

To: **Audit & Governance Committee**

Date: **27 July 2022**

Report of: **Head of Financial Services**

Title of Report: **Investigation Team Annual Report 2021-2022**

### 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 2021 to 31 March 2022

**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, income is secured through the

supply of services and redress is sought in cases of civil or criminal offending.

### **Performance 2021/22**

3. For 2021/22, 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 £6.81m in the period. Performance against these targets is shown in the table below.

<b>Table 1 - Investigations Team Performance from 01 April 2021 to 31 March 2022</b>			
<b>Measure</b>	<b>Annual Target</b>	<b>Total Achieved</b>	<b>Comment</b>
Number of social housing properties recovered and applications for housing stopped	22	12	7 applications for housing cancelled and 5 properties recovered. Resources monopolised by administration of Covid Business Grants to the detriment of core functions.
Achieve cost neutrality from identification of revenue through investigation activity	£550,000	£847,586	See Table 2 for breakdown
Prevent financial losses to the Council through investigation activity	£2,000,000	£5,799,356	See Table 2 for breakdown
Right to Buy Applications prevented (false or irregular)	18% of applications received	14%	15 applications prevented of 109 received in the period
Trading Income from commercial activity	£200,000	£164,272	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.

<b>Table 2 – Income generated and losses prevented from 01 April 2021 to 31 March 2022</b>			
	<b>Income</b>	<b>Loss</b>	
	<b>Generated</b>	<b>Avoidance</b>	<b>Comment</b>
	<b>£</b>	<b>£</b>	
Council Tax Reduction Scheme	12,367	15,691	The loss avoided is based on the revised Oxford model calculation of 104 weeks future entitlement.
Housing Benefit	53,582	59,115	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		1,269,000	15 Right To Buy applications prevented (14% of all applications received) following intervention / investigation. 14 x £84,600 (max discount)
Council Tax Discount / Exemption adjustments	445,481		Achieved through reactive investigation casework and rolling review of Single Person Discount accounts to identify presence of undeclared resident adults
Properties Recovered		120,000	The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 5 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
New Homes Bonus	336,156		Proactive risk-based, data-led visiting exercise targeting long-term empty properties

Covid Business Grants		4,167,550	Enhanced due diligence and verification checks conducted by the team on all grant applications prevented fraudulent and irregular payments
<b>Totals</b>	<b>847,586</b>	<b>5,799,356</b>	<b>6,646,942</b>
Trading income from commercial activity	164,272	-	
<b>Total income and fraud loss avoidance</b>	<b>1,011,858</b>	<b>5,799,356</b>	<b>6,811,214</b>

5. The Team hosted its sixth annual fraud conference on 24<sup>th</sup> November 2021. After hosting a virtual event in 2020, the conference again returned to the Town Hall for an in-person event. With more than 150 attending, 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. For the first time, the conference was delivered in conjunction with the Counter-Fraud Team of Reigate and Banstead Borough Council, the shared service partners of the Oxford Investigation Service. Staff from both teams were involved in planning and delivery.
8. A new team brochure was arranged for the event with hard copies added to delegate packs. The brochure provided detail on staffing and specialisms within the whole of the shared service partnership. A copy of the brochure can be found at **Appendix 1**.
9. 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 17th November 2022. Reigate and Banstead colleagues will again be involved in the planning and delivery.

## Internal Investigations

10. **Appendix 2** details staff investigations involving the Counter-Fraud team in the period.

### **Commercial Activity**

11. 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.

12. 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.oxfordinvestigationservice.co.uk](http://www.oxfordinvestigationservice.co.uk)

13. 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. These activities are aligned to a departmental Marketing Strategy.

14. 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**

15. 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 £164,272 against a budgeted income of £200,000. In the period, the Team has provided either products and / or services to the following 23 organisations:

- Ascendant Solutions
- Cabinet Office (National Fraud Initiative)
- Chorus Intelligece
- CIFAS
- D4S Digistaff
- Destin Solutions Ltd
- Devonshire Solicitirs
- East Staffordshire District Council
- Housing Plus Group
- Intec for Business
- ITS Training

- LoCTA
- MRI Software
- NEC Software Solutions
- Peter Darby Associates
- Reigate and Banstead Borough Council
- Riverside Housing Association
- Slough Borough Council
- Technology4Business
- Trust ID
- Wandle Housing
- Warwick District Council
- West Northamptonshire Council

16. 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 £2.1m during the financial year, made up of £945k in additional revenue and £1.2m 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.
17. The Team have been the sole provider of Counter Fraud services to Warwick District Council (WDC) since February 2017. The existing contract was due to expire at the end of March 2022. On review, WDC commissioned the Oxford Investigation Service for a further three years, with a new contract expiry date of 31<sup>st</sup> March 2025.
18. 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.
19. The contract for service supply to CDC concluded at the end of March 2021. SNC became part of a new authority, West Northamptonshire Council (WNC) and a counter fraud service was supplied throughout the period, concluding at the end of March 2022.
20. Partnership working with Reigate and Banstead Borough Council was prevalent throughout the financial year with a number of proactive projects, involving officers from both organisations, working together on behalf of local authorities in various parts of the country including West Bromwich, Rochester, Mansfield, Northampton, City of York, Lincoln and North Kesteven.

21. The team has been supplying services to Riverside Housing for a number of years by way of an on-demand contract with intermittent work taking place. During the period, the team worked with Riverside to secure the second highest ever value Unlawful Profit Order against a tenant who was illegally subletting their social housing property. The value of the award was £145,178, plus rent arrears of £3,000 plus court costs of £9,955. At the end of the period, Riverside moved to a new contract for the supply of 1 full-time equivalent staff member, commencing 1<sup>st</sup> April 2022. The Press Release from Riverside detailing the case is found at **Appendix 3**.
22. In October 2021, submissions made to the IRRV Performance Award scheme were successful. The Excellence in Partnership Working award was presented to the Shared Service (OCC & RBBC). Additionally, the Excellence in Counter Fraud Award was won by OCC. Since 2016, the Oxford Counter Fraud team has achieved multiple excellence awards year on year. The awards provide independent validation of excellence, professionalism and best practice. They also provide assurance to client partners that they are working with a service supplier of the highest calibre.

### **Covid-19**

23. In partnership with the Revenues Team, the Economic Development Team and the Payments Team, the Counter-Fraud Team continued to apply enhanced due diligence measures to applications received for the multiple Covid Business Support grant schemes in effect during the period. As a direct result of this work, grants to the value of £4,167,550 were not awarded. This amount is made up of applications which were either fraudulent, irregular, duplicitous, erroneous or where requests for supporting information was not supplied.

### **Legal Implications**

24. 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.
25. 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.
26. 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**

27. 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 £6,811,214 in the financial year 2021-2022.
28. Contractual agreements devised for joint working with other organisations have been reviewed and approved by Financial Services for compliance with financial regulations and economic feasibility.
29. The gross cost of running the team for 2021-2022 was £438,524 equating to a return in investment for the year of approximately 1,553%

### **Environmental Implications**

30. 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 by default to reduce number of journeys taken, reducing use of paper and sourcing products and materials from sustainable origins.

### **Risk Implications**

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

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