriate triage and maintenance of the fraud log. Where formal fraud investigations are required these will be managed and delivered by the Investigation Team. They will be responsible for providing expertise, training and assistance with communications. They will also take over the full management of the NFI (National Fraud Initiative) exercise from the initial fair processing notices, uploading of data sets, review of results and system recording.	Summer 2018	Completed and trialled
	Restructure within Internal Audit, so that one of the Principal Auditors also has management responsibility for pro-active fraud work. The Senior Auditor post previously allocated to fraud will become fully assigned to Internal Audit. Additional proactive fraud resource to be managed by the Principal Auditor, will be identified once the fraud risk identification work referred to above is complete. Temporary resource is available where we identify opportunities for pro-active fraud work whilst a sustainable strategy for a future fraud response model is	Summer 2018	Yes, complete

	developed which will highlight longer term funding requirements.		
Take action	Continued promotion and delivery of the Anti-Fraud and Corruption Strategy, ensuring application of appropriate sanctions, civil, disciplinary and criminal (including seeking recovery).	Throughout 2018/19	Yes complete and ongoing
	Investigations to be managed by Oxford City Investigation Team, to include formal reports of outcomes / lessons learnt / required control improvements.	Throughout 2018/19	Yes complete and trialled
	Review / improve communications post investigation, both internal communications and external press releases.	Throughout 2018/19	Ongoing
	Participation in the 2018 National Fraud Initiative. (NFI). Data to be submitted Autumn 2018 with returned matches for investigation expected to be received by March 2019.	March 2019 – will continue into 2019/20	Ongoing and on target for completion by planned date end Sept 2019 to report back to 13 Nov A&G Cttee
	Delivery of specific themed pro-active fraud exercises, following work completed on fraud risk assessment.	By March 2019	Direct Payment work and Blue Badge exercise
	Following on from the audit of Security Bonds (17/18) – there will be a proactive fraud review completed.	By October 2018	Complete – further work now being undertaken with a probity audit of transactions to be completed July 2019.