

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

**Recommendation:** that the Committee

- **Reviews** the update report from the Counter Fraud Services Manager (Devon Audit Partnership)

**Summary**

The attached report from the Counter Fraud Services Manager, Devon Audit Partnership is provided in response to the request from the Audit Committee for updates on the Council's Counter Fraud activity.

The report details work undertaken and the ongoing work in order to mitigate the challenges posed by fraudulent activity for the Council.

This will be an ongoing reporting process to the Committee.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972

List of Background Papers

Contact for Enquiries: Ken Johnson  
Tel No: (01392) 386416 Larkbeare House

<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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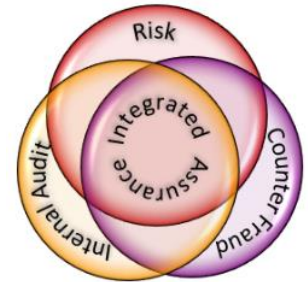
Nil

There are no equality issues associated with this report



devon**audit**partnership

Counter Fraud Services



# Counter Fraud Services

## Update Report

September 2021



**Audit Committee**



Support, Assurance & Innovation

## **Introduction and purpose of this report**

The Counter Fraud Services Team within Devon Audit Partnership (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability to improve its resilience to fraud and related offences. The ongoing work will assist all Council staff, management and members in identifying fraud and the risks associated with it. The aim is to ultimately provide the highest level of assurance possible utilising a joined-up service in association with our colleagues involved in Audit, Risk Management and the Council itself to minimise fraud loss to the lowest level possible.

Audit Committee members have requested regular updates on the Council's Counter Fraud activity to improve accountability; this report aims to meet this requirement.

## **New Anti-Fraud, Bribery and Corruption Policy**

The new [Anti-Fraud, Bribery and Corruption Policy](#) has now been adopted as has the accompanying [Anti-Fraud, Bribery Strategy and Response Plan](#). These documents form the foundation of the Council's response to the risk of fraud and can now be found on the Council's website.

The Policy and Strategy are the first steps in showing that the Council has robust arrangements and the executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

The Policy is a high-level document detailing the Council's attitude to fraud and associated criminal activity, defining what fraud, bribery and corruption are and outlining responsibility and reporting routes for any suspected fraudulent activity against the Council.

The Strategy and Response Plan is a more detailed document showing what the Council intends to do about any fraud that it encounters and how it plans to prevent and detect fraud going forward.

Both documents are aligned with the latest [Fighting Fraud and Corruption Locally](#) national strategy, which is itself aligned with current Central Government stance and response to fraud threats within Local Government.

## **Integration with Internal Audit Plan Work to reduce fraud risk in systems**

The Counter Fraud Services Team (CFST) Manager continues to ensure that, where possible, the risk of fraud is considered during internal audit work, supplying known previous examples of fraud in the respective areas of business as well as where known, a list of 'red flag' issues which may point towards potentially fraudulent activity. Where a suspicion of fraud is detected by an auditor, this will be referred to the CFST and any outcomes will potentially form part of the Audit Report if it is considered relevant and legal to do so.

## **Fraud and Risk Management**

Assessing the risk of fraud happening is an important step in 'Acknowledging' that fraud is a threat, this aligns with the Fighting Fraud and Corruption Locally strategy for the 2020's, leading on to the prevention and detection of fraud.

The Counter Fraud Services Manager continues to work with the Risk Manager at DAP and managers within DCC service areas to establish a robust risk analysis and response for DCC.

The Risk Manager has met with or will meet all 'Risk Champions' within DCC to establish areas of concern within those business areas asking them to think about the following risks presented by fraudulent activity and how they already mitigate the risks and what further can be done.

- Financial risk
- Reputational risk
- The threat to life of serious injury
- Criminal and or civil liability
- Ongoing service availability
- Impact on victims

The following documents have been created for use by the Risk Champions as a guidance in creating a full fraud risk analysis.

