

AUDIT & GOVERNANCE COMMITTEE
19 July 2023

COUNTER FRAUD PLAN AND UPDATE

Report by Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - a) Note the summary of activity against the Counter Fraud Plan for 2022/23.
 - b) Approve the Counter Fraud Plan for 2023/24.

Executive Summary

2. This report presents a summary of activity against the Counter Fraud Plan for 2022/23, which was previously presented to the July 2022 Audit & Governance committee meeting.
3. The report also presents the Counter Fraud Plan for the coming year 2023/24.
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 focussed on their recommended five pillars of activity:
 - **Govern:** Having robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation.
 - **Acknowledge:** Understand fraud risk and maintain a robust anti-fraud response.
 - **Prevent:** Prevent and detect fraud taking place against the organisation.
 - **Pursue:** Carry out fraud investigations, apply sanctions to offenders and recover losses.
 - **Protect:** The overarching aim of protecting public funds from fraud and corruption.

6. 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."
7. 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 preventative work to prevent and detect fraud through training, awareness training, data matching and proactive reviews.
8. The Strategy was last updated in 2021 as part of its two-yearly review, and an updated review for 2023 is currently in progress.

Counter Fraud Team Update against the 2022/23 Plan

9. Counter-Fraud Service Resources Update

- The Counter Fraud Team comprises of a Counter Fraud Team Manager, Senior Counter Fraud Officer, Intelligence & Data Officer and an Apprentice Counter Fraud Officer, who work across both Oxfordshire County Council and Cherwell District Council.
- The Intelligence & Data Officer post in the team successfully completed their Level 4 Apprenticeship in Intelligence Analysis in April 2023. They will now be taking on additional responsibilities in supporting with the development of a data analytics strategy and improving the use of data analytics in Internal Audit and Counter Fraud assurance activities.
- 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 arrangement continues to provide a centralised approach to logging and tracking whistleblowing referrals, with arrangements to report to the Director of Law & Governance working successfully.

10. **Case figures 2022/23 (figures at end of June 2023):**

During 2022/23 there were 30 cases received and logged by Counter Fraud of actual, suspected or alleged fraud / whistleblowing of which 7 are still open and under investigation. A full breakdown is as follows: -

Total number of cases received in 2022/23	20 cases 10 whistleblowing cases
Outcomes 2022/23 cases	Of the 20 cases (not whistleblowing) received in 2022/23: 16 were closed, 10 were not proven and 6 proven or partially proven, as follows: <ul style="list-style-type: none"> • Three cases of Blue Badge misuse, where the Blue Badge was seized, and a warning letter issued. • Two cases of system misuse by two employees, resulting in disciplinary action. • One case of abuse of official resources, resulting in disciplinary action.
Whistleblowing cases 2022/23	10 allegations of whistleblowing were received. 3 were assessed by the Monitoring Officer to be dealt with under a different council policy (e.g. Grievance Procedure) and 7 were accepted to be investigated as whistleblowing. 3 cases are still open. The whistleblowing cases are reported annually to the Audit & Governance Committee by the Monitoring Officer in a separate report.
Outcomes of pre-2022 cases closed during the year 22/23	<ul style="list-style-type: none"> • An employee fraud from 2021/22 resulted in their dismissal. The investigation is complete, with the police currently in the process of issuing a caution, which includes a condition for the amount lost to be repaid to Oxfordshire County Council. • A case involving the misuse of a blue badge in 2022 was successfully prosecuted at Oxford Magistrates Court, resulting in a fine of £376.

11. **Case Figures 2023/24 (figures as at end June 2023):**

Indicator	Value
New Cases 2023/24 (April – June 2023)	6 cases
Current open cases (by year)	2023/24: 5 2022/23: 7 2021/22: 1 2020/21: 4
With the Police	1 case under joint investigation with the police
New Cases by type	Whistleblowing: 5 Blue Badge Misuse: 1
New Cases by referral source	Whistleblower: 5 Government Agency: 1

Other updates

12. **Blue Badge Enforcement:**

Following the development of the Blue Badge Enforcement Strategy in December 2021 and implementation of new operating procedures, the Team completed three quarterly on-street exercises in 2022/23.

In total 3 blue badges were seized following identified misuse. 5 cases were dealt with by way of a warning letter issued to the blue badge holder. Conduent, the Council's civil enforcement partner who were present on these exercises, issued 24 penalty charge notices for vehicles being parked in a disabled bay without displaying a blue badge.

A case of blue badge misuse that was identified during the February 2022 exercise was successfully prosecuted at Oxford Magistrates Court during 2022/23, resulting in a fine of £376 being issued.

A program of on-street enforcement exercises is being planned for the year 2023/24.

Note: In instances where blue badges are seized, these are counted and reported as cases. Should a warning letter be issued, although the issue of the warning letter is recorded, it is not recorded as a case in the figures in the above tables.

13. National Fraud Initiative:

The National Fraud Initiative (NFI) reports from the 2022/23 bi-annual data matching exercise were released in February 2023 and are in the process of being reviewed. There are a total of 32 reports and 30,864 matches.

There are 10 reports relating to potential duplicate payments to creditors, or duplicate creditor records. Reports focusing on payments have been prioritised, and so far, samples of matches in 5 reports have been reviewed by the Counter Fraud Team with nil duplicate creditor payments found.

For one key report that had captured sets of payments with identical invoice amounts and creditor references, the Counter Fraud Team exported the 5,000 total matches and performed a number of data analysis tests to reduce the sample size in a targeted way. This enabled the team to focus on analysing potential duplicate payments with the highest risk of fraud. Nil duplicate creditor payments were found, which demonstrates strong controls in place within the organisation.

