# Anti-Fraud and Anti-Corruption Strategy

| 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: <br> • Simplify the guidance to make it more accessible to stakeholders. <br> • Summarise key roles and responsibilities at section 2. <br> • Make reference to 'Fighting Fraud and Corruption Locally – A Strategy for the 2020s' and the Enterprise Counter Fraud Approach at section 3. <br> • Include Performance Indicator targets at section 3 to allow delivery of the Strategy to be measured and monitored. <br> • Incorporate the Fraud Response Plan (at Appendix A). | Philip Spencer |

## 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

## 1.    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.

**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.

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) and emerging risks (most notably the Covid-19 pandemic).

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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.

## 2.    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 & ICT | 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, Directors, Assistant Directors and Service Delivery Managers | Manage the risk of fraud, corruption and bribery 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, corruption and bribery. 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. |

## 3.    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 and Fraud Response Plan.

The strategy and plan have not been reviewed for several years and therefore, an exercise has recently been undertaken to bring these documents up to date with the Fraud Response Plan now incorporated into this strategy at Appendix A.  This exercise will be refreshed annually in future years.  In addition, a process will be established to risk assess fraud referrals received by Internal Audit with the outcomes used to inform the allocation of counter fraud resources.

| Ref | Action | 2023-24 | 2024-25 | 2025-26 |
|-----|--------|---------|---------|---------|
| A1 | Review the Anti-Fraud and Anti-Corruption Strategy. | ✓ | ✓ | ✓ |

| Ref | Action | 2023-24 | 2024-25 | 2025-26 |
|-----|--------|---------|---------|---------|
| A2 | Devise a risk assessment methodology for all fraud referrals. | ✓ | | |

### 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, steps have been taken to heighten fraud awareness through attendance at fraud forums, the launch of on-line fraud awareness training and targeted fraud communications.

Further work is however required, to ensure that all staff are aware of the risk of fraud and their responsibilities in relation to its identification and reporting. In addition, the council could do more to identify, and work with, council colleagues and other organisations that are involved in the prevention and detection of fraud and corruption in Derbyshire. This will help to develop a coordinated and consistent counter fraud culture across the region.

| Ref | Action | 2023-24 | 2024-25 | 2025-26 |
|-----|--------|---------|---------|---------|
| A3 | Refresh fraud awareness training for members and employees. | ✓ | | |
| A4 | Attend all Departmental Senior Management Teams annually to raise fraud awareness. | ✓ | ✓ | ✓ |
| A5 | Work with the Director of Finance & ICT to make Fraud Awareness training mandatory for all corporate finance staff. | ✓ | | |
| A6 | Work with Executive Directors to extend mandatory Fraud Awareness Training within the department. | | ✓ | ✓ |
| A7 | Provide fraud awareness training to maintained schools. | ✓ | ✓ | ✓ |
| A8 | Support the annual Fraud Awareness Week in November. | ✓ | ✓ | ✓ |
| A9 | Establish and maintain working relationships with internal and external organisations involved in counter fraud activity across Derbyshire. | ✓ | ✓ | ✓ |
| A10 | Develop a counter fraud presence on the Corporate Services and Transformation SharePoint site. | ✓ | | |

### 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 working practices are being adhered to.

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.

| Ref | Action | 2023-24 | 2024-25 | 2025-26 |
|-----|--------|---------|---------|---------|
| A11 | Identify national datasets which could be used to proactively identify instances of fraud and corruption. | ✓ | ✓ | ✓ |
| A12 | Embed counter fraud testing within all planned audit reviews. | ✓ | ✓ | ✓ |

### 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.

These arrangements will be further strengthened by ensuring that audit investigations are completed promptly and by the development of a Counter Fraud Communications Plan (to detail when frauds will be publicised, and to whom) and an Annual Fraud Report (to summarise counter fraud work performed and the delivery of this strategy).

| Ref | Action | 2023-24 | 2024-25 | 2025-26 |
|-----|--------|---------|---------|---------|
| A13 | Develop a Counter Fraud Communications Plan. | ✓ | | |
| A14 | Complete all audit investigations within three months of referral unless extended by the Assistant Director of Finance (Audit). | ✓ | ✓ | ✓ |
| A15 | Produce an Annual Fraud Report to support the Annual Audit Report. | | ✓ | ✓ |

**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.

In March 2022, a review of the council's counter fraud arrangements was performed against the 'Fighting Fraud and Corruption Locally' checklist.  This identified a number of recommended areas for improvement with work ongoing to address these. These arrangements would be further strengthened by the development of a Fraud Risk Register to ensure that new and emerging fraud risks are identified and addressed. This will ensure that the council's counter fraud arrangements are fit for purpose, both now and in the future.

| Ref | Action | 2023-24 | 2024-25 | 2025-26 |
|-----|--------|---------|---------|---------|
| A16 | Create a Fraud Risk Register. | ✓ | | |

## 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 Advice & Support Team, 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.

