Counter Fraud and Corruption Strategy

2022-2025

Help us **stop it...**
Report it!

Durham
County Council

Contents

1 Foreword

Durham County Council take our responsibility as the guardians of public money very seriously, that is why it is important that the Council have in place a clear and comprehensive Counter Fraud and Corruption Strategy. We are fully committed to the highest ethical standards, to ensure the proper use and protection of public funds and assets.

Durham County Council is the biggest organisation in the County and one of the biggest local authorities in the country. The Council provide vital services to 513,000 residents, have a gross budget of over £1 billion a year and employ circa 16,000 people. The Council pay pensions to a further circa 18,000 retired employees and manage property, investments, and other assets worth billions of pounds.

Fraud and corruption undermine the aims of our corporate vision and strategic ambitions for the People of County Durham:

- More and better jobs
- People live long and independent lives
- Connected communities
- To be an Excellent Council

The Council are determined therefore to protect ourselves from fraud and corruption from within and outside the organisation. The Council advocate a zero-tolerance approach and will seek to prevent fraud and corruption, including bribery, in all areas of our activities. Where any instances are discovered, the Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

Our aim is to make it absolutely clear to all that the Council will not tolerate fraud or corruption and that fighting fraud is everyone's business. The Council expect anyone with a concern, to report the matter immediately so this can be investigated. All Members and employees have a responsibility for promoting a culture of good governance by ensuring that effective measures are in place to prevent fraud and corruption.

The Council have designed this strategy around our ambition to be an Excellent Council and based upon five key pillars of activity: Govern, Acknowledge, Prevent, Pursue and Protect, adhering to the Fighting Fraud and Corruption Locally - A Strategy for the 2020's. This strategy sets out how these pillars are addressed at Durham.

Amanda Hopgood
Leader of the Council

John Hewitt
Chief Executive

Alex Watson
Chair of the Audit Committee

2 Introduction

2.1 Durham County Council (the Council) recognises that it has a responsibility to protect the public purse and recognises the potentially significant risk that fraud and corruption pose to the achievement of the Council's aims and objectives. The public also expects the Council to safeguard public funds and ensure they are available and used for their intended purpose that of providing services for the residents and service users of the Council.

2.2 The Council has designed its Fraud and Corruption Strategy around the ambition to be an Excellent Council. The objectives for an Excellent Council are:
- Our resources will be managed effectively
- We will create a workforce for the future
- We will design our services with service users
- We will use data and technology more effectively
- We will actively performance manage our services.

2.3 It has also designed this strategy around the Fighting Fraud and Corruption Locally – A Strategy for the 2020's based upon five key pillars of activity:

| Govern | Acknowledge | Prevent | Pursue | Protect |

This strategy sets out how these pillars are embedded at Durham.

2.4 Fraud and corruption undermine our aims and expectations by diverting resources from legitimate activities. This can have a substantial impact on residents, businesses, and vulnerable individuals within the local area. Losses attributable to fraud and corruption reduce the finances available to provide services and may have a dramatic impact on the wellbeing of residents within the community. Fraud and corruption can also damage public confidence in the Council and may also adversely affect staff morale.

2.5 The threat from fraud and corruption is both internal and external. All Members and employees of the Council have an important role to play and will lead by example and must comply themselves with key council policies, procedures, and standards of conduct, and must remain vigilant to potential incidents. The Council also encourages its contractors, partners, and members of the public to raise concerns at the earliest opportunity.

2.6 Our holistic approach to tackling fraud and corruption will become an integral part of existing governance arrangements, policies, and procedures. Providing a raft of measures and interventions designed collectively to deter would be offenders.

2.7 As a living document it is envisaged that this strategy will continually evolve as the Council gains a better understanding of the potential emerging threat from fraud and corruption and as new and existing partnerships develop. The strategic ambitions will be further supported in practical terms by a Counter Fraud Operational Plan.

2.8 The Council strives to achieve the highest standards of public service; therefore, it adopts a zero-tolerance stance against all forms of fraud, corruption and bribery and that countering fraud is everyone's business.

2.9 The Council is committed to embracing best practice approaches to fighting fraud and corruption, and this strategy is designed to achieve this. The Council will continually review and revise the strategy to ensure its resilience to fraud and corruption is maximised.

2.10 The Council is committed to investigating concerns thoroughly, promptly and, wherever possible, confidentially. Malicious or vexatious allegations will not be tolerated, however wherever fraud or corruption is proven, the Council will take all appropriate action against the perpetrator and will pursue all options available to recover any losses incurred.

2.11 To meet these responsibilities, the Council is committed to an effective Counter Fraud and Corruption Strategy designed to:
- Acknowledge and understand our fraud risks
- Raise awareness of the impact of fraud
- Develop and maintain a culture in which fraud and corruption are unacceptable
- Understand the harm that fraud can do in the community
- Provide a Corporate Fraud Service
- Prevent fraud more effectively
- Establish an effective fraud response
- Use technology to improve our response
- Share information and resources more effectively to better detect fraud loss
- Bring fraudsters to account more quickly and efficiently
- Vigorously pursue all forms of redress for frauds, overpayments and to recover financial losses
- Protect the Council, our Assets, our Employees, the Community we serve and the Public Purse.

2.12 This strategy outlines the Council's approach, as well as defining the roles and responsibilities for dealing with the threat of fraud, corruption, and bribery both internally and externally. The strategy applies to:

- Members
- Employees
- Agency staff
- Contractors
- Consultants
- Suppliers
- Service users
- Employees and committee members of organisations funded by the Council
- Employees and principals of partner organisations.

