



devon**audit**partnership

Counter Fraud Services

Devon County Council

Devon Audit Partnership

**Counter Fraud
Annual Report & Update**

Audit Committee June 2022

**CUSTOMER
SERVICE
EXCELLENCE**



Support, Assurance and Innovation

1. Introduction

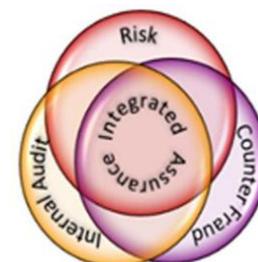
- 1.1 The Counter Fraud Services Team within [Devon Audit Partnership](#) (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability to improve its resilience to fraud and related offences.
- 1.2 The ongoing work will assist all Council staff, management, 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.
- 1.3 Audit Committee members requested regular updates on the Council's Counter Fraud activity to improve accountability; this report aims to meet this requirement and that required under the Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and Response Plan.

2. Embedding the new Policy, Strategy and Response Plan.

- 2.1 The relatively new [Anti-Fraud Bribery and Corruption Policy](#) and the accompanying [Anti-Fraud Bribery and Corruption Strategy and Response Plan](#) are available to view and represent the Councils commitment to fighting fraud and corruption and ensuring that it continues to build resilience in protecting the public purse.
- 2.2 These documents give clear guidance and ensure that all staff and members and the public can report fraud and irregularity suspicions directly to counter fraud specialists retained within the assurance services provided by the Partnership. The team have direct contacts with the Police and other law and enforcement agencies, which in turn ensures that all allegations are taken seriously and dealt with appropriately.

3. Integration of Counter Fraud, Risk Management, and Internal Audit.

- 3.1 The integration between these assurance arms continues to evolve and strengthen. Regular meetings between the relevant managers and staff ensure that cross collaboration is growing and improving so that auditors are aware of fraud and risk issues (See Appendix 2).
- 3.2 Assurance meetings between Devon Audit Partnership and the Director of Finance and Public Value (Section 151 Officer), along with members of the Finance and Public Value Leadership Team ensure that direction, clarity and flexibility continues to improve.
- 3.3 The creation of, and appointment to, a Senior Counter Fraud Officer role within the Partnership has assisted further integration, enabling Audit and Risk Management as well as counter fraud access to a higher level of data analysis capability.
- 3.4 The Partnership is also recruiting a Trainee Assurance Practitioner (Apprentice) which covers all aspects of assurance (Counter Fraud, Risk Management and Audit skills), alongside the opportunity to obtain the [Level 4 Counter Fraud Investigator](#) qualification. This will further support the partnerships ability to provide Integrated Assurance to DCC.



4. National Fraud Initiative

- 4.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#) that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.
- 4.2 Devon Audit Partnership acts as the point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative, this being a mandatory Biannual exercise in fraud prevention and detection.

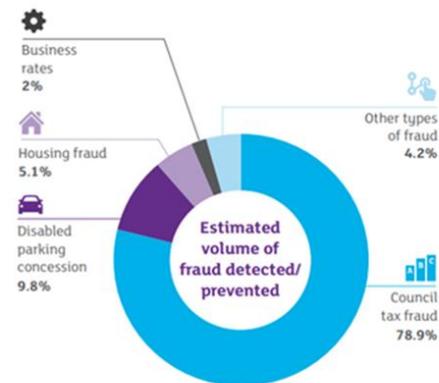
- 4.3 The Concessionary Travel Team have completed their matches and have realised a Cabinet Office estimated savings figure of **£13,632** as a result of being able to amend 568 of its records.
- 4.4 The Payroll and Pensions areas have also checked their returned matches and have subsequently realised Cabinet Office estimated savings of **£5,936.86** as a result of checking 911 potential matches.
- 4.5 The Blue Badge Team utilised NFI data matching to cleanse data before transferring Blue Badge it across to their new software package. As a direct result the Cabinet Office estimated a savings value of **£1,432,325** due to the amendment of 2491 records.

- 4.6 In our professional experience Blue Badge misuse is widespread and much more common than it should be. In the Chartered Institute of [Public Finance and Accountancy \(CIPFA\) survey in 2019](#), the scale of this type of fraud was clear, being the second most common fraud faced by Councils in England and Wales. As per the graphic below and to the right.

