Audit Committee

29 June 2018

Counter Fraud & Corruption Strategy

Report of Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1.   This report presents the revised Counter Fraud & Corruption Strategy and highlights the main changes to the strategy.

Background

2.   Figures published by the National Fraud Authority (NFA) in 2013 indicate that fraud cost the United Kingdom an estimated £52 billion per annum, broken down to £2.1 billion in the public sector. This 'lost' money is money that could be used to provide services and assist in our 'Altogether Better Durham'.

3.   The Fighting Fraud & Corruption Locally Strategy 2016-2019 states that local authorities face a significant challenge and also estimates that fraud costs local authorities £2.1 billion a year.

4.   The risk of fraud and corruption is recognised as a strategic risk within the Council's Corporate Strategic Risk Register.

5.   The latest Counter Fraud and Corruption Strategy was agreed by CMT and then Audit Committee in February 2016.

6.   The Internal Audit Service is responsible for promoting the Council's Counter Fraud and Corruption Strategy, raising awareness of the risk of fraud and corruption and advising on controls that will effectively manage the risk.

7.   The Audit Committee is responsible for monitoring the arrangements the Council has put in place to mitigate the risk of fraud and corruption by seeking assurance on their effectiveness.

8.   Fraudsters do not respect geographical boundaries and fraud risks are always emerging. It is therefore imperative that the Counter Fraud & Corruption Strategy is reviewed on a regular basis.

Changes

9.   As a living document it is envisaged that this strategy will continually evolve as the Council gains a better understanding of the potential 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, which is part of the Protecting Public Purse reports.

10.   The Council is committed to embracing best practice approaches to fighting fraud and corruption, and this revised 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.

11.   This strategy outlines the Council's revised 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 includes specific roles and responsibilities for key stakeholders.

12.   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 three key themes of this approach are Acknowledge, Prevent and Pursue and are key to the delivery of the priorities outlined in the counter fraud policy:

Acknowledge	Prevent	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/recovering losses
▪ Assessing and understanding fraud risks ▪ Committing support and resource to tackling fraud ▪ Maintaining a robust anti-fraud response.	▪ Making better use of information and technology ▪ Enhancing fraud controls and processes ▪ Developing a more effective anti-fraud culture.	▪ Prioritising fraud recovery and the use of civil sanctions ▪ Developing capability and capacity to punish fraudsters ▪ Collaborating with law enforcement.

13.   The strategy covers these three themes in much more detail, explaining what Durham County Council is doing in each of these areas.

14.   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. As included within this strategy 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:

Known Fraud Risks Remaining Significant	Emerging / Increasing Fraud Risks
Tenancy – Fraudulent applications for housing, abandonment or successions of tenancy, and subletting of the property. **Procurement** – Tendering issues, split contracts, double invoicing. **Payroll** – False employees, overtime claims, expenses. **Council tax** – Discounts and exemptions, council tax support. **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. **Pensions** –Deceased pensioner, overpayments, entitlement overstated. **Schools** – Procurement fraud, payroll fraud, internal fraud. **Personal budgets** – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim. **Internal fraud** – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit while working. **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. **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. **Immigration** – Including sham marriages. False entitlement to services and payments. **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

15. The communication and awareness of this strategy is planned during 2018/19 within the Counter Fraud Operational Plan, as part of the Fraud Communication Strategy and Fraud Awareness Programme.

Recommendations

16. Members are asked to note the contents and approve this Strategy.

    (a) Corporate Fraud & Corruption Strategy (Appendix 1).

Contact: Steven Graham, Corporate Fraud Officer   Tel: 03000 260776

Appendix 1: Implications

Finance

The potential loss to the Council arising from fraudulent actions. The cost of the Corporate Fraud Team is £163,840 and in 2017/18 has recovered or intercepted £796,691 of potential fraud.

Staffing

Disciplinary action to be taken against known employees where fraud has been proven.

Risk

The risk of fraud and corruption is recognised as a corporate strategic risk. An effective counter fraud strategy is a key control in helping to mitigate the risk.

Equality and Diversity/Public Sector Equality Duty

None

Accommodation

None

Crime and disorder

Fraud is a criminal offence.