2.13 In addition to the above, the Council also expects its residents to adhere to the principles of the strategy and to be honest in their dealings with the Council.

2.14 The Fraud and Corruption Strategy underpins these principles in seeking to ensure sound governance. In adopting this approach and culture, the strategy supports the outcomes in enabling greater engagement with the community and partners, whilst protecting the public purse.

2.15 This strategy sets out the commitments of the Council to tackling fraud, corruption, and bribery. It also makes clear, to all concerned, the appropriate and decisive action that will be taken against those committing or attempting to commit, fraudulent and/or corrupt acts against the Council and any cases will be thoroughly investigated and dealt with.

2.16 Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains. The Fighting Fraud and Corruption Locally – A Strategy for 2020's, states that local authorities face a significant challenge and estimates that fraud costs local authorities £2.1bn a year.

2.17 The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching.

2.18 Fraudsters are constantly revising and sharpening their techniques and we need to do the same. There is a clear need for a tough stance supported by elected members, chief executive and those charged with governance. This includes tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new and emerging fraud risks.

2.19 In addition to the scale of losses and potential losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes.

2.20 Countering Fraud is therefore everyone's problem, and this is a priority we intend to embed across the Council. This 'lost' money is money that could be used to provide services and assist in our corporate vision, aims and objectives and ambitions for Durham.

3 Corporate Framework and Culture

3.1 The Council has already established a robust framework of procedures and controls which provide the major elements of its anti-fraud and corruption governance arrangements. This strategy is an integral part of a range of interrelated policies and procedures that provide a corporate framework to help counter any fraudulent activity. These have been formulated in line with the appropriate legislative requirements and professional best practice and include:

- Code of Conduct for Members
- Code of Values, Behaviours and Conduct for employees
- Corporate Complaints Policy
- Data Protection Policy
- Disciplinary Policy
- Effective Recruitment and Selection procedures
- Financial Regulations and Contract Procedural Rules
- Personal Information Security Policy
- Regulation of Investigatory Powers Act Corporate Guidance
- Sound internal controls, including specific service area requirements.

3.2 The Corporate Fraud Team, also have ownership of the following related counter fraud policies:

- Anti-Money Laundering Policy
- Confidential Reporting Code (Whistleblowing)
- Fraud Response Plan
- Fraud Sanction Policy.

3.3 The Council believes the best defence against fraud and corruption is to create a strong anti-fraud culture within the organisation and that a culture of honesty and openness is a key element in tackling fraud. The codes of conduct for Members and Values, Behaviours and Conduct for employees are based upon the Nolan principles of Standards in Public Life. These principles are:

- Selflessness
- Openness
- Integrity
- Honesty
- Objectivity
- Leadership
- Accountability.

In cases where Members or employees fail to adhere to these codes appropriate action will be taken against them.

3.4 The Council has an effective Internal Audit Service and Corporate Fraud Team that assists the corporate framework to help counter any fraudulent activity. The Corporate Fraud Team have an ambition to be an excellent Fraud Service and play a key role with this strategy.

4   Legal Definitions

4.1   Fraud

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as: "Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss".

As a crime 'Fraud' is defined by the Fraud Act 2006 as:

- Fraud by false representation
- Fraud by failing to disclose
- Fraud by abuse of position.

In addition, the Fraud Act deals with offences relating to the possession of articles for use in fraud, making or supplying articles for use in frauds, participation by a sole trader in fraudulent business, and obtaining services dishonestly, either personally or for another.

The maximum penalty under the Fraud Act is an unlimited fine and/or imprisonment up to 10 years.

4.2   Corruption

Corruption is the deliberate misuse of your position for direct or indirect personal gain. "Corruption" includes offering, giving, requesting, or accepting a bribe or reward, which influences your actions or the actions of someone else. The Bribery Act 2010 makes it possible for Senior Officers to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe.

The Act also creates the Corporate Offence of "Failing to prevent bribery on behalf of a commercial organisation" (corporate liability). To protect itself against the corporate offence, the Act also requires organisations to have "adequate procedures in place to prevent bribery". This strategy, the Codes of Conduct (Members and Employees) and the Council's Confidential Reporting Procedure (Whistleblowing) are designed to meet that requirement.

Bribery

The Bribery Act 2010 came into force on 1 July 2011. Bribery is defined in the Act "as giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward a person for having already done so, in order to gain personal, commercial, regulatory or contractual advantage". It is the most common form of corruption.

Staff need to be aware of their obligations under this Act, which sets out the criminality of accepting and giving bribes. This applies to both staff and the Council corporately.

The Bribery Act creates the following offences:

- Active bribery: promising or giving a financial or other advantage
- Passive bribery: agreeing to receive or accepting a financial or other advantage
- Bribery of foreign public officials
- The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

4.3 Money Laundering

Money laundering is the term used for several offences involving concealing the proceeds of crime or terrorist funds, so that they appear they have come from a legitimate source. Money laundering involves one or more of three principal offences: concealing, arranging and acquisition/use/possession.

The burden of identifying and reporting acts of money laundering rests within the Council. Any service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and any suspicion concerning the appropriateness of a transaction should be reported and advice sought from the Money Laundering Reporting Office.

