

Cherwell District Council

Accounts Audit and Risk Committee

27 July 2022

Update on Counter Fraud Annual Plan 2021/22 and presenting the Counter Fraud Annual Plan 2022/23

Report Assistant Director of Finance & S151 Officer

This report is public

Purpose of report

This report presents a summary of activity against the Annual Plan for the Counter-Fraud service at CDC for 2021/22, which was previously presented to the Accounts, Audit & Risk July 2021 committee. The report also presents the new Counter Fraud Plan for the year 2022/23.

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.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Comment and note the summary of activity against the Annual Counter Fraud Plan for 2021/22.
- 1.2 Comment and note the Counter Fraud Plan for 2022/23.
- 1.3 Comment and note the Investigation Report in Annex 1.

2.1 Introduction

- 2.1 The Counter-Fraud team's purpose is to apply and to promote the zero-tolerance approach to fraud detailed in the Council's Fraud Strategy, 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.
- 2.2 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.

3.0 Report Details

Counter-Fraud Service & Resources Update

- 3.1 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).
- 3.2 The new networks built by the Team within CDC and externally are working well. Monthly meetings between the Counter Fraud Team and the manager of Revenues & Benefits to discuss and progress joint cases is working very effectively to progress cases. Some meetings have been held with DWP investigation team locally and it is planned that these will take place more regularly going forwards as their teams are stood up after the pandemic in order for joint investigations to resume.
- 3.3 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.
- 3.4 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.

- 3.5 This year the Counter Fraud team established a fraud risk assessment and register process. Every two months the team meets to review the register and update this with reference to new cases, intelligence and audit outcomes. This then informs areas to target for proactive fraud work such as training.
- 3.5 The Counter Fraud team delivered a Fraud Awareness session to all Finance staff in February 2021, which was very beneficial. Over the coming year this will be followed up with a dedicated session for the Revenues & Benefits team.
- 3.6 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. 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 2.
- 3.7 The monthly Performance meetings will continue between the Chief Internal Auditor and the Assistant Director of Finance (S151) for CDC following the cessation of the formal partnership between OCC and CDC. There will also be regular communications/meetings with the new CDC Interim Monitoring Officer, to update and discuss individual cases.
- 3.8 During 2021/22 there were 91 cases received and logged by Counter-Fraud of actual, suspected or alleged fraud / whistleblowing, of which 10 are still open under investigation. Of the cases closed so far 55 were not proven and no further action was taken and 25 were proven with appropriate action taken and 1 partially proven. In total the value of recoveries for the year was £49k and future loss prevented (calculated as 12 months of the benefit that was removed) was £11k. There are still some open cases under investigation that are of high value and will be reported to the Committee once complete.

Key Performance Indicators & Trends for year 2021/22:

Indicator	Value
Number of cases 2021/22	91
Current open cases 2021/22	10 cases currently open from 2021/22
With the Police	There are currently no cases with the Police
2021/22 Cases by type	Single Person Discount (SPD): 45 Housing – Subletting: 7 Housing Application: 7 Council Tax Support (CTS): 7 CTS & SPD: 4 Housing – Tenancy: 3 Council Tax: 4 Covid Business Grants: 1 Employee: 2 Housing – Abandonment: 2 Business Rates: 1 Council Tax/Planning: 1

	<p>Electoral: 1 Housing Benefit: 1 Test & Trace Grant: 1 Disabled Facilities Grant: 1 Non Domestic Rates (NNDR): 1 Small Business Rates Relief (SBRR): 1 Bribery: 1</p>
Cases by referral source	<p>Employee/internal control: 34 Member of public Anon (webform): 25 DWP: 12 Member of public Anon (phone): 4 Housing Association: 2 Member of public Anon (letter): 7 Member of public (webform): 1 Member of public (phone): 2 Member of public Anon (email): 1 NATIS: 1 Whistle blower: 2</p>
Outcomes (dismissals, prosecutions, repayments, Investigation Reports etc)	<p>Out of the 81 cases closed, 55 were closed not proven NFA and 25 were proven with 1 partially proven. Of these 26 proven/partially proven, the outcomes were:</p> <p>CTS Re-calculated: 2 Not added to electoral roll: 1 SPD removed: 14 SPD and CTS removed: 3 CTS removed: 1 Enforcement notice served: 1 Disciplinary: 1 Housing Application withdrawn: 1 SBRR recovered and removed: 1 Property recovered by Housing Assc: 1</p>
<p>Recovery and prevented future loss</p> <p>Note:</p> <p>Recovery = the value of council tax or benefit recovered, ie. retrospectively added to council tax bill</p> <p>Future loss prevented = 12 months worth of the discount/benefit</p>	<p>CTS: Recovered = £914.22 Future loss prevented = £1103.76</p> <p>SPD: Recovered = £7771.79 Future loss prevented = £5831.77</p> <p>SPD & CTS: Recovered = £739.03 Future loss prevented = 555.35</p> <p>SBRR: Recovered = £39,324.29 Future loss prevented = £3792</p> <p><u>Totals:</u> Recovered = £48,749.33</p>

