

To: Audit and Governance Committee
Date: 24 November 2020
Report of: Head of Financial Services
Title of Report: Investigation Team Annual Report 2019-2020

Summary and recommendations	
Purpose of report:	To appraise Members of the activity and performance of the Counter Fraud Team for the fiscal year 1 April 2019 to 31 March 2020.
Key decision:	No
Cabinet Member with responsibility:	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
Corporate Priority:	
Policy Framework:	
Recommendations: the Committee is recommended to note the report	

Appendices	
Appendix 1	Internal Investigations – Exempt from publication
Appendix 2	Business Grants Counter Fraud Activity
Appendix 3	Counter Fraud Team Headline Risk Matrix

Introduction and 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

3. For 2019/20, there are four 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 £4.7m in the period. Performance against these targets is shown in the table below.

Table 1 - Investigations Team Performance from 01 April 2019 to 31 March 2021			
Measure	Annual Target	Total Achieved	Comment
Number of social housing properties recovered and applications for housing stopped	22	22	Target Achieved Made up of 8 social housing properties recovered and 14 fraudulent or irregular applications stopped
Achieve cost neutrality from identification of revenue through investigation activity	£550,000	£840,131	See Table 2 for breakdown
Prevent financial losses to the Council through investigation activity	£2,000,000	£3,504,642	See Table 2 for breakdown-175% of target achieved
Right to Buy Applications prevented (false or irregular)	20% of applications received	35%	32 applications prevented of 92 received in the period
Trading Income from commercial activity	£150,000	£360,918	240% of annual target achieved.

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 2019 to 31 March 2020			
	Income Generated	Loss Avoidance	Comment
	£	£	
Council Tax Reduction Scheme	66,315	42,819	The loss avoided is based on the revised Oxford model calculation of 104 weeks future entitlement.
Housing Benefit	216,655	71,723	Although no longer tasked with investigating Housing Benefit, these values are the by-product of tenancy fraud and Council Tax Reduction Scheme

Table 2 – Income generated and losses prevented from 01 April 2019 to 31 March 2020			
	Income Generated	Loss Avoidance	Comment
			investigations. 104 week future entitlement model used for loss avoidance
Right to Buy		2,649,600	32 Right To Buy applications prevented (37% of all applications received) following intervention / investigation. 32 x £82,800 (max discount)
Council Tax Discount / Exemption adjustments	427,548		Achieved through reactive investigation casework and rolling review of Single Person Discount accounts to identify presence of undeclared resident adults
Non Domestic Rates	124,394		Where investigation & data matching resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists
Properties Recovered		192,000	The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 8 properties)
Housing Applications		336,000	14 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
Environmental Quality Grant Fraud		212,500	Investigation Team intervention of an attempted fraud to misdirect grant funding (see point 10 below)
	£	£	£
Totals	840,131	3,504,642	4,344,773
Trading income from commercial activity	360,918	-	360,918
Total income and fraud loss avoidance	1,201,049	3,504,642	4,705,691

5. In mid-2019, submissions were made to the Institute of Revenues, Ratings and Valuations (IRRV) for consideration in their Performance Awards scheme. The Team were 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.

6. This was the fourth consecutive year that the Team has been recognised for excellence, having previously won awards for Excellence in Corporate Fraud in 2016, Excellence in Innovation in 2017 and Excellence in Counter Fraud in 2018.
7. 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 that the Investigations Team can offer. The team is known to other organisations in a commercial capacity as the Oxford Investigation Service.
8. 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.
9. 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.
10. 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 committed to hosting the event annually with the next date set as 12 November 2020. Given the Covid19 pandemic and associated restrictions, the 2020 event will be a virtual conference, hosted entirely online.

Internal Investigations

11. **Appendix 1** details staff investigations involving the Counter-Fraud team in the period.
12. 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.
13. 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.
14. 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.

15. A further notable bank mandate fraud attempt was thwarted by the team in the period. In May 2019, a fraudster made contact with the Payroll team, purporting to be a newly recruited Executive Director, requesting salary to be paid to an alternative bank account. After investigation, there were found to be issues with the on-boarding process of a specific bank which led to this attempt.

Commercial Activity

16. Fraud Hub working arrangements remain in place with services being contractually provided to multiple partner organisations in the public sector. Business development activity is embedded as part of the team culture and efforts to bring new partners on board continued through the year.
17. 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 www.oxfordinvestigationsservice.co.uk
18. 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.
19. 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

20. The Team provided Counter-Fraud and Investigation services to multiple client organisations in the public sector during the financial year, the result of which delivered an end-of-year trading income of over £360,000. In the period, the Team has provided either products and / or services to the following 26 organisations:

- Altia Solutions
- Appen
- Basingstoke and Deane Borough Council
- Bracknell Forest Council
- Cherwell District Council
- CIFAS
- Destin Solutions Ltd
- Equifax
- Fiscal Technologies
- Greensquare
- HooYu
- Intec for Business

- ITS Training
 - London Councils
 - Oxfordshire County Council Audit Team
 - Oxfordshire County Council Blue Badge Team
 - Peter Darby Associates
 - Red Kite Housing Association
 - 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
21. 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 £1.2m during the financial year, made up of £778k in additional revenue and £414k 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.
 22. 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.
 23. 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.
 24. 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.
 25. In early March, fraud officers from the Oxford Investigation Service joined forces with officers from RBBC to conduct a proactive tenancy audit exercise in Thanet, Kent. 200 visits to social housing properties were conducted over 4 days as part of

an initiative to prevent and detect tenancy fraud on behalf of an Oxford City Council client Housing Association partner. The exercise ran effectively and successfully with high level assurance reported to the Housing Association, along with a number of addresses where tenancy fraud was suspected.

26. The Housing Association were to issue notices against these properties but then the national Covid lockdown occurred, which prevented further action being taken. As restrictions are eased, work will resume against the questionable tenancies. A number of successful joint exercises have taken place since the new partnership with RBBC launched and more are planned for 2020-2021.

Covid-19 Pandemic

27. 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 eg interviews under caution and visits to residential premises.
28. These activities ceased but some aspects have gradually and tentatively been reintroduced, with the necessary precautions taken to minimise risks to staff and customers.
29. One member of the team was seconded to work in the Locality Hubs full- time and another assisted one day per week with driving for food parcel deliveries. Both officers have since fully returned to the team.
30. 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 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. This activity required a significant realignment of resources but it was delivered successfully, in partnership with the Revenues team. A detailed synopsis of the activity is attached at **Appendix 2**

Legal Implications

31. 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.
32. 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.
33. 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

- 34. 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. The value of prevented fraud losses, additional revenue identified as well as income from external trading was over £4.7m in the financial year 2019-2020
- 35. The gross cost of running the team for 2019-2020 was £514,757.

Environmental Implications

- 36. 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

- 37. Team specific risks are managed through periodic assessments and are mitigated accordingly with appropriate response and control measures. **Appendix 3** sets out headline risks facing the Team in the current climate.

Report author	Scott Warner
Job title	Counter Fraud Manager
Service area or department	Financial Services
Telephone	01865 252158
e-mail	Email: swarner@oxford.gov.uk