

## **AUDIT and GOVERNANCE COMMITTEE – 13 November 2019**

### **Update on Counter Fraud Strategy and Plan for 2019/20**

#### **Report by the Director of Finance**

#### **RECOMMENDATION**

1. The committee is RECOMMENDED to note the progress with delivery of Counter Fraud Strategy and Plan for 2019/20.

#### **Executive Summary**

2. This report presents an update on the Counter Fraud Strategy and Plan for 2019/20, which was presented to the Audit & Governance Committee in July 2019. 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 includes a summary of counter-fraud activity against the annual plan (see table 1 below) and an overview of open and closed cases as at October 2019 (see table 2 below).

#### **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

## Counter Fraud Plan and Model for Delivery 2019/20

5. In July 2019, we reported that 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. This work is in progress. 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 operational delivery of the current resource requirements and the development of the future model. Following a recruitment exercise in September, an offer was made to an excellent candidate but unfortunately this was rejected. We are therefore now reviewing recruitment options and will report back to the Committee on progress. As part of this activity we are also currently working with Trading Standards to agree ways in which we can create a closer working relationship to share skills and resources, due to the significant overlap in investigative and enforcement roles and responsibilities between Counter Fraud and Trading Standards.
6. On the operational side, we continue to receive all fraud referrals (via email or phone). We previously were logging these on a spreadsheet but have improved the efficiency of this with the implementation of a fraud case management system in September. All fraud referrals since April 2019 have been uploaded to the system so a full year's record can be reported on at year end. Furthermore, we have just added a separate module to the system to record all Blue badge/bus pass/parking permit fraud/misuse reports by the Customer Service Centre teams (CSC). This is being input and managed by the CSC Deputy Service Lead (Operations) and overseen by Internal Audit. Previously these CSC misuse/fraud referrals had been logged on a local spreadsheet but using the new system will provide greater transparency and reporting facilities. The next step in this piece of work is to incorporate the referral system into OCC's website and Intranet, which will direct referrals straight into the case management system.
7. Close working is ongoing with the CSC to develop the Blue Badge enforcement procedures. We have jointly met with Counter parts from Portsmouth City Council who are leaders in the field of blue badge enforcement, and we envisage building a working relationship with them. We also jointly met with two PCSO's from Banbury to share information on blue badge enforcement and develop stronger working relationships going forward. A paper is due to be submitted to CEDR to brief on this important area of enforcement work and to request further support to develop enforcement activity on blue badge misuse.
8. The National Fraud Initiative (NFI) data matching exercise is almost complete. The results so far are captured in Appendix 1. In total, 4,367 data matches were manually checked against OCC's records to identify potential overpayments, errors, un-declared assets etc. There are 30 matches still under investigation. A total of £18.3k in over-payments has already been recovered, £267k of non-cashable savings made due to cancellation of blue badges and bus passes, plus a further £85k of pensions over-payments and 10 cases of un-declared assets/income in financial assessments are under investigation.

9. Table 1 below provides more detail on the overarching objectives and action plan for Counter Fraud in 2019/20, as well as an update against actions as at October 2019.

Table 1 – Update against Counter Fraud Plan 2019/20

Objective:	Actions:	Success Criteria:	Update Oct 2019
<p>1. Develop Oxfordshire Counter-Fraud model</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> <li>• Acknowledge responsibility</li> <li>• Identify risks</li> <li>• Develop Strategy</li> <li>• Provide resources</li> <li>• Take action</li> </ul>	<ul style="list-style-type: none"> <li>• Fraud delivery models will be assessed, looking at comparator Councils and in discussion with local partners.</li> <li>• A Counter Fraud Officer will be recruited to take on the operational delivery of the service.</li> <li>• The County-wide Counter-fraud strategy will be discussed at Oxfordshire Treasurers Association.</li> <li>• In line with corporate direction, establish and build a close working partnership between OCC and Cherwell DC counter-fraud activity.</li> <li>• A close working relationship will continue with Oxford Investigation Service, purchasing additional resource from them as required.</li> <li>• Build relationships with counter-fraud colleagues in other LA's (Hertfordshire Shared Anti-Fraud Service, West Oxon Fraud Hub).</li> <li>• Internal Audit will retain the strategic lead role on Counter Fraud however the operational activity will be managed as a distinct function.</li> </ul>	<ul style="list-style-type: none"> <li>• A clear and agreed plan for implementing an effective counter-fraud service</li> <li>• Recruitment of Counter-Fraud Officer</li> </ul>	<ul style="list-style-type: none"> <li>• We have built a positive relationship with the Head of the Hertfordshire Anti Fraud Service (which provides fraud services across 9 Councils in Herts). The Head has supported us with our recent recruitment exercise, including being a member of the interview panel.</li> <li>• We recently met with our counter-parts from Bucks CC to discuss joint working across Bucks-Oxon counter fraud teams.</li> <li>• Following a positive initial meeting in June 2019 with the Counter Fraud Unit managers for Gloucs/West Oxon, discussions have been ongoing with a view to building working relationships.</li> <li>• We continue to work closely with our colleagues at OIS on specific ongoing investigations they have been supporting us with.</li> <li>• A recruitment exercise for the Counter Fraud Officer role was undertaken, but was unsuccessful first time round and a new approach will be taken second time round.</li> </ul>

