1.	Meeting:	Audit Committee
2.	Date:	23rd September, 2015
3.	Title:	Anti Fraud and Corruption Policy and Strategy
4.	Directorate:	Finance and Corporate Services

5. Summary

This report refers to a proposed update to the Council's Anti Fraud and Corruption Policy and Strategy. The update is being completed primarily to ensure the Policy and Strategy are up to date with current best practice and recent changes to the RMBC organisation structure.

The report also provides a summary of proposals to further strengthen the Council's arrangements following a self- assessment against the CIPFA checklist included in its new Code of Practice on *Managing the risk of fraud and corruption*.

6. Recommendations

The Audit Committee is asked to agree the proposed revisions to the Council's Anti Fraud and Corruption Policy and Strategy.

7.   Proposals and Details

7.1   The Council's last full revision of its Anti-Fraud and Corruption Policy and Strategy was completed in January 2012. It has subsequently been updated twice to reflect developments since then. A fuller revision is now proposed to reflect further changes resulting from national and local developments.

7.2   The Council's revised Policy is attached at **Appendix A** and its revised Strategy is included at **Appendix B**.

7.3   The main changes to the previous versions are as follows:

- The revised Policy and Strategy reflect the Rotherham Improvement Plan objectives and to show the way the Council's anti fraud work supports these objectives.

- RMBC organisational changes and consequent post titles have been taken into account.

- Recognition that the Single Fraud Investigation Service (SFIS) will be implemented in Rotherham in December 2015 and will take over responsibility for future benefits and fraud detection and investigation.

- Consideration and self–assessment of a new CIPFA "Code of Practice on Managing the Risk of Fraud and Corruption", **see Appendix D**.

7.4   Attached at **Appendix C** is an update to the Council's action plan for managing the risk of fraud. It is important that we continue to keep our arrangements under review and update them where necessary**,** to ensure scarce resources are not diverted from Council priorities due to fraud. To ensure we continue to minimise the risk of fraud, we will carry out the following actions during 2015/16:

- Produce a protocol to agree with the Police covering opportunities for joint operations, sharing of intelligence and general liaison

- Complete data analytics work on potential housing tenancy fraud and report results to the Audit Committee

- Keep under review the adequacy of the Council's capacity to deal with fraud.

- Keep up-to-date the Council's Anti-fraud and Corruption Strategy, Policy and Action Plan

- Make arrangements for the external verification of the Council's compliance with the Code of Practice on Managing the Risk of Fraud, possibly through some form of peer review.

- Develop a Cyber Security Policy

- Perform checks on Members' register of interests, and the use of council resources by Members and officers e.g. IT and communication equipment and Members' dealings with the Council as residents.

- Complete the programme of awareness raising and anti fraud risk register development agreed through the DCLG Counter Fraud Fund Programme, ensuring Members are included in the programme.

7.5   Delivery of these initiatives should help ensure our arrangements for managing the risk of fraud continue to comply with best current practice and keep the number and cost of frauds to a minimum.

8.   Finance.

8.1   There are no direct financial implications arising from this report.

8.2   In October 2014, Rotherham and Doncaster Internal Audit Services successfully made a joint bid for counter-fraud funding from DCLG (£49,000 each for to cover the period January 2015 to March 2016). The bid was for two strands of work involving a programme of awareness training and data analytics work to look for erroneous and fraudulent transactions.

9.   Risks and Uncertainties

9.1   Failure to refresh the anti fraud and corruption initiatives could expose the Council to increased risks of fraud and corruption as new and emerging risks appear.

10.   Policy and Performance Agenda Implications

10.1   Implementation of the Anti Fraud and Corruption Strategy will contribute towards "Effective financial planning and management" through "Effective fraud and anti-corruption measures" as stated in the Rotherham Improvement Plan [May, 2015].

