

AUDIT and GOVERNANCE COMMITTEE – 11 November 2020 Counter-Fraud Arrangements

Report by the Director of Finance

RECOMMENDATION

- 1. The committee is RECOMMENDED to comment and note the updated arrangements for Counter-Fraud.**

Executive Summary

1. This report presents the revised arrangements for Counter-Fraud. This 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. At the September Audit & Governance Committee meeting the Counter-Fraud Strategy and Plan for 20/21 was presented. This included the objective to review joint working opportunities for the delivery of a Counter-Fraud Service across OCC (Oxfordshire County Council) and CDC (Cherwell District Council). The committee were updated on the plan of activity for 2020/21.
3. Since the of summer 2019, the Counter-Fraud service has been focussing on reactive investigations with limited opportunity to undertake proactive Counter-Fraud work. One of the Audit Managers in Internal Audit leads on Counter-Fraud, and it was planned to take approximately 50% of her time in managing this activity. Counter-fraud grant funding has been used to pay for additional support, which since 2019 has included the secondment of an "Investigations Officer" from Trading Standards. We have also invested in upskilling the Audit Manager who has undertaken Counter-Fraud training, and the development of the relationship with Trading Standards which has extended beyond just the secondment, but also sharing of intelligence and resources for fraud investigations.
4. This year has seen an increase in the workload for the team in relation to reactive investigations. Using the Internal Audit resource impacts on our ability to deliver the audit plans for both OCC and CDC and therefore it is acknowledged that the new arrangements require dedicated Counter-Fraud resource within the team.

Joint Service

5. A proposal for the creation of a joint working Counter-Fraud service across OCC and CDC has been approved by CEDR. The joint service will operate from April 2021 after the CDC contract ends with their current provider on 31 March 2021.
6. This will see the existing Internal Audit joint working arrangement extended to include Counter-Fraud where the service is provided by the OCC team jointly across both Councils. The team will be managed through OCC but will require an increase in staff resource to have the capacity to deliver the service. The updated Internal Audit and Counter-Fraud Structure Chart is included in Appendix 1. The new arrangements include for 2 Counter-Fraud Officers and 1 Intelligence & Data Officer (who will be supported to complete an apprenticeship intelligence analyst qualification).
7. Recruitment has already commenced to ensure that the new service can be fully operational before the end of the financial year.
8. The joint Finance management team of the Director of Finance (OCC and CDC), Assistant Director of Finance (CDC), and Assistant Director of Finance (OCC) will oversee the performance and growth of the service and agree the annual budget plans.
9. Quarterly updates to both the Audit and Governance Committee and the Audit Working Group will continue, reporting on activity in relation to OCC.
10. We will continue to work closely with Trading Standards, sharing resources and intelligence.
11. The joint working arrangement presents an excellent opportunity to strengthen both Councils' approaches to the prevention and detection of fraud. Both Councils have similar anti-fraud and corruption policies and a zero tolerance to fraud. The inherent risk of fraud across both Councils' services is high, both from external sources, but also internal corporate fraud. Whilst systems and controls are generally sound, fraud remains a risk. Fraud risk is also a high priority for the Government.
12. The table below provides an update on the overarching objectives for Internal Audit - Counter Fraud in 2020/21 and the actions supporting these.

Objective	Actions	Update
Strategic: Implement agreed Proposal for Counter Fraud arrangements	1. Explore joint working opportunities between OCC-CDC 2. Produce and agree Proposal for joint working	New model of joint working approved by CEDR Sept 2020. To be fully operational by new financial year.
Capability	3. Implement the agreed	This has included the

<p>Capacity Competence</p>	<p>structure and working arrangements, including processes and performance monitoring</p>	<p>approval of 3 dedicated Counter-fraud posts – 2 Counter-Fraud Officers and one Intel Officer.</p> <p>Work now in progress to develop operational processes and define performance monitoring system.</p>
<p>Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council.</p> <p>Culture Capability Communication Collaboration</p>	<ol style="list-style-type: none"> 1. Establish and routinely update a Fraud Risk Assessment 2. Deliver fraud awareness training 3. Undertake joint fraud/audit exercises 4. Participate in Council initiatives to reduce fraud exposure 5. Fraud comms 	<p>Fraud Risk Assessment for OCC commenced which will inform fraud awareness training and joint exercises.</p>
<p>Reactive: Manage fraud referrals and investigations</p> <p>Competence Collaboration</p>	<ol style="list-style-type: none"> 1. Manage fraud referrals 2. Investigate 3. Implement appropriate sanctions 4. Work with partner agencies and teams. 	<p>Currently 32 open cases for OCC, all under investigation.</p>
<p>Data: Use data to detect and prevent fraud</p> <p>Capability Competence</p>	<ol style="list-style-type: none"> 1. Undertake the 2020 NFI data upload 2. Close down the remaining data match investigations from previous NFI 3. Embed data analytics into the new Proposal and model 	<p>2020 NFI upload is underway, to be completed in November.</p>

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 Director of Finance

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

Internal Audit and Counter Fraud Structure Chart 2020/21

