



## **COUNTER FRAUD STRATEGY**

**2022 – 2025**

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# 1 Introduction

1.1 The purpose of this Strategy is to set out clearly to our stakeholders:

- The Council's commitment and responsibilities for tackling fraud;
- Its role in the prevention of fraud; and
- Actions to pursue fraudsters and recover losses.

1.2 We all have a special responsibility for dealing with public funds and assets. The Council controls millions of pounds of public money and we take very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject. Proper accountability, achieved through probity, internal control and honest administration is therefore essential.

1.3 The Council's strategic response for counter fraud activity is based on the principles of govern, acknowledge, prevent, pursue and protect in line with the Fighting Fraud and Corruption Locally Strategy (2020) for local government, published by Cifas (the UK's Fraud Prevention Service) and consists of the following:

<b>Govern</b>	<b>Acknowledge</b>	<b>Prevent</b>	<b>Pursue</b>
Having robust arrangements and executive support to ensure anti- fraud, bribery and corruption measures are embedded throughout the organisation.	Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.	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.	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.
<b>Protecting itself and its residents</b>			
Recognising the harm that fraud can cause in the community. Protecting itself and its residents from fraud.			

1.4 The Strategy seeks to embed the 6 C's for effectively implementing an anti-fraud ethos throughout the Council which include:

- Culture – creating a culture where fraud and corruption are unacceptable and that is measurable.
- Capability – assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is 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.
- Communication – raising awareness internally and externally, deterring fraudsters, sharing information, 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 and innovation, and information.

- 1.5 Acts of dishonesty within our Council are rare and consistent with the rest of the public sector. However, as in all organisations, things may go wrong and, in case they do, we must have procedures for combating fraudulent or improper attempts to obtain assets or services.
- 1.6 The principles outlined in this strategy apply to all of our councillors and employees and they demonstrate, to the local community, our commitment to the prevention, deterrence, detection and investigation of all forms of fraud and corruption. The Council also expects that all outside individuals and organisations including suppliers, contractors and claimants will act towards the Council with honesty and integrity.
- 1.7 Section 10 of this Strategy outlines how stakeholders can report a fraud or raise a concern (via the Whistleblowing hotline) when potential acts of dishonesty are identified.

## **2 Fraud Definitions**

- 2.1 This strategy document makes reference to the word “**fraud**”. Where the word fraud is used, it equally applies to instances of theft, corruption, bribery and money laundering. The definitions of such offences are set out in the following paragraphs.
- 2.2 As per the **Fraud Act 2006**, fraud is a criminal offence. Fraud is any action taken by an individual, group or organisation which is designed to facilitate dishonest gain at the expense of (or loss to) the Council, the residents of Blackburn with Darwen or the wider national community and can include:
- Fraud by False Representation: Dishonestly making a false representation, and intend by making the representation, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
  - Fraud by (wrongly) failing to disclose information: Dishonestly failing to disclose information which they are under a legal duty to disclose, and intend by failing to disclose the information, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
  - Fraud by abuse of position: Occupy a position in which the post holder is expected to safeguard, or not act against, the financial interests of another person, dishonestly and secretly abuse that position, and intend by such abuse, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
- 2.3 **Theft** is stealing any property belonging to the Council or which has been entrusted to it (i.e. client funds), including cash, equipment, vehicles or data. Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to our staff or members whilst on Council premises. A person is guilty of theft under the **Theft Act 1968** if they ‘dishonestly appropriate property belonging to another with the intent of permanently depriving the other of it’ or they dishonestly retain a wrongful credit. For example, where they do not report and repay an overpayment of salary or advance.
- 2.4 **Corruption** is defined as an act done with the intent to give some advantage which is inconsistent with a public servant’s official duty and the rights of others. In the public sector it can also be defined as the abuse of power by a public official for private gain. Forms of corruption vary but include bribery, extortion, nepotism, cronyism, embezzlement.
- 2.5 **Bribery** is defined as the offering, giving, soliciting or acceptance of inducements or reward designed to influence official action or decision making. Under the **Bribery Act 2010**, organisations are expected to implement anti-bribery measures and both organisations and individuals can face significant penalties for failure to meet these requirements.

- 2.6 **Money laundering** is the process by which the proceeds of crime are changed so that they appear to come from a legitimate source. Legislation concerning money laundering is included within the Proceeds of Crime Act 2002 (the POCA) and Money Laundering Regulations 2007.
- 2.7 A **Whistleblower** is a person who tells someone in authority about alleged dishonest or illegal activities, including fraud, occurring in any public or private organisation. The **Public Interest Disclosure Act 1998** provides legal recourse for the person raising the concern should they feel they have been treated unfairly as a result of "whistleblowing".