11.   Background Papers and Consultation

CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, 2014
Rotherham Improvement Plan – A Fresh Start, 2015

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Appendices:

Appendix A	Anti Fraud and Corruption Policy [revised]
Appendix B	Anti Fraud and Corruption Strategy [revised]
Appendix C	Anti Fraud and Strategy Action Plan
Appendix D	Self-assessment against CIPFA Code of Practice checklist

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

ANTI FRAUD AND CORRUPTION POLICY

2015

1. Background – Principles of Public Life

1.1 The Nolan Report relating to the Principles of Public Life published in 1997 defined seven general principles that should underpin public life. These were subsequently incorporated by the Government into the "Relevant Authorities (General Principles) Order 2001". The Council expects both members and employees to follow these principles when carrying out their roles and responsibilities:-

> **Selflessness**. Holders of public office take decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families, or their friends.

> **Integrity**. Holders of public office should not place themselves under any financial or other obligations to outside individuals or organisations that might influence them in the performance of their official duties.

> **Objectivity**. In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

> **Accountability**. Holders of public office are accountable for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office.

> **Openness**. Holders of public office should be as open as possible about all of the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

> **Honesty**. Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve conflicts arising in a way that protects the public interest.

> **Leadership**. Holders of public office should promote and support these principles by leadership and example.

1.2 The Council is fully committed to ensuring that it carries out its day to day operations in accordance with the principles of good Corporate Governance, defined by the Audit Commission as integrity, openness and accountability. These principles require a culture within the Council based upon openness and honesty, where decisions and behaviours can be challenged and accountability is clear.

1.3 An Anti-Fraud and Corruption Policy is an essential element of such a culture and signifies the Council's expectation that elected Members and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

2. Policy Context.

2.1 In the recently produced "Rotherham Improvement Plan" [May, 2015] an essential Improvement Plan Action – Phase 1 Transition May 2015 – May 2016 is "Robust governance, decision-making and performance management". In order to achieve this Effective financial planning and management requires effective fraud and anti- corruption measures. Specifically, a review of anti fraud and anti-corruption measures within the Council is required by the end of December 2015.

2.2 The Council aims to develop a new Corporate Plan and a new Community Strategy by January 2016. New partnership strategies involving health and well-being, Safer Rotherham and economic growth are also in development. Clearly, an effective anti fraud and corruption strategy/policy will be a critical component of the council's renewed/improved governance framework and will support partnership objectives to create safe and healthy communities.

Anti Fraud and Corruption Strategy.

2.3 The Council recognises that it is important that our policy is deliverable and clearly links to operational considerations. Our approach is articulated in the Council's Anti Fraud and Corruption Strategy. This strategy is focused on identifying, delivering and monitoring outcomes. The strategy is supported by an action plan which includes practical measures which should help ensure the Council's policy is turned into practice.

Partner Organisations.

2.4 Working with partner organisations is an integral element of the Council meeting its objectives.

3. Anti fraud and Corruption Policy Statement.

3.1 The Council is determined to prevent and eliminate all fraud and corruption affecting itself, regardless of whether the source is internally or externally based. Our strategy to reduce fraud is based on deterrence, prevention, detection, investigation, sanctions and redress within an over-riding anti fraud culture. We will promote this culture across all our service areas and within the community as a whole. One pound lost to fraud means one pound less for public services. Fraud is not acceptable and will not be tolerated.

3.2 We will seek to promote an anti fraud culture within our community by publicising the impact of fraud on the community. We will also seek to assist our partners and our community to understand and reduce fraud threats through a programme of awareness training. Furthermore, we will seek to deter fraudsters through specific publicity and general campaigns.

3.3 The Council takes a holistic approach to anti fraud measures. Fraud prevention and system security is an integral part of the development of new systems and ongoing operations. Managers will consider the fraud threats and take advice where appropriate when implementing any financial or operational system.

3.4 To achieve this aim the Council will:-

- ✓ Identify the procedures to encourage Members, employees and the general public to **report** any suspicions of fraud and corruption in the knowledge that such reports will be treated confidentially and not result in discrimination against the person providing the information.
- ✓ Identify procedures and policies within the Council to encourage prevention.
- ✓ Promote detection.

✓ Determine the procedure for investigation and subsequent actions required following the conclusion of the investigation.

3.5 The Policy is designed to supplement existing Council policies and procedures including Standing Orders and Financial Regulations, Codes of Conduct (Employees and Members) and the Disciplinary Procedure.

