

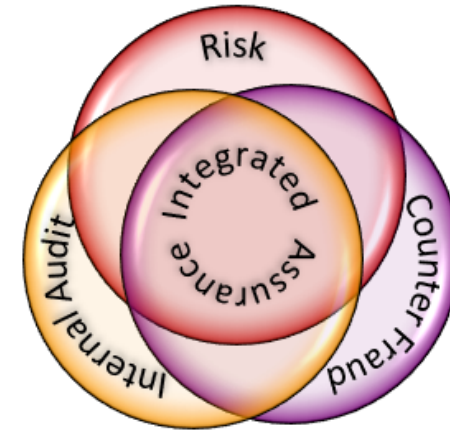


Counter Fraud

# Audit Committee In-Year Monitoring Report 2023/2024

Devon County Council

February 2024  
Official



Support, Assurance and Innovation

## 1. Executive Summary

- 1.1 The following is the [Devon Audit Partnership](#) (DAP) [Counter Fraud Services Team](#) Update for February 2024. 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 financial year to date the Counter Fraud Services Team have –
- Received and processed 56 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 with a potential further 162 records requiring further enquiries.
  - 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 Councils 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

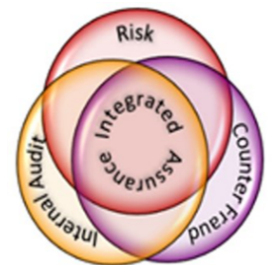
pursue those who would commit fraud to ensure that the public retain confidence in the Council. Collaboration across the public sector will continue and strengthen under the current working arrangements through DAP and its partners.

### 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 2022/23 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. The 23/24 assessment results will be published with the End of Year Report later in 2024.

### 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.



4.5 The Counter Fraud Services Manager is currently seeking membership with the [Southwest Fraud Forum](#), “*Fraud costs the UK billions of pounds per year and is now believed to account for 40% of all crime committed in the jurisdiction. With only finite public resources available to tackle this economic pandemic, it is becoming more vital than ever that business and industry – which are often at the front line in dealing with the risks posed by fraud – are equipped to tackle this problem head on and to protect and preserve their legitimate interests. The South West Fraud Forum helps regional business and industry to understand and combat the risks posed by fraud.*”

4.6 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 2020/21 and 2022/23 exercises have resulted in changes in entitlement which have in turn resulted in an (estimated) total of £2,694,723 in potential savings across the Council.

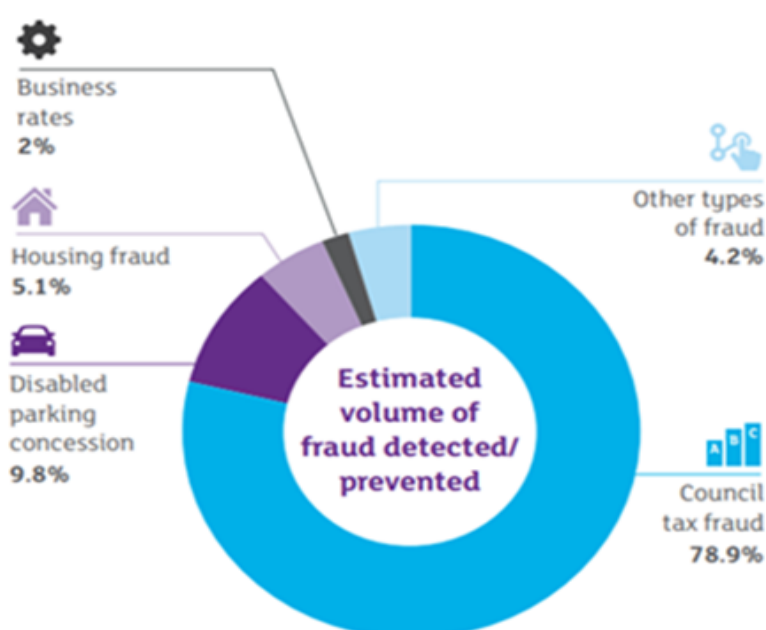
5.4 Departments that complete the returned matches show that they are actively involved reducing fraud risk to improve assurance as well as making sure that wherever possible their data management is compliant with the Data Protection Act 2018.

5.5 Devon Audit Partnership will continue to support and encourage completion of the NFI returns and future results will be reported to the Audit Committee in the regular Counter Fraud Updates in future. The next national exercise will start in September 2024

## 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 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.

- 6.3 Three District / Borough LA’s exercises have been completed or are nearing completion, resulting in 814 Single Person Discounts being withdrawn with a revenue uplift figure of £531,583.08 having already been realised.
- 6.4 Three further Devon Districts have indicated that they will be undertaking the exercise over the coming months, and we will continue to update this Committee on finalised figures and progress as and when they become available.
- 6.5 We continue to support service areas that require data analysis and monitoring of transactions to act as early warning of impending cyber-attacks.
- 6.6 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. Training for Civil Enforcement Officers and Administration staff has been completed and a date of action is to be agreed.
- 6.7 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.
- 6.8 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 and is nearing completion.

