

Internal Audit Report

Counter Fraud Risk Assessments

Follow Up 2026-27

Torbay Council

August 2026

Official



devonassurancepartnership

Support, Assurance and Innovation

Audit Opinion

Reasonable Assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
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Number of Actions

High	0
Medium	5
Low	4
Opportunity	0

Service Objective

The objective of a local government counter fraud risk assessment is to identify, evaluate, and mitigate potential fraud risks to protect public resources and ensure integrity in government operations, and enable the measurement of the organisations fraud risk appetite.

Risks or Areas Covered

- Key Findings

1. **Risk of Fraud and Error causing financial loss or reputational damage to the Council**
 - Service level fraud risk assessments not fully complete
 - Counter Fraud not mentioned in high level documents
 - Fraud awareness training completion rate not known
 - Inconsistent fraud risk ownership by managers
 - Lack of a detailed counter fraud delivery and resource plan framework

Level of Assurance

Reasonable Assurance

Background and Context

The objective of a local government counter fraud risk assessment is to identify, evaluate, and mitigate potential fraud risks to protect public resources and ensure integrity in government operations. The Council has a Counter Fraud Manager and team. Part of their remit is to ensure that Service Areas identify, consider, record and manage fraud risks relating to their service areas.

The original audit was commissioned to evaluate controls in place, and compliance with counter fraud risk management principles and guidance. This follow up audit was commissioned to establish progress made against the originally agreed management actions, and their effectiveness in addressing the associated risks.

We acknowledge that, whilst not directly relevant to the topic of this audit, the Torbay Counter Fraud Function and Team is in the process of TUPE to the Devon Assurance Partnership. This is expected to be completed in December 2026.

More relevant to the audit topic is the departure of the Council's Risk Manager in August 2026. The role had been supporting the fraud risk assessment process and therefore the loss of capacity may impact conclusion of the current activity and further development of practices.

Executive Summary

It is pleasing to report that significant progress has been made in completing the service area fraud risk assessments for the Council. As at the time of the audit, there were only two that remained outstanding.

Further work is required to ensure the objectives of the Counter Fraud Strategy are translated into operational practice and embedded across the Council. This includes referencing a lack of tolerance to fraud in higher level documents, achieving consistent fraud awareness, maintaining currency of fraud risk assessments and their full consideration in individual Service Plans, and ensuring counter fraud activity planning and resources reflect the Council's tolerance to fraud.

The detailed findings and our observations regarding these issues are described in Appendix A. Our observations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Detailed Observations and Action Plan

1. Risk Area: Risk of Fraud and Error causing financial loss or reputational damage to the Council:

Level of Assurance

Reasonable Assurance

Opinion Statement:

Progress has been made in strengthening counter fraud risk assessment arrangements since the previous audit in May 2025. These include the implementation of an updated Counter Fraud Policy and Strategy which have been separated to provide clearer strategic direction, the relaunch of mandatory fraud awareness training through the new iLearn platform, the introduction of fraud awareness and whistleblowing training for new starters, and continued progress towards completing organisation wide department level fraud risk assessments.

The Council's overall risk status position reporting to the Audit Committee has continued as part of the risk management framework with the Corporate Risk CP 59 (Risk of Fraud and Error Causing Financial Loss or Reputational Damage to the Council) included and subject to ongoing oversight and review.

Evidence provided confirms that Service Plan templates now require services to declare annually whether a Fraud Risk Assessment has been completed and whether identified fraud risks have been recorded within SPAR.net.

The Fraud and Error Team have also engaged with service managers to provide advice and guidance regarding fraud risk assessments and to reinforce the importance of identifying and managing fraud risks. Completion and engagement levels are being monitored and reported to management. These are nearing completion with only two remaining outstanding as at the time of the audit.