3.6 For ease of reference, this document lists the following existing Council policies, which form the key building blocks in the Council's anti fraud and corruption governance arrangements: -

➢ Financial Regulations
➢ Standing Orders
➢ Code of Official Conduct
➢ Members Code of Conduct
➢ Anti Money Laundering Policy
➢ Confidential Reporting Code / Whistleblowing Policy
➢ Regulation of Investigatory Powers Act Policy

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Councillor Chris Read, Leader   **Date**

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Councillor Ken Wyatt, Chair, Audit Committee   **Date**

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Commissioner Stella Manzie, Managing Director   **Date**

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

ANTI FRAUD AND CORRUPTION STRATEGY

2015

CONTENTS

1.   INTRODUCTION.

1.1   Context.

RMBC employs nearly 7,000 staff and spends nearly £900 million per year.

The Council both commissions and provides a wide range of services to individuals and households, working with a range of many other private and public and voluntary sector organisations.

The size and nature of our services, as with any other large organisation, mean that there is an ever-present risk of loss due to fraud and corruption, from sources both internal and external.

RMBC takes a responsible, long-term view of the need to continuously develop anti fraud initiatives and maintain its culture of anti fraud awareness.

1.2   Links to Strategic Objectives.

In the recently produced "Rotherham Improvement Plan" [May, 2015] an essential Improvement Plan Action – Phase 1 Transition May 2015 – May 2016 is "Robust governance, decision-making and performance management". In order to achieve this "Effective financial planning and management" requires "Effective anti fraud and anti corruption measures". Specifically, a review of anti fraud and anti corruption measures within the Council is required by the end of December 2015.

The Council aims to develop a new Corporate Plan and a new Community Strategy by January, 2016. New partnership strategies involving health and well-being, Safer Rotherham and economic growth are also in development. Clearly, an effective anti fraud and corruption strategy/policy will be a critical component of the council's renewed/improved governance framework and will support partnership objectives to create safe and healthy communities.

2.   PURPOSE OF THIS DOCUMENT.

2.1   The purpose of this document is to set a strategy for taking forward counter fraud and corruption work within RMBC over the next three years. Whilst the catch-all term 'anti fraud' is used in the document, the strategy also covers anti theft and anti corruption measures, including bribery.

2.2   Objectives of the Anti Fraud Strategy

The key objectives of this anti fraud strategy are to maintain minimal losses through fraud and corruption and further embed the management of fraud risk within the culture of the organisation.

These objectives will be achieved by ongoing revision and implementation of a plan of action for the period 2015/16 based on a fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

["Chartered Institute of Public Finance and Accountancy, Code of Fraud Risk Management, CIPFA, 2014"].

In the Audit Commission's publication, "Protecting the Public Purse 2014", the Commission encourages all public bodies, including local authorities, to assess themselves against this Code.

This is a voluntary code that can be applied in any public service organisation and has five principles:
- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action.

The Council expects all Councillors, employees, consultants, contractors and service users to be honest, and to provide any information, help and support we need to prevent and detect fraud and corruption.

3.   WHAT IS FRAUD AND CORRUPTION?

3.1 Fraud.

The Fraud Act 2006 came into force on 15th January 2007 as a response to the recommendations of the Law Commission Report 'Fraud' published in 2002.

The Act repeals the deception offences enshrined in the 1968 and 1978 Theft Acts and replaces them with a single offence of fraud which can be committed in three separate ways: -
- False representation.
- Failure to disclose information where there is a legal duty to do so.
- Abuse of position.

The Act also created four new offences of: -
- Possession of articles for use in fraud.
- Making or supplying articles for use in fraud.
- Obtaining services dishonestly.
- Participating in fraudulent business.

The Fraud Act 2006 has defined fraud in law for the first time, defining it in three classes: fraud by false representation; fraud by failing to disclose information; and fraud by abuse of position.

CIPFA defines fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

3.2 Theft.

Theft is defined in the 1968 Theft Act:-
'A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it'.

3.3 Corruption.

The Council defines the term "corruption" as:-
"The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers."

3.4 Bribery

A bribe is:
''A financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity'' [CIPFA].

The Bribery Act replaces the common law offences of offering or accepting a bribe with two statutory offences (S1 and S2). The Act also creates two further offences: namely that of bribing or attempting to bribe a foreign official (S6) and being a commercial organisation failing to prevent bribery (S7). An S7 offence can only be committed by a commercial organisation.