The Council recognises its responsibilities under the Money Laundering Regulations 2017 and the Proceeds of Crime Act 2002. These responsibilities are set out within the Council's Anti-Money Laundering Policy.

5 Our Roles and Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Monitoring Officer	Statutory responsibility to ensure that the Council operates within the law and statutory Codes of Practice. To advise Members and Officers on ethical issues, standards, and powers. Ensure appropriate prosecutions and sanctions are applied.
Director – Resources (Section 151 Officer)	To ensure the Council has adopted and implemented an appropriate Counter Fraud and Corruption Strategy and that the Council has an adequately resourced and effective Internal Audit and Counter Fraud service. Ensure that arrangements are in place to actively pursue fraud and that the Council has sound financial management and proper administration of the authority's financial affairs.
Audit Committee	To monitor the arrangements the Council has in place to mitigate the risk of fraud and corruption and seek assurances of the effectiveness of those arrangements. Sign off the Annual Governance Statement regarding fraud and corruption. Approval of the Counter Fraud and Corruption Strategy and other related fraud policies. Monitor performance against the strategy and Counter Fraud Operational Plan.
Members	To support and promote the development of a strong counter fraud culture, with a duty to protect the Council and public monies from any acts of Fraud and Corruption. Compliance with the Code of Conduct for Members, the Council's Constitution, including Financial Regulations and Procurement Regulations, in particular the requirements regarding interests, gifts, and hospitality. To report fraud, corruption, and bribery.
External Audit	Subject to the concept of materiality, provides reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity. Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption, and bribery.
Audit, Risk and Corporate Fraud Service	To develop, implement and promote the Counter Fraud Policies and raise awareness of fraud. To promptly investigate cases of suspected fraud. To make recommendations to improve controls and reduce the risk of fraud in the future. To help protect the Council, its employees, assets, the Community, and the Public Purse. Maintain an overall fraud risk assessment on behalf of the Council and review the effectiveness of the Council's response to the risks faced including any new emerging fraud risks. Manage the Councils Confidential Reporting Code (Whistleblowing).

| Stakeholder	Specific Responsibilities
People and Talent Management (Human Resources)	Provide timely advice and guidance on Council Policies and procedures during investigations and any disciplinary action. Ensure recruitment procedures to be applied by Managers are effective in the verification and validation of information submitted by applicants prior to appointment e.g., eligibility to work, verification of qualifications and employment history, Disclosure and Barring Service checks where appropriate.
Directors, Service Heads, Service Managers	To promote an anti-fraud culture and refer all suspected fraud and corruption to the Chief Internal Auditor and Corporate Fraud Manager and apply the policy of zero tolerance. Responsible for managing fraud risks within their service areas and reduce these risks by implementing strong internal controls.
Employees	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption, and bribery, and to report any genuine concerns to management, the Corporate Fraud Team or via the Confidential Reporting Code.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns/suspicions.

6   Our Approach

6.1   Fraud, by its very nature is hidden, and conducted in such a manner that fraudulent actions are actively concealed. It is therefore vital to provide a strong anti-fraud culture and advocate a zero-tolerance approach. If done effectively this will, not only provide a deterrence effect to potential fraudsters, but also encourage an environment where individuals feel comfortable coming forward to raise concerns.

6.2   The Council takes the threat of fraud and corruption seriously, in that it has the necessary dedicated and specialist resource, comprising of the Corporate Fraud Team and Internal Audit. These teams are focussed on coordinating the approach that the Council takes in protecting its assets and finances from fraud, corruption, and bribery.

6.3   Minimising fraud and corruption are however everyone's business. Whilst specialist teams have a key role, the Council expects the highest standards of probity, propriety and conduct from all elected Members, employees, and contractors. This includes a requirement to act lawfully and to always comply with the Council's policies, procedures, and regulations.

6.4   The Council will fulfil its aim to reduce fraud and corruption to an absolute minimum through a strategic approach consistent with that outlined in the Local Government Fraud Strategy 'Fighting Fraud Locally'. The five key pillars of this approach are to Govern, Acknowledge, Prevent, Pursue and Protect, and are key to the delivery of the priorities outlined in the counter fraud policy.

7   Govern
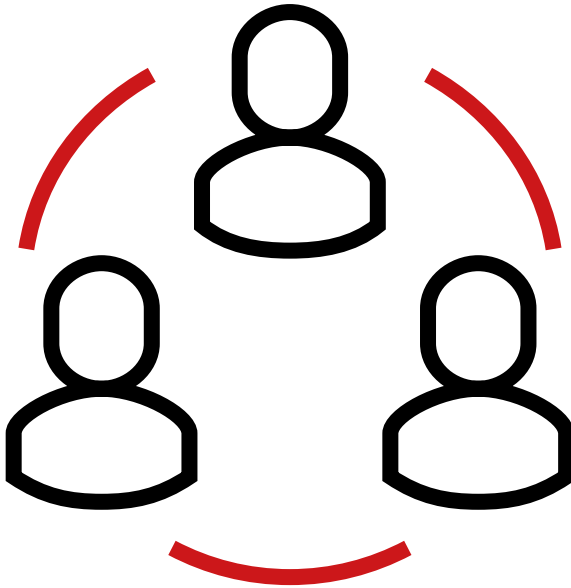
7.1   The bedrock of this strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation.

7.2   Beating fraud is everyone's business and that is a key objective at the Council. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud.

7.3   The Council does have good governance, with robust arrangements in place, executive support and an anti-fraud culture and holistic approach to fraud, which are key performance indicators for this theme to be effective. This can be evidenced further within Appendix 1.

