



devon**audit**partnership

Counter Fraud Services

Torridge District Council

Devon Audit Partnership

**Counter Fraud
Resilience and
Assessment Report**

December 2022

CUSTOMER
SERVICE
EXCELLENCE



Support, Assurance and Innovation

1. Introduction

- 1.1 The following is the [Devon Audit Partnership](#) (DAP) [Counter Fraud Services Team](#) Report and Update 22/23. It outlines the ever-increasing fraud threats affecting all areas of public spending and the responses expected from Torridge District Council. Our aim is to support Torridge District Council in its continued efforts to ensure that appropriate processes are in place. This includes good governance processes, acknowledging the threats posed by fraud, preventing and pursuing those who would look to commit fraud and providing assurance that the Council, the public and the wider public purse are being protected from fraud wherever possible.
- 1.2 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, which improves its resilience to fraud and related offences.

2. Fraud response / resilience assessment.

- 2.1 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.
- 2.2 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 faces. 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.
- 2.3 The table in Appendix 1 shows the expected response from a local authority, and our assessment of Torridge's arrangements against expectations. It is clear that the Council complies in almost all areas of Counter Fraud best practice. However further work in Joining up the 'Fraud Risk Management' process and Counter Fraud knowledge between DAP and TDC will add further value to the Counter Fraud Activity.

3 National Fraud Initiative

- 3.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#); matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.
- 3.2 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.
- 3.3 The Bi Annual National Exercise for 22/23 has now started and data will be being uploaded to the Cabinet Office for inclusion in the exercise. It is anticipated that all matches will be returned for checking in Jan / Feb 2023.
- 3.4 Departments that complete the returned matches show that they are actively involved reducing fraud risk as well making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

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

3.5 In the Chartered Institute of [Public Finance and Accountancy \(CIPFA\) survey in 2019](#), the most common types of fraud faced by all Councils in England and Wales were identified as per the graphic below, it remains imperative that the Council continues to maximise counter fraud activity in these areas to ensure the minimisation of any loss to fraud.



4 Information for Committee

4.1 Local Authorities are far from immune to fraud and its related offences. It is also clear that fraud activity is and has been increasing for some time. Local Authority defences must keep pace with developments or face increasing losses at a time when every penny counts. Every pound saved fighting fraud is a pound that can go back into front line services. Below are some of the most recent reports into the scale of fraud faced by the country and the respective views of those who produce them.

4.2 **Creation of the Public Sector Fraud Authority (Aug 2022)** - [The Public Sector Fraud Authority](#) is the UK government's Centre of Expertise for the management of fraud (and associated error) against the public sector. It leads the Government's Counter Fraud Function.

4.3 **The House of Commons Justice Committee Report (Oct 2022)** - [Fraud and the Justice System](#) is a wide ranging report setting out its recommendations for a new approach to, as the report puts it, 'an epidemic of fraud cases in England and Wales'. The scale is evident from the most recent Office of National Statistics report.

4.4 **The House of Lords Report (Nov 2022)** - [How do we break the fraud chain?](#) Highlights that Fraud is the most common crime in this country today. An adult aged 16 or over in England and Wales is more likely to become a victim of fraud than any other individual crime type.

5 Conclusion

5.1 Torridge District Councils Counter Fraud resilience continues to improve, moving towards an ever-stronger assurance position. The benchmarking against best practice exercise is encouraging and supports the opinion that the Council is committed to reducing fraud losses to

the minimum level possible. However constant vigilance and flexibility are required to ensure that wherever possible every pound of the public purse is protected and spent on those in genuine need of the Councils services.

5.2 The word unprecedented has been used many times over the past three years as a result of circumstances beyond Local Authority control, the current financial pressures on Councils and the people they serve remain unprecedented and the effects should not be underestimated. Financial pressure is a driver for fraud, and as such all Council's should, wherever possible look to increase their fraud resilience. It is noteworthy that Torridge is committed to building further resilience.



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 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 assurance services 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.

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)



GOVERN

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.



