

Cherwell District Council

Accounts Audit and Risk Committee

26 July 2023

Update on Counter Fraud Annual Plan 2022/23 and presenting the Counter Fraud Annual Plan 2023/24

Report of 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 2022/23, which was previously presented to the Accounts, Audit & Risk July 2022 committee. The report also presents the new Counter Fraud Plan for the year 2023/24.

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 2022/23.
- 1.2 Comment and note the Counter Fraud Plan for 2023/24.

2.0 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 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.

2.3. 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."

2.4 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 Counter Fraud Service is provided by Oxfordshire County Council Internal Audit – Counter Fraud team to Cherwell District Council under a service level agreement. The Counter Fraud team comprises of a Counter Fraud Team Manager, Senior Counter Fraud Officer, Intelligence & Data Officer and a Apprentiship Counter Fraud Officer, who work across both Oxfordshire County Council and Cherwell District Council.

3.2 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 both Counter Fraud and Internal Audit assurance activities.

3.3 Monthly meetings are held between the Chief Internal Auditor and Assistant Director of Finance to monitor the counter fraud activity, and includes discussions on any cases / issues to note.

- 3.4 During 2022/23 there were 82 cases received and logged by Counter-Fraud of actual, suspected or alleged fraud / whistleblowing, of which 27 are still open under investigation. Of the cases closed so far, 30 were not proven and no further action was taken and 25 were proven with appropriate action taken. In total the value of recoveries for the year was £21k and future loss prevented (calculated as 12 months of the benefit that was removed) was £15k. Cases that are still open and under investigation will be reported to the Committee once complete. (These figures will increase as the remaining open cases for 2022/23 are resolved).

Case Figures for Year 2022/23 (as at end of June 2023):

Indicator	Value
Number of cases 2022/23	82
Current open cases 2022/23	27 cases currently open from 2022/23
With the Police	There are currently no cases with the Police
2022/23 Cases by type	Council Tax Support (CTS): 21 Employee: 1 Housing Application: 4 Small Business Rates Relief: 2 Single Person Discount (SPD): 25 SPD & CTS: 10 Housing Abandonment: 6 Council Tax: 8 Whistleblowing: 1 COVID Business Grant Fraud: 1 Elections Fraud: 1 Subletting: 2
Cases by referral source	Employee / Internal Control: 21 Anonymous: 48 Member of Public: 9 Government Agency: 3 Other Local Authority: 1
Outcomes (dismissals, prosecutions, repayments, Investigation Reports etc)	Out of the 55 cases closed, 30 were closed not proven/no further action (NFA) and 25 were proven with appropriate action taken. Of these 25 proven, the outcomes were: CTS recalculated: 2 Both CTS & SPD removed/recalculated: 3 SPD removed/readjusted: 15 House recovered by Housing Association: 3 SBRR removed: 1 Council Tax exemption removed: 1

<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 = £10,148.26 Future loss prevented = £2,607.31</p> <p>SPD: Recovered = £5,903.35 Future loss prevented = £7,494.46</p> <p>SPD & CTS: Recovered = £806.21 Future loss prevented = 480.22</p> <p>SBRR: Recovered = £4,333.91 Future loss prevented = £2,869.25</p> <p>Council Tax Exemptions: Recovered = £0 Future loss prevented = £1,929.76</p> <p><u>Totals:</u></p> <p>Recovered = £21,191.73 Future loss prevented = £15,381</p>
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Case Figures for Year 2023/24 (as at end June 2023):

Indicator	Value
Number of new cases received April – June 2023	13 (of which 1 has been closed)
Current open cases as at end June 2023	41 cases currently open (12 from 2023/24, 27 from 2022/23, 2 from 2021/22)
With the Police	There are currently no cases with the Police
2023/24 Cases by type	SPD: 8 CTS: 2 CTS & SPD: 1 Council Tax Exemption: 1 Housing Abandonment: 1
YTD New Cases by referral source	Other Local Authority: 1 Anonymous: 9 Member of Public: 1 Employee / Internal Control: 2

Outcomes for Year 2023/24 (as at end of June 2023)

Type of Outcome	Value
Investigations	<p>Following the investigation of one allegation of Single Person Discount fraud, the discount was removed and backdated. £915 was lost and is expected to be recovered, and £566 has been saved (per annum).</p> <p>Collaboration between Counter-Fraud and Revenues & Benefits continues to be effective, and one 23/24 CTS case is being worked on jointly.</p> <p>The team also continues to develop joint working with other internal teams, and multiple cases were received from the Housing and Licencing teams.</p>
Investigation totals to date (2023/24 cases)	<p>SPD: Lost: £915 Recovered: £915 Future loss prevented: £566</p>
National Fraud Initiative Exercise	<p>45 reports and 761 matches were released in February 2023 and a review is underway. Savings of £34,264 have so far been generated from the following two reports:</p> <p>Waiting List to Housing Benefit Claimants: £12,849 (3 applicants removed from housing waiting list)</p> <p>Waiting List to DWP Deceased: £21,415 (5 applicants removed from housing waiting list)</p> <p>Further details of the progress of the exercise are in Section 7 (below).</p>

Cases to Note

- 3.5 Undeclared Capital:
Information was received from the Department of Work & Pensions (DWP) in October 2022 that suggested an individual in receipt of Housing Benefit (HB) and Council Tax Support (CTS) may have undeclared capital. Revenues and Benefits carried out a review of both the HB and CTS claims and the Counter Fraud Team (CTF) obtained access to the individual's bank account and bank statements by way of a court production order. The bank statements identified substantial undeclared capital, resulting in a repayment of £21,280 being made to CDC. (£16,054 -HB, £5226 -CTS).