Human rights

None

Consultation

None

Procurement

None

Disability Discrimination Act

None

Legal Implications
Ensuring proper governance procedures are in place, (particularly the Counter Fraud & Corruption Strategy, Contract Procedure Rules, Financial Procedure Rules, Codes of Conduct and the Confidential Reporting Code), that are supported by a robust audit programme of counter fraud awareness measures and assurance reviews will assist the Council in complying with anti-corruption law, in particular the Bribery Act, and also serves to reduce the risk of reputation damage and financial loss by litigation.

Resources

Internal Audit, Risk and Fraud

COUNTER FRAUD AND CORRUPTION STRATEGY

2018-2020

Altogether better

Durham
County Council

CONTENTS

1.   Foreword

Durham County Council is served by dedicated and hardworking officers who consistently demonstrate high levels of integrity and honesty. Public servants in this country are held in the highest esteem around the world for their personal and professional propriety.

However, the 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.

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 cheats the local tax payer and undermines the aims of our Council to achieve an 'Altogether Better Durham" by providing value for money services in an open, honest and accountable way.

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 absolutely clear to all that the Council will not tolerate fraud or corruption. The Council expect anyone with a concern, to report the matter immediately so this can be investigated. The Council will make sure that these reports are dealt with promptly and where a report is substantiated the Council will take effective and speedy action. In all cases, then Council will provide a clear explanation to anybody who raises concerns.

The Council have designed this strategy to fight fraud and corruption by acknowledging and understanding our fraud risks, preventing and detecting more fraud and being stronger in punishing fraud and recovering losses.

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 and by promptly identifying and reporting potential instances for investigation.

| Simon Henig | Terry Collins | Eddie Bell |
| Leader of the Council | Chief Executive | 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   Fraud and corruption undermine these 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.

2.3   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 County Council also encourages its contractors, partners and members of the public to raise concerns at the earliest opportunity.

2.4   This 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.

2.5   As a living document it is envisaged that this strategy will continually evolve as the Council gains a better understanding of the potential 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.

2.6   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.

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

2.8 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.

2.9 In order 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 both on the organisation and the individual;
- Promote the prevention of fraud, corruption and bribery;
- Help people pursue and detect fraud, corruption and bribery;
- Establish an effective response to suspected cases of fraud and corruption, to ensure all suspicions are properly and thoroughly investigated;
- Create a strong anti-fraud and anti-corruption culture within the Council and reinforce an organisational culture of zero tolerance;
- Take appropriate and strong action to deal with proven fraudsters, applying sanctions against people who commit fraud; and
- Vigorously pursue all forms of redress for frauds, overpayments and to recover financial losses.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 Figures published by the National Fraud Authority (NFA) in 2013 indicate that fraud cost the United Kingdom an estimated **£52 billion** per annum, broken down to £2.1 billion in the public sector. This 'lost' money is money that could be used to provide services and assist in our 'Altogether Better Durham'.

2.15 The Fighting Fraud & Corruption Locally Strategy 2016-2019 states that local authorities face a significant challenge and also estimates that fraud costs local authorities £2.1 billion a year.

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:

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

3.2 A Fraud Response Plan is also available to all Members, employees and the public and provides guidance on what actions to take in the event of becoming aware of, or suspicious of, a fraud or act of corruption being committed against the Council, either internally or externally by

individuals or organisations. This can be found on the Counter Fraud page on the intranet and the Council's website.

3.3   A Fraud Sanction Policy is also available, outlining the sanctions available to the Council where fraud and or corruption is found to have been committed. This can also be found on the Counter Fraud page on the intranet and the Council's website.

3.4   The Council believes the best defence against fraud, corruption and bribery 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 employees are based upon the Nolan principles of Standards in Public Life. In cases where Members or employees fail to adhere to these codes appropriate action will be taken against them.