The 'Corruption Acts 1889 to 1916' are repealed in their entirety. Wider offences are created by the 2010 Act which render the more specific offences created by the old Acts otiose. Other statutes less relevant to Local Authorities have been repealed or amended by the 2010 Act and a full list is in one of the schedules of the Acts.

4. HOW THE COUNCIL CURRENTLY MANAGES THE RISK OF FRAUD AND CORRUPTION.

In recent years the Council has experienced a relatively low level of detected fraudulent and corrupt activity. Where such activity has been identified prompt action has been taken to investigate and seek sanctions and redress. In its policies and procedures the Council gives out the clear message that it will not tolerate any impropriety by employees or Members.

The Council manages the risk of fraud and corruption in a number of ways:-

4.1 Internal Control Environment.

The Council has adopted a Constitution, recently revised in June, 2015, incorporating responsibilities for decision making and rules of procedure. These procedures, together with detailed Financial Regulations, act as the framework for financial control within the Council. All officers are required to act in accordance with these rules and regulations when carrying out their duties.

The Council aims to have in place efficient and effective systems of control that as far as possible prevent potential fraudsters from exploiting weaknesses. The prime responsibility for maintaining such systems lies with service managers with support provided by the Council's Internal Audit function.

4.2 Key Controls

Corporate Governance best practice specifies that the following key controls should exist within an authority committed to the prevention of financial irregularities:-

a. The Authority has an effective anti fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption.
b. All Members and employees act with integrity and lead by example.
c. Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.
d. High standards of conduct are promoted amongst Members by the Standards Committee, including the provision of advice and relevant training on matters relating to the Code of Conduct.
e. A Register of Interests is maintained to enable Members and employees to record any financial or non-financial interests that may bring about conflict with the authority's interests.
f. A Register of Gifts and Hospitality is maintained to enable employees to record gifts and hospitality either received, or offered and declined, from the authority's contractors and suppliers.
g. Confidential Reporting ("Whistle blowing") procedures are in place and operate effectively.
h. All relevant legislation is adhered to.
i. The risk of theft, fraud and corruption is specifically considered as part of the Council's risk management processes.

The Council is fully committed to ensuring that the examples of best practice indicated above are an integral part of its operations.

4.3 Roles and Responsibilities

The Assistant Director, Audit, ICT and Procurement will:-

✓ in conjunction with the Monitoring Officer develop and maintain an Anti Fraud and Corruption Policy.
✓ maintain adequate and effective internal control arrangements.
✓ ensure that all suspected financial irregularities are reported to himself. Where sufficient evidence exists to believe that a criminal offence may have been committed the Assistant Director, Audit, ICT and Procurement, after consulting and receiving the agreement of the Chief Executive / Managing Director, will notify the police to investigate and determine with the Crown Prosecution Service whether any prosecution will take place.

Strategic Directors will:-

✓ ensure that all suspected financial irregularities or financial impropriety brought to their attention are reported to the Strategic Director of Finance and Corporate Services or the Assistant Director, Audit, ICT and Procurement.
✓ instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
✓ maintain both a Departmental Register of Interests and a Departmental Register of Gifts and Hospitality.

✓ ensure staff dealing with financial systems including cash handling and payment systems (payroll / creditors / housing benefit etc) are appropriately trained.

✓ ensure that as far as possible all new employees, regardless of type of employment contract, have their honesty and integrity verified by authenticated written references and qualifications checks. In circumstances where potential employees are working with children and vulnerable members of society that Disclosure and Barring Service [DBS] checks are undertaken.

Members should be aware of situations of potential conflict of interest and should always declare any interests and also the receipt of gifts and hospitality valued in excess of £25 that are in any way related to the performance of their duties as an elected member of the Council. Examples of situations of potential conflict include letting of contracts to external suppliers, planning and land issues. Members' conduct and decisions should always be seen to be impartial together with an obligation to ensure that confidential information is not improperly disclosed to others.

Employees should:-

✓ always be alert to the possibility of theft, fraud and corruption occurring in the workplace and be aware of the mechanisms available for reporting such issues to management within the authority.