- 4.7 This effectively means that the NFI has assisted the Council to identify changes in entitlement which have resulted in an (estimated) total of **£1,451,893.86** in potential savings.

- 4.8 The Departments concerned have also shown that they are actively involved in making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

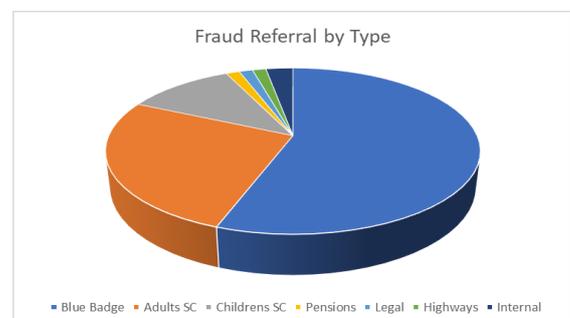
- **Data minimisation** by ensuring that DCC only holds data that is required.
- **Accuracy** by ensuring that the data held is as accurate as it can reasonably be expected to be.
- **Data retention periods**, showing that data is not being held longer than is necessary for its intended use.



- 4.9 The new cycle of the NFI Exercise will be starting once again this year with data being sent to the Cabinet Office by December 2022 and the matches being returned in Jan / Feb 2023.
- 4.10 Devon Audit Partnership will support and encourage completion of the NFI returns and results will be reported to the Audit Committee in the regular Counter Fraud Updates in future.
- 4.11 A full report of statistics comparing the results of the last exercise with the previous national exercise is available in Appendix 1.

5. Investigations and other ongoing work

- 5.1 In the past twelve months the Counter Fraud Services (CFS) Team have received 72 referrals covering the following areas of Council Business.
- 5.2 The CFS team have 23 live investigations. *(Details of individual investigations cannot be disclosed due to the sensitive nature of the information).*
- 5.3 We continue to support service areas that require data analysis and monitoring of transactions as a result of recent cyber enabled attacks.
- 5.4 Work towards creation of a Council wide Fraud Risk Register continues and will be reported on in a future update to Audit Committee.



6. Raising Fraud Awareness

6.1 The Counter Fraud Services Manager has provided training to the Finance and Public Value Management Team on Money Laundering, outlining:



(The positive feedback from the event was well received and appreciated.)

- 6.2 The Counter Fraud Services Manager has also provided a Master Class on the topic of Fraud to Devon County Councillors. This helps to ensure that Members are kept aware of current and emerging threats.
- 6.3 Further awareness sessions are planned on Bribery and Corruption in the near future and all requests for training and/or awareness sessions are welcomed by the Team.
- 6.4 The Partnership are negotiating in order to obtain an award-winning counter fraud publicity campaign. This can be utilised by the Council to continue to raise awareness and encourage reporting of offenders via multiple channels. The Audit Committee will be made aware of any future developments.

7. Counter Fraud 2022/23

- 7.1 During 2021/22 we undertook a review of the DCC strategy and approach, for 2022/23 we propose the following plan.
- Policy and Strategy – Continued implementation and embedding.
 - Focused reviews – Pensions and Procurement (using data analysis).
 - Integration with Audit Plan Work - Reducing fraud risk in systems (key areas).
 - Assurance on corporate risk and support for NFI.
 - Investigation of potentially fraudulent activity.
 - Training and Awareness – Blue badge and concessionary travel, setting up processes for linked enforcement, reporting and investigation.

8. Conclusion

- 8.1 The threat from fraud is ever present and constantly changing. We will continue to assist the Council in anticipating these threats and adapting an appropriate response to them.
- 8.2 Devon County Council's Counter Fraud resilience continues to improve, moving towards an ever-stronger assurance position. The continued effort and hard work by those within the Council to protect the public purse is to be commended.

Robert Hutchins
Head of Devon Audit Partnership

Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Torridge, South Hams and West Devon councils. We aim to be recognised as a high-quality assurance service provider in the public sector.

We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devon.gov.uk.

Confidentiality and Disclosure Clause - This report is protectively marked in accordance with the Government Security Classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation’s disclosure policies.

This report is prepared for the organisation’s use. We can take no responsibility to any third party for any reliance they might place upon it.