3.5   The seven Nolan principles of Standards in Public Life are:

- Selflessness – you must act solely in terms of the public interest and not in order to gain financial or other material benefits for yourself, family, or friends;
- Integrity – you should not place yourself under any financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties;
- Objectivity – you must make choices on merit when making decisions on appointments, contracts, or recommending rewards and benefits for individuals;
- Accountability – you are accountable for your decisions and actions to the public and you must submit yourself to whatever scrutiny is appropriate;
- Openness – you should be as open as possible about all decisions and actions that you take. You should give reasons for your decisions and restrict information only when the wider public interest clearly demands;
- Honesty – you have a duty to declare any private interests relating to your work and you need to take steps to resolve any conflicts arising in the way that protects the public interest;
- Leadership – you should promote and support these principles by leadership and example.

3.6   The Council also has an effective Internal Audit Service and Corporate Fraud Team that assists the corporate framework to help counter any fraudulent activity.

4. LEGAL DEFINITIONS

4.1 The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:

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

There are further subheadings of fraud described including possession of articles for use in fraud, making or supplying articles for use in frauds, participating in fraudulent business and or obtaining services dishonestly.

4.2 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.

4.3 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.

4.4 Money laundering is the term used for a number of 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.

5. ROLES & RESPONSIBILITIES

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Monitoring Officer (Head of Legal and Democratic Services)	To advise Members and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.
Director of Resources (Section 151 Officer)	To ensure the Council has an adequately resourced and effective Counter Fraud and Internal Audit service.
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.
Members	To support and promote the development of a strong counter fraud culture.

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
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.
Audit, Risk and Corporate Fraud	To develop, implement and promote the Counter Fraud Policies and raise awareness of fraud. To promptly investigate cases of suspected fraud when necessary. To make recommendations to improve controls and reduce the risk of fraud in the future.
Managers	To promote staff awareness, refer all suspected fraud to the Chief Internal Auditor and Corporate Fraud Manager and apply the policy of **zero tolerance**. To ensure that they assess the risk of fraud, corruption and bribery in 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. 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 is 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 comply at all times 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 three key themes of this approach are Acknowledge, Prevent and Pursue and are key to the delivery of the priorities outlined in the counter fraud policy:

Acknowledge	Prevent	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/recovering losses
▪ Assessing and understanding fraud risks ▪ Committing support and resource to tackling fraud ▪ Maintaining a robust anti-fraud response.	▪ Making better use of information and technology ▪ Enhancing fraud controls and processes ▪ Developing a more effective anti-fraud culture.	▪ Prioritising fraud recovery and the use of civil sanctions ▪ Developing capability and capacity to punish fraudsters ▪ Collaborating with law enforcement.

7.   ACKNOWLEDGE

7.1   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; and
- raising awareness of fraud and how to report suspicions.

7.2   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.

7.3   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.

7.4 'Whistleblowing' remains the most common way that fraud and corruption is detected in large organisations. The Council will raise awareness and continually promote its Confidential Reporting Code and other associated policies and procedures ensuring all reports of suspected fraud or corruption are treated seriously and acted upon, thereby developing a robust and proportionate response to counter any threats. The Council will also ensure that people have confidence in the counter fraud arrangements and are confident and protected when raising issues.

7.5 Assessing and understanding fraud risks

7.6 The Council has identified 'fraud and corruption' as a risk in the corporate strategic risk register and is developing 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.

7.7 The Council will continuously assess those areas most vulnerable to the risk of fraud. These risk assessments will 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.

7.8 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. This includes the Council being a member of the CIPFA Counter Fraud Centre, The European Institute for Combatting Corruption and Fraud (TEICCAF), The National Anti-Fraud Network (NAFN), the North East Tenancy Fraud Forum (NE-TFF), the North East Regional Investigation Officers Group (NERIOG) and the North East Fraud Forum (NEFF).

7.9 The Council's counter fraud arrangements are continuously reviewed against best practice guidelines, such as the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, and the Fighting Fraud and Corruption Locally Strategy 2016-2019 and the companion document and checklist.

7.10 The Council actively participates in external surveys to measure the national level and type of fraud conducted by CIPFA's Counter Fraud Centre and TEICCAF. The Council will also benchmark to seek assurance of best practice and include areas for development within the Fraud Operational Plan.

7.11 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:

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	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

Identity fraud – False identity / fictitious persons applying for services / payments. **Insurance Fraud** – False claims including slips and trips.	

