

AUDIT & GOVERNANCE COMMITTEE – 25 JULY 2018

COUNTER FRAUD STRATEGY AND PLAN FOR 2018/19

Report by the Director of Finance

Introduction

1. This report presents the Counter Fraud Strategy and Plan for 2018/19. 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.

Background

2. 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.
3. The Council's counter fraud arrangements are designed to adhere to the principles identified within the CIPFA Code of Practice and the Local Government Fraud and Corruption Strategy, therefore the plan for 2018/19 is aligned to the CIPFA Code's 5 key principles:
 - Acknowledge responsibility
 - Identify risks
 - Develop Strategy
 - Provide resources
 - Take action

Counter Fraud Model for Delivery

4. The model for delivery of both the pro-active fraud plan and management of reactive work / investigations has recently been reviewed by the Assistant Director of Finance and the Chief Internal Auditor. It has been confirmed that Internal Audit will continue to have the overall responsibility for Counter-Fraud.
5. We will continue to build on the arrangement we have with the Oxford City Council Investigation Team and are developing a formalised arrangement for 2018/19 going forward for them 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 on fraud matters, including drafting internal communications for the Council. 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.

6. Internal Audit will continue developing the approach to fraud risk / development and maintenance of the fraud risk register, as well as the development and delivery of a plan of work of proactive testing and controls review in areas of high fraud risk.
7. Internal Audit will retain the responsibility for reporting on Fraud, monitoring that investigations undertaken internally by management are done so in accordance with the Anti-Fraud and Corruption Policy, undertaking the post investigation follow up to check whether action is required to reduce reoccurrence / improvement to controls, maintain the Anti-fraud and Corruption Policy and delivering the Direct Payment Fraud Training.
8. It is acknowledged that we need to further strengthen our pro-active fraud activity and development of this will be a key focus for 2018/19 and 2019/20. There will be changes to the structure and responsibilities within the Internal Audit Team for counter fraud with one of the Principal Auditors having management responsibility for pro-active fraud work. Over the next two years we will develop our methodology for fraud risk identification, become more mature in our understanding of the value of digital technology in addressing fraud and consider the organisational changes the council are currently going through. Temporary resource is available during this period where we identify opportunities for pro-active fraud work whilst a sustainable strategy for a future fraud response model is developed which will highlight longer term funding requirements.
9. The Audit and Governance Committee will receive a quarterly report, alongside the Internal Audit update which will provide an update on counter fraud and delivery of the counter fraud activity.

2018/19 Counter Fraud Plan

10. Appendix 1 sets out the annual Counter Fraud plan for 2018/19.
11. The key focus of counter fraud activity during the year includes:
 - Implement the new model of delivery, working with the Oxford City Investigation Team
 - Establish resourcing plan for the year.

- Continue the work in developing the approach to fraud risk / development and maintenance of the fraud risk register / development and delivery of a plan of work of proactive testing and control reviews in areas of high fraud risk.
- Review of procedures, awareness, fraud referral routes, training etc, to ensure that potential fraud and irregularity is being captured and action taken in accordance with the Anti-Fraud and Corruption Strategy.
- Ensure continuing good practice for fraud prevention, detection and investigation.

RECOMMENDATION

12. The Committee is **RECOMMENDED** to comment and note the Counter Fraud Strategy and Plan for 2018/19.

LORNA BAXTER
Director of Finance

Background papers: None. Contact Officer: Sarah Cox 07393 001246

APPENDIX 1 - COUNTER FRAUD PLAN 2018/19

CIPFA CODE KEY PRINCIPAL	ACTIVITY	SCHEDULING
Acknowledge responsibility	Improved quarterly reporting on counter fraud to Strategic Directors Meetings and Directorate Leadership Team Meetings.	From Sept 2018 updates.
	Implementation of formal handover plan by Oxford City to take on responsibility for receiving and triage of referrals.	June – Sept 2018
	Review and refresh of Intranet and external Fraud & whistleblowing webpages, as well as referral methods	Sept – Dec 2018
	Review and promotion of Fraud awareness e-learning package, training, internal communications.	Sept – Dec 2018
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
	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.
	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
	Emerging risks – Continued participation in the Midlands Fraud Group, other benchmarking, continuous horizon scanning, legislative changes, undertake the CIPFA Fraud and Corruption Tracker (CFaCT) annual survey, alerts from the networks of the Oxford City Investigation Team.	Throughout 2018/19
Develop Strategy	Review of the Anti-Fraud and Corruption Strategy and associated policies (for example Bribery, Whistleblowing, etc).	By March 2019

	Development of the use of continuous monitoring within the organisation in areas of risk of fraud / error and improved use of data analytics and intelligence sharing within Internal Audit/Fraud Team.	Throughout 2018/19
	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
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
	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 developed which will highlight longer term funding requirements.	Summer 2018
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
	Investigations to be managed by Oxford City Investigation Team, to include formal reports of outcomes / lessons learnt / required control improvements.	Throughout 2018/19
	Review / improve communications post investigation, both internal communications and external press releases.	Throughout 2018/19
	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

	Delivery of specific themed pro-active fraud exercises, following work completed on fraud risk assessment.	By March 2019
	Following on from the audit of Security Bonds (17/18) – there will be a proactive fraud review completed.	By October 2018