Governance

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

8 Acknowledge
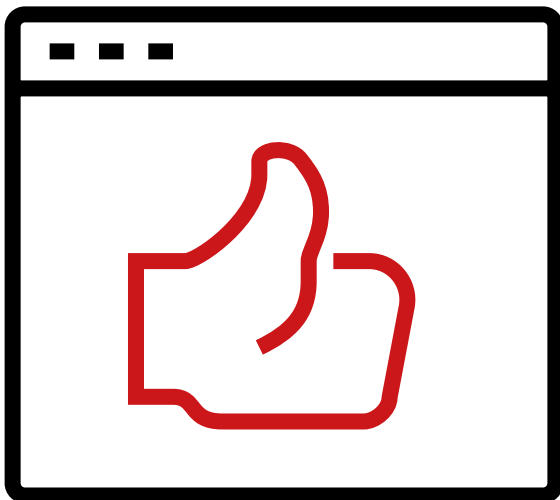
8.1 To create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud.

8.2 This means undertaking a risk assessment of fraud areas and vulnerabilities and then agreeing an appropriate resource and have a plan to address it and have access to resources with the right capabilities and skills.

8.3 The Council acknowledges that it is not immune from the risk of fraud or corruption, understands the fraud risks and takes appropriate action to mitigate these through:

- Continuing to review and update fraud risks
- Maintaining a robust counter fraud framework
- Having an annual counter fraud operational plan
- Raising awareness of fraud and how to report suspicions.

8.4 The ongoing development of this strategy will be informed through gaining a clear understanding of the threat, emerging risks, trends, and the savings that can be achieved by investing in counter fraud and corruption. This will focus on greater use of technology and interrogation of data to assess vulnerability and proactively target higher risk areas. The Council will also be focusing on raising staff awareness of the risks of fraud and corruption and what they can do to prevent or identify it.

8.5 Existing measures to prevent fraud and corruption will be strengthened through the continued development of the Corporate Fraud Team that will have the capability and capacity to:

- Investigate allegations of fraud and corruption
- Prosecute and sanction offenders
- Identify fraud prevention controls across the organisation.

8.6 The Council has acknowledged our responsibility and that fraud does exist and most importantly we want to do something about this. We have acknowledged Fraud and Corruption as a Strategic Risk and embedding fraud risks across every service area. We have committed support and resource with the Corporate Fraud Team for our Fraud Response and to maintain our anti-fraud culture. This can be evidenced further within Appendix 1.

Acknowledge

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud to maintain a robust anti-fraud response.

9 Prevent

9.1 To create a counter fraud response an organisation must acknowledge and 9.1 Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes, and developing a more effective anti-fraud culture.

9.2 The Council should have in place controls to prevent fraudsters from accessing services and becoming employees. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event. This is the Council's preferred defence.

9.3 Controls with technology to establish identity, check documents and cross-check records should apply to potential employees as well as service users. If someone lies about their employment history to obtain a job, they are dishonest, and it may not be appropriate to entrust them with public funds. In any case they may not have the training or qualifications to perform the job to the required standard.

9.4 The Council recognises that fraud and corruption are costly, both in terms of financial losses and reputational risk. The prevention of fraud is therefore a key priority within this strategy.

9.5 The best way to fight fraud is to prevent it happening in the first place. The Council has established a robust framework of procedures and controls which provide the major elements of its anti-fraud and corruption governance arrangements. This strategy is an integral part of a series of interrelated policies, procedures and controls designed to deter any attempted fraudulent or corrupt act.

9.6 Prevention extends beyond making sure the Council has the appropriate system and process controls in place. It also depends on the development of an effective anti-fraud culture that reinforces a zero tolerance and deters fraud from being committed.

9.7 Preventative measures will be supported by the on-going assessment of those areas most vulnerable to the risk of fraud and corruption as will be identified in the operational fraud risk register, in conjunction with risk management arrangements and risked based audit reviews.

9.8 The Corporate Fraud Team works closely with the Internal Auditors to ensure that a robust control framework is in place within the Council, with recommendations to rectify any system weaknesses being implemented including any identified vulnerability gaps following investigations.

9.9 The Council does make better use of information and technology, enhancing fraud controls and processes to make a more effective anti-fraud culture. This can be evidenced further within Appendix 1.

Prevent

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes, and developing a more effective anti-fraud culture.

10 Pursue

10.1 It is acknowledged that, even with strong preventative measures, motivated fraudsters may still succeed, so the Council must have a robust enforcement response to pursue fraudsters and to deter others. The Corporate Fraud Team is key to our Fraud Response having the capability and capacity to investigate fraudsters.

10.2 It is also the responsibility of all employees to prevent and detect fraud, corruption, and bribery. It is often the alertness of Members, employees, and members of the public to the indicators of fraud that enable detection and the appropriate action to take place when there is evidence that fraud, corruption, or bribery may be in progress.

10.3 The Council will commit to making efforts to proactively seek out instances of fraud and take effective action once it is identified. The Council will make best use of its communications strategy to highlight instances of fraud, for the purposes of seeking the maximum deterrence effect.

10.4 The Council will punish fraudsters and recover losses by prioritising the use of criminal and civil sanctions and developing a more collaborative and supportive law enforcement response with our 'Durham Partnerships'.

