



devon**audit**partnership

Counter Fraud Services

Devon County Council

Devon Audit Partnership

Counter Fraud Update

Audit Committee February 2023

**CUSTOMER
SERVICE
EXCELLENCE**



Support, Assurance and Innovation

1. Introduction

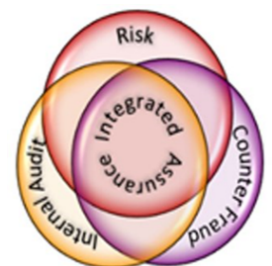
- 1.1 The Counter Fraud Services Team within [Devon Audit Partnership](#) (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability to improve its resilience to fraud and related offences.
- 1.2 The ongoing work will assist all Council staff, management, 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 Anti - Fraud, Bribery and Corruption Policy, Strategy and Response Plan.

- 2.1 The [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.
- 2.3 As part of the integrated approach to fighting fraud across the region, the Counter Fraud Services team are looking to rationalise the Policy's and Strategies of all the DAP Partners and clients across the piece. This will allow for a consistent and robust response to fraud across Devon and beyond.
- 2.4 The Policy and the accompanying Strategy and Response plan are due for update in the coming financial year.

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 continue to improve.
- 3.3 The team has recently supported our colleagues in Audit and Adults and Children's Social Care teams, specifically looking at the risks linked to Cyber Enabled frauds that may affect some of the most vulnerable members of our society. We are committed to further increasing awareness and supporting the most vulnerable in society who are more at risk of falling victim to fraudsters. More information can be obtained via the [Action Fraud website](#) fraud affecting the most vulnerable.
- 3.4 We are currently networking with all the Devon District Councils to improve overall fraud resilience in Devon. We are also obtaining a mutual support and knowledge exchange with our counterparts in Cornwall County Council and the Local NHS Trusts. The West of England Fraud Group has now been revived, which involves Councils across the region looking at Fraud, Risk and Audit issues which affect us all. Resilience and overall assurance is improved by the sharing awareness and knowledge, joining with others increases confidence in decision making and the Team will continue to look for new partners and agencies to further this end.



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.

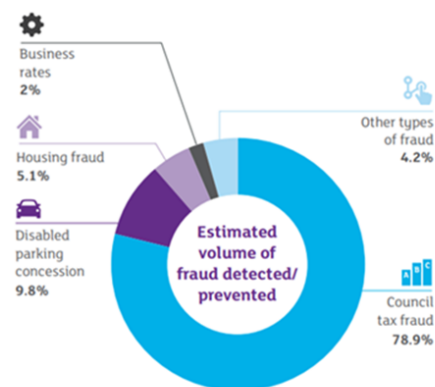


4.2 Devon Audit Partnership acts as the point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative, this being a mandatory Biannual exercise in fraud prevention and detection.

4.3 The next cycle of the NFI National Exercises has started. The previous exercise resulted in changes in entitlement which have resulted in an (estimated) total of **£1,451,893.86** in potential savings across the Council.

4.4 The Counter Fraud Team have successfully submitted data in the following areas of business.

- Creditors
- Payroll
- Pensions (Able to submit their own data)
- Blue Badge (Supplied by National Blue Badge Scheme)
- Concessionary Travel Passes
- Parking Permits



4.5 All Departments have now successfully run the required data on 30th September or as near as possible after that date to ensure the consistency of the data. A full timetable for the NFI National Exercise can be found at (Appendix 1).

4.6 All matches have now been returned from the Cabinet Office and will now be checked by the relevant Departments involved. A total of 18,204 matches have been returned with 14,278 being considered as key matches, many of these matches will risk scored to assist in the resolution of the records. Low grade matches may only require sample testing, to give assurance.

4.7 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.

5. Investigations and other ongoing work

5.1 In the current financial year, the Counter Fraud Services (CFS) Team have received 54 referrals.

5.2 The CFS team currently have 14 live investigations. *(Details of individual investigations cannot be disclosed due to the sensitive nature of the information).*

5.3 The team has highlighted and is highly involved in assisting DCC with setting up, managing, and completing an exercise which identifies instances of the incorrect application of Single Person Discounts (SPD) related to Council Tax across Devon with all Councils who agree to participate. Most Councils will have been involved in this type of exercise in the past, however in this instance we are looking to involve all Districts in the same exercise to maximise Council Tax accuracy and correct billing across the County.

A smaller but similar exercise with just 3 Districts which was run pre COVID, yielded an uplift in collectible Council Tax of over £375k.

Procurement and suppliers are now finalising contract terms and conditions and all Districts will be encouraged to maximise this service in the coming months.

5.4 We continue to support service areas that require data analysis and monitoring of transactions as a result of recent cyber enabled attacks.

