Anti-Fraud and Anti-Corruption Strategy

DERBYSHIRE County Council

Version History

Version	Date	Detail	Author
1.0	September 2015	Revision of Strategy	Carl Hardman
2.0	September 2018	Update of Strategy	Carl Hardman
3.0	July 2023	Update of Strategy to: • Simplify the guidance to make it more accessible to stakeholders. • Summarise key roles and responsibilities at section 2. • Make reference to 'Fighting Fraud and Corruption Locally – A Strategy for the 2020s' and the Enterprise Counter Fraud Approach at section 3. • Include Performance Indicator targets at section 3 to allow delivery of the Strategy to be measured and monitored. Incorporate the Fraud Response Plan (at Appendix A).	Philip Spencer
4.0	May 2024	Update of the strategy to: • Reflect changes in fraud risks and associated arrangements. • Update performance indicator targets to cover a rolling three year period from 2024-25 onwards. • Ensure that accessibility standards are met.	Mark Lunn

Foreword from the Leader of the Council and Managing Director

Within the Council Plan, we have made a commitment to spend money wisely, make the best use of the resources that we have and to be honest and accountable in the way that we operate. This means doing all we can to safeguard public funds and establish a robust counter fraud culture which promotes and values the prevention and detection of fraud and corruption. This will ensure that council resources are used to deliver high quality public services and to make Derbyshire a great place to live, work and visit.

This strategy details the council's approach to the prevention and detection of fraud and corruption, the key aspects of our current counter fraud culture and the actions that we need to take in the coming years to further strengthen our arrangements. It reflects the council's zero tolerance to fraud and corruption in all its forms and provides a standard with which the council's employees, elected members, contractors and residents must comply.

This strategy sits within the council's wider governance framework which includes the Financial Regulations, Standing Orders Relating to Contracts, Codes of Conduct for Employees and Members, Anti-Money Laundering Policy and Whistleblowing Policy. This framework provides a robust and coordinated counter fraud environment designed to protect public funds.

Councillor Barry Lewis
Leader of Derbyshire County Council

Emma Alexander
Managing Director

Introduction

The council takes its responsibilities for the stewardship of public funds very seriously. As part of this commitment, it seeks to maintain an effective counter fraud culture to prevent and detect fraud and corruption.

This strategy details the risk of fraud within local government, the key controls that the council has put in place to address this risk and the responsibilities of members, officers and employees in relation to fraud. As such, it sits alongside the:

- **Whistleblowing Policy** - which details how potential frauds should be reported.
- **Fraud Response Plan (Appendix A)** - which details how allegations of fraud are investigated.
- **Anti-Money Laundering Policy** - which provides specific guidance on the Council's safeguards and reporting arrangements in relation to suspected money laundering.

What is 'fraud' and 'corruption'?

The Fraud Act 2006 defines **fraud** as an intention to make a gain or cause a loss due to false representation, failing to disclose information or abuse of position. Examples of fraud include money laundering and identity theft.

Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly. Examples include bribery and electoral malpractice.

A counter fraud culture is one which promotes and values the prevention and detection of fraud and corruption.

The fraud challenge

Whilst the true cost of local government fraud is not known, in 2017, the Annual Fraud Indicator[1] estimated this to be £7.3bn per year. Every £1 lost to fraud and corruption is £1 less that the council has available to provide services to Derbyshire residents.

The council has therefore sought to establish an effective counter fraud culture which seeks to minimise the risk of fraud and corruption taking place and identify any instances that do. This is made more difficult by the ever-changing nature and complexity of frauds, with fraudsters seeking to capitalise on new technologies (including increased use of on-line banking and authentication methods, social media and Artificial Intelligence) and emerging risks (most notably the cost of living crisis).

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[1] CIPFA, 'Fraud and corruption tracker – National Report 2020'; CIPFA Counter Fraud Centre.

'Fighting Fraud and Corruption Locally – A Strategy for the 2020s' states that:

'tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents.'

Frauds can take a variety of forms and be committed by a range of individuals and organisations. The following are some examples of frauds within local government:

Cyber Fraud – The use of technology to exploit weaknesses within an IT system for financial gain. Examples include ransomware/malware attacks, hacking or misuse of council systems.

