

AUDIT & GOVERNANCE COMMITTEE
20th July 2022

COUNTER FRAUD PLAN AND UPDATE

Report by Lorna Baxter, Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - a) Note the summary of activity against the Counter Fraud Plan for 2021/22.
 - b) Approve the Counter Fraud Plan for 2022/23.

Executive Summary

2. This report presents a summary of activity against the Counter Fraud Plan for 2021/22, which was previously presented to the July 2021 Audit & Governance committee meeting.
3. The reports also presents the Counter Fraud Plan for the coming year 2022/23
4. 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.

Background

5. The Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally was launched in 2020. The Council's Counter-Fraud arrangements are designed to adhere to the "6 C's" Themes contained within this national Strategy, which are:
 - **Culture** – creating a culture where fraud and corruption are unacceptable
 - **Capability** - assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate
 - **Capacity** - deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance
 - **Competence** - having the right skills and standards commensurate with the full range of counter fraud and corruption activity
 - **Communication** - raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes

- **Collaboration** - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

The Council has a Counter-Fraud Strategy which guides the Council's approach to its fraud response. The Strategy states that "the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to a **zero-tolerance** approach to fraud, corruption and theft."

The Counter-Fraud team's purpose is therefore to apply and to promote the zero-tolerance approach to fraud by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.

The Strategy was updated in 2021 as part of its two-yearly review, so will next be due for review in 2023.

Counter-Fraud Team Update against the 2021/22 Plan

6. Counter-Fraud Service & Resources Update and highlights

- The team has delivered a successful first full year of the new Counter-Fraud service (2 Counter Fraud Officers and 1 Intelligence & Data Officer), operating across both OCC (Oxfordshire County Council) and CDC (Cherwell District Council).
- The new networks built by the Team within OCC and externally are working effectively. In particular to note are several joint investigations with TVP (Thames Valley Police) where joint interviews under caution and investigation planning have been undertaken.
- The Counter Fraud Officer who is also an Accredited Financial Investigator (AFI) has used their AFI skills on multiple investigations to obtain and analyse financial information. They have also enhanced the Team's relationship with Trading Standards, by providing Financial Investigator services to a number of their investigations.
- The Intelligence & Data Officer post in the team has proven extremely beneficial as they are a resource dedicated to undertaking intelligence checks for investigations and working through the NFI (National Fraud Initiative) matches. They are midway through their apprenticeship in Intelligence Analysis, completing each section very successfully.
- In agreement with the Director of Law & Governance in 2021, the Counter Fraud Team took on the receipt, log and triage of whistleblowing referrals for OCC via the Whistleblowing hotline and dedicated email address. This has worked well

in so far as the process is now centralised and all referrals are logged and tracked to be reported back to the Director of Law & Governance.

- The Blue Badge Enforcement Strategy was developed by the lead Counter Fraud Officer for Blue Badge enforcement. Since this was signed off by the Audit & Governance Committee in December 2021, operating procedures were developed and signed off and two quarterly on-street exercises have been successfully completed.
- This year the Counter Fraud team established a fraud risk assessment and register. Every two months the team meets to review the register and update this with reference to new cases, intelligence and audit outcomes.
- The Counter Fraud team also successfully delivered several school fraud awareness training sessions and held two fraud awareness training and discussion sessions with the Financial Assessment, Social care Debt Recovery and Direct Payments teams.
- Going forwards there will be a change to resourcing and the team structure following the resignation of the Audit Manager Counter Fraud Lead, who will be leaving the Council in August. An interim structure for the Counter Fraud team will be implemented from August 2022 following the departure of the Audit Manager Counter Fraud Lead. It is proposed that the two existing Counter Fraud Officers will be given additional responsibilities and act up as Senior Counter Fraud Officers. A new apprenticeship post of Counter Fraud Assistant will be recruited. This structure will be trialled for a period of 6 months. The Interim Structure Chart for Internal Audit and Counter Fraud 2022/23 is included within Annex 1.
- During 2021/22 there were 29 cases received and logged by Counter-Fraud of actual, suspected or alleged fraud / whistleblowing, of which 10 are still open under investigation. Of the 19 cases closed so far 13 were not proven and no further action was taken and 6 were either proven or partially substantiated with appropriate action taken:

Total number of cases received in 2021/22	29 – of which 10 are still open
Outcomes 2021/22 cases	<p>Of the 19 cases received in 2021/22 and closed, 13 were not proven and 6 proven or partially proven, as follows:</p> <ul style="list-style-type: none"> - A Direct Payment (DP) case where fraud was not proven however safeguarding issues were identified so care packages were changed - Another DP investigation where the DP was ceased - A falsification of an OCC purchase order, referred to Action Fraud