## **7. Policy and Strategy updates**

- 7.1 The [Anti-Fraud Bribery and Corruption Policy](#), the [Anti-Fraud, Bribery and Corruption Strategy and Response Plan](#) are due for renewal and update as is the [Whistleblowing Policy](#).
- 7.2 There has been no significant change in legislative or procedural requirements at this point in time in respect of the Anti-Fraud Policy, Strategy and Response Plan, however legislative change and or guidance from HM Government is imminent in respect of new [failure to prevent fraud offence](#) meant to hold organisations to account if they profit from fraud committed by their employees. This will improve fraud prevention and protect victims.

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. (The Government is obliged to issue guidance prior to the legislation coming into force). Once the guidance has been published the Policy and Strategy will be updated and brought before the Audit Committee for approval.

- 7.3 There has been no significant change in legislative or procedural requirements at this point in time in respect of the Whistleblowing Policy, however legislative change or guidance is expected imminently in connection with HM Governments [Review of the Whistleblowing Framework](#), it is therefore prudent to await any outcome from the review. Once the outcomes have been published and any amendments and or procedural changes have been made to the Policy, it will be brought before the Audit Committee for approval.

## 8. Other updates

- 8.1 HM Government has initiated an [Independent Review of Disclosure and Fraud Offences](#), as it is felt *“There has not been an independent review of fraud since 1986. Since that time, the nature and scale of fraud has evolved considerably, now constituting over 40% of all offences in England and Wales. As the proportion of online-enabled fraud has increased, so have the challenges facing investigators and prosecutors. One significant challenge is the already large and continually increasing volume of digital material that fraud and other complex crime cases generate. As a result, significant time and resource is required to undertake an investigation and bring a prosecution to court. The Review will explore barriers to the investigation, pursuit, and prosecution of fraud offences in England, Wales and Northern Ireland. The Review will evaluate the nature of current penalties contained within the act and explore the role of civil powers to tackle fraud.”*
- 8.2 CIFAS recently published their [FRAUDSCAPE 2023](#). *“This report combines data from their National Fraud Database (NFD) and Internal Fraud Database (IFD), along with intelligence provided by Cifas members, partners and law enforcement. In 2022, their members prevented more than £1.3bn of fraud losses through the use of the NFD but they know they can help prevent and detect even more fraud and financial crime by developing a better understanding of key threats and enablers – which is the main purpose of this report. Over 409,000 cases recorded on the NFD in 2022 – the highest level ever recorded. 68% of cases concerned identity fraud, demonstrating the challenge organisations face in verifying customers through digital channels.”*

## 9. Conclusion

- 9.1 Whilst much good work is being done to counter the threat posed by those who would defraud the Council, there is always more to do. It is clear from all reports that fraud activity continues to increase in all sectors of society and that the threats posed are more varied and ever changing.
- 9.2 Recent, current, ongoing issues and reviews into fraud activity across the UK indicate that HM Government is becoming ever more involved in counter fraud activity and that it is encouraging cross sector intelligence sharing and a more robust approach to countering these threats.
- 9.3 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.
- 9.4 The Devon £ can only be spent once and we will continue to assist the Council in making sure that it is spent only where there is genuine entitlement and need. We will encourage further data led exercises to improve detection and correction along with cross sector collaboration to ensure that we help the Council protect Devon citizens from fraud.

**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 and the Devon and Somerset Fire and Rescue Authority. 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](mailto: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.

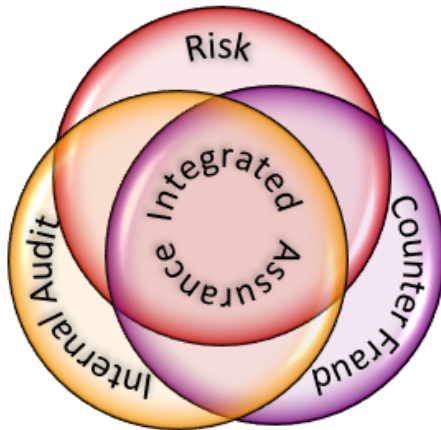
## (Fighting Fraud and Corruption Locally 2020)





## Our Vision

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



## Operational delivery

- **Assurance Audit** Plans based on the best and most up to date risk information
- Agile **Internal Audit** Plan
- Live **risk management** reporting and support across the Council
- Deliver a best in class **risk management framework**
- **Counter Fraud** Team co-ordinate / undertake irregularities work coming through the **audit** plan
- Potential irregularities triaged to **fraud or audit** for review
- **Proactive fraud** work e.g. NFI, developing a 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 where possible

## Our Goals