### 3 **Responsibilities**

- 3.1 This Strategy details the responsibilities for countering fraud across the Council's stakeholders (including councillors, management and employees):

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud.
Deputy Director Legal & Governance (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.
Director of Finance (Section 151 Officer)	To ensure the Council has an adequately resourced and effective Counter Fraud and Internal Audit service.
Audit & Governance Committee	To monitor the Council's policies and consider the effectiveness of the Counter Fraud Framework.
Councillors	To support and promote the development of a strong counter fraud culture.
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 & Assurance Team	To develop and implement the Counter Fraud Framework and promptly investigate cases of suspected fraud reported under this policy, via the Whistleblowing arrangements or the National Fraud Initiative. To make recommendations to improve controls and reduce the risk of fraud in the future.
Chief Officers & Managers	To promote staff awareness and refer all cases of suspected fraud to the Audit & Assurance Team. To ensure that they assess the risk of fraud in their service areas and reduce these risks by implementing strong internal controls designed to prevent and/or detect fraud, theft and corruption within their service areas.

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Employees	To comply with Council policies and procedures, to be aware of the possibility of fraud, and to report any genuine concerns to management, the Audit & Assurance Team or via the Whistleblowing arrangements.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud against the Council and report any genuine concerns / suspicions.

3.2 The Council will continue to support its stakeholders to develop the appropriate skills and competencies to enable them to tackle fraud effectively.

#### 4 **Aims & Objectives**

4.1 The Council is committed to ensuring that opportunities for fraud are reduced to the lowest possible level through a combination of:

##### **Acknowledge:**

- Ensure that all Council stakeholders understand that fraud is unacceptable.
- Clarify roles and responsibilities in relation to fraud.
- Identify, assess and review areas of greatest fraud risk.
- Enable managers to identify and mitigate fraud risks.
- Use the capacity and capability available effectively to investigate and prosecute fraud.

##### **Prevent:**

- Promote a culture of zero tolerance for fraud.
- Provide access to rules and procedures, which stakeholders will be expected to follow.
- Design and operate systems, rules and procedures, which minimise the risk of fraud.
- Share information with other authorities to deal with fraud locally and nationally, working within the law.
- Increase awareness of fraud through a programme of training and communication.
- Encourage and enable stakeholders to raise serious concerns.
- Proactively seek out and investigate instances of potential fraud.
- Publicise cases to demonstrate success in fighting fraud.

##### **Respond:**

- Formally investigate allegations of suspected fraud.
- Apply appropriate sanctions such as disciplinary action, criminal proceedings and recovery of losses when necessary, working with other organisations to achieve this.
- Seeking redress for frauds, overpayments and losses.

4.2 The counter **fraud** aims and objectives will be delivered through a combination of proactive and responsive approaches.

## **5 Proactive Approaches to Fraud**

5.1 A number of **proactive** approaches will be adopted to achieve the aims and objectives of the Council's counter fraud policy.

### Ensure that all Council stakeholders understand that fraud is unacceptable.

5.2 This will be **achieved** by:

- Having a clear statement of intent (the Counter Fraud Policy) approved by the Council.
- Communicating the Counter Fraud Policy and associated framework documents to all of the Council's stakeholders.

### Clarify roles and responsibilities in relation to fraud.

5.3 This will be achieved by:

- Clearly identifying responsibilities for counter fraud within the Council (section 3 of this Strategy).
- As part of the production of the Annual Governance Statement an assessment will be made on the effectiveness of the Council's counter fraud arrangements, particularly in relation to the "CIPFA Code of Practice on managing the risk of fraud and corruption".

### Identify, assess and review areas of greatest fraud risk.

5.4 This will **be** achieved by:

- Using the tools (available from CIPFA, Cabinet Office etc.) to understand the main fraud risks affecting local government, estimate the potential level of impact/loss and use this information to target resources more efficiently.
- Establish the level of resilience to the fraud threats and assess against a checklist for the arrangements that should be in place to minimise the risk of fraud taking place.
- Maintain a specific fraud risk register for the Council that takes account of the highest fraud risk areas.

### Enable managers to identify and mitigate fraud risks.

5.5 This will be **achieved** by:

- Fraud risks to be acknowledged in the fraud risk register where applicable.
- Working with service managers to carry out initial fraud risk assessments of the potential fraud in their areas.

### Use the capacity and capability available effectively to investigate and prosecute fraud.

5.6 This will be achieved by:

- Maintaining a counter fraud resource to act in an advisory and guiding capacity which is accessible to all stakeholders.

Promote a culture of zero tolerance for fraud.

5.7 This will be achieved by:

- Publicising the Council's Counter Fraud Policy.
- Publicising action taken against fraudsters.

Provide access to rules and procedures, which stakeholders are expected to follow.

5.8 This will be achieved by:

- Maintaining and publicising guidance to explain to members, employees and other stakeholders the process for managing and reporting fraud risks within the Council (section 9 of this Strategy).