ACKNOWLEDGE

*Accessing and understanding fraud risks.
Committing the right support and tackling fraud and corruption.
Demonstrating that it has a robust anti-fraud response.
Communicating the risks to those charged with Governance .*



PREVENT

*Making the best use of information and technology.
Enhancing fraud controls and processes.
Developing a more effective anti-fraud culture.
Communicating its' activity and successes.*



PURSUE

*Prioritising fraud recovery and use of civil sanctions.
Developing capability and capacity to punish offenders.
Collaborating across geographical and sectoral boundaries.
Learning lessons and closing the gaps.*



PROTECTING ITSELF AND ITS RESIDENTS

*Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.*

Appendix 1

Counter Fraud resilience and Best Practice Checklist

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Torridge current position and action
<p>1. The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.</p>	<p>The Authority annually prepares a Fraud and Corruption risk register. This identifies the risks and the controls in place to address these risks.</p> <p>This is considered by the Senior Management Team.</p> <p>The Corporate Risk Register, which incorporates the risk for fraud, is taken to the Audit & Governance Committee.</p>
<p>2. The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community</p>	<p>The fraud risks to the Authority are assessed at least annually and are updated as and when new risks arise.</p> <p>In terms of horizon scanning, internal audit (DAP) provide updates on emerging fraud risks and the Devon Audit Group also helps to inform officers of locally developing issues.</p> <p>A local network of key contacts also helps to identify trends and developments.</p>
<p>3. There is an annual report to the audit committee, or equivalent detailed assessment.</p>	<p>Each year a report is taken to the Audit & Governance Committee, reporting the results of a self-assessment against the relevant updated and current requirements in line with Managing the Risk of Fraud and corruption.</p> <p>This will now involve the Counter Fraud Services Manager at DAP</p>
<p>4. The relevant portfolio holder has been briefed on the fraud risks and mitigation</p>	<p>The Chair of the Audit & Governance Committee will be briefed on fraud risks and the mitigations thereof.</p>
<p>5. The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.</p>	<p>The Audit & Governance Committee supports all officers in their work to prevent, detect and investigate fraud and corruption.</p> <p>Officers from partner organisations (e.g. Devon Audit Partnership) will be used to provide specialist skills and additional resources as and when required.</p>
<p>6. There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.</p>	<p>The Authority has in place an Anti-Fraud, Corruption Bribery Policy, and Strategy. This was updated in October 2019, with next review scheduled for February 2022/23 or as required. The Policy and Strategy will be taken to, and approved by, the Audit & Governance Committee.</p> <p>It is recommended that this Policy and Strategy is updated by an Accredited Counter Fraud Specialist.</p>
<p>7. The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>Section 5 of the Strategy sets out various policy statements that cover staff, members, partner organisations and members of the public, which ensure probity and propriety are in place.</p> <p>However, no system or process can ever be 100% secure, and so employee diligence is always needed, and this referred to in section 6 "deterrence and prevention".</p> <p>The Council includes anti-bribery clauses in contracts with third parties and agents.</p> <p>As detailed in 6 the Policy and Strategy are due to be updated.</p>
<p>8. The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</p>	<p>A specific fraud and corruption risk entry is recorded in the risk register.</p>
<p>9. Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments, and this is reported upon to committee.</p>	<p>The Authority does not have a dedicated "counter fraud" team and so this role is undertaken by a range of officers, including the Service Improvement Officer and Internal Audit (DAP).</p> <p>New policies and strategies are always considered in the light</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Torridge current position and action
	<p>of possible fraud and corruption and are designed to limit such exposure.</p> <p>Access to the Counter Fraud Services Manager and Accredited Counter Fraud Specialist investigators at DAP will further strengthen this position.</p>
<p>10. Successful cases of proven fraud/corruption are routinely publicised to raise awareness.</p>	<p>Successful cases of proven fraud / corruption are reported in the local paper.</p> <p>In addition, such cases will be referred to in the internal newsletter and the Members Bulletin.</p>
<p>11. The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.</p>	<p>All systems are designed to prevent fraud occurring. The diligence of management and staff is also key in this.</p> <p>A risk assessment is undertaken of the key risks of fraud, and the controls in place to prevent this taking place.</p> <p>The annual Internal Audit plan is prepared taking in to account risks, which include fraud risks. Internal audit will provide assessment on the effectiveness of controls, and test controls to ensure that they are being complied with in practice.</p> <p>The Audit and Governance Committee is provided reports on risk, and the results of Internal Audit, and this, combined with management assessment of controls, is summarised in the Annual Governance Statement.</p> <p>The Strategy at 5.9 refers to “any major instances of fraud being reported to the next Audit & Governance Committee....”</p>
<p>12. The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p>	
<p>– codes of conduct including behaviour for counter fraud, anti-bribery and corruption</p>	<p>The Strategy, section 6.9 to 6.14 refers to the code of conduct for staff and at 6.15 to 6.17 the code of conduct for members. As expected, there is a member’s code of conduct that was prepared in August 2018.</p>
<p>– register of interests</p>	<p>A register of member interests is maintained against each member and is publicly available on the Councils internet pages.</p> <p>https://www.torridge.gov.uk/article/11788/Code-of-Conduct-and-Register-of-Members-Interests</p>
<p>– register of gifts and hospitality.</p>	<p>A register of gifts and hospitality is maintained, and this is published on line.</p> <p>https://www.torridge.gov.uk/article/12766/Gifts-and-Hospitality-Register</p>
<p>13. The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.</p>	<p>TDC have two policies; ‘recruitment’ and ‘employment screening’ which cover the employee vetting. All offers of employment are subject to satisfactory pre-employment checks.</p> <p>Mandatory checks include: -</p> <ul style="list-style-type: none"> • References • Verification of employment history Verification of professional qualifications and memberships • Verification of ID, nationality and immigration status