A number of actions remain in progress and not yet fully implemented, as below:

- Whilst the Counter Fraud and Corruption Policy cites that fraud against the Council will not be tolerated, we still found no reference to counter fraud within the higher level council documents, such as the Council's Community and Corporate Plan and Council Business Plan.
- The recent update of the Counter Fraud Policy and Strategy did not address all the points raised in our original report.
- The mandatory fraud awareness training completion rate cannot yet be fully assessed due to the recent system migration and ongoing data cleansing activity.
- Achieving consistent fraud risk ownership by managers through updated job descriptions.
- Discussions regarding resource planning and fraud risk governance have continued, but the development of a detailed counter fraud delivery and resource planning framework has been impacted by completion of the fraud risk assessments, resourcing challenges and the reactive nature of fraud investigation work. Over time, this development could lead to opportunities to expand reporting of outcomes beyond that already reported to Audit Committee e.g. at Service Manager level.

No.	Observation and Implications	Impact / Priority	Management response and action plan including responsible officer
1.1	<p>We previously reported that creating a culture that is hostile to fraud is part of good corporate governance and can be considered an overarching risk control mechanism that transcends the whole of an organisation. We assessed the Council against the CIPFA Counter Fraud Centre “top tips” designed to assist in creating an entity-wide anti-fraud culture.</p> <p>Whilst the service area fraud risk assessment is now well advanced and is an embedded part of the annual Service Plan template, we also previously identified the following:</p> <ul style="list-style-type: none"> The Counter Fraud and Corruption Policy cites that fraud against the Council will not be tolerated, but we found no reference to counter fraud within the higher level council records, such as the Council's Community and Corporate Plan and Council Business Plan. <p>Examination of these documents again did not identify its inclusion.</p>	Medium	<p>Status – Ongoing</p> <p>Corporate policies and Business Plans will be reviewed and amended to ensure fraud is embedded in the policy/plan as required.</p> <p>Responsible Officer: Kate Spencer Target Date: April 2027</p>
1.2	<p>There is a framework in place for Council Leadership to have visibility of threats of fraud and corruption which are reported and monitored. Corporate Risk CP59 is in place and is owned by the Director of Finance.</p> <p>Although CP59 remains rated as high, management has advised that this reflects the wider fraud risk environment, and would likely remain high irrespective of the completion status of departmental fraud risk assessments.</p> <p>Two service level fraud risk assessments remained outstanding. There is uncertainty regarding the future progression of the assessments due to the Risk Manager leaving in August 2026.</p> <p>There may be an interpretation difference in relation to the requirement to input all service level fraud risk assessments into SPAR.net. The corporate Service Plan template is clear that all the completed fraud risk assessments are to be entered in SPAR.net regardless of their residual risk position.</p>	Medium	<p>Status - Ongoing</p> <p>Work is continuing with managers to complete the fraud risk assessment process. Resources now reduced in the corporate risk team and the availability of managers means this work will continue for as long as it takes.</p> <p>This was cited as a Chief Executive position on capturing FRA's relayed by the former Risk Manager. Agreed, If fraud risks are not fully, recorded, including the associated controls, mitigating actions and residual risk scores, it becomes difficult to obtain assurance that the organisation's fraud risk management arrangements are operating effectively.</p> <p>Without a complete and documented risk profile, there is no clear basis against which to test the design or effectiveness of mitigations. This makes it challenging to determine if controls are reducing risks to the expected level or whether residual risks exist within the organisation's fraud risk appetite.</p> <p>Responsible Officer: Paul Matravers Target Date: December 2026</p>

