



devon**audit**partnership

Counter Fraud Services

Devon County Council

Devon Audit Partnership

Counter Fraud Update



Audit Committee September 2023

CUSTOMER
SERVICE
EXCELLENCE



CSE



Support, Assurance and Innovation

1. Introduction

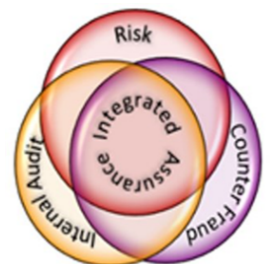
- 1.1 The Counter Fraud Services Team within [Devon Audit Partnership](#) (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability to improve its resilience to fraud and related offences.
- 1.2 The ongoing work will assist all Council staff, management,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

- 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 have been submitted for review and note. No substantial changes of note.
- 2.5 The Government is creating a new criminal offence of "[failure to prevent fraud](#)". This has not yet been passed. The Policy and Strategy will be updated as and when this legislation comes into force. Further explanation is given at point 7 of this document.

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 1).
- 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 continues to support 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

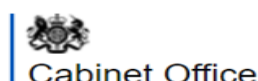


supporting the most vulnerable in society who are more at risk of falling victim to fraudsters. DAP is working with its colleagues in the NHS and Audit South West closely to understand and reduce fraud risks within pre-paid accounts funded care plans. More information can be obtained via the [Action Fraud website](#) on fraud affecting the most vulnerable.

3.4 We are currently networking with all the Devon District / Borough 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 are 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.

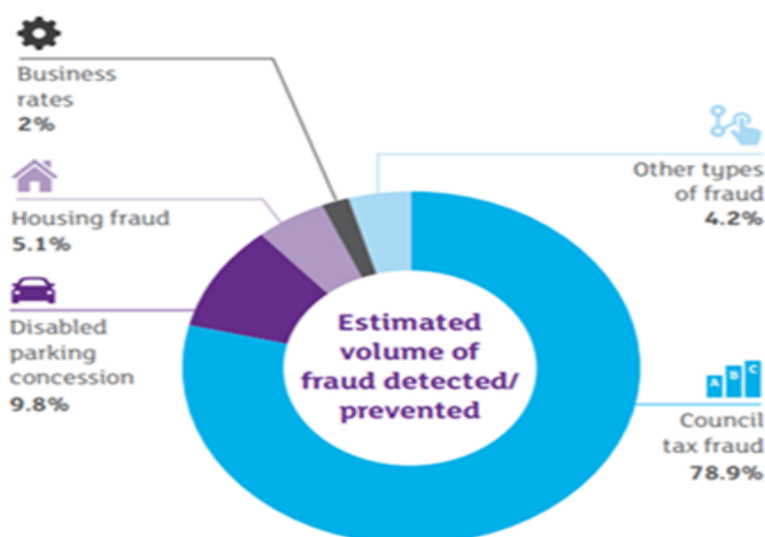
4. National Fraud Initiative

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 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.

At the time of writing this report the following matches have been dealt with.

- Concessionary Travel Passes - all matches completed totalling 1487 with 630 passes cancelled. The Cabinet Office saving figure attributed to this area in total is £19,530.00.
- Payroll – all 18 matches reviewed, 16 closed as already known, 2 under further review.
- Parking Permits – all 38 matches reviewed, 28 cleared as already known, 10 under further review.
- VAT potentially overpaid – all 361 matches reviewed and all cleared as no issue and accurate.
- Creditors – all 698 matches have been cleared as no issue and accurate.
- Pensions – all 497 matches have reviewed and 496 cleared as no issue, only 1 match remains open for further investigation.
- Action continues in other areas and will be included in future updates to the Committee and further savings figures are expected.

4.5 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 The team has highlighted and is heavily involved in assisting DCC with setting up, managing, and completing an exercise which allows participating Councils to identify 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 and Boroughs in the same exercise to maximise Council Tax accuracy and correct billing across the County. All Districts and Boroughs have submitted a point of contact to enable this exercise to progress and all Councils have been approached by the third-party agent with a view to completing this exercise within twelve months.

Three Local Authorities have now signed contracts to undertake the exercise over the next 3 months with a further Council committed to undertaking the exercise in April 2024. Two further Councils have a contract under review with their own legal teams and two have yet to fully commit. All Councils have been encouraged to participate fully to ensure that the correct level of Council Tax is accurately billed and collected appropriately.

5.2 We continue to support service areas that require data analysis and monitoring of transactions to act as early warning of impending cyber-attacks.

5.3 The DAP Counter Fraud Team are looking to support the Traffic Management Team in the enforcement process around Blue Badge misuse. A plan of action has been drafted and once agreed the Chair of Audit and Governance Committee will be appraised of the proposed action and any publicity sought to support the action.

5.4 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.