	Future loss prevented = £11,282.88
Fraud Awareness, Comms and Training sessions delivered YTD	<p>Finance Fraud Awareness Session Q4</p> <p>Comms: International Fraud Awareness Week Nov: News Headlines on the Intranet; Update from Yvonne newsletter</p> <p>Fraud Awareness session with the Revenues & Benefits team being scheduled.</p>

Update against the Counter-Fraud Plan 2021/22

Objective	Actions	Update Nov 2021	Update Feb 2022	Update July 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) 6. Process flowchart for SPD documented 7. Housing investigation roles clarified 	All complete. Fraud risk assessment process started Q3 and this is feeding into proactive work plan for 2022 (see below).	Complete
<p>Proactive: Undertake proactive counter-fraud activities to reduce the risk of</p>	<ol style="list-style-type: none"> 1. Complete and routinely update the Fraud Risk Register (Q2) 2. Deliver fraud 	<ol style="list-style-type: none"> 1. Fraud RR developed and populated. Meeting 	1. Fraud RR now BAU (bi-monthly review meetings)	Complete and further fraud awareness training

<p>fraud in the Council.</p> <p>Culture Capability Capacity Communication Collaboration</p>	<p>awareness training (as identified from fraud risk assessment) (ongoing and by Q4)</p> <p>3. Undertake joint fraud/audit exercises (ongoing and by Q4)</p> <p>4. Deliver fraud communications in line with a comms strategy under development (internal and external)</p> <p>5. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4)</p>	<p>scheduled Nov to agree methodology for use.</p> <p>2. Fraud awareness training not yet delivered but starting to scope areas that would benefit.</p> <p>3. Comms Fraud Awareness Strategy under development. Comms awareness due for International Fraud Awareness Week w/c 16th November.</p> <p>4. Fraud pages updated with new contact details.</p>	<p>2. Fraud awareness training delivered for Finance staff</p> <p>3. Multiple fraud comms issued as per the comms plan (see KPI's above)</p>	<p>being scheduled, with the Revenues & Benefits team.</p>
<p>Reactive: Manage fraud referrals and investigations</p> <p>Capacity Competence Collaboration</p>	<p>1. Manage fraud referrals</p> <p>2. Investigate</p> <p>3. Implement appropriate sanctions</p> <p>4. Make recommendations to improve the control environment</p> <p>5. Work with partner agencies and teams.</p>	<p>1. Fraud referrals received and investigated ongoing as appropriate. Currently 34 open cases.</p> <p>2. Sanctions applied as appropriate (see KPI's above).</p>	<p>See KPI's above</p>	<p>As per KPI's above.</p>
<p>Data: Use data to detect and prevent fraud</p> <p>Competence Collaboration</p>	<p>1. Complete the 2020 NFI data matching (ongoing and by Q4)</p> <p>2. Continue to participate into potential data matching exercise</p>	<p>NFI data matching is ongoing – on track to complete by end Q4 (see summary in next section).</p>	<p>NFI data matching ongoing</p>	<p>See below for summary on the NFI exercise.</p>

	with other LA's.			
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Key Performance Indicators & Trends 2022/23 (figures as at end June 2022):

Indicator	Value
Number of new cases received April – June 2022	24 (of which 7 have been closed)
Current open cases as at end June 2022	27 cases currently open (17 from 2022/23 and 10 from 2021/22)
With the Police	There are currently no cases with the Police
2022/23 Cases by type	SPD: 8 Housing Application: 2 Council Tax Support (CTS): 6 CTS & SPD: 3 Council Tax: 2 Housing – Abandonment: 1 SBRR: 2
YTD New Cases by referral source	Employee/internal control: 6 Member of public Anon (webform): 10 DWP: 1 Member of public Anon (phone): 1 Housing Association: 2 Member of public Anon (letter): 1 Member of public (webform): 1 Member of public (phone): 1 Member of public Anon (email): 1
Outcomes YTD (dismissals, prosecutions, repayments, Investigation Reports etc)	Out of the 7 cases closed, all were not proven NFA.