Direct payments – An individual may claim direct payment funding to which they are not entitled by misrepresenting their care needs or understating their assets/income. In addition, a third party may misuse direct payment funding by using this for personal gain rather than for the benefit of the individual.

Insurance Fraud - Bogus claims made by serial claimants across authorities.

Grants – By claiming multiple grants for the same objective or use of grant monies for purposes for which they were not intended.

Recruitment – Submission of bogus qualification, reference, identification or right to work information by applicants to secure employment with the council.

Key roles and responsibilities

Whilst all stakeholders have a role in reducing the risk of fraud, elected members and senior management have a key role in establishing and enforcing a culture of high ethical standards and integrity.

Stakeholder	Specific Responsibilities
Managing Director	Create and enforce an effective counter fraud culture within the council.
Director of Finance	To establish systems and controls to ensure that council resources are used appropriately.
Assistant Director of Finance (Audit)	Establish and embed an appropriate fraud strategy and framework by ensuring sufficient staff resource is dedicated to counter fraud activities.
Monitoring Officer	To promote and maintain high standards of conduct throughout the council by developing and enforcing appropriate governance arrangements, including codes of conduct. Will also be consulted in the performance of audit investigations into suspected fraud or corruption.
The Audit Committee	Monitor the council's approach to tackling fraud and corruption and promote a counter fraud culture.
External Audit	Provides a view as to whether the council's financial statements are free from material misstatement, whether caused by fraud or error.
Internal Audit	Co-ordinate the fraud strategy and framework, including the measures in place to acknowledge, prevent and pursue fraud and corruption activity. This includes audit investigations, counter fraud activity and liaison with the Police for criminal matters.
Managing Director, Executive Directors and Group Managers	Manage the risk of fraud and corruption through the creation and operation of internal controls. Promote fraud awareness amongst employees and ensure that all suspected frauds are immediately referred to Internal Audit in line with the Fraud Response Plan (Appendix A).
Employees	Act as the first line of defence against fraud and corruption. They must comply with the council's policies and procedures and notify any suspected frauds to their line manager in accordance with the council's Whistleblowing Policy.

Strategy Statement

Enterprise Counter Fraud

This strategy is based on an Enterprise Counter Fraud (ECF) approach which seeks to establish and embed a robust counter fraud culture. This will help the council to deliver the Council Plan, spend its resources wisely and enhance employee and public confidence that the council operates with honesty, integrity and in the best interests of Derbyshire residents.

To enable the ECF approach to become embedded throughout the council's operations, this strategy has been structured around the five key principles included in 'Fighting Fraud and Corruption Locally – A Strategy for the 2020's':

- **Govern** – having the right governance arrangements to prevent fraud and corruption taking place and identifying any instances that do.
- **Acknowledge** – recognise, identify and address fraud risks.
- **Prevent** – minimise the risk of fraud occurring.
- **Pursue** – being stronger in punishing fraud and recovering losses.
- **Protect** – protecting public funds and those who are vulnerable.

An exercise has been undertaken to assess the council's arrangements against these five principles and to identify areas for development. These are detailed below and a summary of actions included at Appendix B.

 Govern

The council has established a governance framework which provides employees, elected members and third parties with clear guidance on how tasks should be performed and their duty to act with honesty and integrity. This includes Financial Regulations, Standing Orders Relating to Contracts, Codes of Conduct for Employees and Members together with the Anti-Fraud and Anti-Corruption Strategy.

Following a substantive review of the strategy in 2023-24, an annual review of the document will be performed in the current and future years to ensure it remains up to date and reflects current counter fraud arrangements. In addition, in late 2023-24, a Fraud Risk Assessment template was created to provide a consistent approach to the recording and consideration of fraud referrals. This template will be considered as part of a wider review of investigation procedures.

Ref	Action	2024-25	2025-26	2026-27
A1	Review the Anti-Fraud and Anti-Corruption Strategy.	Yes	Yes	Yes
A2	Embed risk assessment methodology for all fraud referrals.	Yes		

Acknowledge

In order to create an effective counter fraud culture, the council must first recognise the risk and potential impact of fraudulent activity on its resources and its ability to deliver the Council Plan. In recent years, a great deal of work has been undertaken to heighten fraud awareness through the launch of mandatory on-line fraud awareness training, attendance at management and team meetings to discuss fraud and the issuing of targeted fraud communications. Fraud awareness work must continue in order to ensure that staff remain vigilant to the risk of fraud occurring and their responsibilities in relation to its identification and reporting.