Design and operate systems, rules and procedures, which minimise the risk of fraud.

5.9 This will be achieved by:

- System owners ensuring strong internal control procedures are in place to minimise the risk of fraud and that these controls operate effectively.
- Internal Audit will continue to review the efficacy of counter fraud internal controls put in place by management and provide independent assurance over fraud risk management.

Share information with other authorities to deal with fraud locally and nationally, working within the law.

5.10 This will be achieved by:

- Participation in the Cabinet Office's National Fraud Initiative (NFI) conducted every 2 years.
- Wherever possible and legal assist and exchange information with other appropriate bodies to assist in investigations to combat fraud.

Increase awareness of fraud through a programme of training and communication.

5.11 This will be achieved by:

- Stakeholders will be encouraged to undertake the e-learning training, which has been designed to raise awareness to the possibility of fraud within the Council.
- Regular reminders will be issued to stakeholders of the existence of the Strategy and the e-learning training.
- Statistics on usage will be reported to the Audit & Governance Committee.
- Continued publication of cases to maintain awareness to the possibility of fraud within the public, private and voluntary sectors.

Encourage and enable stakeholders to raise serious concerns.

5.12 This will be achieved by:

- Maintaining effective referral, confidential reporting and whistleblowing arrangements.

Proactively seek out and investigate instances of potential fraud.

5.13 This will be achieved by:

- Undertake planned proactive fraud checks in areas identified as high risk.

- Data from different sources available within the Council matched as an effective way to identify potential fraud and error.

Publicise cases to demonstrate success in fighting fraud.

5.14 This will be achieved by:

- Analysing the number and value of reported fraud cases within the Council, and reporting these to the Audit & Governance Committee.
- Producing an annual fraud report, which is available to the public, which openly acknowledges the fraud risks the Council faces, the types of fraud that have occurred during the year, and, as required by the Department for Levelling Up, Housing and Communities (DLUHC) Transparency Code the resources committed to anti-fraud measures.

## **6 Responsive Approaches to Fraud**

6.1 The Council will continue to provide a responsive approach to achieve the aims and objectives of the Council's Counter Fraud Policy.

Formally investigate allegations of suspected fraud.

6.2 This will be achieved by:

- Risk assessing fraud referral information to determine if internal (within the Council) or external investigation (e.g. Police) is appropriate.
- High risk internal investigations being undertaken by appropriately skilled officers with lower risk referrals being dealt with by line management.
- Investigations being undertaken in accordance with the Council's disciplinary policy and procedure with HR & Legal support, as required, with the objective of determining if a fraud has taken place.
- Investigation findings being reported to a Chief Officer.

Apply appropriate sanctions such as disciplinary action, criminal proceedings and recovery of losses when necessary, working with other organisations to achieve this.

6.3 This will be achieved by:

- Appropriate reporting of cases of fraud, or attempted fraud to the police.
- Taking disciplinary action in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case.

Seeking redress for frauds, overpayments and losses.

6.4 This will be achieved by:

- Making full use of the legal remedies available in all cases of fraud and attempted fraud.
- Consider, in addition or alternatively to criminal proceedings, all appropriate civil proceedings to recover any losses incurred by the Council.

## **7 Joint Working**

7.1 We participate in the exchange of information between the Council and other public agencies to assist with the identification of fraud, bribery and corruption. Any such exchange of information will be undertaken in accordance with the principles contained

in the Data Protection Act 1998.

7.2 These public agencies may include:

- Police.
- External Audit.
- Local, regional and national auditor networks.
- National Anti-Fraud Network.
- CIPFA.
- Department of Work and Pensions.
- Central Government – Cabinet Office.
- Other local authorities.
- NHS bodies.

7.3 In order to try to stay one step ahead of the fraud to which the Council may be exposed, it will be necessary to undertake a regular review of national developments and strengthen systems and procedures. Key sources of information that will be used to inform the ongoing continuous improvement of the Counter Fraud Strategy will be:

- National Fraud Initiative Website.
- Protecting the Public Purse Report.
- HM Treasury Publications.
- Annual Fraud Reports.
- CIPFA Better Governance Forum (BGF.)
- National Anti-Fraud Network (NAFN).
- Intelligence Bulletins.

## **8 Performance Measures**

8.1 Investigation activity itself does not represent the outcomes of our counter fraud work. We recognise that by preventing fraud we will reduce losses and the delivery of our counter fraud work plan will improve overall outcomes and achieve the aims & objectives of this policy.

8.2 We will measure the effectiveness of our counter fraud arrangements by focusing on outcomes such as:

- reducing the likelihood and impact of fraud (completion of assessments/reduce residual risks).
- increasing fraud awareness levels (completion of e-learning training).
- delivery of the proactive counter fraud work plan.
- zero tolerance to fraud (number of referrals / disciplinary results).
- successful prosecutions and other sanctions.