	<ul style="list-style-type: none"> - An employee investigation resulted in a resignation and another in a disciplinary process - A provider investigation into performance data resulted in £75k payment being withheld <p>An employee theft investigation resulted in their dismissal. The case is still open as it is under joint investigation with the police awaiting a charging decision.</p> <p>A further social care case referred to OCC by the police is expected to result in a potential recovery to OCC of £64k – this is being actively monitored and chased by the Counter Fraud Team.</p>
<p>Outcomes of pre-2021 cases closed during the year 21/22</p>	<p>Another DP case from 2020 was closed this year, with a recovery value of £18k.</p> <p>An employee fraud from the previous year resulted in their dismissal. The case is still open as it is under joint investigation with the police, awaiting a charging decision.</p>
<p>Whistleblowing cases</p>	<p>Of the 29 cases received during the year, 11 were logged as Whistleblowing cases.</p> <p>Of these, 4 are still open under investigation and 7 closed down (of which 6 were not substantiated and 1 case was partially substantiated, so contract management action was taken with a supplier).</p>

7. **Key Performance Indicators & Trends 2022/23 (figures as at end June 2022):**

Indicator	Value
New Cases 2022/23 (April – June 2022)	7 cases in total for the year
Current open cases (by year)	2022/23: 7 2021/22: 10 2020/21: 7 2019/20: 3
With the Police	4 cases under joint investigation with the police
YTD New Cases by type	Direct Payment: 2 Employee: 2 Provider: 2 Safeguarding: 1
YTD New Cases by referral source	Whistleblowing hotline/email: 4 Employee/internal control: 2 DWP: 1
Fraud Awareness, Comms and Training sessions delivered YTD	Fraud Awareness training and discussion sessions with: Financial Assessments Team & the Social Care Debt Recovery Team (April 2022) Direct Payments Team (June 2022) News Headline on World Whistleblowing Day (June 2022)

8. Update against the Counter-Fraud Plan 2021/22

Objective	Actions	Update Nov 2021	Update Feb 2022	Update June 2022
<p>Strategic: Establish BAU referral and investigation processes; agree and start using the Performance framework; move into building proactive anti-fraud work</p> <p>Culture Capacity Competence</p>	<ol style="list-style-type: none"> 1. Document key processes and flow charts for the Counter-Fraud Team (Q2) 2. Sign-off the proposed Performance Framework to monitor the team's performance, case levels and outcomes. (Q2) 3. Monitor team performance and outcomes (Ongoing) 	<ol style="list-style-type: none"> 1. Counter-Fraud Strategy agreed 2. Performance Methodology with PI's agreed 3. Costs Methodology developed and in use 4. PI s/s developed to monitor cases & progress & outcomes 5. Regular Performance Meetings scheduled and taking place (with S151) 	<p>All complete. Fraud risk assessment process started Q3, and this is feeding into proactive work plan for 2022 (see below).</p>	<p>Completed and part of Business as Usual.</p>
<p>Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council.</p> <p>Culture Capability Capacity Communication Collaboration</p>	<ol style="list-style-type: none"> 1. Complete and routinely update the Fraud Risk Register (Q2) 2. Deliver fraud awareness training (Direct Payment's and Schools – plus others as identified from fraud risk assessment) (ongoing and by Q4) 3. Undertake joint fraud/audit exercises (ongoing and by Q4) 4. Deliver fraud communications in line with a comms strategy under development (internal and external) 	<ol style="list-style-type: none"> 1. Fraud Risk Register developed and populated. Meeting scheduled Nov to agree methodology for use. 2. Fraud awareness training delivered for School Business Managers, Head Teachers and Governors. 3. Direct Payment Fraud Awareness training delivered in June 2021. 4. Joint fraud/audit exercises undertaken in relation to Provider investigations and a school audit/investigation. 	<ol style="list-style-type: none"> 1. Fraud Risk Register now business as usual (bi-monthly review meetings) 2. Fraud awareness training delivered for Finance staff 3. Direct Payment Fraud Awareness for new ASC staff delivered Nov 2021 4. Two investigations led to internal audits with Counter Fraud and Internal Audit Officers 	<ol style="list-style-type: none"> 1. Further Fraud awareness training delivered to the Financial Assessment and Social Care Debt Recovery Teams in April. New processes for identification and referral of potential fraud issues being agreed. Training also delivered to new Direct Payments Audit and Support teams in June. 2. Fraud comms plan complete for

	<ul style="list-style-type: none"> 5. Blue Badge enforcement exercise (ongoing and by Q4) 6. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4) 	<ul style="list-style-type: none"> 5. Comms Fraud Awareness Strategy under development. Comms awareness due for International Fraud Awareness Week w/c 16th November. 6. Blue Badge Enforcement Strategy developed & for sign-off. 	<p>working jointly</p> <ul style="list-style-type: none"> 5. Multiple fraud comms issued as per the comms plan (see KPI's above) 6. First on-street Blue Badge exercise planned for March 2022. 	<p>the year with final comms piece issued in June for World Whistleblowers Day on the Intranet News Headline.</p> <ul style="list-style-type: none"> 3. Two on-street Blue Badge exercises undertaken in March and June 2022 (see results below).
<p>Reactive: Manage fraud referrals and investigations</p> <p>Capacity Competence Collaboration</p>	<ul style="list-style-type: none"> 1. Manage fraud referrals 2. Investigate 3. Implement appropriate sanctions 4. Make recommendations to improve the control environment 5. Work with partner agencies and teams. 	<ul style="list-style-type: none"> 1. Fraud referrals received and investigated ongoing as appropriate. 2. Sanctions applied as appropriate (see KPI's above). 3. Joint working with TVP in particular is developing well, with several joint investigations ongoing (joint interviews under caution and investigations plans). 	<ul style="list-style-type: none"> 1. See KPI's above 	<ul style="list-style-type: none"> See KPI's.
<p>Data: Use data to detect and prevent fraud</p> <p>Competence Collaboration</p>	<ul style="list-style-type: none"> 1. Complete the 2020 NFI data matching (ongoing and by Q4) 2. Continue to participate into potential data matching exercise with other LA's. 	<ul style="list-style-type: none"> 1. NFI data matching is ongoing – on track to complete by end Q4 (see summary in next section). 	<ul style="list-style-type: none"> 1. See NFI update section 	<ul style="list-style-type: none"> NFI update provided in February 2022 update.