7.12 Committing support and resources to the tackling of fraud

7.13 The Council takes the threat of fraud and corruption seriously and as such has a dedicated Corporate Fraud Team who are professionally trained/qualified and work alongside the Internal Audit Team.

7.14 The Council's commitment to tackling the fraud threat is clear within the annual counter fraud operational plan. The Council has strong confidential reporting codes and supports those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. The Council also encourages all fraud reports from the public, partners, contractors and suppliers. The Council will not, however, tolerate malicious allegations.

7.15 The existence of a Corporate Fraud Team supports the Council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.

7.16 The Council's Corporate Fraud Team receives continual professional development and refresher training to ensure it remains compliant with appropriate laws and legislation and has the skills required to correctly and thoroughly investigate all suspicions. The Council has recently entered into an agreement as a training partner, for its facilities to be used as a fraud training centre for the region, which in turn gives access to free places on fraud courses.

7.17 There may be occasions during an investigation where specialist skills, such as computer forensics or financial investigation, are required to lawfully detect and obtain evidence. It is essential these skills are readily available at the time of need. Therefore access to a network of suitably trained specialists for use in investigations is maintained through membership of local, regional and national groups, working with other service areas and close working with Durham Constabulary.

7.18 The Audit Committee is responsible for ensuring the risk of fraud is adequately managed. This includes approving the Anti-Fraud Policies and receiving regular reports from the Chief Internal Auditor and Corporate Fraud Manager on the Protecting the Public Purse Reports.

7.19   Maintaining a robust anti-fraud response

7.20   The Council acknowledges that there is no 'one size fits all' approach to tackling fraud and corruption and that testing the resilience of our current arrangements to the changing fraud threat is vital.

7.21   The Council will continue to raise awareness and continually promote its Confidential Reporting Code and other associated policies and procedures ensuring all reports of suspected fraud or corruption are treated seriously and acted upon as appropriate.

7.22   The Council has a Fraud Response Plan, Fraud Sanction Policy and Anti-Money Laundering Policy, to further reinforce a robust anti-fraud response.

7.23   The Council will strengthen measures and controls with the Audit and Corporate Fraud Team working with managers and People and Talent Management to ensure new and existing systems and policy initiatives are adequately fraud proofed.

7.24   The Council is also committed to providing all employees with sufficient training to enable them to identify and report fraud in a timely manner. This is achieved at induction and having a fraud awareness programme delivered to high risk areas by the Corporate Fraud Team. An e-learning fraud awareness module is currently under development and it is expected that this will be rolled out to all employees and managers. The Corporate Fraud Team can also offer bespoke training packages for staff within the Council.

7.25   The Council will also inform Members of their responsibilities at the induction course for new Members and remind them of their responsibilities and update them on developments regularly. Details are also included within the Members' Handbook. These details include rules on declaring and registering any possible areas of conflict between an elected Member's County Council duties and responsibilities and any other area of their personal or professional life.

8.   PREVENT

8.1   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.

8.2   The best way to fight fraud is to prevent it happening in the first place. Resources, however, are still required to respond where offenders are not deterred.

8.3 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. These policies, procedures and controls are listed under the Council's Corporate Framework and Culture in section 3.

8.4 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.

8.5 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.

8.6 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.

8.7 Making better use of information and technology

8.8 Fraudsters do not respect geographical boundaries so data matching across areas and geographical boundaries is vital.

8.9 The Council actively participates in the National Fraud Initiative (NFI), a national data matching exercise currently run by the Cabinet Office (previously under the Audit Commission) under its statutory powers. The exercise allows the comparison of various data sets against other data sources to help detect potential fraud and error in areas such as blue badges, concessionary travel, council tax, creditors, electoral role, housing benefit, housing waiting list, licensing, payroll and pensions. The main NFI data matching exercise currently occurs over a two year cycle but is moving to real-time and 'near' real-time fraud prevention activity. A supplementary exercise takes place annually in relation to the Electoral Register and Council Tax Single Person Discounts.

8.10 Local data matching has also been identified as good practice. The Council is therefore planning its own programme of data matching exercises to proactively seek out fraud and error in high risk areas. Data matching exercises should therefore be included within the counter fraud operational plan. The Council does currently participate in certain data matching with other external partners to seek out fraud and error.

