



devon**audit**partnership

Counter Fraud Services

North Devon Council

**Devon Audit Partnership**

**Annual Counter Fraud  
Resilience and  
Assessment Report**

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 23/24. It outlines the ever-increasing fraud threats affecting all areas of public spending and the responses expected from North Devon District Council. Our aim is to support North Devon 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.

- 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 faces. It should acknowledge the problems and put in place plans which can demonstrate that it is acting 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 The table in **Appendix 1** (page 6) shows the expected response from a local authority, and our assessment of North Devon's arrangements against expectations. 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 awareness training and the exchange of knowledge between DAP and NDDC will add further value to Counter Fraud Activity and resilience.

## 4 National Fraud Initiative

- 4.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#); which matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.
- 4.2 The Biannual National Exercise is mandatory and the last exercise 22/23 is approaching completion, with NDDC confirming that the process is ongoing and that hundreds of checks and reviews have already been completed.
- 4.3 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 NDDC 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.

4.4 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 Information for Committee

5.1 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.

5.2 **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.

5.3 **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.

5.4 **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.

5.5 **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-enable 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."*

5.6 **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.”*

5.7 **HM Government** is creating a new criminal offence of ‘[Failure to Prevent Fraud](#)’, 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. (The Government is obliged to issue guidance prior to the legislation coming into force). As more details are known we will update the Committee accordingly.

## 6 Conclusion

6.1 North Devon 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.

6.2 We will continue to support the Council to proactively prevent and detect fraud, 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 Councils should, wherever possible look to increase their fraud resilience. It is noteworthy that North Devon 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, Mid-Devon, 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](mailto: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)*



## Counter Fraud resilience and Best Practice Checklist

CIPFA / CIFAS expected Local Authority / Public Body response to the risk of fraud and corruption.	Response / Findings for NDDC
<b>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.</b>	The Council has over the past year created a fraud risk register to look at fraud risk on a Departmental Level as a result the Council is leading the way locally in this area of Counter Fraud resilience.
<b>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</b>	<p>The Council understands its fraud risks and is working hard to create and maintain an effective formal assessment which records the findings and decisions made to combat fraud.</p> <p>DAP Assurance Services audit and fraud professionals work closely with the Councils management team and risk leads to ensure that new and emerging risks are understood and mitigated where possible.</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>The Council clearly understands that any fraud against the Council draws money away from those in legitimate and most need within the community, many of whom are the most vulnerable in our society. Work continues to improve this response.</p>
<b>3. There is an annual report to the audit committee, or equivalent detailed assessment.</b>	This report will be produced annually to ensure compliance with this requirement.
<b>4. The relevant portfolio holder has been briefed on the fraud risks and mitigation</b>	The Chair of the Governance Committee will be briefed on fraud risks and the mitigations thereof.
<b>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.</b>	The Audit Committee is and has been supportive of any initiative linked with Counter Fraud resilience.
<b>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.</b>	The Council has a robust <a href="#">Anti-Fraud, Bribery and Corruption Policy</a> and an accompanying Strategy and Response Plan, this Policy and Plan have been created by and are updated by an Accredited Counter Fraud Manager at Devon Audit Partnership (DAP)
<b>7. The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</b>	<p>The Councils Anti-Fraud, Bribery and Corruption Policy 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</p>

CIPFA / CIFAS expected Local Authority / Public Body response to the risk of fraud and corruption.	Response / Findings for NDDC
	diligence is always needed, and this referred to in the aforementioned strategy. The Council includes anti-bribery clauses in contracts with third parties and agents.
<b>8. The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</b>	As stated in Section 1 above A specific fraud and corruption risk register has now been created and this will feed into the Councils overall risk management process.
<b>9. Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments, and this is reported upon to committee.</b>	The Councils CEO, 151 Officer and wider Management Team have an effective working relationship with DAP Assurance Services, which includes access to Accredited Counter Fraud Specialists, so that advice and support can be readily sought and given.
<b>10. Successful cases of proven fraud/corruption are routinely publicised to raise awareness.</b>	As part of the Anti-Fraud, Bribery and Corruption Policy the Council is committed to publicising all instances of proven fraud or corruption in order to raise awareness and increase resilience.
<b>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.</b>	The Policy and Strategy show clear responsibility roles and how allegations of fraud will be dealt with. This ongoing annual report will ensure that Committee is updated regularly.
<b>12. The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</b>	<a href="#">The Constitution for North Devon Council</a>
– codes of conduct including behaviour for counter fraud, anti-bribery and corruption	The above link to the Constitution along with the Anti-Fraud Bribery and Corruption Policy and the Anti-Fraud, Bribery and Corruption Strategy and Response Plan also detail what is expected behaviour in respect of fraud, bribery and corruption.
– register of interests	The above link to the Constitution for North Devon Council further links to record a register of interests.
– register of gifts and hospitality.	The above link to the Constitution for North Devon Council has further links to who, what, how and why individuals are required to register any gifts and hospitality.
<b>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.</b>	The Councils <a href="#">website</a> outlines the processes and checks that it undertakes in connection with the employment of new staff.  This ensures they are compliant with legal requirements and should prevent those convicted of dishonesty offences being employed at the Council
<b>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.</b>	At the start of each meeting a declaration of interests is requested. See also 12 above.