6. Counter Fraud 2023/24

6.1 During 2022/23 we undertook a review of the DCC strategy and approach, for 2023/24 we proposed the following plan.

- Policy and Strategy – Review due in August 2023 **Completed, awaiting adoption at Committee.**
- 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 – Blue Badge operation, Pensions, (using data analysis), other loss avoidance / revenue maximisation initiatives, such as the current Single Person Discount review exercise across Devon. **Ongoing see above 5.3**
- 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**
- Awareness – Creation of a proactive publicity campaign for Counter Fraud. **The Blue Badge enforcement action days proposed will start the process.**
- Training – Ensure that training is available and up to date for Staff, Members and beyond. **Ongoing**

7. Other fraud related updates

- 7.1 The Government is intending to create a new criminal offence of [failure to prevent fraud](#). “Under the new offence, an organisation will be liable where a specified fraud offence is committed by an employee or agent, for the organisation’s benefit, and the organisation did not have reasonable fraud prevention procedures in place. It does not need to be demonstrated that company bosses ordered or knew about the fraud.
It is envisioned that this will discourage organisations from turning a blind eye to fraud by employees which may benefit them. The offence will encourage more companies to implement or improve prevention procedures, driving a major shift in corporate culture to help reduce fraud.”
- 7.2 The Counter Fraud Services Manager is liaising with national bodies and legal representatives and it is felt that this offence will on the face of it apply to Devon County Council as “The offence applies to all large bodies corporate and partnerships. This means that in addition to businesses, large not-for-profit organisations such as charities are also in scope, as well as incorporated public bodies. The offence applies to all sectors. However, to ensure burdens on business are proportionate, only large organisations are in scope – defined (using the standard Companies Act 2006 definition) as organisations meeting two out of three of the following criteria: more than 250 employees, more than £36 million turnover and more than £18 million in total assets. The impact of the offence will be kept under review and the threshold at which companies are excluded can be amended in future through secondary legislation if necessary.”
- 7.3 This will also likely affect any wholly owned subsidiary and any arm’s length managed companies that the Council holds.
- 7.4 The offence will clearly be similar to that brought forward under the Section 7 of the Bribery Act 2010 in that it will be crucial for organisations to show that they have ‘adequate procedures’ in place to prevent the offence being committed.
- 7.5 The recent ‘Counter Fraud End of Year Report’ and the ‘Counter Fraud Resilience and Best Practice Checklist’ contained within the document, duly noted by this committee in June of this year, will go some way in providing the Council with assurance that they already have robust procedures in place. DAP will continue to support the Council to ensure that they comply fully with the ‘adequate procedure’ requirements of this legislation as and when it is becoming clearer what is required.

8. Conclusion

- 8.1 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.
- 8.2 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.
- 8.3 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.

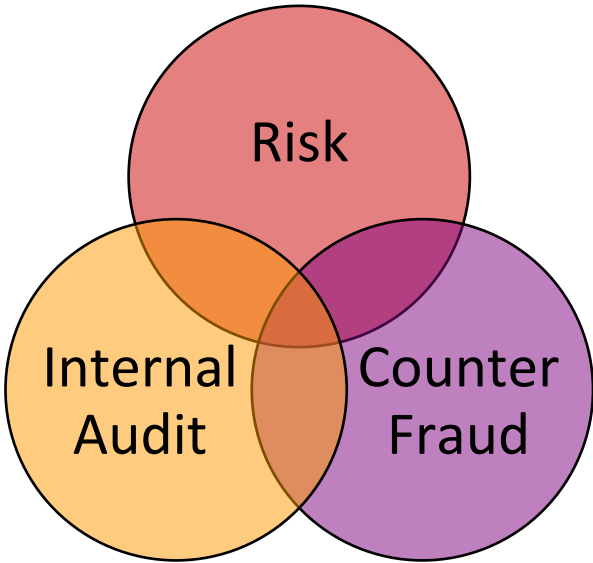
This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

(Fighting Fraud and Corruption Locally 2020)



Our Vision

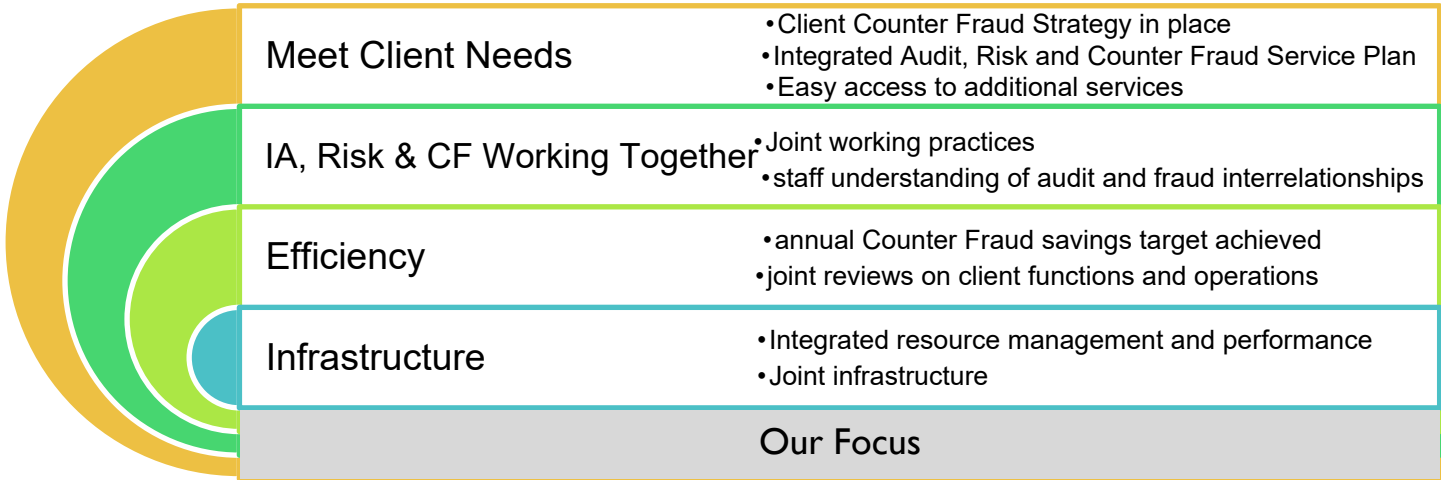
To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



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

- 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

