



COUNTER FRAUD & CORRUPTION STRATEGY

2020 - 2023

Forward by the Chief Executive

The Council is funded by public money, through council tax, business rates and other sources. Fraud against councils is in effect a theft from every person and business in Middlesbrough. Money lost to fraud is funding that cannot be spent on the vital public services that our communities rely on.

In the Council's Strategic Plan 2020-2023 we have set out our aims and objectives which are to improve the lives of residents, invest in the infrastructure of our city, and support the growth of business. Fraud against the Council undermines our ability to meet these aims.

Our message is straightforward, the Council will not tolerate any fraud or corruption against it.

This strategy sets out the measures the Council will take to develop its arrangements to tackle fraud and corruption. We will seek to identify areas where fraud may occur and limit opportunities for fraudsters to exploit the Council. Where fraud is suspected we will investigate robustly, and where it is proved will utilise all measures available to us to deal with criminals and recover any losses.

Tony Parkinson
Chief Executive

Introduction

- 1 All organisations are at an increasing risk of fraud and corruption. In 2018 the number of fraud offences rose by 12% to 3.6 million which equates to one third of all crimes in the UK.¹ The most recent report into the cost of fraud against local authorities estimates it as being as high as £7.3 billion out of a total of £40.4 billion for the whole UK public sector.² The risk of fraud continues to grow and where fraud used to be undertaken at a local level it increasingly originates nationally and internationally.
- 2 The Covid-19 global pandemic started in early 2020. The full effects of this are not known at the time of drafting this strategy, however it is likely to have a considerable effect on public sector finances. The Council will have to make changes to the way it works to continue to provide effective services for its citizens and to achieve its overall aims. It is essential that the council minimises losses caused by fraud, to help it achieve those aims and to maximise the money it has available to provide services.
- 3 This strategy outlines how the Council will assess the risks of fraud and corruption that it faces, strengthen its counter fraud arrangements, and tackle fraud where it occurs. It has been prepared to reflect the national collaborative counter fraud strategy for local government in the UK, Fighting Fraud & Corruption Locally – A Strategy for the 2020s.
- 4 The strategy has been reviewed by the Corporate Affairs and Audit Committee as part of its responsibility for considering the effectiveness of counter fraud and corruption arrangements at the Council. The strategy and action plan will be reviewed annually.

Our aim

- 5 Fighting Fraud & Corruption Locally recommends councils consider the effectiveness of their counter fraud framework by considering performance against the four key themes set out below. The Council's aim is that by 2023 it will have adequate and effective arrangements in each of these areas.
 - **Govern** – Ensure that the Council has robust arrangements and executive support to ensure that anti-fraud, bribery and corruption measures are embedded throughout the organisation.
 - **Acknowledge** – Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

¹ Economic Crime Plan 2019-2023, HM Government

² Annual Fraud Indicator 2017, Crowe Clark Whitehill

- **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.
- **Pursue** – Punishing fraudsters and recovering losses, developing capability and capacity to investigate fraudsters.

Current arrangements and action required

- 6 The Council already has many of the components for a strong counter fraud framework in place. For example:
- control arrangements for key financial systems are robust, being underpinned by statutory requirements, council financial regulations and scrutiny through internal and external audit.
 - the policy framework incorporates many elements of counter fraud good practice (e.g. an anti-fraud, bribery and corruption policy, whistleblowing policy and an annual fraud risk assessment) which have developed over the years in response to legislation and emerging issues.
 - participation in collaborative counter fraud work with other agencies, through the National Fraud Initiative.
- 7 However, with a growing awareness of new fraud risks in recent years there is now a need to improve overall arrangements, taking into account the latest guidance available to assess whether the overall counter fraud framework is robust.
- 8 A review of current arrangements has identified a number of areas for development, and these are included in the action plan at Appendix 1 and in the Fraud Risk Assessment. The actions address the recommendations in the national Fighting Fraud Locally strategy.

The counter fraud policy framework

- 9 This strategy is part of the Council's overall framework for countering the risks of fraud and corruption. Further detailed information can be found in other policies and procedures including:
- Anti-Fraud, Bribery and Corruption Policy - this sets out responsibilities for counter fraud and investigation work, the actions the council will take in response to fraud, and its policy on sanctions
 - Fraud Risk Assessment - a specific risk assessment undertaken to identify counter fraud risks and develop actions to address those risks
 - Anti Money Laundering Policy - defines council responsibilities in respect of the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007

- Whistleblowing Policy - arrangements for Council staff to raise concerns; confidentially if required.

10 The strategy also links to, and is supported by, wider council policy and procedures covering areas such as:

- governance
- employee disciplinary arrangements
- codes of conduct
- registers of interest
- financial regulations
- electronic communications
- information security
- cyber security

Appendix 1: Counter Fraud and Corruption Strategy Action Plan

Ref	Action Required	Target Date	Responsibility	Notes / Further Action Required
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the Council and sets overall counter fraud aims. The strategy should link together existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	September 2020	Chief Finance Officer / Veritau	Progress against the strategy to be reviewed annually and reported to the Corporate Affairs and Audit Committee.
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the Council's counter fraud arrangements.	September 2020	Chief Finance Officer / Veritau	Review annually.
3	Review and update the Council's Fraud Risk Assessment.	September 2020	Chief Finance Officer / Veritau	Review annually.
4	Regularly report to the Corporate Affairs and Audit Committee on counter fraud activity.	July 2021	Veritau	To include an annual report timed to coincide with the Head of Internal Audit report (July 2021).
5	Meet managers of key service areas to discuss fraud provision.	October 2020	Veritau / Relevant service areas	Begin with areas determined to be of high or medium risk in the counter fraud risk assessment. Maintain regular contact.
6	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	March 2021	Veritau	To be undertaken on a rolling basis. High risk areas include adult social care, revenues and

				benefits, procurement, and cybercrime.
7	Review paper and online application forms in relevant services to ensure that they have sufficiently robust declarations to undertake national and local datamatching exercises (e.g. National Fraud Initiative) and criminal investigation.	April 2021	Veritau / Relevant service areas	Where they are found to be insufficient recommendations to be made to service managers.
8	Publicise new channels to report fraud for both members of staff and the public.	March 2021	Veritau	Update website and intranet to introduce new reporting routes, including a fraud hotline.