8.11 At all times, the Council will observe the advice and guidance of the General Data Protection Regulation in the area of data matching and other appropriate legislation.

8.12　The sharing of fraud intelligence between authorities via restricted internet forums and groups is critical in alerting to rising fraud trends and is a mechanism the Council actively engages in. The Council receives regular data analysis and fraud information alerts from its memberships with CIPFA, NAFN, NE-TFF, NERIOG and NEFF.

8.13　The Council has a data warehousing software making greater use of data and analytical software to prevent and detect fraudulent activity. It is the Council's intention to continue with the existing arrangements and further explore opportunities for data matching both internally between services and externally with neighbouring authorities, and develop links with other external agencies, to enhance opportunities for information sharing.

8.14　The Council is currently actively progressing a regional data hub and will continue to look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud.

8.15　Enhancing fraud controls and processes currently in place

8.16　The Council has well established policies, procedures and processes which incorporate efficient and effective internal controls to safeguard the Council's resources. Managers are responsible for ensuring there are adequate and effective internal controls to reduce the risk of fraud, e.g. accurate records are kept and preserved, a management/audit trail is maintained, appropriate segregation of duties and management checks are in place. The existence, appropriateness and effectiveness of these internal controls is independently reviewed and reported to Audit Committee by the Council's Internal Audit team.

8.17　Internal controls are established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. Internal control systems and Internal Audit are part of the Council's preventative systems. These should be sufficient to deter fraud but are also designed to indicate any potential fraudulent activity. Within the scope of their work, Internal Audit will:

- Endeavour to reveal serious defects in the internal controls which may lead to the perpetration of fraud;
- Be alert to the possibility of malpractice;
- Take nothing for granted;
- Be aware of the possibility of collusion.

8.18 Council employees must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of the financial interests in contracts relating to the Council, or the non-acceptance of any fees, gifts, hospitality or any other rewards, other than proper remuneration. The Bribery Act 2010 makes it an offence to request, agree to receive, or accept a bribe. Employees are required to declare interests and to bring to the attention of their manager any interest which may impinge on the impartiality of their work. The Council's employees are expected to abide by the Code of Conduct which sets out the Council's requirement on personal conduct. Employees are also expected to follow any code of conduct issued by any professional institute, if appropriate.

8.19 Members are required to complete a declaration of interest and to abide by the Members' Code of conduct, operating within the Council's Constitution. These matters are specifically brought to the attention of Members at induction and are in the Members' handbook. The Members' handbook includes the rules on declaration and registration with the Head of Legal and Democratic Services of potential areas of conflict between Members' council duties and responsibilities, and any other areas of their personal or professional lives.

8.20 A key preventative measure in the fight against fraud and corruption is to ensure that the Council's employees are of the appropriate quality and integrity. As such, whilst the procedures concerning the appointment of employees are a small part of the Council's systems and controls it is considered to be a vital element.

8.21 The Council will ensure employees provide adequate proof of identity and permission to work in the UK. Employees are appointed subject to satisfactory references and care is to be taken to ensure that employment references and qualifications are genuine.

8.22 For certain posts, checks to the Disclosure and Barring Service (DBS) are necessary and will be carried out by the People and Talent Management service. The Council is considering whether further recruitment and selection vetting should be done within the Corporate Fraud Team.

8.23 The Council expects the highest standards of conduct from all its contractors and the employees of the contractor. A self-declaration is required as part of the tendering process for contracts, which asks questions about fraud, corruption and organised crime. The Council also has clauses regarding the prevention of fraud in each version of its Terms and Conditions. The clauses allow the Council to break off a contract should the supplier breach the contract, in that they have been found to be fraudulent in their business activities, which is also defined in the contract. Contractors and suppliers are informed of the Council's Confidential Reporting Code and fraud policies on entering into agreements with the Council.

8.24 A programme of proactive anti-fraud work will also be undertaken each year by the Corporate Fraud Team and include:
- Maintaining a current operational fraud risk register;
- Evaluating policies and procedures in place for countering fraud and assist others in raising awareness of fraud and corruption when it occurs;
- A fraud awareness programme highlighting fraud risks; and
- Proactive fraud drives into high risk areas.