- [Counter Fraud Best Practice](#)
- [Counter Fraud Red Flags](#)
- [Counter Fraud Known Risks](#)

This information will also be used for general awareness for staff once as many risks as possible have been documented. This will show that the organisation has reviewed its own fraud risks across the piece and has assessed whether it has sufficient mitigation in place to minimise fraud threats to the Council.

The information obtained will form the basis of the full counter fraud risk assessment and enable managers and staff to address any outstanding risk mitigation that is required to gain maximum assurance.

The Audit, Risk and Counter Fraud Managers at DAP continue to work to improve a joined-up service that will assist in giving assurance and improving the Councils resilience going forward.

## **National Fraud Initiative**

The National Fraud Initiative (NFI) is an exercise run by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. These matches occur bi-annually, the current set of matches are being checked for accuracy and outcomes.

The exercise is not free, and the Councils fees were around £3,900 to participate in the exercise.

The NFI produced a total of 14,278 matches for the Council and, to date, 2,361 (16.5%) of these have been checked and have resulted in qualifiable savings of £14,469 using Cabinet Office figures. The rest of the matches will be actioned as soon as possible, capability allowing, as the savings value for 100% checking would indicate total potential savings of £87,000. The Counter Fraud Services Manager is currently in the process of encouraging all areas to facilitate this checking at the earliest possible point to maximise potential savings.

Maximising the use of the NFI is evidence of ongoing commitment to tackling and preventing fraud throughout many areas of the Councils business.

## **Current Investigations**

Investigation into potentially fraudulent activity continues, although it would not be pertinent to disclose details of any investigation into fraud or irregularity through this document, DAP currently has received 34 case referrals for several areas of Council business which will be actioned in accordance with the Policy and Strategy detailed above.

Irregularities include, 11 for Adults Services, including misuse of funds, 6 for Children's Services, including misuse of funds, 11 Blue Badge misuse allegations and various other allegations around potential theft where the Police have been formally notified.

In addition, the DAP Counter Fraud Team continues to provide data analysis and professional guidance and support in respect of a targeted Cyber-attack enabling early detection and correction where required and liaising with [Action Fraud](#) (Police) as required.

The COVID pandemic has affected how the investigation team deal with certain aspects of fraud investigations as Interviews Under Caution (IUC's) have been suspended in the interest of staff and suspects physical wellbeing. As restrictions and working practices return to normal these will be resumed and cases will be dealt with appropriately under the Police and Criminal Evidence Act 1984 (PACE) and the Criminal Procedure and Investigations Act 1996 (CPIA).