1.3	<p>Counter Fraud accountability continues to be supported through mandatory fraud awareness training for staff and Members.</p> <p>The Counter Fraud manager has introduced fraud awareness training, including whistleblowing awareness, as part of the induction process for new starters.</p> <p>During 2025-26, the Council migrated to a new training platform and relaunched the mandatory fraud awareness course and an increased refresher frequency of every 18 months, compared with the previous three year cycle.</p> <p>We understand that completion data remains affected by the migration of legacy records from the previous ILearn system, including records relating to leavers and employees on long term absence. As a result, the Counter Fraud Manager has reported that current completion figures should be interpreted with caution and do not yet provide a reliable basis for assessing organisational compliance with the revised training requirements.</p> <p>It was reported to Audit Committee in May 2026 that 696 employees were recorded as compliant and 499 as non-compliant at the end of the reporting period however, management has advised that data cleansing is ongoing and accurate compliance reporting is not yet available.</p> <p>Given the relaunch of the training programme and the introduction of a new 18 month completion cycle, it is not currently possible to determine whether fraud awareness has improved since the previous audit.</p> <p>Continued monitoring of completion rates and service level engagement will be required once reliable compliance data becomes available.</p>	Medium	<p>Status - Partially Implemented / Ongoing</p> <p>The new training platform provides an easy to access reporting function. HR are in the process of building a suite of directors dashboards allowing directors to monitor the completion of mandatory training courses by their direct reports and those thereafter.</p> <p>As at 08/10/26 911 out of 1403 colleagues had completed the mandator i-learn course. A completion rate of 64.9%.</p> <p>Responsible Officer: Paul Matravers Target Date: September 2027</p>
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1.4	<p>The Council continues to maintain an annual Counter Fraud Plan, for 2026-27 this was presented to and approved by the Audit Committee in March 2026.</p> <p>The plan provides an overarching framework for counter fraud activity and priorities, however the development of a detailed delivery and resource planning framework remains work in progress and is dependent upon the completion of the fraud risk assessments</p> <p>The original observation remains unchanged. Without a fully developed plan that is linked to wider organisations objectives, this could lead to strategic misalignment leading too, for instance:</p> <ul style="list-style-type: none"> • Ineffective Use of Resources • Reduced Impact and Value • Lack of Accountability and Oversight • Missed Opportunities for Collaboration • Increased Risk Exposure <p>The Counter Fraud Manager has advised that the ability to establish a detailed delivery plan continues to be constrained by operational pressures, organisational change, resource limitations and the reactive nature of fraud investigation work.</p> <p>We acknowledge that progress has been made in the development of departmental fraud risk assessments, which provide the basis for risk based planning. Until the fraud risk assessments are complete, counter fraud priorities continue to be informed primarily through horizon scanning, intelligence, emerging fraud threats and operational demand.</p> <p>With the Counter Fraud Function Scheduled for TUPE into Devon Assurance Partnership, there is work underway within the Counter Fraud Team to develop a resource planning approach, however, this remains incomplete due to ongoing reorganisation activity and work pressures. Over time, this development could lead to opportunities to expand reporting of outcomes beyond that already reported to Audit Committee e.g. at Service Manager level.</p>	Medium	<p>Status - ongoing</p> <p>Agreed, this remains dependent on available resources.</p> <p>Responsible Officer: Paul Matravers Target Date: April 2027</p>
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1.5	<p>We understand discussions with HR have resulted in the inclusion of responsibilities for developing and maintaining fraud risk assessments within job descriptions for newly appointed managers, helping to reinforce ownership and accountability for fraud risk management going forward. However, these arrangements do not apply retrospectively to existing management and therefore organisational consistency will take time to achieve.</p> <p>The need to consider all Job Descriptions as part of the TUPE transfer of staff into the new authority formed by LGR creates an opportunity to ensure that accountability for fraud risk management is achieved before vesting day.</p>	Medium	<p>Status - ongoing</p> <p>LGR is on pause with forward plan awaited. Depending on the governments forward plan, the TUPE transfer may/may not provide this opportunity.</p> <p>Responsible Officer: Paul Matravers Target Date: April 2027</p>
1.6	<p>We previously noted that the Council did not undertake a formal assessment of the adequacy of its counter fraud resources, although management advised that resource requirements would be considered as part of the annual review and development of the Counter Fraud Plan.</p> <p>Whilst the annual Counter Fraud Plan reviews could provide an opportunity to consider resource requirements, the absence of a formal assessment may limit the Council's ability to demonstrate that the level of resources available, including staff, remain appropriate and proportionate to its counter fraud responsibilities.</p> <p>We acknowledge that the Council continues to utilise data matching, data analytics, and other preventative approaches to support its counter fraud arrangements to achieve greater efficiencies. However, there is a vacant post in the team with recruitment on hold due to the pending TUPE to Devon Assurance Partnership which is expected to be finalised in December 2026.</p> <p>Periodic formal assessment of counter fraud resource requirements would represent good practice and provide assurance that the Council's arrangements remain effective, particularly during periods of organisational change and recruitment.</p>	Low	<p>Status - Ongoing</p> <p>Responsible Officer: Paul Matravers Target Date: April 2027</p>