8.25 The Corporate Director, Resources, has a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure proper arrangements are made for the Council's financial affairs. In addition, under the Accounts and Audit (England) Regulations, the Council is required to maintain an adequate and effective internal audit of all its financial records and systems of internal control.

8.26 DCC has Financial Regulations and Contract Procedure Rules that outline best practice. Heads of Service must ensure that all of their employees are aware of the content of Financial Regulations and other regulatory documents and that they are complied with.

8.27 In line with section 5 of the Local Government and Housing Act 1989, the Head of Legal and Democratic Services is named as the Council's monitoring officer. The monitoring officer must tell Members of the Council if, at any time they feel that any proposal, decision or omission by the Council, or any of our committees, sub-committees or officers, constitutes breaking the law or may lead to the Council breaking the law or to maladministration.

8.28 The Chief Internal Auditor and Corporate Fraud Manager is nominated as the Council's Money Laundering Responsible Officer (MLRO). The MLRO will, in consultation with the Corporate Director, Resources, assess reports of money laundering received from Council employees and will, where appropriate, forward these to the National Crime Agency. The Council's Anti-Money Laundering Policy sets out our arrangements in greater detail.

8.29 If there are any problems, the Council has suitable disciplinary procedures and rules for all employees and Members Those found to have breached the Code of Conduct will be dealt with in accordance with these policies and procedures. Where criminal activity is suspected or found, the matter will be referred to the police for investigation and possible prosecution, in accordance with the Fraud Response Plan. In addition, in relevant cases, recompense will be sought from those who are found to have carried out fraudulent acts.

8.30   The Council recognises that training and the responsiveness of employees is important to the success of the Counter Fraud and Corruption Strategy. Employees and Members should therefore be alert to the possibility of fraud and report any concerns. The Council has a Confidential Reporting Code (Whistleblowing policy) in place to assist employees in reporting their concerns about fraud or any other issues without fear of harassment or victimisation.

8.31   Information received relating to potential fraud, corruption or bribery will be reviewed by the Corporate Fraud Team and investigated.

8.32   Developing a more effective anti-fraud culture

8.33   The Council is resolute that the culture and tone of the authority is one of honesty, with a zero tolerance towards fraud and corruption. This is already demonstrated through its codes of conduct and policies for employees and Members.

8.34   In developing and maintaining an anti-fraud culture, the Council seeks to motivate employees and Members by positively reinforcing their responsibility in preventing, detecting and reporting fraud, ensuring employees and Members understand the importance of tackling fraud and corruption, are able to recognise fraud and corruption and know how and where to report suspicions is vital.

8.35   It is also vital that employees and Members have confidence in the reporting arrangements. The Council therefore has a clear and transparent confidential reporting code and procedure in support of the Public Interest Disclosure Act. The confidential reporting code and procedure provides employees and Members with the means to report instances of suspected fraud, corruption or breaches of the Council's policies, offering protection from recrimination and allowing them anonymity if they so choose.

8.36   The right organisational culture will be continually reinforced to employees by:

- Providing general and specific fraud awareness communications to all staff as part of any National Fraud Awareness days;
- E-Learning on fraud and corruption for all staff;
- Regular fraud updates in Council newsletters and magazines;
- Publicising the results of proactive work, investigations, sanctions and prosecutions due to fraud and corruption where it is appropriate to do so;
- Have a fraud 'image' that is publicised throughout the Council

8.37   It is also important that members of the public have confidence in the Council's fraud response and the ability to report any suspicions of fraud and corruption they may have. The Council therefore has a dedicated fraud hotline, fraud email address, fraud text service and fraud page on the Council's website. Fraud reporting and cases of interest will also be publicised on social media and in Customer Access Points throughout the County.

8.38   Employees, Members and the public alike are encouraged to contact the Corporate Fraud Team in any way they feel comfortable to provide any information about known or suspected fraudulent activity. All information is treated in the strictest confidence with anonymity being respected as far as is possible. See the section on how to Report Suspected Fraud.

8.39   To promote an anti-fraud culture, publicity may include the use of warnings on council application forms, council newsletters and intranet, local newspaper advertisements, articles and features through local radio, television and other relevant media.

