



devon**audit**partnership

Counter Fraud Services

Plymouth City Council

Devon Audit Partnership

**Counter Fraud
23/24 Half Year Report
and Update**

**Audit and Governance 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 Plymouth City 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 219 allegations of fraud and related offences against the Council and its citizens.
- Helped the Council generate calculated savings of £752,355.93 in all areas of Council business.
- 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 further £153,350.00.
- Undertaken rolling monthly data analysis exercises to identify potential fraud and error in multiple Council systems.
- Provided Fraud Awareness Training and support to the Councils Low Carbon Energy Team and the Plymouth Energy Community Team.

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, which improves 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 Internal Audit, 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 Plymouth City 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

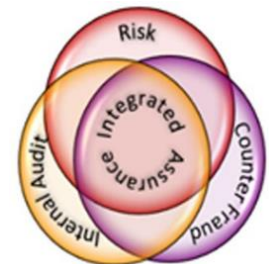
pursue those who would commit fraud to ensure that the public retain confidence in the Council. Collaboration across the public sector will continue and strengthen under the current working arrangements through DAP and its partners.

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. Counter Fraud support is now regularly sought during internal audits to ensure that value is added and maximum coverage is ensured. (See *Appendix 1*).



- 4.2 Regular communication between Devon Audit Partnership and the Service Director for Finance (Section 151 Officer) ensures that direction, clarity and flexibility take place and continue to improve.
- 4.3 We are looking to assist and support PCC in its effective overall Risk Management processes to ensure that we can provide maximum assurance going forward. This remains an ongoing objective.

5 National Fraud Initiative

5.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#); it 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 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.

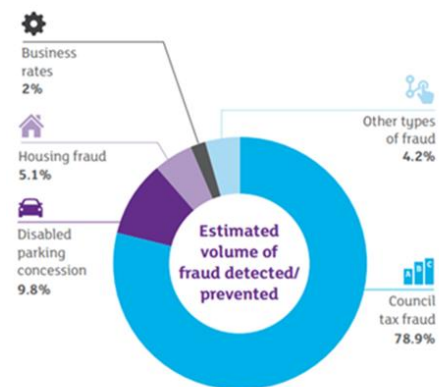
5.3 The Biannual National Exercise for 2022/23 data matches have now been returned and are being actioned by both Council and DAP staff in order to provide maximum assurance that potential fraud losses are minimised.

5.4 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.

5.5 The last National Exercise assisted the Council to identify changes in entitlement which resulted in an estimated (Figures supplied by the Cabinet Office) total of £60,000.00 in potential savings.

5.6 The current exercise has already identified a total of £153,350.00 in savings across the organisation.

5.7 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 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.

6 Investigations and other ongoing work

6.1 In the past six months the Counter Fraud Services (CFS) Team have received and or generated 219 referrals covering the following areas of Council Business.

- Tenancy Fraud (involving our partner Registered Social Landlords)
- Blue Badge Fraud
- Parking Permits
- Concessionary Travel

- Council Tax Support / Single Person Discount
- Business Rates
- Internal

6.2 The CFS team have 42 live investigations (*details of individual investigations cannot be disclosed due to the sensitive nature of the information*), and we continue to support service areas that require data analysis and monitoring.

6.3 We continue to regularly pro-actively cross check data sets within the Council in order to reduce ongoing fraud and error. So far in 2023/24 this resulted in 558 matches, the savings from which are included in overall recordable savings in 7.1 below.

6.4 We are committed to actively drive the risk assessment for fraud within the Council, to establish where the highest-level threats are and to ensure that wherever possible the Council is able to formally;

- Acknowledge the threat from fraud.
- Identify the risks.
- Develop a strategy of pro-active and responsive counter fraud work that fits with the Council's wider objectives and goals.
- Assist in assuring correct resources are applied to issues identified.
- Once the Fraud Risk Management process is embedded, information will be included in the Annual Counter Fraud Report.

7 Recordable savings

7.1 In the current financial year 2023/24 the CFST have identified £752,355.93 savings (calculated using national indicators supplied by the Cabinet Office) across the Council and it is anticipated that further comparable savings will continue to be realised in the second half of 23/24. (NFI savings are not included as these will be calculated at the end of the exercise)

7.2 In the eight and a half years that the Council has been recording 'Cashable and Non-Cashable' savings related to fraud it has achieved just over £10.25million in savings across all areas of business. This is a significant sum and continues to justify the Council's robust approach to countering fraud and re-assures the general public that Plymouth City Council is serious about protecting the public purse its assets and its citizens.

7.3 National Fraud Initiative savings from the past 2 biannual exercises at the time of writing this report stand at a further £213,350.00.

7.4 Fraud is by its very nature a hidden offence and therefore it must be assumed that the savings made and shown here are potentially the 'tip of the iceberg' and that further savings are obtainable. The more assets that are available to address this issue, the higher the potential savings figures will be in the future.

8 Further information for Members

- 8.1 *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.
- 8.2 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.

9 Conclusion

- 9.1 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. Special thanks to the Digital and Customer Experience Team, Strategic Planning and Infrastructure Team and the Finance Team.
- 9.2 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 Plymouth continues to adapt and improve its resilience in countering fraud and related offences.
- 9.3 Plymouth City Council’s substantial Counter Fraud resilience, detection and prevention remains a regional lead and the stronger digital approach taken over the most recent years attests to its willingness to adapt and move towards an ever-stronger assurance position.
- 9.4 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.



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.

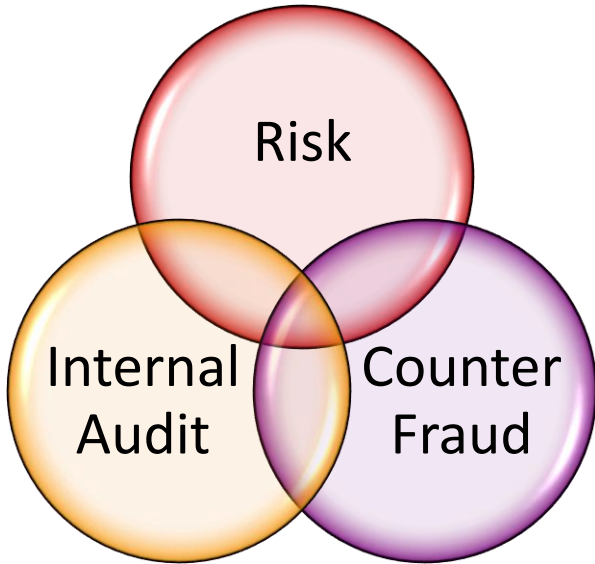
(Fighting Fraud and Corruption Locally, a Strategy for the 2020's)



PROTECTING ITSELF AND ITS RESIDENTS
Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.

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 & CF plan
- Pro-active **Prevention** work
- Pro-active **Detection** work
- Effective **Investigation**
- NFI work co-ordinated by CFT

Efficiency

- Restructure of Team work plan (releasing resources)
- Joint working practices
- Single Point of Contact for Fraud and Irregs

Infrastrucure

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

Integration