

**DEVON COUNTY COUNCIL – COUNTER FRAUD SERVICES UPDATE REPORT NOV 2021**  
**Report of the Director of Finance**

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

**Recommendation:** that the Committee

1. **Consider** the update report and associated actions from the Counter Fraud Services Manager (Devon Audit Partnership).

**Summary**

The attached report from the Counter Fraud Services Manager, Devon Audit Partnership is a direct result of Audit Committee members having requested regular updates on the Council's Counter Fraud activity to improve accountability; this report aims to meet this requirement.

The report details work undertaken and that which is still required in order to mitigate the challenges posed by fraudulent activity for the Council.

This will now be an ongoing reporting process to the Committee.

Angie Sinclair

Electoral Divisions: All  
Local Government Act 1972

List of Background Papers

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<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

### Novmeber 2021



## Audit Committee

CUSTOMER  
SERVICE  
EXCELLENCE



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.

## 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 a list of 'red flag' indicators which may point towards the potential for 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 resilience questions will now form part of audits going forward, in order to assess whether service areas have considered and mitigated known or perceived fraud risks.



## Fraud and Risk Management

The Counter Fraud Manager has recently completed the Chartered Institute of Public Finance (CIPFA) and Accountancy course in 'Fraud Risk Management'. Although this manager has many years of experience in the field of counter fraud in acknowledging, preventing and pursuing those who commit fraud. This formalised training will assist in the improvement of service delivery and overall assurance to Devon County Council around its fraud response.

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 Team continue 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.

The next step in this process will be to establish a fraud risk register to assist all areas to understand where they have fraud risks, whether they have sufficient mitigation in place and what else can be done to protect the public purse, minimise the impact of any fraudulent activity on DCC and the public and reassure those we serve that the Council remains committed to a robust response to fraud threats.

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 Council's 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, 4,150 (29%) of these have and or are currently under review and have resulted in qualifiable savings of £19,568 using Cabinet Office figures.

The remainder 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 £64,475. The Counter Fraud Services Manager continues to encourage 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 38 case referrals for several areas of Council business which will be actioned in accordance with the Policy and Strategy.

Irregularities include, 11 for Adults Services, including misuse of funds, 6 for Children's Services, including misuse of funds, 13 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.

## Counter Fraud Awareness Training

The Counter Fraud Manager has 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. He has provided specific awareness training to DCC staff in Finance and Procurement teams where a more in depth understanding of the subject matter is required and he remains at the Council's disposal for further training and awareness requirements as required.

All the investigators employed in the Counter Fraud Services Team are fully Accredited Counter Fraud Specialists (ACFS), with the supporting team members being fully Accredited Counter Fraud Technicians (ACFT). This means that DCC has a wealth of knowledge and technical experience available for ongoing reference and Devon County Council has an eLearning course which can be accessed through the Devon Learning site under the course title of [Fraud Prevention](#). (This includes DCC Members with a Devon Learning account)

A request was made to establish this training as 'mandatory' for all staff, after the last Audit Committee Meeting in September. However, after meeting with DCC's HR Section, it was made clear that only training which the Council is legally obliged / required to provide is classed as 'mandatory'. There are many courses that already fall into this category which take up quite a lot of time for staff to complete. It was suggested that the 'Fraud Prevention' eLearning should be placed in all the following categories

- New starters must do
- Managers must do
- Essential for all
- Essential for managers

Some publicity to encourage /promote completion will be generated by the Counter Fraud Services Team to maximise uptake.

## Best Practice

The Fighting Fraud and Corruption Locally (Strategy for the 2020's) identifies that the 'Pillars of protection in fighting fraud, Governance, Acknowledge, Prevent, Pursue and Protect are supported by the six 'Cs'. These are –

- **Culture** – *creating a culture where fraud and corruption are unacceptable and that is measurable* - DCC now has a commitment from the very top of the organisation including the Members, CEO, Senior Management Team and Staff. This is evidenced at least in part by the adoption of a new and robust Anti-Fraud Bribery and Corruption Policy along with the accompanying Strategy and Response Plan. The Audit Committee receives regular updates as well as the Annual Report from the Counter Fraud Services Team.
- **Capability** – *assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate* – DCC is embarking on a fraud risk assessment process, linked with its current risk assessments to ensure that all areas of its business are addressed appropriately to further improve assurance.
- **Competence** – *having the right skills and standards commensurate with the full range of counter fraud and corruption activity* - DCC now has full access to qualified Accredited Counter Fraud professionals with many years of experience in the prevention and detection of fraud in Local Government. This will enable them to respond to known and emerging threats and improve resilience.
- **Capacity** - *deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance* - DCC has committed resources to the Devon Audit Partnership to ensure that it has the time and ability to respond to fraud threats as well as look at pro-active work to prevent loss in the first place and in the future. This may change as levels of fraud detection / perceived and known threats change for DCC to respond appropriately.
- **Communication** - *raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes* – The Counter Fraud Services Team regularly share fraud alerts from the National Anti-Fraud Network to specific areas affected by the alerts. Fraud awareness training has been provided as eLearning and for specific areas of concern. The Communications Team within DCC are informed of any events and or specific issues as they arise, and this will continue along with targeted events to raise awareness around learning and resilience.
- **Collaboration** - *working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information* – DCC is through the Counter Fraud Services Team at DAP able to feed into the national framework for counter fraud activities. Examples of this are links with the Police, UK Border Agency, the Department for Work and Pensions (DWP), Cabinet Office, The Department for Levelling Up, Housing and Communities (DLUHC). DCC is also committed to liaising and supporting other Local Authorities within County boundaries as well as outside to ensure best practice and maximum resilience to fraud

## 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

**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.

Fraud Awareness sessions have been provided to the 'Procurement Team'. The training was well received, and the procurement team found the training useful and enlightening. However, they also felt it would be useful for all staff with any 'procurement' responsibility across the Council to receive the same awareness training as it was clear that many in the procurement team felt that they as specialists were aware of why mitigating processes were in place, but felt that many outside of this specialist area failed to understand why the checks and balances were required and often circumvented the processes in place to expedite resolution for their own specific business area.

Further training and awareness sessions will be made available and our colleagues in 'Audit' have been made aware for future reference.

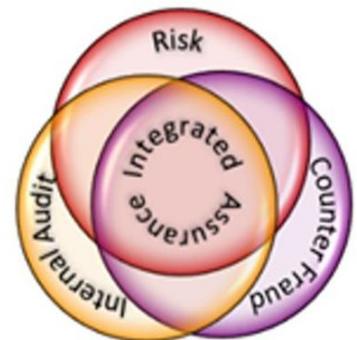
**Pensions** - The above data analysis approach could again be used; however, this is an area that the CFST is confident resembles other areas of historical work that have similar offences and offending patterns. Access to the correct level of introduction and agreement would mean that once awareness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

The Pensions Team have been reviewing all NFI cases supplied. Of the 633 matches provided they have completed and closed 632, with only 3 instances being of concern. An identified total loss of around £800 is in the process of recovery. Only one instance remains unresolved at the time of this report.

The Pensions Team are to be commended for their diligence and speed in dealing with the matches. The results show that the Pension area is one that is very secure and up to date with its information processing. The vast majority (99.5%) of matches identified by the NFI were already known by the team and had already been acted upon.

## 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)
- Instigate a fraud risk analysis process across the Council.
- Continue to investigate all allegations of fraudulent activity against the Council.



Good progress is being made to ensure that DCC maximises its resilience and provides assurance that fraud is being addressed. The Counter Fraud Services Team will continue to update the Committee on a regular basis.

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)