✓ comply with the Council's Code of Official Conduct together with any additional code relating to their professional qualifications.

✓ act in accordance with Standing Orders and Financial Regulations

✓ declare any interests and offers of gifts and hospitality that are in any way related to the performance of their duties of employment at the Council.

4.4 Policies, Procedures and Codes.

RMBC has in place a Constitution, and associated Codes of Conduct for both Members and Employees, and Financial Regulations which provide clarity about accountabilities of individuals, Members and Chief Officers. Specific policies and procedures are in place regarding the Council's approach to fraud and corruption and these include:

- Anti Fraud and Corruption Policy
- Anti Money Laundering Manual
- Confidential Reporting Code
- Employees Code Of Conduct
- Members Code of Conduct

These policies provide a framework within which the organisation operates. Having clear polices ensures clarity about the appropriate course of action in any given event. The policies ensure that a consistent and fair approach is taken during any investigations regarding suspected fraud or corruption; this is of particular importance where referral to the police and Crown Prosecution Services is deemed appropriate.

4.5 Internal Audit Activity.

The audit plan provides for system reviews of all major financial and management systems, whether computerised or manual, on a risk assessed basis. Auditors are required to be alert to the risk of fraud at all times in all their work.

5.   HOW THE COUNCIL MEASURES UP AGAINST BEST PRACTICE.

5.1 **Cipfa Standards – 'Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**

Internal Audit has completed an up to date self- assessment against the recent CIPFA checklist. Completion of this exercise helps us demonstrate significant compliance with best practice as well as providing a framework upon which to develop our Anti fraud and corruption Strategy.

6.   OBJECTIVES OF THE STRATEGY.

6.1 The Council's objectives for its anti fraud and corruption strategy are to maintain minimal losses through fraud and corruption and further embed management of fraud risk within the culture of the organisation. The intention is to achieve this by implementing the CIPFA Fraud Standards which state that the foundations of an effective anti fraud framework comprise five key elements:-
   * Acknowledge responsibility
   * Identify risks
   * Develop a strategy
   * Provide resources
   * Take action.

The next sections of this strategy document [sections 7-11] outline each of the

CIPFA fraud standards and the specific actions required to ensure compliance with the standards. Additionally, several other actions have been identified, over and above the CIPFA requirements, which will strengthen arrangements.

7.   ACKNOWLEDGE RESPONSIBILITY

The Council should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.

Specific steps should include:

   * The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.

   * The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.

   * The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.

- The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.

> Action required [see Appendix C Ref 4]
>
> 4. Refresh the Council's Anti fraud and Corruption Strategy, Policy and Action Plan, and ensure they address any actions arising from the self-assessment against the revised 'Code of Practice on Managing the Risk of Fraud'.

8. ACCURATELY IDENTIFYING THE RISKS.

8.1 Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

Specific steps should include:

- Fraud risks are routinely considered as part of the organisation's risk management arrangements.
- The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.
- The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.
- The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.

> Action required [see Appendix C Ref 3, 4 and 11]
>
> 3. Keep under review the adequacy of the Council's capacity to deal with corporate and general fraud.
>
> 4. Refresh the Council's Anti fraud and Corruption Strategy, Policy and Action Plan, and ensure they any actions arising from the self-assessment against the revised 'Code of Practice on Managing the Risk of Fraud'
>
> 11. Complete the programme of awareness raising and anti fraud risk register development agreed through the DCLG Counter Fraud Fund Programme. Ensure Members are included in the programme.

9. DEVELOP A STRATEGY.

9.1 An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

Specific steps should include:

- The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.

- The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.

- The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below.

Proactive

  o Developing a counter-fraud culture to increase resilience to fraud.
  o Preventing fraud through the implementation of appropriate and robust internal controls and security measures.
  o Using techniques such as data matching to validate data.
  o Deterring fraud attempts by publicising the organisation's anti fraud and corruption stance and the actions it takes against fraudsters.

Responsive

  o Detecting fraud through data and intelligence analysis.
  o Implementing effective whistleblowing arrangements.
  o Investigating fraud referrals.
  o Applying sanctions, including internal disciplinary, regulatory and criminal.
  o Seeking redress, including the recovery of assets and money where possible.

