

REPORT REFERENCE NO.	AGC/24/17
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	30 SEPTEMBER 2024
SUBJECT OF REPORT	FRAUD & CORUPTION STRATEGY – ANNUAL REVIEW OF CASES
LEAD OFFICER	CLERK TO THE AUTHORITY (& MONITORING OFFICER)
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	<p>The Devon and Somerset Fire and Rescue Authority (the Authority) is a large public authority and expects the highest standards of conduct and integrity from its members, employees and from all who have dealings with it. The Authority recognises the importance of these standards and the high expectations of the public in this respect. The Authority has set a culture and tone that embodies honesty and active opposition to corruption and dishonesty, which its members and employees are expected to demonstrate through leading by example.</p> <p>Acts of dishonesty within the Devon and Somerset Fire and Rescue Service (the Service) are extremely rare. This reflects the skills, dedication and decency of Authority members, employees and others with whom the Authority has dealings. However, constant vigilance is necessary to ensure that this good record is maintained.</p> <p>The Authority’s Fraud and Corruption Policy focuses specifically on procedures for dealing with allegations of financial irregularities. This report sets out the position on fraud cases reported during 2023-24 together with details of participation in the National Fraud initiative.</p>
RESOURCE IMPLICATIONS	The risk of fraud does have a potential financial impact.
EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable.
APPENDICES	Nil
BACKGROUND PAPERS	See paragraph 1.2 of the report.

1. **INTRODUCTION**

- 1.1. The Devon and Somerset Fire and Rescue Authority (the Authority) is a large public authority and expects the highest standards of conduct and integrity from its members, employees and from all who have dealings with it. The Authority recognises the importance of these standards and the high expectations of the public in this respect. The Authority has set a culture and tone that embodies honesty and active opposition to corruption and dishonesty, which its members and employees are expected to demonstrate through leading by example.
- 1.2. The Authority has a [Confidential Reporting Policy](#), also known as the “Whistleblowing Code”, which sets out a procedure on how to raise concerns of a serious nature. The [Authority’s Fraud and Corruption Policy](#) focuses specifically on procedures for dealing with allegations of financial irregularities and is intended to:
- encourage prevention of dishonesty;
 - promote the detection of dishonesty; and
 - identify a clear pathway for investigation.
- 1.3. Acts of dishonesty within the Devon and Somerset Fire and Rescue Service (the Service) are extremely rare. This reflects the skills, dedication and decency of Authority members, employees and others with whom the Authority has dealings. However, constant vigilance is necessary to ensure that this good record is maintained.

2. **POLICY /STRATEGY**

- 2.1. The Authority’s constitutional framework documents, of which the Fraud and Corruption Strategy forms a key part, are reviewed by the Authority at its Annual Meeting in June. Such a review was undertaken on 10 June 2024 (Minute DSFRA/24/5 refers) and minor changes were made to reflect the move to Devon Assurance Partnership (DAP) undertaking the internal audit function on behalf of the Authority.
- 2.2. Horizon scanning is undertaken regularly to ensure the Service keeps abreast of issues and considers potential risk. There has been a new offence identified recently - [Economic Crime and Corporate Transparency Act: failure to prevent fraud offence](#) – which will have an impact in due course. The offence has not been introduced as yet but it is thought that Fire & Rescue Authorities will fall within the scope. The offence applies to all large bodies corporate, subsidiaries and partnerships. This means that in addition to businesses, large not-for-profit organisations such as charities are also in scope, as well as incorporated public bodies such as this Fire & Rescue Authority.

- 2.3. The offence applies to all sectors. However, to ensure burdens on business are proportionate, only large organisations are in scope – defined (using the standard Companies Act 2006 definition) as organisations meeting two out of three of the following criteria: more than 250 employees, more than £36 million turnover and more than £18 million in total assets. The impact of the offence will be kept under review and the threshold at which companies are excluded can be amended in future through secondary legislation if necessary.
- 2.4. If resources held across a parent company and its subsidiaries cumulatively meet the size threshold, that group of companies will be in scope of the failure to prevent fraud offence. This would mean that the Authority’s trading company, Red One Ltd., will fall within the scope of this new offence. Once this offence becomes law, the Fraud and Corruption Strategy will be reviewed to take account of this matter.
- 2.5. Monitoring of cases against this policy falls within the Terms of Reference for the Audit & Governance Committee. This report sets out the cases that have come to attention during the 2023-24 financial year together with details of the National Fraud Initiative.