A total of 1,149 matches relating to Blue Badges have been processed by the Customer Services Team, with 4 matches still being investigated by Customer Services and Counter Fraud. 510 badges have been cancelled where it was identified that the badge holder had passed away, which reduces the risk of the badges being misused. The Cabinet Office allocates a figure for reporting purposes of £650.00 per cancelled badge, which is their estimate of the value of parking charges up to the point of cancellation plus an estimate of future losses prevented. (510 badges = £331,500)

A total of 2607 matches relating to Concessionary Travel Passes have been processed by the Customer Services Team. 2159 passes were cancelled where it was identified that the pass holder had passed away, which reduces the risk of the passes being misused. The Cabinet Office allocates a figure for reporting purposes of £31.00 per pass cancelled, which is their estimate of future losses prevented. (2607 passes = £66,929).

A total of 18 matches related to Resident Parking Permits have also been processed by the Customer Services Team. 3 passes were cancelled where it was identified that the pass holder had passed away, and a further 8 are still under investigation.

All reports remaining are on target to be reviewed within Quarter 3.

14. Controls Improvement:

Upon the conclusion of each investigation, where applicable, the control environment is reviewed, and a post investigation report issued. The report highlights any weaknesses identified and includes agreed actions to prevent, stop and minimise the risk of reoccurrence. The agreed action plan is monitored for implementation by the Counter Fraud Team.

It was agreed at the last counter fraud update to Audit & Governance Committee in March 2023, that an update on recently closed cases and investigation outcomes would be brought to a future meeting of the Audit Working Group (provisionally scheduled for Audit Working Group November 2023 meeting). There have been no new post investigation reports issued since the update to the March 2023 Audit & Governance meeting.

15. Update against the Counter-Fraud Plan 2022/23

Objective	Actions	Update July 2023
<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. 	<ol style="list-style-type: none"> 1. Interim team structure ended and new permanent structure in place. 2. New Counter Fraud Apprentice started 17 October 2022 and is undertaking the formal apprenticeship training. 3. Training subject to review through extended 1:1 sessions with team. 4. Senior Counter Fraud Officer has completed the ACFS training and has recently been appointed as Counter Fraud Team Manager in the new structure.
<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) 	<ol style="list-style-type: none"> 5. Fraud Risk Register now business as usual (bi-monthly review meetings). 6. Fraud awareness training delivered for Financial Assessments Team, Direct Payments Team, Social Workers (Direct Payments), School Headteachers. 7. Joint fraud/audit proactive exercises being developed. 8. Fraud comms were issued. 9. Blue Badge Enforcement exercise now undertaken quarterly. 10. Work currently being completed to update fraud referral routes, specifically in relation to Direct Payments and Deprivation of Assets cases.
<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. 	<ol style="list-style-type: none"> 11. (&12) Fraud referrals received and investigated ongoing as appropriate. 13. Sanctions applied as appropriate. 14. Actions within investigation reports monitored for implementation. 15. Joint working in Thames Valley Police in place. (joint interviews under caution and investigations plans).

Data: Use data to detect and prevent fraud Competence Collaboration	16. Prepare for and undertake the 2022 NFI data upload (Q2) 17. Continue to participate into potential data matching exercise with other LA's.	16. NFI matches for 22/23 are in the process of being reviewed. 17. Ongoing work with networks.
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16. Counter Fraud Plan 2023/24

The 2023/24 Plan has been structured around the 5 pillars of anti-fraud activity in the Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally:

Objective	Actions	Timescale
Govern: Have robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation.	1) Deliver awareness training sessions to a range of staff and members to include knowledge of fraud risks, their role in prevention activity and process to refer suspicions. 2) Provide the Audit & Governance Committee with reports during the year about the arrangements in place to protect the council against fraud and the effectiveness of these. 3) Review the council's anti-fraud strategy and identify areas for development by reference to the Fighting Fraud and Corruption Locally strategy.	1) Ongoing. 2) July, November & March. 3) End of quarter 3.
Acknowledge: Understand fraud risk and maintain a robust anti-fraud response.	1) Undertake an assessment of the council's overall response to fraud and identify any areas for improvement.	1) End of quarter 3. 2) End of quarter 3.

	2)	Continue development of Council's fraud risk register.	
Prevent: Prevent and detect fraud taking place against the organisation, using proactive work and data analysis.	1) 2) 3) 4)	Fraud alerts to be provided to service areas as necessary. Delivery of the NFI 2022/2023 exercise. To complete Joint Internal Audit & Counter Fraud proactive reviews into Procurement Cards & Expenses (included in Internal Audit Plan 23/24). To enhance data analytic capability to support potential areas of proactive work.	1) Ongoing. 2) End of quarter 3. 3) End of quarter 4. 4) Ongoing.
Pursue: Carry out fraud investigations, apply sanctions to offenders and recover losses.	1) 2)	Conduct investigations into suspected fraud and malpractice. Continue enforcement activities against Blue Badge fraud and misuse by completing on-street exercises.	1) Ongoing. 2) One per quarter.
Protect: Recognising the harm that fraud can cause in the community.	1) 2) 3)	Review and share fraud trends and new threats with relevant service areas. Respond to information requests from the Police, other Local Authorities and investigation bodies such as HMRC. Continue to foster relations with other internal teams.	1) Ongoing. 2) Ongoing. 3) Ongoing.

Financial Implications

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

Comments checked by: Ian Dyson, Assistant Director of Finance
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Legal Implications

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

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Staff Implications

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

Equality & Inclusion Implications

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

Sustainability Implications

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

Risk Management

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

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