



devon**audit**partnership

Counter Fraud Services

Devon County Council

Devon Audit Partnership

Counter Fraud Services Update Report

Audit Committee 24/02/2022

CUSTOMER
SERVICE
EXCELLENCE



CSE



Support, Assurance & Innovation

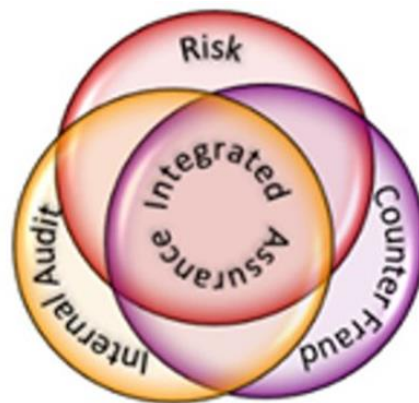
Introduction and purpose of this report

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 to provide assurance



Managers and Auditors across the Devon Audit Partnership are utilising known fraud indicators to shape audit questions so that fraudulent activity is more likely to be picked up if it is present. Where a suspicion of fraud is detected by an auditor, this will be referred to the Counter Fraud Services Team (CFST) and any outcomes will potentially form part of the Audit Report if it is considered relevant and legal to do so.

All staff within the Counter Fraud Services Team are fully Accredited Counter Fraud Specialists, with the CFST Manager also being an Accredited Counter Manager. The Chartered Institute of Public Finance (CIPFA) have also awarded this manager a Diploma in Counter Fraud Management because of previous qualifications held in the field of countering fraud.

The team are becoming more involved with the Devon County Council Risk Champions and although a formalised Counter Fraud Risk Register is not yet in place, this is the goal, to improve a joined-up service that will assist in giving assurance and improving the Councils resilience to fraud going forward.

National Fraud Initiative



National Fraud Initiative Report

July 2020



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.

Further work / data sets have been requested as in 2018 the Blue Badge Service was identified as the Council's alpha digital project and in June 2019 a bespoke blue badge case management system was introduced to improve the efficiency of the end-to-end blue badge process and as a direct result of testing and using the case management system, further improvements are underway.

The above improvements have led to the Blue Badge Team utilising the CFST to obtain further data sets through the NFI system to ensure that the data migrated from the current system is as clean as possible and to identify possible duplicate applications and to ensure records for deceased badge holders won't be migrated across to the new system. This has resulted in a total of 2535 potential matches to be reviewed. The tariff savings value of any individual Blue Badge removed from circulation (removal of the risk of fraudulent usage) is relatively small, however should all matches prove accurate then the averted risk and financial savings could be considerable. Once final figures are known these will be included in future reports.

As previously detailed 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 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 £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. (No further movement on this area currently)

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 45 (updated) case referrals for several areas of Council business which will be actioned in accordance with the Policy and Strategy.

Irregularities include, 13 (updated) for Adults Services, including misuse of funds, 7 for Children's Services, including misuse of funds, 17 (updated) Blue Badge misuse allegations, 1 Concessionary Travel Pass misuse estimated to have been used over hundreds of times (new) 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 CFST Manager will be presenting next month to the Finance Team on the subjects of Money Laundering, Bribery and Corruption to further support the work already done to highlight Fraud and related offences. The importance of these sessions should not be underestimated as both Money Laundering and Bribery carry corporate responsibilities and potential corporate criminal offences. It is therefore important that all staff that may have a duty under the 'Acts' understand what to look for and their responsibilities under the legislation.

The recent Members Training Session in Risk, Fraud and Audit proved useful to those who attended, and the feedback was very good. Other similar sessions will be run in the future, b

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)

Best Practice next steps - assessing fraud risk

Risk Assessment is "A structured, consistent, continuous process across the whole organisation for identifying, assessing, deciding on responses, and reporting on opportunities and threats that affect the achievement of its objectives" (IIA 2005)

In the coming financial year DAP will be building on the success of DCC's embedded, robust risk assessment process to ensure that the risks of fraud are realised. This allows the organisation to

show it understands those risks and as a result can address those risks and ensure good **governance** and assurance.



Any Council must assess itself against the organisational **culture, capability, competence, capacity, communication, and collaboration** so that it can best figure out how to defend its resources and reputation.

By effectively assessing its own risk of fraud DCC can then **acknowledge** those risks and commit to various undertakings in order to reduce or eradicate those risks. This will lead to the next step to **prevent** further loss wherever possible, the best way to fight fraud is to prevent it from happening in the first place.

Having the correct processes in place deters criminals from committing fraud, however where fraud is detected, those who commit it must be **pursued**, determined fraudsters will evade even the best controls, and where fraud and corruption does occur enforcement must be comprehensive in order to deter further attacks and losses.

In order for DCC to **protect** itself adequately it must also commit to protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. This will also cover protecting public funds, protecting its organisational integrity and reputation from fraud and cybercrime, and also protecting itself from future frauds as far as can be reasonably expected.

PROTECTING ITSELF AND ITS RESIDENTS
*Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.*

A structured fraud risk register will allow DCC to show:

- Strategic governance and leadership on the risk of fraud and other financial crime.
- The organisations fraud risk appetite and how this is determined
- Ownership and execution of the fraud risk assessment process and whether this is linked to the organisations risk appetite.
- Appropriate policies and procedures, where they are kept, how they are promulgated and whether they are deemed to be effective.
- Methods of policy and procedural implementation and communication.
- The risk assessment methodology and framework used
- Types of reporting lines (overt, confidential, and regulatory)
- Responses to allegations and reports of fraud

- Provision of any training required
- Arrangements for monitoring and reviewing the strategy and control environment.

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

Telephone: [01392 386416](tel:01392386416)

Counter Fraud 22/23

- Instigate a fraud risk register and analysis process across the Council.
- Encouraging cross LA collaboration in the use of data analysis to drive up collectable revenues across the County with DCC support. (Previous exercise estimated uplift in local revenue from 3 Devon LA Districts was £266k, the actual realised uplift figure was over £370k). Therefore, this exercise will be potentially repeated more regularly to increase the collectible revenue across the County.
- Continue to investigate all allegations /any of fraudulent activity against the Council.
- Encourage completion of NFI data match checking to ensure full completion wherever possible to ensure maximisation of savings.
- 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). The CFST Manager is currently reviewing an Anti-fraud publicity campaign which is being considered / drawn up. Next update to include details of proposed campaign.

Good progress is being made to ensure that DCC maximises its resilience and provides assurance that fraud is being addressed. The implementation of an Organisational Fraud Risk Assessment process will be the next major step in path to a achieving that higher fraud resilience and assurance. The Counter Fraud Services Team will continue to update the Committee on a regular basis.

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