

# Anti-Fraud and Anti-Corruption Strategy



**Version History**

<b>Version</b>	<b>Date</b>	<b>Detail</b>	<b>Author</b>
1.0	September 2015	Revision of Strategy	Carl Hardman
2.0	September 2018	Update of Strategy	Carl Hardman
3.0	July 2023	<p>Update of Strategy to:</p> <ul style="list-style-type: none"> <li>• Simplify the guidance to make it more accessible to stakeholders.</li> <li>• Summarise key roles and responsibilities at section 2.</li> <li>• Make reference to 'Fighting Fraud and Corruption Locally – A Strategy for the 2020s' and the Enterprise Counter Fraud Approach at section 3.</li> <li>• Include Performance Indicator targets at section 3 to allow delivery of the Strategy to be measured and monitored.</li> </ul> <p>Incorporate the Fraud Response Plan (at Appendix A).</p>	Philip Spencer
4.0	May 2024	<p>Update of the strategy to:</p> <ul style="list-style-type: none"> <li>• Reflect changes in fraud risks and associated arrangements.</li> <li>• Update performance indicator targets to cover a rolling three year period from 2024-25 onwards.</li> <li>• Ensure that accessibility standards are met.</li> </ul>	Mark Lunn
5.0	July 2025	Annual update of the strategy to reflect changes in fraud risks and associated arrangements, including the impact of the Economic Crime and Corporate Transparency Act 2023.	Mark Lunn

## **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, public sector fraud and error losses are estimated to be at least £55 billion annually<sup>1</sup> with fraud accounting for 41% of all crime in England and Wales<sup>2</sup>. Fraud diverts money away from those that need it with every £1 lost to fraud and corruption being £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. The maintenance of a robust counter fraud culture is also important in ensuring compliance with the Economic

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<sup>1</sup> [An Overview of the impact of fraud and error on public funds for the new Parliament 2023-24](#) November 2024.

<sup>2</sup> [Economic Crime Plan 2 2023-26](#)

Crime and Corporate Transparency Act 2023 and the new “Failure to prevent fraud” offence within.

‘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. These claims may be supported by falsified documents and / or witness statements.

**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.

The nature of fraud is however, ever-changing, with fraudsters seeking to capitalise on new technologies (including increased use of online banking and authentication methods, social media and Artificial Intelligence), target specific groups (including pensioners and students) and vulnerable individuals (such as those experiencing financial hardship). As such, we must remain vigilant to the risk of fraud and corruption, in all its forms.

### **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.

<b>Stakeholder</b>	<b>Specific Responsibilities</b>
<b>Managing Director</b>	Create and enforce an effective counter fraud culture within the council.
<b>Director of Finance</b>	Establish systems and controls to ensure that council resources are used appropriately.
<b>Assistant Director of Finance (Audit)</b>	Establish and embed an appropriate counter fraud strategy and ensure sufficient staff resource is dedicated to undertaking a programme of risk based proactive counter fraud work.
<b>Monitoring Officer</b>	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.
<b>The Audit Committee</b>	Monitor the council's approach to tackling fraud and corruption and promote a counter fraud culture.
<b>External Audit</b>	Provides a view as to whether the council's financial statements are free from material misstatement, whether caused by fraud or error.
<b>Internal Audit</b>	Co-ordinate the fraud strategy and associated proactive counter fraud work. This includes investigations into allegations of potential financial misconduct, liaison with the Police for criminal matters and the performance of targeted risk-based counter fraud work.
<b>Managing Director, Executive Directors and Group Managers</b>	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).
<b>Employees</b>	Play a pivotal role in maintaining the Council's integrity and safeguarding it against fraud and corruption. They should be aware of and adhere to the Council's Policies, Procedures and Code of Conduct. They must perform their duties ethically and avoid any actions or decisions that could be perceived as corrupt or fraudulent. In addition, they should be open and honest in their activities and speak up if they suspect any fraud or corruption. This should be done directly to their line manager or 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.



#### **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 in 2023-24, the strategy is now subject to annual review to ensure it remains up to date and reflects current counter fraud arrangements and key fraud risks. In addition, work is ongoing to streamline the council's investigation procedures to ensure these are risk-based, compliant with best practice guidance and aligned with the council's Disciplinary Procedure.



#### **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 online fraud awareness training, attendance at management and team meetings to discuss fraud and the issuing of targeted fraud communications. Fraud awareness work will continue to ensure that staff remain vigilant to the risk of fraud occurring and their responsibilities in relation to its identification and reporting.

In addition, work has been undertaken to identify council colleagues and representatives from other organisations involved in the prevention and detection of fraud and corruption and to establish communication channels for the sharing of fraud risks, good practice and lessons learned. Work will continue to further embed our joint working arrangements with internal and external colleagues to promote counter fraud awareness and best practice across the region.



### **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 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. Work is currently ongoing to identify datasets and dedicated internal audit resource has been set aside to undertake proactive fraud work, including the biannual National Fraud Initiative review.



### **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.

A Counter Fraud Communications Plan is in place to drive ongoing work on fraud awareness and reporting. Included within this are regular updates to Departmental Management Teams and to the Audit Committee on the delivery of this strategy and the outcomes of counter fraud work together with the provision of regular fraud awareness communications.

**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.

A Fraud Risk Register has been developed to record key fraud risks, their potential impacts and how these are being managed and mitigated. In conjunction with departmental colleagues, the Register will be updated on a quarterly basis to maintain an accurate view of the fraud risk environment and direct resources on proactive counter fraud work as required.

**Delivering the strategy**

The delivery of this strategy will be regularly reviewed and reported to the Audit Committee through Internal Audit progress reports.

**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 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 or directly to the Assistant Director of Finance (Audit).
- If your concern relates to a potential data breach, raise a security incident via Halo in addition to the above in accordance with the Security Incident Management Policy and Procedure.

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.

#### **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, Legal and Internal Audit, 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
<b>Police</b>	Criminal	To be determined by the Police but may involve criminal prosecution or a community order.
<b>Management</b>	Non-financial misconduct	Statement of Case produced by Management summarising work performed and outcomes.
<b>Joint Internal Audit and Management</b>	Financial and non-financial misconduct	<ul style="list-style-type: none"> <li>• <u>Statement of Case</u> - prepared by a Lead Officer bringing together investigation findings identified by Management (non-financial misconduct) and Audit (financial misconduct).</li> <li>• <u>Controls Report</u> – prepared by Internal Audit detailing any control weaknesses identified during the investigation and recommended improvements.</li> </ul>

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.