			<ul style="list-style-type: none"> <li>• A joint OCC-CDC communications piece is being planned for the November International Fraud Awareness week internal communication. This will be a video of both s151 officers relaying a strong fraud awareness message, a link to the Fraud awareness e-learning and a Council survey on fraud awareness, to identify teams that most require fraud awareness training.</li> </ul>
<p>2. Raise the profile of counter-fraud and increase fraud referrals &amp; efficiency of fraud case management</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> <li>• Acknowledge responsibility</li> <li>• Develop Strategy</li> <li>• Provide resources</li> </ul>	<ul style="list-style-type: none"> <li>• Update the Fraud pages on the website and intranet</li> <li>• Update and improve the fraud referral routes</li> <li>• Research case management systems to automate and create efficiencies in logging and updating cases.</li> <li>• Deliver counter-fraud training to members and officers.</li> </ul>	<ul style="list-style-type: none"> <li>• All Fraud-related webpages up to date with clear &amp; easily accessible fraud referral routes for the public, staff and others to use.</li> <li>• New case management system in place</li> <li>• Agreed training programme delivered.</li> </ul>	<ul style="list-style-type: none"> <li>• The update of the fraud pages on the website and intranet is complete</li> <li>• The fraud referral email address and contact details is now more prominent on these pages (at the top)</li> <li>• The new fraud case management system, Opus, has gone live and all cases from 2019/20 have been transferred on to it. This is already providing efficiencies.</li> <li>• A separate section for Customer Service Centre referrals relating to Blue badge, bus pass and parking permit fraud/misuse/abuse has been set up to record and manage these referrals on the system.</li> <li>• Council teams that would benefit from counter-fraud training will be identified following the survey. This will potentially be delivered using one of the partnership resources from neighbouring authorities.</li> </ul>

<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"> <li>• Acknowledge responsibility</li> <li>• Identify risks</li> <li>• Take action</li> </ul>	<ul style="list-style-type: none"> <li>• Review of processes to identify fraud risks</li> <li>• Work with the service to embed fraud red flags and referral points in each process and record misuse/fraud issues</li> <li>• Review the Blue badge annual exercise performed with OIS to identify any areas for process improvement.</li> </ul>	<ul style="list-style-type: none"> <li>• Fraud risks mapped throughout the BB, CG and BP processes</li> <li>• Standard Operating Procedure for BB Enforcement developed</li> <li>• Successful BB misuse/fraud prosecution(s) and deterrence activity</li> </ul>	<ul style="list-style-type: none"> <li>• We have jointly (with the blue badge team) developed a set of SOPs for blue badge enforcement, which are in the process of being signed off.</li> <li>• We also jointly met with counterparts from Portsmouth City Council, who have a strong track record in blue badge enforcement and prosecution. We hope to build on this relationship and undertake enforcement exercises building on their expertise.</li> <li>• We met jointly with PCSO's from Banbury to discuss enforcement in the north of the county.</li> </ul>
<p>4. NFI</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> <li>• Identify risks</li> <li>• Take action</li> </ul>	<p>Complete the review of NFI matches from the 2018/19 exercise</p>	<ul style="list-style-type: none"> <li>• All NFI matches reviewed</li> <li>• Recovery of funds where appropriate</li> <li>• Lessons learnt shared and controls improved where necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Please see Appendix 1 for a summary of the NFI 2018/19 exercise progress and outcomes so far.</li> </ul>
<p>5. Adult Social Care</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> <li>• Acknowledge responsibility</li> <li>• Identify risks</li> <li>• Provide resources</li> <li>• Take action</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to implement the DP fraud risk process and make any necessary amendments, as well as deliver DP Fraud Awareness training</li> <li>• Continue to hold quarterly Safeguarding/Fraud/Debt review meetings to discuss specific cases and implementation of new process</li> <li>• Discuss with stakeholders the</li> </ul>		<p>We have met with Safeguarding, Trading Standards and Information Management to discuss opportunities for more effectively capturing and using intelligence of PA's. This work is ongoing.</p> <p>Following a DP fraud referral to Action Fraud which resulted in NFA we referred the case to the TVP lead on the Adult Safeguarding board. As a result, TVP have</p>