10.5 The Council does punish fraudsters under the Fraud Sanction Policy and recovers losses both criminally and using civil sanctions. The Council has acknowledged we can't fight fraud alone and is an advocate in collaboration and partnership working. This can be evidenced further within Appendix 1.

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters, and developing a more collaborative and supportive local enforcement response.

11 Protect

11.1 The Council is committed to protecting the Council, its assets, its employees, the Community we serve and overall, the Public Purse. This pillar is crosscutting of this strategy and is our main objective.

11.2 Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community are commitments the Corporate Fraud Team have pledged to strive to achieve.

11.3 This also includes protecting public funds, protecting our organisation from fraud and Cyber Crime, and protecting ourselves from future frauds. This can be evidenced further within Appendix 1.

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. Protecting public funds, protecting the Council from fraud and Cyber Crime, protecting employees and our assets, and protecting from future frauds.

12 Strategy into Actions

12.1 This strategy also advocates turning strategy into action by considering our counter fraud response and performance against six 'C' themes:

Culture

Creating a culture where fraud and corruption are unacceptable and that is measurable.

Capability

Assessing the full range of anti-fraud risks and ensuring that the range of anti-fraud measures deployed are appropriate.

Capacity

Deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance.

Competence

Having the right skills and standards commensurate with the full range of counter fraud and corruption activity.

Communications

Raising awareness internally and externally, deterring fraudsters, sharing information, and celebrating successes.

Collaboration

Working together across internal and external boundaries, with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice, innovation, and information.

12.2 These six C's and our innovation are pivotal, to help our ambition to be an excellent fraud service. We have embedded these into our policies, processes, daily routines which can be evidenced within Appendix 1.

12.3 As part of our actions, we have a holistic fraud approach and four key areas:

Criminal

All our referrals are first categorised as criminal investigations, until they are risk scored to determine the investigative approach. Criminal investigations are conducted by the Corporate Fraud Team under their statutory powers adhering to criminal law, to ascertain whether an offence has been committed. Prosecution and Sanctions can be imposed.

Compliance

Compliance investigations are not deemed as serious as Criminal but with our zero-tolerance approach are still pursued. Compliance investigations are about correcting the fraud and recovering monies and acting as a suitable deterrent, without taking further action.

Counter Fraud Awareness and Education

The Corporate Fraud Team undertakes a range of fraud awareness initiatives through a combination of face-to-face sessions, publications about general and specific fraud issues and online fraud awareness training. We have an annual Fraud Communications Plan.

As well as ongoing fraud awareness initiatives, the Council encourages fraud awareness at recruitment and selection and at then at Corporate and Service induction, to make it clear of our zero-tolerance and potential disciplinary or criminal action taken against employees who commit fraud. Educating people to help our Fight against Fraud.

Partnerships

Collaboration and partnership working help our fight against fraud and we advocate a multi-agency approach. Conducting joint investigations, to share intelligence, evidence, and resources to make sure the correct action and appropriate law enforcement agency leads. Our partnership work is also our commercial theme of the Corporate Fraud Team.

13 Managing the Risk of Fraud and Corruption

13.1   The Council has identified 'fraud and corruption' as a risk in the corporate strategic risk register and has a separate operational fraud risk register to assess the Council's overall vulnerability to fraud. By acknowledging what the fraud risks are, where they are likely to occur and the scale of potential losses, the Council can manage the risk more effectively.

13.2   The Council will continuously assess those areas most vulnerable to the risk of fraud. These risk assessments will help inform our annual counter fraud operational plan and the Corporate Fraud Team will carry out work in these high-risk areas to detect existing and new types of fraudulent activity.

13.3   As well as the current identified fraud risks, the Council seeks to 'horizon scan' for upcoming and emerging fraud risks. This is assisted by involvement in local, regional and national groups to share 'fraud alerts and upcoming issues.

13.4   As with any risk faced by the Council, it is the responsibility of managers to ensure that any fraud risk is adequately considered when preparing risk assessments in support of achieving strategic priorities, policies, business plans, project and programme objectives and outcomes. In making this assessment it is important to consider the risk of fraud occurring rather than any actual incidences of fraud having occurred in the past. Once the fraud risk has been evaluated, appropriate action should be taken to mitigate those risks on an ongoing basis.

13.5   Any changes in operations or the business environment must also be assessed to ensure any impacts, which might increase or otherwise change the risk of fraud, bribery, and corruption, are properly considered.

13.6   The Council will regularly review its approach to tackling fraud, with a focus on current risks and trends and emerging risks which occur across the Council, or wider across other local government areas and partners. The Council has identified its known fraud risks and emerging fraud risks consistent with that outlined in the Local Government Fraud Strategy 'Fighting Fraud Locally' to be that of:

Fraud Risks

Tenancy - Fraudulent applications for housing, abandonment, or successions of tenancy, and subletting of the property.

Procurement - Tendering issues, split contracts, double invoicing, cartels and bid rigging, Mandate fraud, Impersonation fraud.

Payroll - False employees, overtime claims, expenses.

Council tax - Discounts and exemptions, council tax reduction support false claims and failing to report changes.

Blue Badge - Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees.

Grants - Work not carried out, funds diverted, ineligibility not declared, failed to disclose information.

Pensions - Deceased pensioner, overpayments, entitlement overstated.

Schools - Procurement fraud, payroll fraud, internal fraud, abuse of position.

Personal budgets - Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, doubtful disability, failure to disclose information, posthumous continuation of claim.