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Torridge current position and action
	<p>and right to work in the UK</p> <ul style="list-style-type: none"> • Medical clearance <p>Some posts require additional checks including</p> <ul style="list-style-type: none"> • DBS • Credit checks <p>Checks on company directorships held, resigned, or disqualified from (not routinely undertaken)</p>
<p>14. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.</p>	<p>At the start of each meeting a declaration of interests is requested.</p> <p>The Service Improvement Officer will remind all officers and members of the need to declare all offers of gifts and hospitality. Such a reminder is made in the internal newsletter, around Christmas time each year.</p>
<p>15. There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.</p>	<p>There is an annual calendar that supports the staff newsletter to ensure that fraud awareness updates are provided at least biannually, whistleblowing reminders are provided biannually, and gift & hospitality reminders are provided yearly.</p> <p>As previously stated, the Council now also has access to an Accredited Counter Fraud Manager and Accredited Counter Fraud Specialists at DAP, which can be utilised as and when required.</p>
<p>16. There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.</p>	<p>A separate whistleblowing policy is in place and was updated January 2020.</p> <p>This includes the Policy, employee guide and Manager's guide.</p> <p>All such alerts and reports will be monitored for intelligence purposes.</p>
<p>17. Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.</p>	<p>At present the whistleblowing policy applies to all Council workers, including elected and co-opted Members, employees, staff of Council contractors, suppliers of goods and services and agency staff.</p>
<p>18. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.</p>	<p>Since the transfer of benefits counter fraud staff to Department for Work and Pensions (DWP), fraud resources have been limited.</p> <p>However, the internal audit provider (DAP) recently expanded its service provision by taking on the Counter Fraud Team, previously working solely at Plymouth. The team has fully trained and qualified fraud investigators. The Authority will look to "call off" resources as and when the need arises.</p>
<p>19. There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.</p>	<p>There is no annual fraud plan as such.</p> <p>However, there are a range of "work programmes" that are prepared each year, including actions arising for the Annual Governance Review process, Risk Management and Internal Audit.</p> <p>The elements of each of these various plans enables senior management to be assured that suitable resources are being allocated to prevent, detect and investigate fraud.</p> <p>However, it should be noted that the current level of referrals of fraud and corruption are limited.</p>
<p>20. Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.</p>	<p>The Strategic Improvement Officer, in conjunction with the S151 officer, will maintain a record of referrals.</p> <p>However, and as referred to above, there is no separate fraud</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Torridge current position and action
	team.
21. Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	As stated above there are no dedicated “fraud officers” within the Council. However, in such instances then lawful access would be granted. For example, if DAP were asked to investigate using their Counter Fraud Team, then “full access” would be granted as per the service level agreement already in place and in accordance with Schedule 2 Part 1 2(1) of the Data Protection Act 2018
22. There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council’s communication team.	Not a programme as such, but cases will be publicised in the local newspaper and via the internal newsletter and the Members bulletin.
23. All allegations of fraud and corruption are risk assessed.	Each referral or suspicion will be “risk assessed” before embarking upon a course of action proportionate to the issue and in line with Torridge’s “zero tolerance” policy.
24. The fraud and corruption response plan covers all areas of counter fraud work: <ul style="list-style-type: none"> • Prevention • Detection • Investigation • Sanctions • Redress 	As mentioned above, there is no response plan as such, however the Strategy ensures that each of these elements is considered. Recommend that the Counter Fraud Services Manager at DAP, undertakes the review and writing of the next Strategy and Response Plan to ensure that each of these areas is fully covered.
25. The fraud response plan is linked to the audit plan and is communicated to senior management and members.	The Counter Fraud Manager and the Audit Manager at DAP can ensure that the plans are linked and communicated to senior management and members.
26. Asset recovery and civil recovery is considered in all cases.	Currently Section 7.9 to 7.12 of the Strategy deal with Sanctions and Redress.
27. There is a zero-tolerance approach to fraud and corruption which is always reported to committee.	Yes - there is a “zero tolerance approach to fraud, endorsed by the Audit & Governance Committee. Instances of fraud and corruption are reported to the Audit & Governance Committee. Due to the sensitive nature of some instances, this may be in summary form.
28. There is a programme of proactive counter fraud work which covers risks identified in assessment.	Proactive counter fraud work is delivered in a variety of ways each year. Some examples of how this is achieved include: - <ul style="list-style-type: none"> • Participation in the bi-annual National Fraud Initiative (NFI) • Elements of internal audit work focused on controls that may be more susceptible to fraud risk • Work by Service Managers – such as Council Tax Single Persons Discount review
29. The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	There is no “fraud team” as such, however early referral to the Police or other agencies will be considered as part of the risk assessment for each referral.
30. The local authority shares data across its own departments and between other enforcement agencies.	The main external data sharing is via the National Fraud Initiative (NFI). Where appropriate lawful sharing of data will be permitted in accordance with Schedule 2 Part 1 2(1) of the Data Protection Act 2018
31. Prevention measures and projects are undertaken using data analytics where possible.	Such examples include making good use of

