

Supplement for

Audit and Governance Committee

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On **Thursday 29 July 2021** At **6.00 pm**

Item 5: Investigation Team Annual Report 2020-2021

Contents

- | | | |
|----|---|--------|
| 5. | Investigation Team Annual Report 2020-2021 (to follow) | 3 - 14 |
|----|---|--------|

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To: Audit & Governance Committee
Date: 29 July 2021
Report of: Head of Financial Services
Title of Report: Investigation Team Annual Report 2020-2021

Summary and Recommendations

Purpose of report:

1. To appraise Members of the activity and performance of the Counter Fraud Team for the fiscal year 1 April 2020 to 31 March 2021

Key decision No

Executive lead member: Councillor Ed Turner

Policy Framework: Corporate Plan Priority – Efficient & Effective Council

Recommendation(s): That the report be noted

Appendix 1 – Internal Investigations – Exempt from publication

Background

1. The remit of the Counter Fraud Team (the Team) is to tackle fraud and irregularity across the Council, aligned to the services' fraud risks and the priorities as identified in the Council's own Organisational Fraud Risk Assessment 2019, as well as by the previous Audit Commission and also CIPFA's Fighting Fraud and Corruption Locally Strategy (FFCL) 2016-2019.
2. The aims and objectives of the Team are to provide high quality professional corporate fraud investigation services to the Council to prevent and detect fraud and error within the Council and also to partner organisations on a commercial basis, and to assist cross border agencies where possible. Through this activity, financial losses are prevented,

additional revenue is identified for recovery, and income is secured through supply of services.

Performance 2020/21

- For 2020/21, there were five Service Performance Indicators used to track performance on a monthly basis. The team were responsible for achieving fraud prevention, detection and identification values in excess of £9.4m in the period. Performance against these targets is shown in the table below.

Table 1 - Investigations Team Performance from 01 April 2020 to 31 March 2021			
Measure	Annual Target	Total Achieved	Comment
Number of social housing properties recovered and applications for housing stopped	22	16	13 applications for housing cancelled and 3 properties recovered. The pandemic prevented visiting and other activities connected to this area of work. There was also a moratorium on evictions during the period which affected this target.
Achieve cost neutrality from identification of revenue through investigation activity	£550,000	£725,954	See Table 2 for breakdown
Prevent financial losses to the Council through investigation activity	£2,000,000	£8,735,225	See Table 2 for breakdown- 437% of target achieved
Right to Buy Applications prevented (false or irregular)	20% of applications received	24%	20 applications prevented of 82 received in the period
Trading Income from commercial activity	£300,000	£268,523	Business development activity was adversely affected by the pandemic & resources were monopolised by the Covid Business Grants schemes

4. Table 2 below provides a breakdown of the income recovered or generated, and losses prevented by the Team.

Table 2 – Income generated and losses prevented from 01 April 2020 to 31 March 2021			
	Income	Loss	
	Generated	Avoidance	Comment
	£	£	
Council Tax Reduction Scheme	32,006	25,480	The loss avoided is based on the revised Oxford model calculation of 104 weeks future entitlement.
Housing Benefit	63,194	84,424	Although no longer tasked with investigating Housing Benefit, these values are the by-product of tenancy fraud and Council Tax Reduction Scheme investigations. 104 week future entitlement model used for loss avoidance
Right to Buy		1,684,000	20 Right To Buy applications prevented (24% of all applications received) following intervention / investigation. 20 x £84,200 (max discount)
Council Tax Discount / Exemption adjustments	570,607		Achieved through reactive investigation casework and rolling review of Single Person Discount accounts to identify presence of undeclared resident adults
Non Domestic Rates	60,147		Where investigation & data matching resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists
Properties Recovered		72,000	The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 3 properties)
Housing Applications		312,000	13 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or

			property allocation - £24,000 per instance
Chargeback Investigations		12,314	4 cases where credit card chargebacks were challenged and balance loaded back onto rent and Council Tax accounts
Covid Business Grants		6,545,007	Enhanced due diligence and verification checks conducted by the team on all grant applications prevented fraudulent and irregular payments
Totals	725,954	8,735,225	9,461,179
Trading income from commercial activity	268,523	-	£268,523 achieved against a budgeted annual income of £300,000
Total income and fraud loss avoidance	994,477	8,735,225	9,729,702

