Counter fraud 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: • 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
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
6.0	June 2026	Annual update of the strategy to reflect changes in fraud risks and the new Failure to Prevent Fraud Offence. Renamed as 'Counter fraud strategy'.	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 concerns about wrongdoing, malpractice or illegality 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[1] with fraud accounting for 41% of all crime in England and Wales[2]. 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.

'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.'

[1] Public Sector Fraud Authority National Fraud Initiative 2024-2028 Strategy February 2025.

[2] National Strategic Assessment 2025 of Serious and Organised Crime

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 Economic Crime and Corporate Transparency Act 2023 also introduced a new failure to prevent fraud offence under which the council must demonstrate that it has reasonable fraud prevention measures in place.

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.

Procurement fraud – Through the inflation of prices, bid-rigging or collusion. Also providing payment for goods and services that have not been delivered.

Bribery – The offering or receipt of a benefit by one individual in return for a favourable decision from another individual or organisation.

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 Artificial Intelligence and voice cloning), 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.

Stakeholder	Specific Responsibilities
Chief Executive	Create and enforce an effective counter fraud culture within the council.
Director of Finance	Establish systems and controls to ensure that council resources are used appropriately.
Assistant Director of Finance (Audit)	Establish and embed an appropriate counter fraud approach and ensure sufficient staff resource is dedicated to undertaking a programme of risk based proactive counter fraud work.
Monitoring Officer	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 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.
Chief Executive, 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	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. The mechanism for doing this is detailed within the Fraud Response Plan (see Appendix A).

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 Counter fraud 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, in 2025-26, a new joint investigation approach has been agreed with colleagues in Human Resources Services and Legal to ensure that investigations are completed promptly, comply with best practice guidance and are aligned with the council's Disciplinary Procedure.

Acknowledge

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. This has been achieved through attendance at management and team meetings, the issuing of targeted fraud communications and the development of a number of fraud awareness e-learning modules designed to raise fraud awareness.

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. Since 1 April 2025, dedicated counter fraud resource and an enhanced fraud awareness has helped to ensure that fraud and corruption is identified and addressed at an earlier stage.

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. Internal Audit have also worked with Legal Services to update the Whistleblowing Policy and associated reporting procedures to simplify and centralise the receipt and recording of whistleblowing referrals.

Protect

By adopting the principles of govern, acknowledge, prevent and pursue, the council seeks to protect itself from the risk of fraud occurring 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. The Register is 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.

Failure to Prevent Fraud

The Economic Crime and Corporate Transparency Act (ECCTA) 2023 introduced a new 'failure to prevent fraud' offence, effective from 1 September 2025. Under this legislation, the council could face criminal charges if someone working for, or on behalf of the council, commits fraud which benefits the council.

The council can however, avoid liability by demonstrating that it has reasonable fraud prevention procedures in place. These include a top-level commitment to fraud prevention, risk assessment, proportionate procedures, due diligence, communication and training, and regular monitoring or review.

A review of the council's counter fraud controls with ECCTA 2023 requirements was performed in summer 2025. This found that robust counter fraud controls were in place provided by the Counter fraud strategy, Fraud Risk Register, and the provision of regular counter-fraud awareness training and communication with no major deficiencies identified.

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:

- Carefully compile all pertinent details relating to the suspected incident, ensuring you note specific dates, times, and circumstances of what you have observed. Gather this information discreetly and safely, taking care not to alert the individual concerned or compromise the integrity of any subsequent investigation.
- Notify your concerns to the Assistant Director of Finance (Audit) via ReportFraud@derbyshire.gov.uk or by phone on 01629 533334.
- 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.

Once you have communicated your concerns, 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:

In the event that a member of your team reports suspected fraud to you, you should ask them to report this directly to the Assistant Director of Finance (Audit) via ReportFraud@derbyshire.gov.uk or by phone on 01629 533334. If they are unwilling to report the matter themselves, you should raise the matter on their behalf.

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 Chief Executive, 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, in conjunction with HR Services and Legal, consider whether the employee should be suspended. In addition, the Assistant Director of Finance (Audit) will determine how the allegation should be investigated and by whom and will communicate this to the relevant stakeholder. 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.
Management	Non-financial misconduct	Statement of Case produced by Management summarising work performed and outcomes.
Joint Internal Audit and Management	Financial and non-financial misconduct	• Statement of Case - prepared by a Lead Officer bringing together investigation findings identified by Management (non-financial misconduct) and Audit (financial misconduct). • Controls Report – prepared by Internal Audit detailing any control weaknesses identified during the investigation and recommended improvements.

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) and in accordance with the Council's Disciplinary Procedure. 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 or Bribery Act 2010. 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.