In addition, whilst some work has been undertaken to identify, and work with, council colleagues and other organisations that are involved in the prevention and detection of fraud and corruption in Derbyshire, further work is required to further develop and embed these arrangements. This work is essential in creating a coordinated and consistent counter fraud culture across the region.

Ref	Action	2024-25	2025-26	2026-27
A3	Refresh fraud awareness training for members and employees.	Yes	Yes	Yes
A4	Attend all Departmental Senior Management Teams annually to raise fraud awareness.	Yes	Yes	Yes
A5	Provide fraud awareness training to maintained schools.	Yes	Yes	Yes
A6	Support the annual Fraud Awareness Week in November.	Yes	Yes	Yes
A7	Further develop working relationships with internal and external organisations involved in counter fraud activity across Derbyshire.	Yes	Yes	Yes
A8	Develop counter fraud support materials accessible via the intranet.	Yes		

Prevent

Wherever possible, the council will seek to prevent fraud and corruption taking place. It has therefore established a number of working practices designed to reduce the risk of fraud occurring. These include a segregation of duties in the raising of orders, goods receipt and invoice approval, declaration of interests and checks on new starters. Internal Audit consider whether these practices are being adhered to as part of their ongoing audit work.

Historically, the council's counter fraud approach has been largely reactive in nature. The performance of more proactive work will help to ensure that fraud

and corruption is identified and addressed at an earlier stage. During 2023-24 early work has been undertaken to identify datasets (both within and outside the Council) which could be used to proactively identify fraud and to ensure that fraud is specifically considered as part of the audit planning process. These arrangements require further development and embedding to ensure that they are operating effectively.

Ref	Action	2024-25	2025-26	2026-27
A9	Utilise national datasets to proactively identify instances of fraud and corruption.	Yes	Yes	Yes
A10	Utilise internal datasets to proactively identify instances of fraud and corruption.	Yes		

Pursue

Whilst the council will do all it can to prevent fraud occurring, it is recognised that fraud and corruption cannot be completely eradicated. Formal procedures have therefore been established which detail how suspected frauds should be reported (the Whistleblowing Policy) and investigated (Fraud Response Plan - Appendix A). Where fraud or corruption is proven, appropriate action will be taken, and consideration given to the wider publication of the case and its outcomes.

In 2023-24 a Counter Fraud Communications Plan was developed to drive ongoing work on fraud awareness and reporting. This Plan includes the planned delivery of the first Annual Fraud Report in summer 2024 to summarise counter fraud work performed and the delivery of this strategy. In addition, work will continue to review the investigations process to ensure they are are appropriately focused and completed on a timely basis.

Ref	Action	2024-25	2025-26	2026-27
A11	Review the investigations procedures with key stakeholder to learn lessons and improves processes	Yes	Yes	Yes
A12	Produce an Annual Fraud Report to support the Annual Audit Report.	Yes	Yes	Yes

Protect

By adopting the principles of govern, acknowledge, prevent and pursue, the council can protect itself from the risk of fraud and minimise the impact of fraud and corruption on the council's operations and resources.

During 2023-24, work was undertaken to create a Fraud Risk Register to record key fraud risks, their potential impacts and how these are being managed and mitigated. Further work is now required to ensure that these risks are integrated into departmental risk management arrangements and regularly reviewed.

Ref	Action	2024-25	2025-26	2026-27
A13	Embed the Fraud Risk Register	Yes		

Delivering the strategy

The delivery of this strategy and the actions within (as summarised at Appendix B) will be regularly reviewed and reported to the Audit Committee.

Updating the strategy

This strategy will be reviewed annually to ensure that it continues to reflect the council's key fraud risks and associated priority areas. The updated strategy will be presented to the Audit Committee and Cabinet for review and reapproval.