5. The Team hosted its fifth annual fraud conference on 12th November 2020. Due to the pandemic, it was not possible to hold the event at Oxford Town Hall, as in previous years. Instead, the Zoom platform was used successfully to host the most popular event to date. With 315 participants online at its peak, the aim of the event was to help raise awareness of fraud trends and emerging risks to attending organisations, and also raise awareness of the services that the Investigations Team can offer. The team is known to other organisations in a commercial capacity as the Oxford Investigation Service.
6. The event has remained a free-to-attend conference for delegates with the costs not only being entirely covered through exhibitor charging and sponsorship, but deriving a surplus which will be used to fund future counter fraud initiatives.
7. Based on the ongoing success of the conference, the overwhelming positive feedback received and the reputation of the event as essential-to-attend for those in the profession, as well as the forming of new business relationships with partner organisations, the team remains committed to hosting the event annually with the next date set as 24th November 2021. The 2021 will return to the Town Hall as a physical event.

Internal Investigations

8. **Appendix 1** details staff investigations involving the Counter-Fraud team in the period.

Commercial Activity

9. Fraud Hub working arrangements remain in place with services being contractually provided to multiple partner organisations in the public and private sector. Business development activity is embedded as part of the team culture and efforts to bring new partners on board continued through the year.
10. The team is known externally as The Oxford Investigation Service and it has a brochure, dedicated website and promotional materials to assist the objective of business development. The website can be found at www.oxfordinvestigationsservice.co.uk
11. Promotional activity, in addition to the Oxford Open Day event, includes speaking slots at relevant conferences, mailshots, meetings with prospective clients and attending conferences as exhibitors with a dedicated trade stand. This activity was minimal during the period due to restrictions in place arising from the pandemic.
12. The increasing number of successful projects and activities delivered for Oxford City Council has assisted in developing a range of services that can be offered to partner organisations and prospective clients. For each marketable service, pricing options are developed with the assistance of Financial Services Accountants to ensure compliance with financial regulations, ethical trading, and financial feasibility.

Partnership Working

13. The Team provided Counter-Fraud and Investigation services to multiple client organisations during the financial year, the result of which delivered an end-of-year trading income of £268,523 against a budgeted income of £300,000. In the period, the Team has provided either products and / or services to the following 21 organisations:

- Altia Solutions
- Ascendant Solutions
- B4 Investigate
- Bracknell Forest Council
- Cherwell District Council
- Destin Solutions Ltd
- East Staffordshire District Council
- Housing Plus Group
- Intec for Business
- ITS Training
- Peter Darby Associates
- Red Kite Community Housing
- Reigate and Banstead Borough Council

- Riverside Housing Association
- Slough Borough Council
- South Northamptonshire Council
- Team Netsol
- Technology4Business
- Trust ID
- Wandle Housing
- Warwick District Council

14. In the process of delivering Counter Fraud services to partner organisations, the Oxford Investigation Service have identified fraud and financial irregularity to the value of £1.6m during the financial year, made up of £825k in additional revenue and £797k in prevented fraud losses. In addition, a full suite of services were delivered externally including training, fraud risk assessments, quality assurance, consultancy, empty property reviews, tenancy audits, intelligence and due diligence provision.
15. The Team have been the sole provider of Counter Fraud services to Warwick District Council (WDC) since February 2017. After the initial 12 month contract concluded, WDC again commissioned the Oxford Investigation Service under a new 3 year contract, commencing April 2018, to provide the capability over a longer term arrangement. This arrangement continues through to the end of March 2021 when ongoing arrangements will be subject to review.
16. In 2018, the Team was commissioned to become the sole provider of Counter Fraud services for Cherwell District Council (CDC) and South Northants Councils (SNC). The partnership working arrangements between the authorities dissolved in mid-2019 but the supply of counter-fraud services continued through to July 2020. After this point, separate agreements were put in place for both authorities for ongoing service supply into 2021.
17. At the end of the period, the contract for supply of service to CDC concluded and a decision was taken by CDC not to renew. Instead, CDC aligned its counter-fraud response to the shared Audit arrangements that are in place with Oxfordshire County Council.
18. At the end of the period, South Northamptonshire Council merged with Northampton and Daventry Councils to become West Northamptonshire Council. The contract for supplying counter-fraud services was moved over to the new authority under the existing terms, due to be reviewed mid-July 2021.
19. In late 2019, the Team formulated a new partnership working arrangement with Reigate and Banstead Borough Council (RBBC). This evolved after

the Counter Fraud Team of RBBC won the IRRV's Excellence in Counter Fraud Award 2019. Pooling resources, experience and expertise with another award winning team further enhances the capability, resilience and geographical reach of the Oxford Investigation Service and moves the team to a true shared-services dynamic.