Internal fraud - Diverting council monies to a personal account; accepting bribes; theft; misallocating council assets for personal gain; working elsewhere while claiming to be off sick; false expenses claim; selling council property for personal gain; wrongfully claiming benefit while working, abuse of position.

Identity fraud - False identity/fictitious persons applying for services/payments.

Insurance Fraud - False claims including slips and trips.

Business rates - Fraudulent applications for exemptions and reliefs, unlisted properties.

Right to buy - Fraudulent applications under the right to buy/acquire scheme.

Money laundering - Exposure to suspect transactions.

Disabled Facility Grants - Fraudulent applications for adaptions to homes aimed at the disabled.

Concessionary travel schemes - Use of concession by ineligible person, including Freedom Passes.

No recourse to public funds - Fraudulent claim of eligibility.

New Responsibilities - Areas that have transferred to local authority responsibility e.g., Public Health grants, contracts.

Commissioning of services - Including joint commissioning, third sector partnerships – conflicts of interest, collusion.

Local Enterprise Partnerships - Voluntary partnerships between local authorities and businesses, procurement fraud, grant fraud.

Cyber dependent crime and cyber enabled fraud - Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments. Malware, Phishing, Vishing and Trojans.

Covid-19 Frauds and Scams - fraudulent claims with stimulus packages with the grants and support made available during the pandemic. Specific Covid-19 scams.
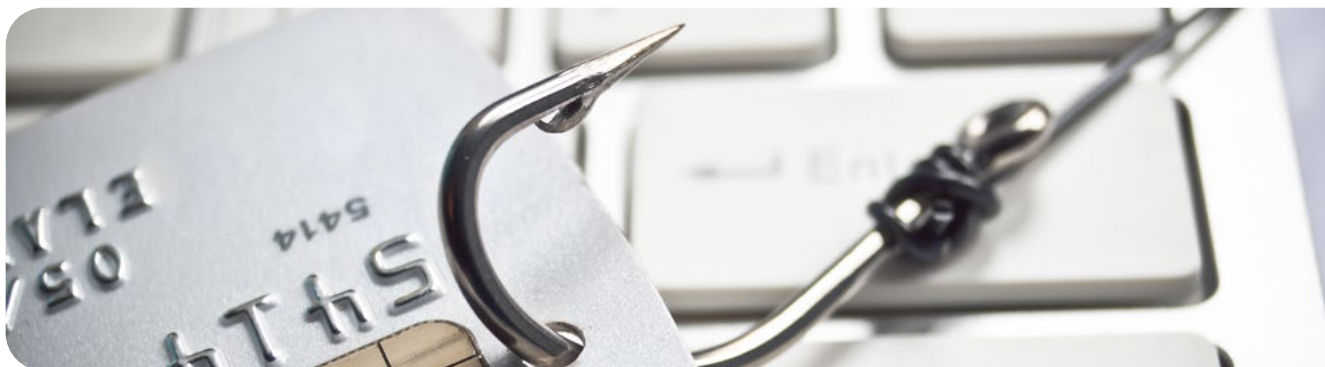
14 Reported Suspected Fraud

14.1 The Council has put in place a safe environment to report suspected cases of fraud. This provides a range of channels for reporting fraud. The alertness of Members, employees and members of the public is essential in the detection of any possible fraudulent activities. They are positively encouraged to raise any concerns in connection with any of the Council's activities. The Fraud Response Plan has more details and can be found on the counter fraud pages of the intranet and website.

14.2 Fraud can be reported to the Corporate Fraud Team:
- By email at: **corporatefraudteam@durham.gov.uk**
- By telephone on 03000 266 745
- By text: start your message with the word 'fraud' to 07797 870192
- Website: **www.durham.gov.uk/fraud**
- By post at Corporate Fraud Team, County Hall, Durham, DH1 5UL

14.3 The Confidential Reporting Code (Whistleblowing) can also be found on the Council's intranet and website.

14.4 Concerns can also be raised by any of the following means:
- Line managers
- Corporate Fraud Team
- Corporate Director, Resources
- Chief Executive/Corporate Directors
- Chief Internal Auditor and Corporate Fraud Manager.

14.5 Alternatively, concerns can be raised independently of the Council:
- The Council's External Auditor, Mazars
- Your local Citizens' Advice Bureau
- The police
- The independent whistleblowing charity Protect, details are available at: **www.protect-advice.org.uk**

15 Conclusion

15.1 The Council has put into place several arrangements to protect itself from the risk of fraud, corruption, and bribery. However, in the current climate of change there are issues that increase the risk. Changes in structures, systems, and the reduction in employees, as well as the external pressure due to the economy and Covid-19, all contribute to the risk of fraud.

15.2 The Counter Fraud and Corruption Strategy provides a framework for preventing and tackling anti-fraudulent and corrupt acts against the Council. The approval of the strategy by the Audit Committee and Senior Officers, on behalf of the Council, demonstrates the Council's commitment to the protection of public funds and the minimising of losses.

15.3 Having made this commitment it is imperative that arrangements for the circulation of this strategy and promoting fraud awareness across the Council are maintained.

15.4 The Council has an array of measures and procedures to assist in combatting fraud and corruption. It is determined to keep pace with any future developments in preventative and detection techniques and to be able to respond and make changes to its Strategy.

