



devon**audit**partnership

Counter Fraud Services

Devon County Council

Devon Audit Partnership

Counter Fraud Update

Audit Committee November 2023

**CUSTOMER
SERVICE
EXCELLENCE**



Support, Assurance and Innovation

1. Executive Summary

1.1 The following is the [Devon Audit Partnership](#) (DAP) [Counter Fraud Services Team](#) Half Year Report and Update for the first half of the financial year 2023/24. It outlines the counter fraud work undertaken in support of Devon County Council and its continued efforts to ensure that appropriate Governance processes are in place. This includes acknowledging the threats posed by fraud, preventing and pursuing those who would look to commit fraud and providing assurance that the Council and the public are being protected from fraud.

1.2 In the past six months the Counter Fraud Services Team have –

- Received and processed 38 allegations of fraud and related offences against the Council and its citizens.
- Supported the Council's commitment to the National Fraud Initiative, by checking matches and supporting the relevant departments accordingly. Checks against higher risk matches continue to be undertaken by the Council and by DAP staff. Current savings figure against this exercise is a £1,242,830.00.
- Undertaken rolling monthly data analysis exercises to identify potential fraud and error in multiple Council systems.
- Provided support and technical advice to management and staff around internal and external threats.
- Progressed the Single Person Discount review initiative which is now resulting in uplift in Council Tax collectible revenue.

1.3 It is good to be able to report that much good work has again been carried out across the Council and that fraud awareness and counter fraud activity is increasing and we will continue to encourage this work throughout the rest of the year. Of special note is the hard work that staff within the Council itself have been undertaking in respect of the National Fraud Initiative (see *section 5 below*) clearing these matches shows a commitment to fighting fraud and maintaining accurate and up to date records, which in turn makes potential fraud easier to uncover.

2. Introduction

2.1 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.

2.2 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.

2.3 Reporting Counter Fraud activity is part of good Governance, and regular updates on the Council's Counter Fraud activity improves accountability; this report aims to meet this requirement and the requirements for such reports in accordance with the Council's own Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and Response Plan.

2.4 It is always worth reiterating that fraud is by definition a crime and should not be tolerated. Any fraud against Devon County Council is a fraud against the public purse. We will continue to acknowledge the threat from fraud, build processes and policies that will prevent fraud and

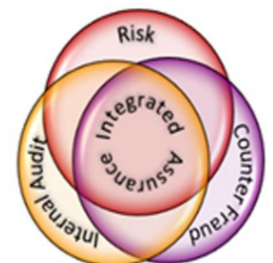
pursue those who would commit fraud to ensure that the public retain confidence in the Council. Collaboration across the public sector will continue and strengthen under the current working arrangements through DAP and its partners.

3. Fraud Response / Resilience Assessment.

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) reports that local authorities have achieved success by taking a structured response to fraud and that they now need to respond to an ever-increasing fraud threat, and further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and focused on the key changes that will make the most difference.
- 3.2 A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.
- 3.3 Devon Audit Partnership will continue to encourage best practice in line with CIPFA guidance and enable the Council to share knowledge and understanding of the threats faced across the region and nationally by actively engaging with the West of England Fraud Group and the Fighting Fraud and Corruption Locally Regional Group. It will also integrate other best practice as and when these are discovered by the team or by others within the counter fraud community.
- 3.4 The 22/23 assessment was very positive and future assessments we will be looking to add further value by providing a more granular view with suggestions for further improvement in order to ensure that the Council maximises its resilience as the fraud picture changes.

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

- 4.1 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).



- 4.2 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.

- 4.3 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.

- 4.4 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.

5. National Fraud Initiative

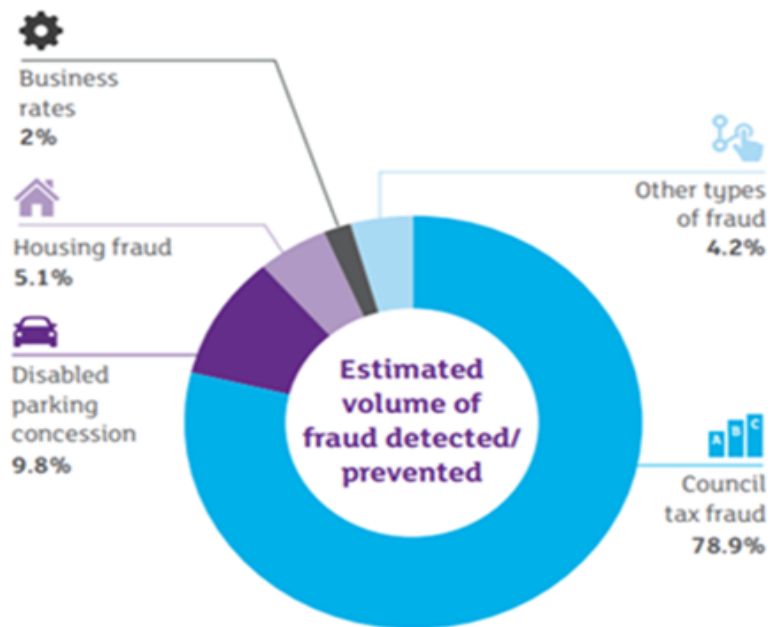
5.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#) that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.