	<p>opportunities for improvement in the use of intelligence on PA's where financial abuse or other safeguarding/fraud concerns are raised.</p> <ul style="list-style-type: none"> <li>Review whether improved mechanisms for referral and acceptance of financial abuse cases to the Police can be implemented.</li> </ul>		<p>taken on this case and are investigating it currently.</p> <p>We continue to work closely with Safeguarding on a number of cases.</p>
<p>6. Deprivation of Assets</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> <li>Acknowledge responsibility</li> <li>Identify risks</li> <li>Develop Strategy</li> <li>Provide resources</li> <li>Take action</li> </ul>	<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"> <li>Service develop polices and processes which include proper assessment, identification and follow up of fraud risk</li> </ul>	<ul style="list-style-type: none"> <li>A Deprivation of Assets project coordinator was appointed in Sept to undertake a review of policies and procedures, as well as other local authorities' practices. We met with them to discuss the fraud risks and how to take the project forward.</li> <li>Further Deprivation of Assets cases have been referred through to the fraud team, highlighting the need to agree robust policies and procedures going forwards.</li> </ul>
<p>7. Networking</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> <li>Identify risks</li> <li>Provide resources</li> <li>Take action</li> </ul>	<ul style="list-style-type: none"> <li>Continue to engage with Midlands Fraud Group</li> <li>Build working relationships with well developed counter-fraud services</li> <li>Engage with the Fraud Knowledge Hub to share information and learning.</li> <li>Attend Fraud conferences</li> </ul>	<ul style="list-style-type: none"> <li>Attended Group meetings and conferences</li> <li>Established useful and productive professional working relationships</li> </ul>	<ul style="list-style-type: none"> <li>Engagement continues regularly with Midlands Fraud Group colleagues.</li> <li>New and existing relationships with other local authorities are being developed, as noted above.</li> </ul>
<p>8. Data reporting</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> <li>Identify risks</li> <li>Take action</li> </ul>	<ul style="list-style-type: none"> <li>Submit the annual CIPFA Fraud Tracker data</li> <li>Publish the annual Transparency Code data</li> </ul>	<ul style="list-style-type: none"> <li>All data reporting requirement submitted accurately and on time.</li> </ul>	<ul style="list-style-type: none"> <li>Not yet applicable</li> </ul>

<p>9. Fraud referral management &amp; investigations</p> <p><i>CIPFA code key principles:</i></p> <ul style="list-style-type: none"> <li>• Identify risks</li> <li>• Take action</li> </ul>	<ul style="list-style-type: none"> <li>• Receive all fraud enquiries and referrals via email, phone and the whistleblowing line/webform</li> <li>• Log these on the Fraud Log</li> <li>• Investigate each referral to establish next steps</li> <li>• Pursue as fraud investigation / management investigation / safeguarding investigation / other, as appropriate.</li> <li>• Working with relevant Officers from other teams</li> <li>• Update fraud log records as case progresses</li> <li>• Escalate and keep management informed where appropriate</li> <li>• Liaise with relevant external stakeholders, eg District Councils, DWP, Police</li> <li>• Take forward the correct outcome actions, eg recovery, prosecutions, disciplinary action etc.</li> <li>• Identify &amp; share lessons learnt.</li> <li>• Close the case</li> </ul>	<ul style="list-style-type: none"> <li>• Response to referrals and enquiries within 48 hours</li> <li>• Appropriate sanctions applied (repayments, prosecution, disciplinary, etc)</li> </ul>	<ul style="list-style-type: none"> <li>• A total of 21 referrals have been made between April – October 2019. These have been appropriately assessed, triaged and investigated where necessary. Of these 3 have been closed.</li> <li>• All cases since April 2019 are being logged on the new case management system.</li> <li>• A further 14 cases are still open from previous years as they are still under investigation.</li> <li>• Please see table 2 below for further details on cases.</li> </ul>
---	--	---	---