1.7	<p>The original Counter Fraud and Corruption policy did not include details of governance arrangements. We can see from the updated and published Counter Fraud Policy that the Audit Governance Committee provides independent oversight, receiving regular reports on fraud risks, investigations and outcomes.</p> <p>Our original observation mentioned that the policy did not include the requirement for the production of statistical information or indicators, which has not been addressed in the recent update.</p>	Low	<p>Status - Complete</p> <p>While the policy may not make reference to the production of statistical information or indicators, it is included in the report to committee. Therefore we are happy that reporting this information to Audit Committee is sufficient.</p> <p>Responsible Officer: Paul Matravers Target Date: N/A</p>
1.8	<p>Previous inaccurate referencing to other policies within the Counter Fraud and Corruption Policy have been addressed through the update to the Policy in February 2026.</p> <p>In the previous audit report, we also noted that section 4.6 of the employee Code of Conduct which is located within Torbay Council's Constitution still refers to the 'Prevention of Fraud and Corruption Policy', which is not quite accurate. Unreliable information or references may lead to uncertainty.</p>	Low	<p>Status – Partial Implementation</p> <p>HR have agreed to take this forward on 08/10/26</p> <p>Responsible Officer: Cara Swayne Target Date: April 2027</p>
1.9	<p>A review of the Counter Fraud Policy has been carried out and is now published with the Counter Fraud Strategy separate which reduces the overall size of the policy itself. The Counter Fraud Policy has been presented at DOM and Audit Committee in February 2026, however this is not recorded in the published policy itself.</p> <p>The policy still does not contain some version control information such as version number, approval dates, review frequency and a summary of legislation and internal procedures.</p>	Low	<p>Status - Partial Implementation</p> <p>Will aim to address at the next policy review. However, committee agendas and minutes confirm approval dates with the policy itself confirming its month and year of update/publication.</p> <p>Responsible Officer: Paul Matravers Target Date: April 2027</p>

Scope and Objectives

The original audit in 2025-26 was undertaken against the following risk:

- Risk of Fraud and Error causing financial loss or reputational damage to the Council.

This follow up audit is to establish the current status against the previously agreed management actions, and to consider any changes to processes or systems that may have been implemented since the previous audit.

Acknowledgements

We thank those who provided support and assistance during this audit.

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Inherent Limitations

The opinions and observations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Devon Assurance Partnership

Devon Assurance Partnership has been formed under a joint committee arrangement, details of our partners can be found on our website. We aim to be recognised as a high-quality assurance service provider. We collaborate with our Partners by providing a professional service that will assist them in meeting their challenges, managing their risks and achieving their goals.

In conducting our work, we are required to comply with the Global 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 [Jo McCormick](#)

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This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the organisation, 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.

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Definitions of Audit Assurance Opinion Levels

Definition of Observation Priority

Definitions of Audit Assurance Opinion Levels	Definition of Observation Priority
Substantial Assurance A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important observations made to improve internal control arrangements and manage identified risks.
Limited Assurance Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity An observation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These observations do not feed into the assurance control environment.