9. **Cases to Note (open/closed)**

There are currently 4 cases under joint investigation with the Police (2 employee, 1 Direct Payment and 1 provider). These cases are progressing jointly and further updates will be provided to the Committee once a charging decision has been made.

10. **Other updates (NFI, Blue Badge, Strategies, Proactive Reviews, Fraud Comms and Fraud Risk Register)**

Blue Badge:

The Counter Fraud team have now undertaken two on-street Blue Badge Enforcement exercises this year – one in March and another in June. This was undertaken as a joint enforcement exercise with our external parking enforcement provider, Conduent. The reported results of these exercises are as follows:

March exercise in Oxford:

Two blue badges were seized. Both have been returned to the badge holder with a warning letter. One of these cases has resulted in a prosecution file being sent to Legal for which court summons are being issued.

Conduent issued 3 Fixed Penalty Notices for cars parked in disabled bays without displaying a blue badge.

June exercise in Banbury:

Two blue badges were seized as both were being used by family members without the blue badge holder being present. In both cases the user admitted the misuse. The badges have been returned to the badge holder with a warning letter.

Conduent issued 9 Fixed Penalty Notices which included cars parked in disabled bays without displaying any badge.

We received positive feedback from members of the public who realised that the Council were enforcing the use of the disabled parking bays. One lady said she was going to post on her local facebook group that she had seen the Council out in Banbury and that she was delighted as she finds it so hard to find vacant disabled parking bays in the town centre.

The next on-street exercise will be scheduled for September/October 2022.

NFI:

The NFI results were reported in the March 2022 update to the Audit & Governance Committee. The only outstanding matches to complete investigations are in Pensions, which are ongoing. The next data upload is in October this year, for which preparations are beginning.

Counter Fraud Plan 2022/23

The plan for the coming year will be to build on the work the team has done to date to establish themselves in the organisation, build relationships internally and externally and prevent the Council from becoming a victim of fraud.

Objective	Actions
<p>Strategic: Continue to build the Counter Fraud team to support the Council to prevent and detect fraud and irregularity.</p> <p>Culture Capacity Competence</p>	<ol style="list-style-type: none"> 1. Trial the interim team structure with a view to agreeing a permanent solution 2. Recruit a new Counter Fraud Apprentice 3. Identify any appropriate training for members of the team. 4. Senior CF Officer to undertake CIPFA Accredited Counter Fraud Specialist (ACFS) training.
<p>Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council.</p> <p>Culture Capability Capacity Communication Collaboration</p>	<ol style="list-style-type: none"> 5. Complete and routinely update the Fraud Risk Register 6. Deliver fraud awareness training 7. Undertake joint fraud/audit exercises 8. Deliver fraud communications in line with a comms strategy 9. Blue Badge enforcement exercises quarterly 10. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4)
<p>Reactive: Manage fraud referrals and investigations</p> <p>Capacity Competence Collaboration</p>	<ol style="list-style-type: none"> 11. Manage fraud referrals 12. Investigate 13. Implement appropriate sanctions 14. Agree and track actions to improve the control environment 15. Work with partner agencies and teams.
<p>Data: Use data to detect and prevent fraud</p> <p>Competence Collaboration</p>	<ol style="list-style-type: none"> 16. Prepare for and undertake the 2022 NFI data upload (Q2) 17. Continue to participate into potential data matching exercise with other LA's.

Financial Implications

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

Comments checked by: Lorna Baxter, Director of Finance
lorna.baxter@oxfordshire.gov.uk

Legal Implications

12. There are not direct legal implications arising from this report.

Comments checked by: Anita Bradley, Director of Law & Governance and
Monitoring Officer
anita.bradley@oxfordshire.gov.uk

Staff Implications

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

Equality & Inclusion Implications

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

Sustainability Implications

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

Risk Management

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

NAME: Lorna Baxter, Director of Finance.

Annex: Annex 1: 2022/23 Interim Internal Audit & Counter Fraud
Structure

Contact Officer: Sarah Cox, Chief Internal Auditor,
sarah.cox@oxfordshire.gov.uk

July 2022.

Annex 1: Interim Structure – Internal Audit & Counter Fraud 2022/23