CIPFA / CIFAS expected Local Authority / Public Body response to the risk of fraud and corruption.	Response / Findings for NDDC
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.	The Council has access to an Accredited Counter Fraud Manager and Accredited Counter Fraud Specialists at DAP, which can be utilised as and when required.  There is an ongoing programme agreed between the Council Management and DAP annually to further improve resilience. This report makes up part of that attempt to improve this area.
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.	DAP Assurance Services currently support the Council in the creation and updating of the Whistleblowing Policy, ensuring that it is appropriately managed and appropriately monitored. The Councils Management Team often seek independent guidance from DAP to ensure impartiality in its application.
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.	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.
18. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	Since the transfer of benefits counter fraud staff to Department for Work and Pensions (DWP), fraud resources have been limited.  However, DAP Assurance Services have a dedicated counter fraud team. The team has fully trained and qualified fraud investigators. The Authority will look to "call off" resources as and when the need arises.
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.	The Council buys in the services of DAP, this includes Internal Audit and Counter Fraud functions. An annual plan is agreed by the Councils Committee and Senior Management Team based upon need and known risks.
20. Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	The S151 officer, will maintain a record of referrals. However, and as referred to above, there is no separate fraud team. Allegations of fraud and or irregularity are retained can be reported to senior management as and when required, in the form of report.
21. Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	Counter Fraud Specialists at DAP have unfettered access in respect to any allegation of fraud that they are retained to investigate.
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.	The Council has always supported publicity around the subject of fraud and the Communications Team at the Council have and will continue to support this approach.
23. All allegations of fraud and corruption are risk assessed.	Any fraud allegation sent to the DAP Assurance Team is assessed against the National Intelligence Model (5x5x5) and in line with known and emerging risks.



CIPFA / CIFAS expected Local Authority / Public Body response to the risk of fraud and corruption.	Response / Findings for NDDC
<p><b>24. The fraud and corruption response plan covers all areas of counter fraud work:</b></p> <ul style="list-style-type: none"> <li>• Prevention</li> <li>• Detection</li> <li>• Investigation</li> <li>• Sanctions</li> <li>• Redress</li> </ul>	<p>The Councils Anti-Fraud, Bribery and Corruption Strategy and Response Plan covers all of the areas required. The Strategy is regularly updated in line with best practice and legislative updates as and when required.</p>
<p><b>25. The fraud response plan is linked to the audit plan and is communicated to senior management and members.</b></p>	<p>The fraud and audit functions within DAP Assurances Services combine an annual plan via Committee to ensure that senior management and members are kept up to date.</p>
<p><b>26. Asset recovery and civil recovery is considered in all cases.</b></p>	<p>Where it is appropriate to do so this would always be considered in accordance with the Anti-Fraud Policy, Strategy and Response Plan.</p>
<p><b>27. There is a zero-tolerance approach to fraud and corruption which is always reported to committee.</b></p>	<p>The Council has clearly state that it has a zero tolerance to fraud and corruption in its Anti-Fraud, Bribery and Corruption Policy.</p>
<p><b>28. There is a programme of proactive counter fraud work which covers risks identified in assessment.</b></p>	<p>Proactive counter fraud work is delivered in a variety of ways each year. Some examples of how this is achieved include:</p> <ul style="list-style-type: none"> <li>-</li> <li>• Participation in the bi-annual National Fraud Initiative (NFI)</li> <li>• Elements of internal audit work focused on controls that may be more susceptible to fraud risk.</li> <li>• Work by Service Managers – such as Council Tax Single Persons Discount review</li> </ul>
<p><b>29. The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.</b></p>	<p>The Council does not have its own 'fraud team'. This service is bought in by the Council and the Counter Fraud Specialists available through DAP Assurance Services work in collaboration and conjunction with multiple Law Enforcement and other Agencies to ensure best practice and value for money.</p>
<p><b>30. The local authority shares data across its own departments and between other enforcement agencies.</b></p>	<p>The Council shares data with the Cabinet Offices (National Fraud Initiative) every two years in the national data matching exercise. (See 32)</p>
<p><b>31. Prevention measures and projects are undertaken using data analytics where possible.</b></p>	<p>The Council is committed to actively undertaking a Single Person Discount review supported by DAP and Devon County Council.</p> <p>Other initiatives are considered as and when they become available.</p>

CIPFA / CIFAS expected Local Authority / Public Body response to the risk of fraud and corruption.	Response / Findings for NDDC
32. The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	The Council has evidenced that it is actively involved in the NFI and actions the results obtained in this bi-annual national exercise.
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.	The Council does not have its own 'fraud team'. This service is bought in by the Council. The Counter Fraud Specialists available through DAP Assurance Services ensure compliance with this requirement.
34. The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	The Council does not have its own 'fraud team'. This service is bought in by the Council. The Counter Fraud Specialists available through DAP Assurance Services ensure compliance with this point. These specialists have extensive experience and training in all areas of Local Authority Fraud risks.
35. The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: <ul style="list-style-type: none"> <li>• Surveillance</li> <li>• Computer forensics</li> <li>• Asset recovery</li> <li>• Financial investigations.</li> </ul>	The Council does not have its own 'fraud team'. This service is bought in by the Council. The Counter Fraud Specialists available through DAP Assurance Services ensure compliance with this point. The DAP team also have access to specialists linked to all areas to ensure that this requirement is complied with.
36. Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	Detailed reports on allegations as well as any proven instances of fraud and or corruption are created and forwarded to Senior Managers so that counter fraud resilience is improved and awareness is increased.
37. 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. Fraud awareness is specifically important for those involved in the Procurement process as highlighted in <a href="#">Review into the risks of fraud and corruption in local government procurement</a>	Fraud Awareness training is available through the DAP Assurance Services Team, the Council is reviewing options to obtain and maintain some form of eLearning platform. At this time however Fraud Awareness training is not widely and or routinely undertaken. It is recognised that this is an area that the Council is looking to improve.
38. <a href="#">The Local Government Transparency Code</a> Identifies what information must be published annually (para 53) and what is suggested (para 68)	No evidence found on the Councils website.