(Fighting Fraud and Corruption Locally 2020)



Appendix 1

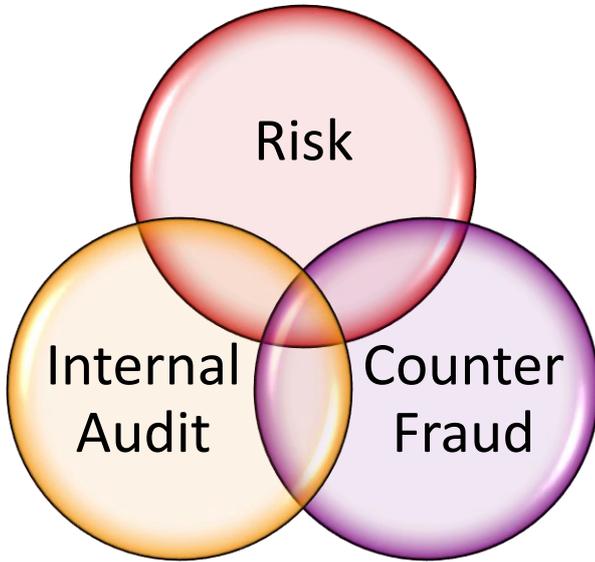
Comparison of NFI outcomes in England by risk area 2018 to 2020

Dataset	Example activity area	2020 £ million	2018 £ million
Pensions	Individuals obtaining the pension payments of a dead person	55.5	136.9 ²⁹
Council Tax	Individuals who did not qualify for the council tax single person discount because they were living with other countable adults	43.9	32.6
Housing benefits	Individuals claiming housing benefit who failed to declare an income or change of circumstances	35.0	24.9
Blue badges	Potential misuse of blue badge parking passes belonging to someone who has died	26.9	18.0
Housing waiting lists	Social housing waiting list applicants who were not entitled to social housing	20.1	25.5
Council tax reduction scheme	Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances	6.5	2.8
Housing tenancy	Social housing tenants who were subletting or had multiple tenancies unlawfully	5.6	5.5
Private residential care homes	Payments to private care homes by a council for the care of a resident where the resident had died	5.1	4.4
Dataset	Example activity area	2020 £ million	2018 £ million
Trade creditors	Traders who intentionally or unintentionally submitted duplicate invoices for payment	5.1	4.3
Pilots	Various (excludes HMRC information sharing)	3.5	-
Concessionary travel	Potential misuse of concessionary travel passes belonging to someone who has died	3.4	5.6
Personal budgets	Individuals claiming a personal budget who failed to declare an income or change of circumstances or were deceased	2.1	0.5
Right to Buy	Social housing tenants who were not entitled to right to buy because they had multiple tenancies unlawfully	1.8	1.0
Other	Other miscellaneous outcomes not linked specifically to the above categories	0.8	0.3
Payroll	Employees working for one organisation while being on long-term sick leave at another	0.6	4.0
State benefit	Individuals claiming state benefits who failed to declare an income or change of circumstances	-	0.9
Total		215.8³⁰	267.4

National Fraud Initiative Report July 2020

Our Vision

To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



Operational delivery

- CFT to co-ordinate / undertake irregularities work coming through the audit plan
- Potential irregularities are triaged to fraud or audit for review
- Proactive fraud work e.g. NFI, developing delivery plan at client level
- Investigation work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks
- Audit scoping to include counter fraud input
- Three-way liaison confirming risk and control
- Integrated reporting to be delivered on a case basis

Our Goals



Client Services

- Counter Fraud Strategy with each client
- Regular client liaison Mtgs.
- POC access to additional integrated services
- CF Service plan with each client for both pro-active and re-active services
- Joint Partner CF work e.g. SPD
- Client training on Fraud Awareness

IA, Risk & CF Working Together

- Joint Working Practices
- Joint scoping of audit and Irregs
- CF Risk Assessment Review - CIFAS
- Joint IA, Risk & CF plan
- Pro-active **Prevention** work
- Pro-active **Detection** work
- Effective **Investigation**
- NFI work co-ordinated by CFT

Efficiency

- Savings Plan £55k by year three
- Restructure of PCC Team work plan (releasing resources)
- Joint working practices
- Single Point of Contact for Fraud and Irregs

Infrastrucure

- Budget - Costcentre focused
- Laptops for CFT
- ICT Platform & common network access
- Data Sharing Agreements updated
- Terms and Conditions review

Integration