8.3 The Annual Fraud Report will include an evaluation of the success of this strategy in achieving its objectives. Success measures and indicators will include, but not be limited to, the following:

- % Completion of fraud risk assessments.
- % Reduction in residual fraud risk scores (following implementation of management actions).
- % Delivery of proactive counter fraud work plan.
- Value of frauds/errors identified through proactive counter fraud testing.
- Number of stakeholders completing fraud, bribery & corruption e-learning training.
- Number of suspected fraud cases identified.
- % of cases requiring formal investigation/police referral.
- % of cases achieving a positive outcome (prosecution/disciplinary action/loss

recovery).

## **9 Counter Fraud Policy Framework**

9.1 The Council has put in place a policy framework which supports the implementation of this Counter Fraud Strategy. This framework is designed to encourage and raise awareness of all staff to the fraud risks. Increased awareness aids prevention and responsiveness.

9.2 The Council's counter fraud policy framework includes the following:

- Counter Fraud Policy Statement.
- Whistleblowing Policy.
- Money Laundering Policy & Strategy.
- Money Laundering (SFI 20).
- Bribery Act Statement.
- Gifts & Hospitality (SFI 21).
- Register of Personal Interests (SFI 12).
- Employee Code of Conduct.
- Members Code of Conduct.
- Information Security Policy.
- Fraud Response Plan (SFI 18).
- Corporate Enforcement & Prosecution Policy.
- Contract & Procurement Procedure Rules.

9.3 The Council's counter fraud policy framework will be regularly reviewed to ensure it remains up to date and fit for purpose. In addition there will be regular communications to all staff especially whenever a policy is amended or replaced. All policies will be signed off and supported at the highest level within the Council.

## **10 Further Information**

### Reporting a Fraud

10.1 There are a number of ways that individuals may raise a concern or report suspected fraud (see below). Employees are urged to consider the nature of the concern, whether it **involves** immediate management and the seriousness and sensitivity of the issues involved

10.2 If you feel that **you** are unable to discuss the issue with your immediate manager or you are a manager that requires further advice you can contact:

- Chris O'Halloran (Principal Internal Auditor – Counter Fraud)  
Telephone: 01254 585728  
Email: [chris.o'halloran@blackburn.gov.uk](mailto:chris.o'halloran@blackburn.gov.uk)
- Colin Ferguson (Head of Audit & Assurance)  
Telephone: 01254 585326
- Email: [colin.ferguson@blackburn.gov.uk](mailto:colin.ferguson@blackburn.gov.uk)

### Dedicated Whistleblowing Hotline

10.3 The Council's Whistleblowing Policy encourages employees (and those of contractor and partner organisations) to report concerns that are in the public interest. The Policy outlines the process for raising concerns and the types of conduct that should be reported.

- 10.4 The Council **operates** a single point of contact system for all whistleblowing matters. All notifications are initially dealt with by the Audit & Assurance team who can be contacted by;
- using the Council’s dedicated help line Tel: 01254 585688, which is staffed during normal office hours (an answering service operates at all other times);
  - e-mail to the Council’s dedicated whistleblowing in box whistleblowing@blackburn.gov.uk;
  - via a Head of Service or Director of the Council. In this situation the Head of Service or Director is then required to contact Audit & Assurance by using one of the methods listed above); and
  - confidential letter to the Audit & Assurance team in the Tower Block.
- 10.5 Calls or e-mails that are not fraud or audit related will be forwarded to the relevant **departmental** Director for action. If you request anonymity, any and all information which may identify you will be deleted before being passed on if at all possible/practicable.
- 10.6 If you use **the** e-mail method of whistleblowing you should provide the following information, where possible:
- the background and history of the concern (giving relevant names, dates, and places where possible); and
  - the reason why you are particularly concerned about the situation, and the possible implications of your concerns.

## 11 **Action Plan**

- 11.1 This Strategy sets out the developments the Council proposes over the next five years to further improve its resilience to fraud.
- 11.2 These developments include the following actions:

<b>Action</b>	<b>Responsible Officer</b>	<b>Implementation Date</b>
Publish the Council’s approved Counter Fraud Policy and Strategy.	Head of Audit & Assurance	July 2022
Approve the Council’s annual counter fraud plan (as part of the Audit & Assurance Annual Plan).	Audit & Governance Committee	March 2022
Undertake proactive fraud testing of major fraud risk areas.	Head of Audit & Assurance	March 2023
Review and evaluate controls within the Council-wide fraud risk register.	Head of Audit & Assurance	March 2023
Produce an annual fraud report for approval and publication.	Head of Audit & Assurance	June 2023

- 11.3 In addition the Council, specifically its Audit & Governance Committee will continue to receive updates on counter fraud activity at each scheduled meeting. These updates will consider the implementation of this Strategy.