15.5 The Council recognises that the success and credibility of its Counter Fraud and Corruption Strategy will significantly depend on how effectively it is communicated throughout the organisation and beyond. Every opportunity will be taken to bring it to the attention of Members, employees, and other stakeholders, and the strategy will be published on the Council's website and intranet pages. It is imperative that fraud awareness is embedded with our anti-fraud culture and that fraud is everyone's business to help stamp it out.

15.6 This Counter Fraud and Corruption Strategy and its effectiveness will be reviewed every 12 months. The current version of this strategy will be published on the Council's website and intranet.

Strategy Pillar

Governance

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.

Having a holistic approach to tackling fraud is part of good governance.

Strategy into Action the Six C's

Culture
Creating a culture where fraud and corruption are unacceptable and that is measurable.

Capability
Assessing the full range of anti-fraud risks and ensuring that the range of anti-fraud measures deployed are appropriate.

Capacity
Deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance.

Competence
Having the right skills and standards commensurate with the full range of counter fraud and corruption activity.

Communications
Raising awareness internally and externally, deterring fraudsters, sharing information, and celebrating successes.

Collaboration
Working together across internal and external boundaries, with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice, innovation, and information.

Evidence to Achieve

Counter Fraud and Corruption Strategy that is reviewed quarterly and reported to Audit Committee annually.

Annual Governance Statement and review of counter fraud governance arrangements reviewed and reported annually.

Protecting the Public Purse Reports including Fraud Performance reported twice a year.

Fraud and Corruption included as a Strategic Risk and reviewed and monitored quarterly.

Promoting and developing a strong anti-fraud culture, raise fraud awareness, provide a fraud e-learning tool, and provide information on all aspects of our counter fraud work. This will include publicising the results of all proactive work, fraud investigations, successful sanctions, and any recovery of losses due to fraud.

Dedicated and competent Corporate Fraud Team committing resources and a holistic approach with our fight against fraud.
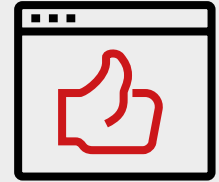
Strong Whistleblowing and Fraud Reporting procedures and support those who come forward to report suspected fraud.

Holistic approach to investigations, with criminal, compliance, awareness and education and partnership themes and approaches.

Strategy Pillar

Acknowledge

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud to maintain a robust anti-fraud response.

Strategy into Action the Six C's

Culture
Creating a culture where fraud and corruption are unacceptable and that is measurable.

Capability
Assessing the full range of anti-fraud risks and ensuring that the range of anti-fraud measures deployed are appropriate.

Capacity
Deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance.

Competence
Having the right skills and standards commensurate with the full range of counter fraud and corruption activity.

Communications
Raising awareness internally and externally, deterring fraudsters, sharing information, and celebrating successes.

Collaboration
Working together across internal and external boundaries, with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice, innovation, and information.

Evidence to Achieve

Ensure the Council has in place an up-to-date Fraud and Corruption Strategy.

Fraud and Corruption included as a Strategic Risk and reviewed and monitored.

A LIVE Fraud and Corruption Operational Risk register and services embedding fraud risks within service risk registers.

Continue assessing those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities.

The Corporate Fraud Team will horizon scan for emerging risks.

Annual review of the Councils Fraud Response Plan, Anti Money Laundering, Confidential Reporting Code (Whistleblowing) and Sanction policies.

Audit Committee and Senior Managers ensure compliance with CIPFA and FFCL best practice in the Councils counter fraud arrangements.

Zero tolerance approach and counter fraud education via fraud policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.

Dedicated and competent Corporate Fraud Team committing resources and a holistic approach with our fight against fraud.

Ensure the Council has in place an effective Counter Fraud Operational Plan, that is monitored monthly.

Ensure the Council has a Fraud, Bribery and Corruption Register/Fraud Case Management System to record all cases.

Promote and publicise prosecutions, counter fraud campaigns and provide internal communications to staff and Members on fraud awareness.

Access to the Corporate Fraud Team fraud reporting tools (web/phone/email/text/CRM) for staff, the public and elected Members.

Annual Fraud Awareness training for high-risk areas and/or specific counter fraud training across Council services and the roll out of the Corporate Fraud E-Learning tool.

Fraud Alerts provided to appropriate Council officers/ staff/ services from Action Fraud/NAFN/CIPFA/CIFAS/Regional Fraud Forums/Police etc.

Ensure a robust response, strengthening measures to prevent fraud with our Fraud Response Plan, Fraud Operational Plan and Fraud Risk Management.

The Corporate Fraud Team and Internal Audit will work with our internal partners (such as management, HR, Finance, Legal, policy makers) and external partners, to ensure new and existing systems and policy initiatives are adequately fraud proofed.

Strategy Pillar

Prevent

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes, and developing a more effective anti-fraud culture.

Strategy into Action the Six C's

Culture
Creating a culture where fraud and corruption are unacceptable and that is measurable.

Capability
Assessing the full range of anti-fraud risks and ensuring that the range of anti-fraud measures deployed are appropriate.

Capacity
Deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance.

Competence
Having the right skills and standards commensurate with the full range of counter fraud and corruption activity.

Communications
Raising awareness internally and externally, deterring fraudsters, sharing information, and celebrating successes.

Collaboration
Working together across internal and external boundaries, with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice, innovation, and information.

Evidence to Achieve

Fraud data analytics embedded into the Fraud Operational Plan, with allocated resources for pro-active counter fraud work.

Constant review of data sharing agreements/protocols to ensure compliance with DEA and GDPR/DEA.