5.2 Devon Audit Partnership acts as the main 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.

5.3 The previous exercise 20/21 resulted in changes in entitlement which have resulted in an (estimated) total of £1,451,893.86 in potential savings across the Council.

5.4 The current exercise 22/23 is now approaching completion and all high-risk matches are being or have been addressed resulting in £1,242,830 in recordable savings as per Cabinet Office recorded results. The following teams are commended for their hard work and commitment in dealing with these matches whilst still carrying out the day-to-day business of their roles.



- Finance and Public Value
- Peninsula Pensions
- Parking Services
- Integrated Public Transport
- HR and Payroll

5.5 Departments that complete the returned matches show that they are actively involved reducing fraud risk to improve assurance as well as making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

- **Data minimisation** by ensuring that PCC 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.

5.6 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.

6. Investigations and other ongoing work

6.1 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.

6.2 Update – Four Local Authorities have now signed contracts to undertake the exercise. A further three are committed to the exercise but have yet to sign a contract, leaving just one local authority advising that “due to resourcing issues they will review in the new year.” We will continue to encourage this LA to participate fully to ensure that the correct level of Council Tax is accurately billed and collected appropriately.

One LA’s exercise is already underway resulting in 288 Single Person Discounts being withdrawn with a conservative estimated revenue uplift figure of between £72,000.00 and £86,000.00 having already been realised.

Two other Councils start their exercise at the end of this month and mid-way through November, results will be shared when they become available.

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

6.4 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 agreed. Dates and details are now being worked out with the relevant teams to ensure adequate resourcing and training prior to commencement.

6.5 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.

6.6 The DAP Team is also looking into the latest offer from the Cabinet Office in respect membership of the ‘Fraud Hub’ which is a new tool that builds on the National Fraud Initiative (NFI), which is undertaken every 2 years to find fraud and error within public sector databases.

The main advantage of signing up to the Fraud Hub is that data can be uploaded to the system at any time, to create a list of matches. There is functionality with the Fraud Hub to also match across organisations, for example, if Devon County Council and Plymouth City Council, both signed up to the system, their data could be matched against each other. This also includes Local Authorities outside of Devon Audit Partnership (as an example Bristol City Council are already a member).

The average outcome per member for the 22/23 year was £793,153 in savings, this number can fluctuate based on the size of the authority, and also the number of times that matches are run. This figure will be a mixture of cashable and non-cashable savings.

A report will be created for submission to the Director of Finance with our recommendations.

7. Other fraud related updates

7.1 *The government is creating a new [failure to prevent fraud offence](#) to hold organisations to account if they profit from fraud committed by their employees. This will improve fraud prevention and protect victims. Whilst there are some existing powers to fine and prosecute*

organisations and their employees for fraud, the new offence will strengthen these, closing loopholes that have allowed organisations to avoid prosecution in the past.

DAP and counter fraud professionals across the country are seeking further clarification around what this means for Councils, the Fighting Fraud and Corruption Locally Regional Group are meeting regularly to assess the impact and the DAP Counter Fraud Services Manager will update this committee as and when the new legislation becomes effective.

7.2 The latest publication from the [International Public Sector Fraud Forum](#) (Sept 23) states that *“Fraud is a serious, underestimated and often unchecked problem. All public sector organisations are exposed to fraud in some way, and many are an active target for fraudsters. International good practice shows the best way to deal with fraud is to prevent it.”* DAP will be actively digesting all relevant material from the recent publication produced with the support of the UK’s Public Sector Fraud Authority, to further improve fraud resilience and increase its integrated assurance approach with colleagues in audit, risk and the wider Council.

