**To: Audit & Governance Committee**

**Date: 9 January 2020**

**Report of: Head of Financial Services**

**Title of Report: Investigation Team Performance and Activity for 1 April to 30 November 2019**

# Summary and Recommendations

# Purpose of report:

To appraise Members of the activity and performance of the Corporate Investigation Team for the period 1 April 2019 to 30 November 2019.

# Key decision No

# Executive lead member: Councillor Ed Turner

# Policy Framework: Corporate Plan Priority – Efficient & Effective Council

# Recommendation: That the report be noted

**Appendix 1 – Counter Fraud Team Risk Table**

# 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 2019/20

1. For 2019/20, there are four Service Performance Indicators used to track performance on a monthly basis. Performance against these targets is shown in the table below.

| **Table 1 - Investigations Team Performance from 1 April 2019 to 30 November 2019** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Measure** | **Annual Target**  **(100%)** | **Profiled Target**  **(66.6%)** | **Achieved to date/ Variance** | | **Comment** |
| Number of social housing properties recovered and applications for housing stopped | 22 | 15 | | 13  Minus 13% | Proactive activity profiled for Q4 likely to ensure target is exceeded by year end |
| Achieve cost neutrality from identification of revenue through investigation activity | £550,000 | £366,666 | | £527,892  Plus 44% | See Table 2 for breakdown - 96% of annual target achieved by 30 November |
| Prevent financial losses to the Council through investigation activity | £2,000,000 | £1,333,333 | | £2,361,150  Plus 77% | See Table 2 for breakdown- 118% of target achieved |
| Right to Buy Applications prevented (false or irregular) | 20% of applications received | 20% | | 37%  Plus 85% | 24 applications prevented of 65 received in the period  Variable total over the year |
| Trading Income from commercial activity | £150,000 | £100,000 | | £258,096  Plus 158% | 172% of annual target achieved. |

1. 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 1 April 2019 to 30 November 2019** | | | |
| --- | --- | --- | --- |
| **Type** | **Income generated**  **£** | **Loss avoidance**  **£** | **Comment** |
| Council Tax Reduction Scheme | 35,160 | 31,824 | The loss avoided is based on the revised Oxford model calculation of 104 weeks future entitlement. |
| Housing Benefit | 124,428 | 30,126 | 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 |  | 1,987,200 | 24 Right To Buy applications prevented (37% of all applications received) following intervention / investigation. 24 x £82,800 (max discount) |
| Council Tax Discount / Exemption adjustments | 272,674 |  | Achieved through reactive investigation casework and rolling review of Single Person Discount accounts to identify presence of undeclared resident adults |
| Non Domestic Rates | 90,411 |  | where investigation & data matching resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists |
| Properties Recovered |  | 144,000 | The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 6 properties) |
| Housing Applications |  | 168,000 | 7 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or property allocation - £24,000 per instance |
| Unlawful Profit Order Award | 5,219 |  | Court ordered award from prosecution of social housing sub-letting offences |
| **Savings** | **527,892** | **2,361,150** | **Total = 2,889,042** |
| Trading income from commercial activity | 258,096 |  | **Total =** 258,096 |
| **Total income and loss avoidance to authority** | **785,988** | **2,361,150** | **Total = 3,147,138** |

1. In mid-2019, submissions were made to the Institute of Revenues, Ratings and Valuations (IRRV) for consideration in their Performance Awards scheme. The Team was shortlisted as Finalists in all four categories entered, which were:

* Excellence in Counter Fraud
* Excellence in Partnership Working
* Excellence in Staff Development
* Excellence in Innovation (Performance Management)

The Team received the Highly Commended award for “Excellence in Counter Fraud.

This was fourth consecutive year that the Team has been recognised for excellence, having won the awards for Excellence in Corporate Fraud in 2016, Excellence in Innovation in 2017 and Excellence in Counter Fraud in 2018.

1. The Team hosted its fourth annual fraud conference in September 2019 at Oxford Town Hall. The aim of the event, which was free to attend, was to help raise awareness of fraud trends and emerging risks to attending organisations, and raise awareness of the services the Investigations Team can offer. The team is known to other organisations in a commercial capacity as The Oxford Investigation Service.
2. The event was the best attended since the team staged its first conference in 2016. Over 220 were present and the event was full to capacity. Such was the popularity of the event, demand from organisations for a presence at the trade stand exhibition outweighed space available.