10. Table 2 below provides an update on open and closed fraud referrals and cases as at October 2019.

Table 2 – Fraud referrals and cases as at October 2019

	<b>Total</b>	<b>Notes</b>
Number of fraud referrals:	2017/18: 27 2018/19: 34 2019/20 Q1&2: 17	

<p>Number of blue badge misuse/abuse reports April-Oct 2019</p>	<p>31 reports</p>	<p>In 19 cases, we issued a warning letter to the badge holder. In the other cases, insufficient information was provided in the referral to investigate or identify the badge holder. The blue badge team have just amended the misuse web referral form to mandate it to require the minimum information required in order to investigate (e.g. the badge number). 1 case is still open under investigation.</p>
<p>Number of cases currently open to Counter Fraud team</p>	<p>2017/18: 1 2018/19: 12 2019/20: 14</p>	<p>The 1 case still open from 2017/18 is the foster carer over-payments of £117k. This case went to Court in October 2019 and the foster carer received a 2-year prison sentence. There are some administrative tasks to complete prior to closing the case down. An audit is planned of the new payments systems later in 2019/20, which will assess the controls now in place.</p> <p>Of the other open cases, the breakdown by category is as follows: Insurance: 1 Deprivation of Assets: 4 Employee: 4 Personal Budget/Direct Payment: 7 Blue badge: 2 Provider/procurement: 4 Whistleblowing: 2 Bus pass: 1</p> <p>Of these there are currently 4 cases that are subject to a police investigation or legal proceedings.</p>

LORNA BAXTER  
Director of Finance

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

## Appendix 1: NFI Update as at end October 2019 Match

### Reports Summary

Total Number of NFI match reports	37 reports
Number of match reports with review complete, of which:	34
Number closed down as all investigations complete	25
Number still open as investigations ongoing	9
Number of match reports not yet started	3

### Matches Checks Summary

Total number of NFI matches across all reports	36,494
Total number of matches checked (note due to the volume of matches in some reports, a sample approach is taken)	4,367 with 30 still in progress due to queries being investigated.
Number of match reports where 100% population checked	27

### Financial Outcomes Summary

Value of over-payments already recovered	£18.3k
Value of queried payments still under investigation	£85k in pensions and unquantified value from undeclared assets in financial assessments
Value of non-cash savings due to cancelled blue badges and bus passes	£267k

## Detailed Outcomes Report

Match types	Purpose of match checks	Number of matches	Outcomes
Pensions to Deceased and Payroll	To identify pensions overpayments where recipients have deceased or continue in employment	596 across 6 reports	596 matches checked. 10 still in progress as under investigation. Potential £85k in overpayments identified so far and under investigation.
Payroll to Payroll	To identify where employees have not declared secondary employment	100 across 3 reports	100 matches checked 10 still in progress as under investigation.
Creditors to Payroll	To identify where employees are also set up as creditors	249 across 2 reports	105 matches checked No issues identified
Blue Badges to other LA's and Deceased	To identify where badge holders have badges from multiple authorities or where they have deceased	831 across 2 reports	831 matches checked 368 deaths not notified to us & system therefore updated @ £575 saving per badge = annual saving of £212k (not a cash saving)
Bus Passes to Deceased	To identify deceased bus pass holders	2379 in 1 report	2379 matches checked 2289 bus passes cancelled Value of £24 per bus pass =£55k saving (not a cash saving)
Parking permit to deceased	To identify deceased permit holders	15 in 2 reports	15 matches checked 3 under investigation where permit application made after date of death.
Residential care homes to deceased	To identify overpayments to care homes where service user has deceased	31 in 1 report	31 matches checked

			2 overpayments to 2 separate care homes identified and recovered, totalling £17k
Direct Payments to deceased and other DP's	To identify deceased service users still in receipt of DP's and where service users are in receipt of DP's from multiple authorities.	15 in 3 reports	15 matches checked 1 overpayment identified to service user after date of death, £1.3k recovered.
Personal Budgets to pensions, property and earnings	To identify un-declared assets and income in Financial Assessments	172 matches in 5 reports	172 matches checked. 14 under investigation where pensions, income or property not declared.
Duplicate creditors	To identify duplicate payments to creditors	31,865 matches in 9 reports	122 matches checked Sample selected for each report. Results were fed into the Duplication Payments audit recently completed. No issues identified as duplicate payments had either already been identified and addressed or were not duplicate payments.

There are 3 reports where match checks have not yet started (VAT overpaid (58 matches) and 2x Procurement – Payroll to Companies House (Director) (121 matches). These will be completed within the next quarter, depending upon Internal Audit resource availability.