5.5 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 Regular reports and updates from varying sources such as the [National Anti-Fraud Network](#) (NAFN) and the [National Cyber Security Centre](#) (NCSC) are circulated across the Council by the Counter Fraud Services team to ensure knowledge and awareness are kept at levels suitable for the protection of the public purse and the public themselves.

7. Counter Fraud 2022/23

- 7.1 During 2021/22 we undertook a review of the DCC strategy and approach, for 2022/23 we proposed the following plan.
- Policy and Strategy – Review due in August 2023
 - An increase in the use of data analysis to highlight and resolve potential high risk fraud threat areas. **This work has started and will continue.**
 - Focused reviews – Pensions and Procurement (using data analysis). **This will now be reviewed after the NFI National Exercise results. (Jan/Feb 23)**
 - Integration with Audit Plan Work - Reducing fraud risk in systems (key areas). **Ongoing**
 - Assurance on corporate risk and support for NFI. **Ongoing**
 - Investigation of potentially fraudulent activity. **Ongoing**
 - Training and Awareness – Review of eLearning and other delivery methods to increase fraud awareness across the organisation and beyond.

8. Other fraud related updates

- 8.1 The [National Economic Crime Centre](#) (NECC) has been created to deliver a step change in the UK's response to, and impact on, economic crime. For the first time, the NECC brings together law enforcement and justice agencies, government departments, regulatory bodies and the private sector with a shared objective of driving down serious organised economic crime, protecting the public and safeguarding the prosperity and reputation of the UK as a financial centre.
- 8.2 The [National Crime Agency](#) (NCA) rightly confirms that Fraud is the most commonly experienced crime in the UK. Fraud costs the UK many billions of pounds every year. The impact of fraud and related offences such as market abuse and counterfeiting, can be devastating, ranging from unaffordable personal losses suffered by vulnerable victims to impacting the ability of organisations to stay in business.
- 8.3 [Action Fraud](#) reported that “more than 100 arrests in UK's biggest ever fraud operation” At one stage, almost 20 people every minute of the day were being contacted by scammers hiding behind false identities using the site. They posed as representatives of banks including Barclays, Santander, HSBC, Lloyds, Halifax, First Direct, Natwest, Nationwide and TSB. Scotland Yard's Cyber Crime Unit worked with international law enforcement, including authorities in the US and Ukraine, to dismantle the website this week.

9. Conclusion

- 9.1 Fraud attacks the very foundations of society and that of any fair and equitable system of support for those who need Devon County Councils services the most. All indicators show that as finances become more difficult, individuals make decisions that they would otherwise potentially not make under other circumstances.
- 9.2 Devon County Council's continues to show that it is committed to improving its assurance position in respect of its fight against fraud and it has never been more important to minimise losses to fraud in order to protect Council Services and those they serve.
- 9.3 We will continue to assist the Council in building stronger defences and protection against fraud to ensure that every £ of public spending goes on those who legitimately require it, when they need it and that those who would defraud the system are dealt with appropriately and robustly.

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 tony.d.rose@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

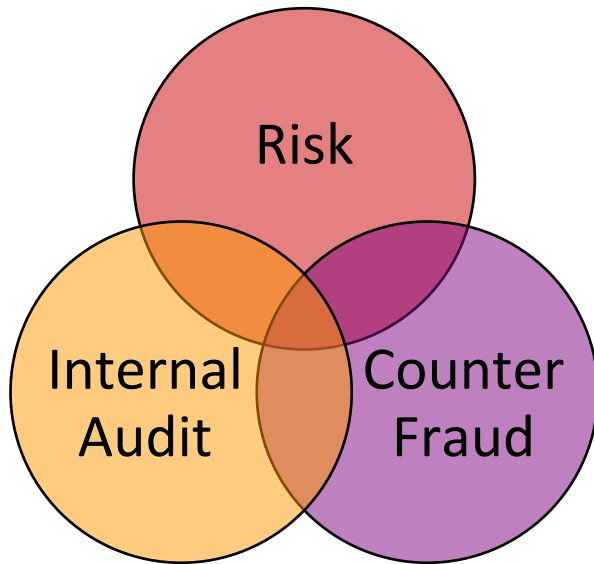
Timetable for the National Fraud Initiative 2022/23 Exercise