Cases to Note (open/closed)

- 3.9 There are currently no cases to note that are under joint investigation with the Police.
- 3.10 As noted in the KPI's, by far the largest number of referrals received are for SPD and Council Tax support. The Counter Fraud Team and Revenues & Benefits manager now have monthly meetings to discuss, progress and close down cases, which is working very effectively. There are currently two SPD/CTS investigations still open that could prove material; however, it is too early to say whether these will be substantiated. There was one Small Business Rates Relief (SBRR) case that was first identified as a result of a Covid small business grant application, which has concluded and a significant sum recovered (£39k).
- 3.11 An investigation into procurement and other practices within the BUILD! Team was completed this year, with an investigation report and action plan shared and agreed with the Assistant Director – Growth and Economy. A summary of the report is included in Annex 1 for the Committee to review and note.

Other updates (NFI, Strategies, Proactive Reviews, Fraud Comms and Fraud Risk Register)

3.12 The National Fraud Initiative (NFI) reports from the 2020/21 upload have been reviewed and the majority closed down. In total there were 58 reports to review and a total of 453 matches that the Counter Fraud team reviewed. The NFI system has estimated that so far the total recovery for this exercise has been £36,717.94 and the total estimated saving is £39,716.82. The main match reports that produced financial results were as follows:

Housing Benefit claims to Student Loans: 4 cases of undeclared student loans/grants identified as customer errors. Total recovery = £30,671 and estimated saving = £6,176.

Waiting List to Housing Tenants: 1 removed from housing list = saving of £3,240

Waiting List to DWP Deceased: 9 removed from housing list = saving of £29,160

Council Tax Reduction scheme to Payroll: One overpayment of £235.90 from undeclared income

Council Tax Reduction scheme to HMRC Earnings and Capital: 2 matches where customer error identified resulting in recoveries = £3,382.91 and estimated savings = £1,077.72.

Council Tax Reduction Scheme to HMRC Household Composition: 1 recovery of £2,428 identified.

3.13 Some of the Covid business support grants matches are still being assessed by the Revenues and Benefits team.

3.14 This Autumn the next upload of NFI data will be due and the Counter Fraud team are starting to plan for this next exercise.

Counter Fraud Plan for 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>	<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.
<p>Culture</p>	

Capacity Competence	4. Senior CF Officer to undertake CIPFA Accredited Counter Fraud Specialist (ACFS) training.
Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council. Culture Capability Capacity Communication Collaboration	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. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4)
Reactive: Manage fraud referrals and investigations Capacity Competence Collaboration	10. Manage fraud referrals 11. Investigate 12. Implement appropriate sanctions 13. Agree and track actions to improve the control environment 14. Work with partner agencies and teams.
Data: Use data to detect and prevent fraud Competence Collaboration	15. Prepare for and undertake the 2022 NFI data upload (Q2) 16. Continue to participate into potential data matching exercise with other LA's.

4.0 Conclusion and Reasons for Recommendations

- 4.1 In conclusion, this paper presents a summary of activity against the Counter Fraud plan for 2021/22. The team has embedded well within the Council and has established the fraud referral and investigation processes and is increasing proactive work to prevent fraud against the Council. The Counter Fraud team has recovered a total of £85k through its investigation and NFI data matching and has prevented a further £50k in future losses. This is due to effective joint working with the Revenues and Benefits team as well as Housing and other teams within CDC.
- 4.2 The Committee are requested to review and comment on the update on activity as well as to comment on the 22/23 Plan, which will continue to build upon the robust work undertaken by the team to date.

5.0 Consultation

Not applicable

6.0 Alternative Options and Reasons for Rejection

- 6.1 Not applicable

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly from this report.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

michael.furness@cherwell-dc.gov.uk

Legal Implications

7.2 There are no legal implications arising directly from this report.

Comments checked by:

Helen Lolas, Team Leader, Legal Services, helen.lolas@cherwell-dc.gov.uk,
07801400941

Risk Implications

7.3 There are no risk management issues arising directly from this report. Any arising risks will be managed through the service Operational Risk and escalated to the Leadership Risk Register as and when necessary.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556

Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

7.4 There are no equalities and inclusion implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556

Celia.prado-teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

N/A

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Councillor Adam Nell – Portfolio Holder for Finance

Document Information

Appendix number and title

Appendix 1 – Summary Report of investigation into BUILD! Procurement

Appendix 2 – Internal Audit and Counter Fraud interim structure chart

Background papers

None

Report Author and contact details

Tessa Clayton, Audit Manager, Tessa.clayton@cherwell-dc.gov.uk 07393 001217

Sarah Cox, Chief Internal Auditor, sarah.cox@cherwell-dc.gov.uk