Ensure compliance with National Fraud Initiative.

The 'Durham Partnerships' with Durham Constabulary, Registered Social Landlords, other Local Authorities and other agencies having a multi-agency approach to prevent and detect fraud.

The Corporate Fraud Team are all fully trained and accredited, and progressing membership of the Government Counter Fraud Profession.

All investigations comply with all relevant fraud legislation and Council Policies.

The Corporate Fraud Team will work with Council services to make best use of 3rd party providers such as NAFN, CIPFA, CIFAS, FFCL and the Northeast Regional Forms.

Member and lead for the Northeast Counter Fraud Group, Northeast Tenancy Fraud Forum, FFCL regional representative and National Investigation Officers Group.

Utilising the Civica internal data warehousing making better use of data and analytical software to prevent and detect fraudulent activity. Adding more data extracts to continue to progress the internal hub.

Progress the Northeast Fraud hub with the Digital Economy Act and tackling fraud and corruption on a regional level with other local authorities.

Strategy Pillar

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters, and developing a more collaborative and supportive local enforcement response.

Strategy into Action the Six C's

Culture
Creating a culture where fraud and corruption are unacceptable and that is measurable.

Capability
Assessing the full range of anti-fraud risks and ensuring that the range of anti-fraud measures deployed are appropriate.

Capacity
Deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance.

Competence
Having the right skills and standards commensurate with the full range of counter fraud and corruption activity.

Communications
Raising awareness internally and externally, deterring fraudsters, sharing information, and celebrating successes.

Collaboration
Working together across internal and external boundaries, with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice, innovation, and information.

Evidence to Achieve

Protecting the Public Purse Reports including Fraud Performance reported twice a year.

Recording and reporting on all fraud referred, investigated, and identified on the Fraud Register/Fraud Case Management System.

The Corporate Fraud Team will review fraud trends and new threats and put in place actions to pursue these new threats.

Ensure that the Council's Sanction Policy is effective and that we will seek to 'prosecute' offenders, apply sanctions, respond to internal fraud, and recover financial losses.

A crucial element of our response to tackling fraud is recovering any monies lost through fraud, utilising the Proceeds of Crime Act and Financial Investigators when possible.

Value for Money and a review of the Return of Investment from having a Corporate Fraud Team.

Transparency Code (Fraud) Data will be completed and updated on the website annually.

Dedicated and competent Corporate Fraud Team committing resources and a holistic approach with our fight against fraud into reactive criminal and compliance investigations, pro-active fraud campaigns and, partnership working.

Member and lead for the Northeast Counter Fraud Group, Northeast Tenancy Fraud Forum, FFCL regional representative and National Investigation Officers Group.

The 'Durham Partnerships' with Durham Constabulary, Registered Social Landlords, other Local Authorities and other agencies having a multi-agency approach to pursue fraud.

Annual review of the Councils Fraud Response Plan, Anti Money Laundering, Confidential Reporting Code (Whistleblowing) and Sanction policies.

Ensure the Council has in place an effective Counter Fraud Operational Plan, that is monitored monthly.

Strategy Pillar

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and Cyber Crime, and protecting itself from future frauds.

Protecting DCC, our Employees, our Assets, our Finances, the Community we service and the Public Purse.

Strategy into Action the Six C's

Culture
Creating a culture where fraud and corruption are unacceptable and that is measurable.

Capability
Assessing the full range of anti-fraud risks and ensuring that the range of anti-fraud measures deployed are appropriate.

Capacity
Deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance.

Competence

Having the right skills and standards commensurate with the full range of counter fraud and corruption activity.

Communications

Raising awareness internally and externally, deterring fraudsters, sharing information, and celebrating successes.

Evidence to Achieve

The 'Durham Partnership' with Durham Constabulary Disruption Panel, Gold and Silver Command tackling Serious and Organised Crime.

Cyber Security Framework and Cyber Policies that are reviewed annually and reported to Senior Management and Information Governance.

Counter Fraud & Corruption Strategy that is reviewed quarterly and reported to Audit Committee annually - with a Protect Theme.

Annual Governance Statement and review of counter fraud governance arrangements reviewed and reported annually.

Protecting the Public Purse Reports including Fraud Performance reported twice a year - Strategy themes included with overall objective to protect DCC, our Employees, our Assets, our Finances, the Community we service and the Public Purse.

Fraud & Corruption included as a Strategic Risk and reviewed and monitored quarterly.

Ensure that the Council's Sanction Policy is effective and that we will seek to 'prosecute' offenders, apply sanctions, respond to internal fraud, and recover financial losses.

Promoting and developing a strong anti-fraud culture, raise fraud awareness, and provide information on all aspects of our counter fraud work.

Dedicated and competent Corporate Fraud Team committing resources and a holistic approach to protect DCC, our Employees, our Assets, our Finances, the Community we service and the Public Purse.

Fraud Performance Management Framework includes performance indicators to ensure we are protecting DCC, our Employees, our Assets, our Finances, the Community we service and the Public Purse.

The Corporate Fraud Team will review fraud trends and new threats and review emerging fraud risks to protect itself from future frauds.

Annual review of the Councils Fraud Response Plan, Anti Money Laundering, Confidential Reporting Code (Whistleblowing) and Sanction policies.

Ensure the Council has in place an effective Counter Fraud Operational Plan, that is monitored monthly.

Ensure the Council has in place an effective Counter Fraud Communication Plan, that is monitored monthly.