20. Partnership working with RBBC was prevalent throughout the financial year with a number of proactive projects, involving officers from both organisations, working together in various parts of the country including Kent, Hertfordshire and West Bromwich. Further partnership working is planned throughout the year 2021-22.

Covid-19 Pandemic

21. In response to the restrictions that came about in March 2020, the team moved to a working from home model. The Team continued to work successfully, albeit with fresh challenges to overcome. Elements of the Team's function require physical interaction with customers e.g. interviews under caution and visits to residential premises.
22. These activities ceased but some aspects were reintroduced during periods of eased restrictions, all conducted with the necessary precautions taken to minimise risks to staff and customers.
23. The move to remote working was something that was adopted nationally across a range of organisations and over time, became culturally embedded. This provided opportunity for the team to work further afield as geographical limitations were less of an encumbrance. This was exemplified in the year through new business with two organisations in the north of England; Housing Plus Group and East Staffordshire District Council.
24. In the early stages of the pandemic, the government introduced a series of financial assistance measures to support businesses that were required to close as part of lockdown restrictions. Two grant funding schemes were initially launched with pressure on Local Authorities to pay quickly. There was no guidance on mitigation of fraud and error so it was decided that the Council should take a robust approach in ensuring that funds were not being fraudulently obtained.
25. The approach resulted in applications taking marginally longer to process than other LA's, many of whom were not applying a verification process, something which attracted criticism from central government. However, as a direct result of the enhanced level of due diligence in place, the Counter Fraud team stopped fraudulent and irregular grant applications to the value of £6.55m over the course of the year, across the total 27 different schemes introduced by the government.

26. Among the fraudulent and irregular grant applications were cases where the applicant had applied for funding based on an actively operational business, but checks revealed that the businesses had closed many months prior to application. Some of these applications had been supported with forged bank statements. Other applicants had flooded the system with applications containing slight variations, hoping to fraudulently obtain duplicate awards. There were also applications from individuals purporting to be business owners but when the team contacted the real business owners, they had no knowledge of the applications, which were subsequently withdrawn.
27. This activity, which was centre stage throughout the entire financial year, required a significant realignment of resources but it was delivered successfully, in partnership with the Revenues Team, Economic Development Team and the Payments Team.

Legal Implications

28. The continuing work of the Investigation Team, coupled with the Council's Avoiding Bribery, Fraud and Corruption, Whistle Blowing and Money Laundering policies and procedures give assurance that the Authority is compliant with the Bribery Act 2010, the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. Failure to adhere to the Policies would impact on the legal and reputational risk to the Council.
29. All data sharing, both internally and externally, is covered by Data Sharing Protocols and Agreements, and is conducted in the interests of prevention and detection of fraud, crime and other financial irregularity, in accordance with the provisions and exemptions of the European General Data Protection Regulation and the Data Protection Act 2018.
30. All contractual agreements devised for joint working with other organisations have been reviewed and approved by Legal Services.

The Council has relied upon its powers under the Section 1 of the Local Authorities (Goods and Services) Act 1970 (the "1970 Act") to provide services to other local authorities and public bodies. The 1970 Act enables local authorities to supply goods and services (subject to certain restrictions) to other local authorities and to public bodies. "*Public body*" means a person or description of persons appearing to the Secretary of State to be exercising functions of a public nature.

Financial Implications

31. The team continues to prevent and detect fraud and financial irregularity, first and foremost, for Oxford City Council. Engaging in a number of

innovative, proactive initiatives has ensured the continued delivery of a robust counter fraud service, even with operational challenges brought about by the pandemic, remote working and officer time monopolised by the various grants schemes. The value of prevented fraud losses, additional revenue identified as well as income from external trading was over £9,461,179 in the financial year 2020-2021

32. The gross cost of running the team for 2020-2020 was £469,752 equating to a return in investment for the year of approximately 2013%

Environmental Implications

33. All staff are conscious of the environmental implications of service delivery and will always seek the lowest impact route where possible. This will include journey sharing where feasible, remote working to reduce number of journeys taken, reducing use of paper and sourcing products and materials from sustainable origins.

Risk Implications

34. Team specific risks are managed through periodic assessments and are mitigated accordingly with appropriate response and control measures.

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