## APPENDIX A – FRAUD RESPONSE PLAN

### Investigation into allegations of fraud

Upon receiving an allegation of fraud, the Assistant Director of Finance (Audit) will agree with the relevant Executive Director 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.<br>• 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 A – FRAUD RESPONSE PLAN

The key stages of the fraud responses are summarised below:

**1. Employee suspects fraud:**
- Document concerns and secure evidence.
- Notify Line Manager.

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**2. Line Manager receives the allegation:**
- Notify Assistant Director of Finance (Audit).
- Consider whether the employee should be suspended or redeployed whilst the allegation is investigated.

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**3. Assistant Director of Finance (Audit) is notified:**
- Agree with the Executive Director the type of investigation to be performed.
- Consider if further action is needed to secure primary evidence.
- Consider consultation with the Police.
- Undertake Audit investigation.

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**4. Referral to Police:**
- Will decide if a criminal investigation will be launched.
- May instruct the Council to pause their investigation whilst the Police investigation is ongoing.
- Evidence and information will be shared with the Police, as required.

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**5. Issue Investigation Report:**
- Provides a view as to whether the employee has committed fraud.
- Issued to senior council officers and used to determine next steps.

**6. Issue Controls Report:**
- Details any control weaknesses identified during the Investigation and associated recommendations.
- The Action Plan will be discussed and agreed with management.

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**7. Next steps:**
- To be decided by the relevant officer following receipt of the Investigation Report.
- May involve no further action being taken or a disciplinary process being launched.
- Will consider whether monies lost through fraud can be recovered.
- Potential publication of the fraud and its outcome.
- Follow up of the recommendations within the Controls Report.

# APPENDIX B – SUMMARY OF ACTIONS

| Area | Area | Ref | Action | 2023-24 | 2024-25 | 2025-26 |
|---|---|---|---|---|---|---|
| | **Govern** | A1 | Review the Anti-Fraud and Anti-Corruption Strategy. | ✓ | ✓ | ✓ |
| | | A2 | Devise a risk assessment methodology for all fraud referrals. | ✓ | | |
| | **Acknowledge** | A3 | Refresh fraud awareness training for members and employees. | ✓ | | |
| | | A4 | Attend all Departmental Senior Management Teams annually to raise fraud awareness. | ✓ | ✓ | ✓ |
| | | A5 | Work with the Director of Finance & ICT to make Fraud Awareness training mandatory for all corporate finance staff. | ✓ | | |
| | | A6 | Work with Executive Directors to extend mandatory Fraud Awareness Training within the department. | | ✓ | ✓ |
| | | A7 | Provide fraud awareness training to maintained schools. | ✓ | ✓ | ✓ |
| | | A8 | Support the annual Fraud Awareness Week in November. | ✓ | ✓ | ✓ |
| | | A9 | Establish and maintain working relationships with internal and external organisations involved in counter fraud activity across Derbyshire. | ✓ | ✓ | ✓ |
| | | A10 | Develop a counter fraud presence on the Corporate Services and Transformation SharePoint site. | ✓ | | |
| | **Prevent** | A11 | Identify national datasets which could be used to proactively identify instances of fraud and corruption. | ✓ | ✓ | ✓ |
| | | A12 | Embed counter fraud testing within all planned audit reviews. | ✓ | ✓ | ✓ |
| | **Pursue** | A13 | Develop a Counter Fraud Communications Plan. | ✓ | | |
| | | A14 | Complete all audit investigations within three months of referral unless extended by the Assistant Director of Finance (Audit). | ✓ | ✓ | ✓ |
| | | A15 | Produce an Annual Fraud Report to support the Annual Audit Report. | | ✓ | ✓ |
| | **Protect** | A16 | Create a Fraud Risk Register. | ✓ | | |