8.40   All publicity will seek to promote the message that the Council will not tolerate fraud, corruption of any other form of irregularity and is committed to countering any that is perpetrated.

8.41   The Corporate Fraud Team will promote and develop a strong anti-fraud culture, raise awareness 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. This also includes having a dedicated fraud web and intranet pages, with accessible channels for the public, partners, suppliers and contractors to be able to report suspicions of fraud.

8.42   The Corporate Fraud Team maintains a register of all fraud referrals and investigations, including prosecutions and sanctions on its corporate fraud management system. This helps to establish those areas within the Council most vulnerable to the risk of fraud and corruption. This also enables a Council wide fraud profile to be created which then informs any detailed work in areas throughout the Council aimed at detecting existing and new types of fraudulent activity.

8.43   As part of our fraud awareness, examples of Fraud Indicators will be included on the intranet and delivered during awareness sessions, to make staff vigilant to potential signs of fraud. These indicators are reviewed alongside our fraud risks.

9.   Pursue

9.1   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.

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

9.3 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.

9.4 The Corporate Fraud Team is developing a fraud communications strategy which will set out our detailed approach but this will be underpinned by our commitment to always be proactive in promoting our culture and approach to fraud and corruption, both internally to the Council's staff and Members, but also externally to the public, businesses and partners. The Corporate Fraud Team will always publicise successful prosecutions and will also listen to and take seriously all allegations.

9.5 Where a Council employee has been involved in fraudulent activity, they will be subject to disciplinary action in line with the relevant policies and procedures.

9.6 Where financial non-compliance or wrongdoing is discovered relating to employees, Members or grant aided external organisations, the matter will be referred to the police in accordance with the Fraud Response Plan.

9.7 Referrals to the police will not prevent any action under the internal disciplinary policies and procedures.

9.8 All complaints against members of staff are referred from the outset to People and Talent Management, Service Manager and Internal Audit & Corporate Fraud Team, to give assurance the appropriate action is taken in line with the relevant policies and procedures.

9.9 Prioritising fraud recovery and the use of civil sanctions

9.10 Fraud must not pay, where fraud or corruption is discovered, the full range of sanctions will be deployed, including civil, disciplinary, criminal action, and referring cases to other law and enforcement organisations. The Council's Fraud Sanction Policy and Fraud Response Plan describes the process in more detail.

9.11 The Council also needs to have arrangements in place where any instances of suspected money laundering or bribery are reported. The Anti-money Laundering Policy explains what money laundering is, and what the Council does to manage the risks associated with crime and money laundering.

9.12 Every effort will be made to recoup losses and confiscate assets gained as a result of criminal activity. The Council will enhance our provision further by making best use of existing legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered, where possible by the Council. Where money has been lost due to fraudulent activity, the Council will always seek to recover the money along with any penalties that may have been imposed.

9.13 A crucial element of the Council's response to tackling fraud is recovering any monies lost through fraud – this is an important part of the strategy and redress will be rigorously pursued, where possible.

9.14 Developing capability and capacity to punish fraudsters

9.15 Criminal prosecutions, sanctions, civil action and disciplinary action all deter offenders and reinforce a culture of zero tolerance towards fraud and corruption. Successful prosecutions require cases to be professionally investigated ensuring all evidence is collected within the law. Investigative staff must be adequately trained with the appropriate skills and access to specialist resources to secure effective prosecutions.

9.16 The Council has an accredited and trained Corporate Fraud Team that operates in accordance with appropriate legislation, powers and responsibilities.

9.17 Sanction actions that may be taken where a fraudulent act has been established are detailed in the Fraud Sanction policy

9.18 The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action, where appropriate.

9.19 Collaborating across local authorities and with law enforcement.

9.20 Organised fraud has no respect for boundaries and can cross a range of organisations and services. Fraud does not always fit neatly within the boundaries of the Council. Effective cooperation and joint working between local authorities and with other agencies, including the Police, is essential in the on-going development of the Council's strategic response. Given the range of partnerships and collaborative work and the benefits of working with colleagues across the public and private sector, the Council actively seeks to work in conjunction with others.