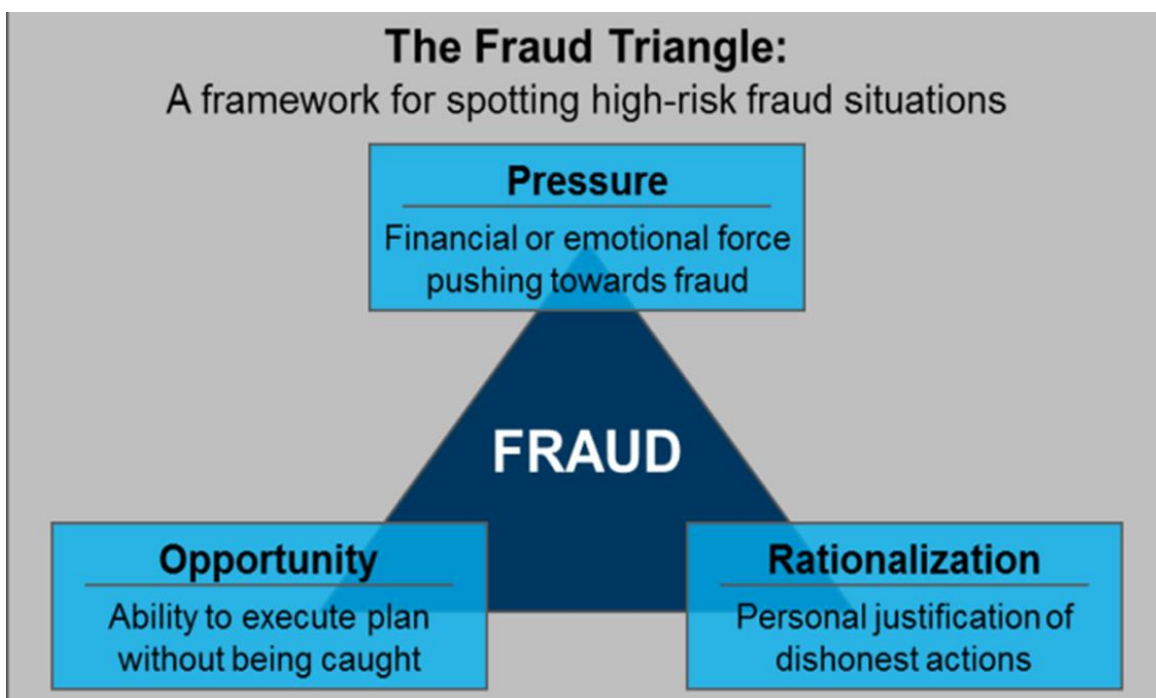
### eLearning uptake

Enquiries have been made to establish current uptake and completion of this new course [Fraud Prevention](#) and its ongoing status. At the time of writing this report the statistics were unavailable. The Counter Fraud Manager will ensure that they are available for the next Counter Fraud update at Audit and Governance.

### Counter Fraud Awareness Training

The Counter Fraud Manager has recently trained with the City of London Police, Economic Crime Academy to become an Accredited Counter Fraud Manager (ACFM), he has presented several times nationally on the subject of Counter Fraud, Bribery and Corruption in Local Government. Where a more in depth understanding of the subject matter is required and he remains at the Councils disposal for further training and awareness requirements as required.

The causes of fraud are as varied as the frauds themselves. No organisation is immune from fraud and raising awareness is key to preventing and detecting it. The fraud triangle shows the reasons behind fraud and it is obvious that some in our society face **pressure** as never before. Therefore, **opportunity** must be minimised within Council systems to reduce fraud and publicity around fraud must be maximised in order to clearly show that there is no **rational** explanation which justifies fraudulent actions.



## **Routes for reporting Fraud**

The Counter Fraud Services Team have available reporting routes for staff and members of the public to raise their concerns and or suspicions of fraud.

Email – [counter.fraud@devon.gov.uk](mailto:counter.fraud@devon.gov.uk)

Telephone: 01392 386416

## **Focused reviews**

Due to the summer leave period and COVID complications, this area has not progressed as much as anticipated; the Counter Fraud Manager will make this a priority in the coming months with a view to maximising assurance in these areas.

Procurement - The CFST are developing a proactive data analysis approach to counter fraud using PowerBI; staff will manipulate and code software to allow for a higher detailed return than would normally be available. Access to direct and real time data will mean that lessons learnt in other partner organisations would yield useful results and savings.

Pensions - The above data analysis approach could again be used; however, this is an area that the CFST is confident resembles other areas of historical work that have similar offences and offending patterns. Access to the correct level of introduction and agreement would mean that once awareness was raised that Pensions staff would also be more confident about what to refer and when.

## **Counter Fraud 21/22 going forward**

Actively involve Procurement and Pensions areas in full Counter Fraud work as above.  
Encourage completion of NFI data match checking to ensure full completion wherever possible to ensure maximisation of savings.

Continue to engage with all areas to assess and mitigate 'risks' with managers and staff.  
Improve publicity around counter fraud work both within and outside of the Council to assist in the prevention of fraud in Council business. (Inside Devon articles and other media)  
Continue to investigate all allegations of fraudulent activity against the Council.

The Counter Fraud Services Team will continue to update the Audit Committee on a regular basis, for questions or queries please contact Ken Johnson, Counter Fraud Services Team Manager, Office: 01392 386416 / 01752 307625, Email: [ken.johnson@devon.gov.uk](mailto:ken.johnson@devon.gov.uk)