APPENDIX A – FRAUD RESPONSE PLAN

Reporting a suspected fraud

Employees:

If you suspect fraud may be taking place, you should:

- Document what you have seen, including the dates and times of any incidents you have witnessed.
- Notify your concerns to your line manager or, if this is not appropriate, to a Director or Executive Director in your department.
- Raise a security incident via Halo if your concerns relate to a potential data breach.

Your line manager will then escalate your concerns in line with this plan. You do not need to take any further action, although you may be asked to provide further information to Internal Audit and/or the Police at a later date.

The Whistleblowing Policy provides protection for council employees when making an allegation of fraud, including the right to raise concerns anonymously if you wish. Employees may however be subject to disciplinary action if it is found that concerns have been raised maliciously.

Line managers:

Upon receipt of an allegation of suspected fraud, line managers should:

- Gather as much information as possible regarding the allegation.
- Notify the Assistant Director of Finance (Audit) of the suspected fraud in line with the Financial Regulations.
- In conjunction with HR Services, consider whether the employee(s) to whom the allegation relates should be suspended or redeployed whilst the matter is investigated.

Elected members:

Allegations of fraudulent activity by an elected member should be raised directly with the Director of Legal and Democratic Services and the Assistant Director of Finance (Audit). The Director of Legal and Democratic Services, in conjunction with the Managing Director, will then decide if the matter should be reported to the relevant political group leader.

Investigation into allegations of fraud

Depending on the nature of the allegation of fraud, the Assistant Director of Finance (Audit) will agree with the relevant stakeholder how the allegation should be investigated and by whom. The following options are available:

Investigation By	Nature of alleged fraud	Outcome
Police	Criminal	To be determined by the Police but may involve criminal prosecution or a community order.
Internal Audit	Financial misconduct	• Investigation Report – provides a view as to whether the employee has committed fraud. • Controls Report – details any control weaknesses identified during the investigation and associated recommendations.
Management	Non-financial misconduct	Summary of work performed and a view as to whether fraud has occurred.
Joint Audit and Management	Both financial and non-financial misconduct	A Lead Officer will bring together the outcomes of the Management Investigation together with the Audit Investigation and Controls Reports.

All investigations will be performed in accordance with relevant legislation including the Regulation of Investigation Powers Act 2000 (as amended by the Investigatory Powers Act 2016). Investigation outcomes will be reported to the relevant senior officer to determine next steps.

What happens if an employee is found to have committed fraud?

By committing fraud, an employee will have breached the Code of Conduct for Employees and may also have committed a crime under the Fraud Act 2006.

The penalties for this may include:
- Criminal prosecution leading to potential imprisonment, community service and fines.
- Reputational damage for the employee due to the publicity of successful criminal prosecutions within the public domain.
- Dismissal from employment and negative impact on future employment prospects.
- Legal action against the individual to recover monies taken from the council by fraud.

APPENDIX B – SUMMARY OF ACTIONS

Area	Ref	Action	2024-25	2025-26	2026-27
Govern	A1	Review the Anti-Fraud and Anti-Corruption Strategy.	Yes	Yes	Yes
	A2	Embed risk assessment methodology for all fraud referrals.	Yes		
Acknowledge	A3	Refresh fraud awareness training for members and employees.	Yes	Yes	Yes
	A4	Attend all Departmental Senior Management Teams annually to raise fraud awareness.	Yes	Yes	Yes
	A5	Provide fraud awareness training to maintained schools.	Yes	Yes	Yes
	A6	Support the annual Fraud Awareness Week in November.	Yes	Yes	Yes
	A7	Further develop working relationships with internal and external organisations involved in counter fraud activity across Derbyshire.	Yes	Yes	Yes
	A8	Develop a counter fraud presence on the Corporate Services and Transformation SharePoint site.	Yes		
Prevent	A90	Utilise national datasets to seek to proactively identify instances of fraud and corruption.	Yes	Yes	Yes
	A10	Utilise internal datasets to proactively identify instances of fraud and corruption..	Yes		
Pursue	A11	Review the investigations procedures with key stakeholder to learn lessons and improves processes	Yes	Yes	Yes
	A12	Produce an Annual Fraud Report to support the Annual Audit Report.	Yes	Yes	Yes
Protect	A13	Embed the Fraud Risk Register.	Yes		