9.21 Where it is appropriate to do so, different types of fraud or crime will be dealt with together. In such cases, going through an investigative process once where all parts of the crime are dealt with is more cost effective for all agencies and also helps to reflect the total impact of such crime. The Council's corporate fraud management system and its data warehousing capability, assists the Council in highlighting all the fraud types that should be investigated as part of one investigation process.

9.22   The Council welcomes the help of a variety of people and organisations and collaborate working with:

- the public, local business community and media;
- suppliers, contractors, consultants and service providers;
- the external auditor, who provides assurance on whether the Council has good arrangements in place to prevent and detect fraud and corruption;
- central government departments and parliamentary committees, external service inspectorates, including the local government ombudsman;
- HM Revenue and Customs
- Durham Police; and
- The Department for Work and Pensions.

9.23   There are a variety of arrangements in place, which assist and support the regular exchange of information with both internal and external bodies. This network includes:

- Durham Police – Serious and Organised Crime Directorate;
- National Anti-Fraud Network;
- CIPFA Counter Fraud Centre;
- Networks of heads of internal audit;
- External auditors;
- The National Fraud Initiative data matching exercise;
- North East Tenancy Fraud Forum;
- North East Regional Investigation Officers Group.

9.24   Arrangements are in place and continue to be developed to encourage both joint and collaborative working involving the exchange of information and intelligence between the Council and other agencies on national and local fraud and corruption activity.

9.25   The Council has an arrangement with Durham Constabulary, with a member of the Corporate Fraud Team as a single point of contact and working at police headquarters, assisting in a joined up approach into Serious and Organised Crime. The partnership also allows for sharing of information and data that the Council can legally obtain to help its fight against fraud and corruption.

9.26   As technologies develop, there is an ever increasing need to take advantage of the processing and analysis of data stored through the Council and beyond. This enables the information and intelligence to be generated, which is a recognised means of detecting and preventing fraud, corruption and bribery. The Council has a data warehousing and data matching tool to assist in the prevention and detection of fraud and corruption and this is a key area within its counter fraud operational plan.

9.27 The Council is committed to exchanging information with other local and national agencies, as already mentioned. All exchanges of information are carried out in full compliance with the Data Protection Act 1998 and with the codes of practice for the National Fraud Initiative data matching exercises and includes provision of information to other agencies for data matching purposes.

9.28 The Corporate Fraud Team promotes fraud referrals and allegations reported to them. Depending on the nature and the extent of the information obtained the Corporate Fraud Team will work closely with:-

- People and Talent Management
- Service Grouping Management
- Legal Services
- Other agencies – DWP, Police, Registered Social Landlords and other Local Authorities

9.29 By working closely and joined up, this will ensure that all allegations and evidence which are supplied, are properly investigated and reported upon, and that where possible, losses are recovered for the Council.

9.30 The Council has acknowledged tenancy fraud as a known risk, even though it does not have any housing stock. The Council has entered into partnerships with some local Registered Social Landlords and is conducting fraud services on their behalf.

9.31 This partnership work has allowed the Corporate Fraud Team to develop, with the income generated, being invested back into protecting the public purse.

10. Reporting suspected fraud

10.1 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 Council's intranet and website.

10.2	Fraud can be reported to the Corporate Fraud Team direct:

- by email at: corporatefraudteam@durham.gov.uk
- by telephone on: 03000 266745
- by text: start your message with the word 'fraud' to: 07797870192
- website: www.durham.gov.uk/ search for fraud
- by post at Corporate Fraud Team, County Hall, Durham, DH1 5UL.

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

10.3	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
- Council complaints procedure

10.4	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 Public Concern at Work – telephone 020 7404 6609 or further details are available at www.pcaw.org.uk

## 11.	CONCLUSION

11.1	The Council has put into place a number of 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, all contribute to the risk of fraud.

11.2	The Counter Fraud and Corruption Strategy provides a framework for preventing and tackling anti-fraudulent and corruption 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.

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

11.4 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 Counter Fraud & Corruption Strategy.

11.5 It is recognised that the success and credibility of this strategy is dependent on how effectively it is communicated throughout the organisation and beyond. Every opportunity will be taken to bring it to the attention of the Members, employees and stakeholders.

11.6 This Counter Fraud & 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.