National Fraud Initiative

- 3.6 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 761 matches and 45 reports.
- 3.7 9 reports (339 matches) were related to potential duplicate payments to creditors, or duplicate creditor records. All 9 reports were reviewed collaboratively by officers from the Finance Team and Counter Fraud, with 8 reports reviewed in full and a sample of 63 matches reviewed in the 9th report. There were nil duplicate creditor payments found and nil VAT overpayments found, which highlighted strong controls in place within Finance. 1 dormant duplicate creditor record was removed from the system as a preventative measure.
- 3.8 180 matches of the remaining 422 have been processed with no fraud or errors found. This includes reports 'Housing Benefit Claimants to DWP Deceased' and 'Council Tax Reduction Scheme to DWP Deceased', where all identified deaths of claimants were already known to Revenues & Benefits.
- 3.9 The report 'Waiting List to Housing Benefit Claimants' identified 3 housing applicants who had not declared a change in circumstances to the Housing Team. This led to 3 applications being closed and savings of £12,849 generated.
- 3.10 The report 'Waiting List to DWP Deceased' identified a further 5 applicants who had passed away and still had active housing applications. The applications were closed, leading to savings of £21,415.
- 3.11 50 matches have been reviewed and are currently under investigation. These matches are predominantly ones where the Council await responses from other public sector authorities.
- 3.12 The 184 matches remaining are on target to be processed within Quarter 3.

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 CF Officer has completed and passed the ACFS training and is now the 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. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4) 	<ol style="list-style-type: none"> 5. Fraud Risk Register is business as usual (bi-monthly review meetings) 6. Fraud awareness training delivered to Revenues & Benefits staff 7. Joint fraud/audit proactive exercises being developed. 8. Fraud comms plan regularly reviewed. 9. Fraud procedures and referral routes subject to regular review.
<p>Reactive: Manage fraud referrals and investigations</p> <p>Capacity Competence Collaboration</p>	<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> 10&11. Fraud referrals received and investigated ongoing as appropriate. 12. Sanctions applied as appropriate (see Case Figures above). 13. Actions raised within investigation reports are tracked for completion. 14. Joint working and information sharing for fraud investigations has been improved between the council and multiple housing associations. Joint working with DWP now business as usual.
<p>Data: Use data to detect and prevent fraud</p> <p>Competence Collaboration</p>	<ol style="list-style-type: none"> 15. Prepare for and undertake the 2022 NFI data upload (Q2) 16. Continue to participate into potential data matching exercise with other LA's. 	<ol style="list-style-type: none"> 15. NFI matches for 22/23 are in the process of being reviewed. 16. Ongoing work with networks.

3.13 The 2023/24 Plan is 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
<p>Govern: Have robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation.</p>	<ol style="list-style-type: none"> 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 Accounts, Audit & Risk 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. 	<ol style="list-style-type: none"> 1) Ongoing. 2) July, November & March. 3) End of quarter 3.
<p>Acknowledge: Understand fraud risk and maintain a robust anti-fraud response.</p>	<ol style="list-style-type: none"> 1) Undertake an assessment of the council's overall response to fraud and identify any areas for improvement. 2) Continue development of Council's fraud risk register. 	<ol style="list-style-type: none"> 1) End of quarter 3. 2) End of quarter 3.
<p>Prevent: Prevent and detect fraud taking place against the organisation, using proactive work and data analysis.</p>	<ol style="list-style-type: none"> 1) Fraud alerts to be provided to service areas as necessary. 2) Delivery of the NFI 2022/2023 exercise. 	<ol style="list-style-type: none"> 1) Ongoing. 2) End of quarter 3.

	3)	To enhance data analytic capability in order to identify potential areas of proactive work.	3) Ongoing.
Pursue: Carry out fraud investigations, apply sanctions to offenders and recover losses.	1) 2) 3)	1) Conduct investigations into suspected fraud and malpractice. 2) Continue to work with the Department for Work and Pensions (DWP) Fraud and Compliance teams to counter Council Tax Reduction Scheme (CTRS) fraud. 3) To carry out a risk assessed review of the NFI CT single person discount exercise.	1) Ongoing. 2) Ongoing. 3) End of quarter 3.
Protect: Recognising the harm that fraud can cause in the community.	1) 2) 3)	1) Review and share fraud trends and new threats with relevant service areas. 2) Respond to information requests from the Police, other Local Authorities and investigation bodies such as HMRC. 3) Continue to foster relations with other CDC teams such as Licencing.	1) Ongoing. 2) Ongoing. 3) Ongoing.

4.0 Conclusion and Reasons for Recommendations

- 4.1 In conclusion, this paper presents a summary of activity against the Counter Fraud plan for 2022/23 together with a report on the Counter Fraud plan for 2023/24, including case figures to date. For the 2022/23 cases, the team has so far recovered £21,191.73 and achieved a future loss prevented of £15,381.00.
- 4.2 Currently, for the year 2023/24, the Counter Fraud team through NFI data matching has prevented £34,264.00 in future losses. This is assisted through effective joint working with the Revenues and Benefits team as well as Housing and other teams within CDC.

5.0 Consultation

5.1 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

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Legal Implications

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

Comments checked by:

Shiraz Sheikh, Monitoring Officer & Assistant Director Law & Governance,

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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, Performance & Insight Team Leader, 01295 221556

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Equalities and Inclusion Implications

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

Comments checked by:

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Sustainability Implications

7.5 There are no sustainability implications arising directly from this report.

Comments checked by:

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8.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: 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

- None

Background Papers

None

Report Author and contact details

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