8. Conclusion

8.1 As previously mentioned, it is of note in this half year report that the efforts made by management and staff within the Council to complete the National Fraud Initiative (NFI) Cabinet Office exercise has led to improved fraud resilience within their departments and the Council as a whole.

8.2 It is clear from reports across all sectors of the UK economy and international partners that fraud is increasing, in some areas this is down to socio economic pressures, others involve organised crime and state sponsored attacks to obtain funds / data and or cause mistrust in our social systems. None of these threats should be underestimated and Devon continues to adapt and improve its resilience in countering fraud and related offences.

8.3 Fraud remains and will continue to remain a threat to the Councils budgets and resources, the threat is ever changing, and the Council must remain flexible in order to respond appropriately. DAP will continue to support the Council to minimise fraud loss, maximise assurance and protect itself and its citizens.

8.4 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.

8.5 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.

8.6 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.

Ken Johnson
Counter Fraud Services Manager

Tony Rose
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 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.

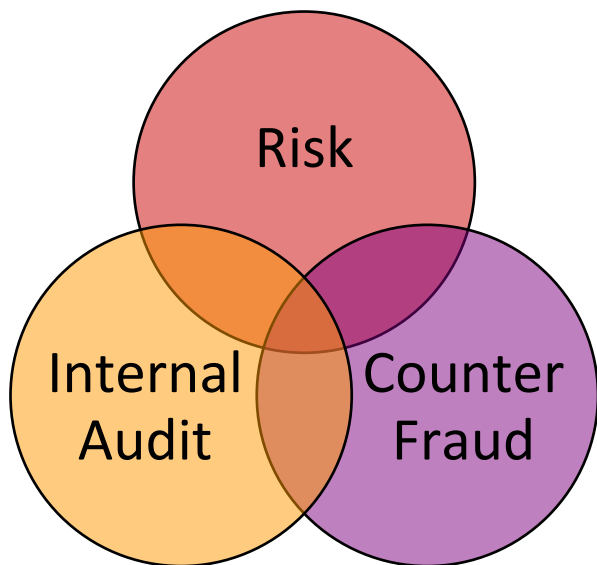
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(Fighting Fraud and Corruption Locally 2020)



Our Vision

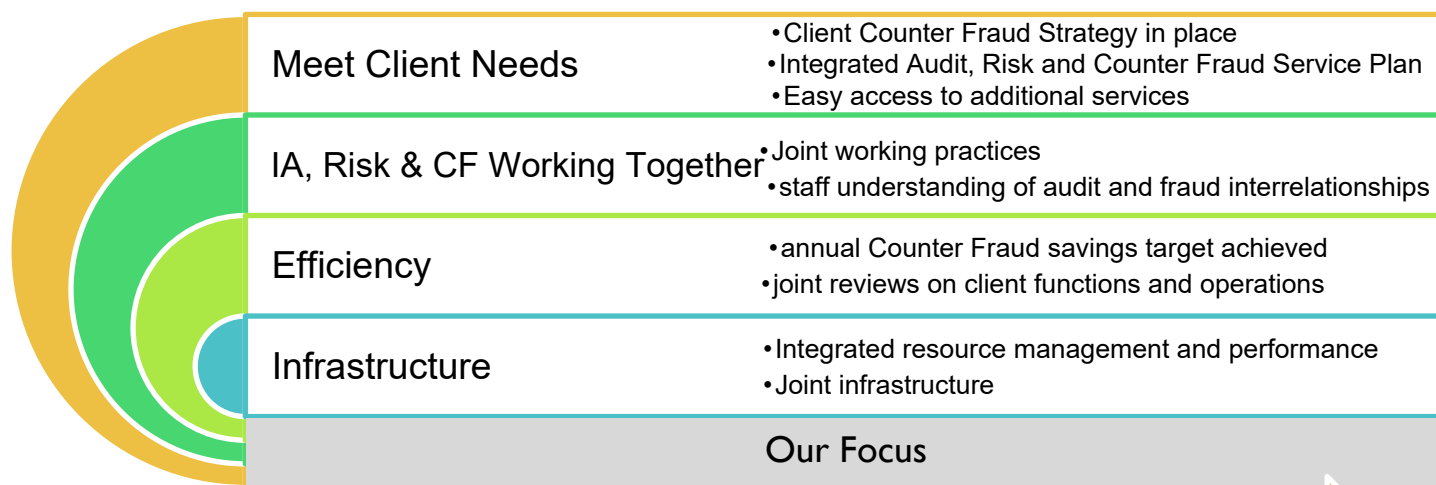
To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



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

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

Infrastructure

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