Activity	Who	How	Timing
Issue DRAFT data specifications for each data set	NFI Team (Cabinet Office)	Draft data specifications will be available on the NFI GOV.UK web page.	By Friday 8 April 2022
Issue the FINAL data specifications for each data set	NFI Team (Cabinet Office)	Final data specifications will be available on the NFI GOV.UK web page.	By Friday 29 July 2022
Issue the instructions to bodies participating in NFI 2022/23	NFI Team (Cabinet Office)	An email containing a link to the NFI 2022/23 instructions on the NFI GOV.UK web page will be sent to Senior Responsible Officers and Key Contacts.	By Friday 29 July 2022
Make the 2022/23 national exercise part of the web application available	NFI Team (Cabinet Office)	The web application will be made available for 2022/23 access.	From Wednesday 3 August 2022
Check the list of expected data sets is accurate	NFI Key Contact	Key Contacts will log in to the 2022/23 web application Data File Upload (DFU) and check the list of expected datasets is accurate and advise us of any changes to the list by Wednesday 31 August 2022.	Between Wednesday 3 August and Wednesday 31 August 2022
Communicate data quality criteria / guidance	NFI Team (Cabinet Office)	The data quality criteria for each dataset will be communicated to all participants, including details of data quality failures that may result in a penalty fee	By Wednesday 31 August 2022

Ensure the person uploading data has a web application account	NFI Key Contact	Key Contacts should ensure the person responsible for uploading data has a user account on the web application.	By Friday 16 September 2022, and as and when future changes occur
Complete the 2022/23 privacy notice compliance declaration in the web application	NFI Key Contact	Key Contacts should ensure the privacy notice compliance declaration is completed.	By Friday 30 September 2022
Extract data from systems in accordance with the data specifications and upload data to the NFI web application	NFI Key Contact / User (data upload)	Key Contacts should ensure that data is extracted from systems as at 30 September 2022 (unless otherwise stated in the data specification) and uploaded to the web application 2022/23 DFU as soon as quality checks have been completed.	Data must be uploaded between Friday 7 October 2022* and Friday 18 November 2022***
Cut off for the main 2022/23 NFI release	NFI Key Contact /Senior responsible Officer	If data is not received and processed by close of business on Friday 2 December 2022 it may be classed as late and a failure to fully meet your statutory duty** Late data, or data that does not adequately meet specified data quality criteria may incur a penalty fee.	5pm on Friday 2 December 2022***
Set up/review accounts for those reviewing matches	NFI Key Contact	Key Contacts should ensure user accounts are set up on the web application for those in their organisation responsible for reviewing matches.	By Friday 22 January 2023 and as and when future changes occur
The 2022/23 exercise matches are available	NFI Team (Cabinet Office)	An email will be sent to Senior Responsible Officers and Key Contacts informing them that the matches are available.	From Thursday 26 January 2023 ****

Our Vision

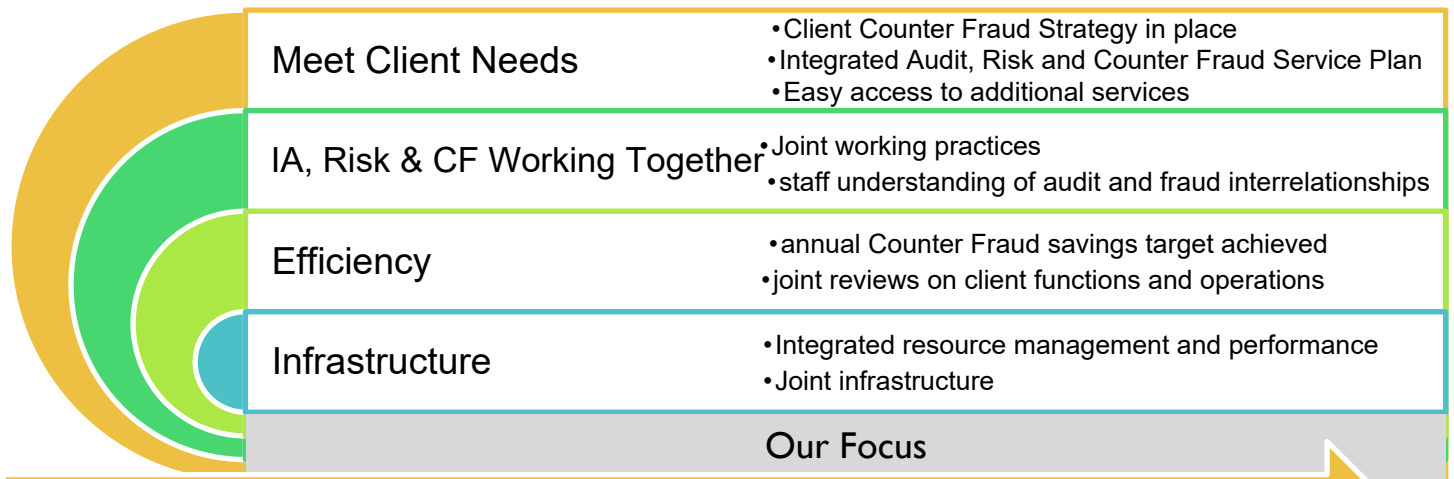
To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



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

Infrastrucrture

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