The event has remained a free-to-attend conference for delegates with the costs not only being entirely covered through exhibitor charging, but deriving a surplus which will be used to fund future counter fraud initiatives.

A number of business leads arose from the event which are in the process of being followed up; it is likely that these will lead to further contractual working relationships.

1. 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 new business relationships with partner organisations, the team has committed to hosting the event annually with the next date set as 12 November 2020.

# Internal Investigations

1. There have been no staff investigations involving the Counter-Fraud team in the period.
2. An investigation was conducted into a suspicious e-mail received from a supplier, requesting that the Environmental Quality Team pay £212,500 of grant funding into a different bank to that already on record. The e-mail looked authentic and ICT confirmed that it originated from the supplier.

Further investigation with the supplier uncovered a company-wide data breach of a partner company of the supplier which is how fraudsters had intercepted e-mails between Oxford City Council and the supplier, which were then replicated.

Thanks to prompt action of the Environmental Quality Team and the Counter-Fraud Team, a significant loss to the authority was avoided. A number of recommendations were made to help safeguard the authority from further attempts of this type.

# Commercial Activity

1. Fraud Hub working arrangements remain in place with services being contractually provided to multiple partner organisations in the public sector. Business development activity is now embedded as part of the team culture as plans to bring more partners on board take shape with future business in the private sector anticipated.
2. The team is known as The Oxford Investigation Service and has a brochure, dedicated website and promotional materials to assist the objective of business development. The website can be found at [oxfordinvestigationservice.co.uk](http://www.oxfordinvestigationservice.co.uk)
3. Promotional activity, in addition to the Oxford Open Day event, includes speaking slots at relevant conferences, mailshots, and meetings with prospective clients attending conferences as exhibitors with a dedicated trade stand.
4. 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

1. The Team has provided Counter-Fraud and Investigation services to multiple client organisations in the public sector, the result of which will deliver an end-of-year trading income of over £250,000. In the period, the Team has provided either products and services or the opportunity to exhibit at the annual fraud conference to the following 25 organisations:

* Altia Solutions
* Appen
* Basingstoke and Deane Borough Council
* Cherwell District Council
* CIFAS
* Destin Solutions Ltd
* Equifax
* Fiscal Technologies
* Greensquare
* Hightown Housing Association
* HooYu
* Intec for Business
* ITS Training
* London Councils
* Oxfordshire County Council Audit Team
* Oxfordshire County Council Blue Badge Team
* Peter Darby Associates
* Riverside Housing Association
* Slough Borough Council
* South Northamptonshire Council
* South Oxfordshire District Council
* Trust ID
* Vale of White Horse District Council
* Wandle Housing
* Warwick District Council

1. The Team had been the sole provider of Counter Fraud services to Warwick District Council (WDC) since February 2017. After the 12 month contract had 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 although a recent change in local line management has taken place; instead of reporting to the Benefits & Fraud Manager, the team now reports to the Audit & Risk Manager.

In 2018, the Team was commissioned to become the sole provider of Counter Fraud services for Cherwell District Council and South Northants Councils (CSN). The service commenced in July 2018 and has been delivering results since the very start. The terms of the contract are that the service charge for each year is settled on commencement of the contract, and again on anniversary of the contract.

# Legal Implications

1. The continuing work of the Investigation Team, coupled with the Council’s Avoiding Bribery, Fraud and Corruption, Whistle Blowing and Money Laundering policies and proceduresgive 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.
2. 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.
3. All contractual agreements devised for joint working with other organisations have been reviewed and approved by Legal Services.
4. 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

1. 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. It is forecasted that by end of the current financial year, the team will have delivered over £3.3m in additional revenue and prevented fraud losses. The gross cost of running the team for 2019-2020 is projected as £514,757.

# Environmental Implications

1. The majority of visits undertaken by staff in the Team are done using the Council pool vehicles. 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

1. Team specific risks are set out in **Appendix 1**.

|  |
| --- |
| **Name and contact details of author:-** |
| Scott Warner |
| Counter Fraud Manager |
| Financial Services / Counter Fraud Team |
| Tel: 01865 252158 e-mail: swarner@oxford.gov.uk |