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Torridge current position and action
	<ul style="list-style-type: none"> • the NFI • Council Tax - Single persons discount review
32. The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	Data is submitted every two years, with “matches” then investigated in accordance with the scoring of the match (e.g. higher scored matches reviewed first, lowest reviewed last and in accordance with resources available).
33. There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	<p>As mentioned earlier, the Authority does not have an in-house counter fraud team. However, the Authority has access to, and will make use of, Counter Fraud Specialists as and when the need arises.</p> <p>For example, the Counter Fraud Team of DAP are available to assist as and when required.</p>
34. The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	<p>As above</p> <p>The Counter Fraud Team at DAP are fully trained and accredited Counter Fraud Specialists and have dealt with and prosecuted hundreds of cases for Councils in the region.</p>
<p>35. The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for:</p> <ul style="list-style-type: none"> • Surveillance • Computer forensics • Asset recovery • Financial investigations. 	<p>As above</p> <p>The Counter Fraud Team and wider Devon Audit Partnership Team have access to specialist staff that can fully and professionally fulfil the legal requirements under all of the disciplines in this section. (Should the Council wish to buy in these skills as and when required)</p>
36. Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	The Authority is committed to ongoing and continual improvement. Any weaknesses identified will be addressed wherever possible, although it should be noted that no system can ever be considered 100% free from the risk of fraud.
<p>37. New Counter Fraud Training is available for all staff and members to ensure that they are up to date with relevant threats and are able to identify and report fraud appropriately.</p> <p>Fraud awareness is specifically important for those involved in the Procurement process as highlighted in Review into the risks of fraud and corruption in local government procurement</p>	<p>There is no formal training in place, however Fraud Awareness is highlighted annually via the Staff newsletter (which is also circulated to elected members)</p> <p>Recommend - fraud awareness sessions are arranged for those in the highest risk positions in the Council.</p> <p>The Authority will look to “call off” resources as and when the need arises.</p>
38. New The Local Government Transparency Code Identifies what information must be published annually (para 53) and what is suggested (para 68)	It does not appear that this information is currently published. As per 19 above, current referral levels are limited.