3. **FRAUD CASES 2023-24**

- 3.1 The Authority publishes an annual fraud report on its [website](#) annually.
- 3.2 Two cases of potential fraud were investigated in 2023-24 as detailed in the table below.

	Fraud Identified?	Monetary Value	Value Recovered
Case 1: Allegation that employee was claiming for time twice, sometimes three times as they had three separate contracts. Also alleged that they had used a Service vehicle for private journeys.	Yes	Impossible to determine	Nil. Trying to ascertain what activity was fraudulent and what wasn't was almost impossible to determine because employee has three roles so would need to determine which role(s) they were double claiming the time for. Unable to find a way to ascertain if the route that was taken using the Service vehicle wasn't the most direct route or, a small deviation from it, without analysing each journey that the van took.
Case 2: Fitness testing.	No	N/A	N/A. This was found to be falsifying documentation for fitness testing dates rather than fraud in the true sense of the word.

4. NATIONAL FRAUD INITIATIVE

- 4.1. The Authority actively participates in the National Fraud Initiative (NFI) every two years. This is a data matching exercise within and between public and private sector bodies to prevent and detect fraud which is operated by the Public Sector Fraud Authority.
- 4.2. Data matching in the NFI involves comparing sets of data such as the payroll or benefits records of a body or organisation, against other records held by the same or another body or organisation to see how far they match. This allows potentially fraudulent applications, claims and payments to be identified. Where a match is found, it indicates that there may be an inconsistency that requires further investigation. Participating bodies receive a report of matches which identify inconsistencies in the data held which may be indicative of fraud and which they should follow-up, and investigate where appropriate. This enables them to detect instances of fraud, over or under-payments and other errors and where appropriate take remedial action and/or update their records accordingly. These matches are investigated by the Organisational Assurance department.
- 4.3. 214 matches were made in the 2022-23 report for the Service. The investigation process for these matches concluded in October 2023. 188 matches were cleared, with 26 errors found (see table below). This is a reduction from 443 matches in the previous report in 2020-21, but an increase from the previous report's 20 errors.

Error Identified	Number of matches	Value	Recovered?
Incorrect payments (duplicate payments)	11	£51,622.32	Yes. 6 duplicate payments were initially made to Plymouth City Council to the wrong bank account. When the error was identified (prior to NFI matching) the payments were returned and invoices raised again against the correct supplier reference, hence the duplicate invoice entries. 4 duplicate payments were initially made to the wrong person before the mistake was rectified and money refunded at the time of the error (prior to NFI matching). The 11 th match resulted from a handwritten invoice with an unclear invoice number duplicated by a second typed

Error Identified	Number of matches	Value	Recovered?
			invoice which had a clear invoice number; this is why Integra didn't pick up the duplication. Supplier refunded £1,853.52 as a result of NFI matching.
Duplicate creditors by creditor name or address	15	Nil	N/A. These matches were data duplications within Integra, the Service's payment system. A Finance Officer investigated the matches and removed the outdated information from the system.

- 4.4. Part of the year-end finance process is to deactivate suppliers that the team have determined are no longer required. The records are still held, for audit purposes, but are behind the scenes. This deactivation was run as part of the 2023-24 year-end process.
- 4.5. The Service has recently signed a contract to change the Finance system. Therefore, a review of all suppliers will be undertaken to ensure that the list is correct before being imported into the new system. The plan is to have the supplier review complete and shared with the team by the end of October 2024.
- 4.6. The 2024-25 NFI exercise has just commenced. The Service will be required to upload creditors, pension and payroll data by 25 October 2024. Data matches are then expected to be available by early January 2025 for investigation.

5. CONCLUSION AND RECOMMENDATIONS

- 5.1. The Authority undertakes regular reviews of its policies together with audits provided by the Devon Assurance Partnership (DAP) to ensure compliance. Coupled with the instigation of the new financial system referred to in paragraph 4.5. above which will bring improved financial controls, together with the biannual NFI it is considered that there are good checks and balances in place to ensure financial probity.

SAMANTHA SHARMAN
Clerk to the Authority (& Monitoring Officer)