The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.

Action required [see Appendix C Ref 1, 2 and 11]

1. Produce a protocol to agree with the Police covering opportunities for joint operations, sharing of intelligence and general liaison.

2. Complete data analytics work on potential housing tenancy fraud and report results to the Audit Committee.

11. Complete the programme of awareness raising and anti fraud risk register development agreed through the DCLG Counter Fraud Fund Programme. Ensure Members are included in the programme.

10. PROVIDE RESOURCES

10.1 The organisation should make arrangements for appropriate resources to support the counter fraud strategy.

Specific steps should include:

- An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.

- The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.

- The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.

- The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.

Action required [see Appendix C Ref 1 and 3]

1. Produce a protocol to agree with the Police covering opportunities for joint operations, sharing of intelligence and general liaison.

3. Keep under review the adequacy of the Council's capacity to deal with corporate and general fraud.

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11. TAKE ACTION

The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

Specific steps should include:

11.1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:

- Counter fraud policy
- Whistleblowing policy
- Anti-money laundering policy
- Anti-bribery policy
- Anti-corruption policy
- Gifts and hospitality policy and register
- Pecuniary interest and conflicts of interest policies and register
- Codes of conduct and ethics
- Information security policy
- Cyber security policy.

11.2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.

11.3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.

11.4 Providing for independent assurance over fraud risk management, strategy and activities.

11.5 There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.

Action required [see Appendix C Ref 5 - 10]

5. Make arrangements for the external verification of the Council's compliance with the Code of Practice on Managing the Risk of Fraud, possibly through some form of peer review.

6. Make reference to compliance with the Code of Practice on Managing the Risk of Fraud in the Council's Annual Governance Statement.

7. Develop a Cyber Security Policy.

8. Anti fraud / internal audit work could include random routine checks on Members' register of interests, use of council resources by Members and officers eg IT and communication equipment and Members' dealings with the Council as residents.

9. Review of the commissioning of the third sector and grant giving, where the approach to procurement, commissioning and monitoring is variable across the council

10. Checks in relation to any large projects should ensure that decision making reports provide clear financial analysis and the Chief Financial Officer's opinion. Where reports necessarily contain information which is confidential, opposition Members should have access to that part of the report on a confidential basis to satisfy themselves of the information.

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12.   DEFINING SUCCESS.

12.1 Activity should not be confused with outcomes. The focus should always be fixed firmly on the clear outcomes described above for work to counter fraud and corruption. It is important that these relate to the actual sums lost to fraud and corruption rather than to the activity around it. This is no different from a commercial organisation focusing on profit rather than turnover.

While activity can give an organisation the air of being busy and, therefore, successful, what matters is the bottom line. Preventing fraud prevents losses that can be directed into core business.

Only a comprehensive and professional approach to countering fraud and corruption can fully protect an organisation's valuable resources.

13. KEEPING AHEAD.

13.1 In order to try and 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 Anti Fraud Strategy will be: -
- National Audit Office Publications
- Audit Commission Publications HM Treasury Publications
- CIPFA Better Governance Forum (IPF).
- National Anti Fraud Network.

14. PROCEDURE FOR REPORTING OF SUSPECTED FRAUD AND CORRUPTION

14.1 This procedure and the employee obligations contained within it have been adopted as Council policy and it is, therefore, incorporated into all employees' terms of employment and specified in Appendix 5 of the Employees Code of Conduct.

14.2 If you suspect a fraud within your workplace, including fraud perpetrated by Council contractors, or receive information from an external source regarding fraud, the following procedure should be followed: -

✓ **MAKE AN IMMEDIATE NOTE OF ALL RELEVANT DETAILS.**
These should include date and time of the event, record of conversations (including telephone), names of persons present (or description if the name is not known), vehicle details where appropriate e.g. type, colour, registration etc.

DO NOT: -
- ✗ Confront or accuse anyone directly.
- ✗ Try to investigate the matter yourself.
- ✗ Discuss your suspicions with anyone else than the appropriate level of authority.
- ✗ Be afraid to report a matter on the basis that your suspicions may be groundless; all reports will be treated on the basis that they are made in good faith.

14.3 Reporting.

Report your suspicions as rapidly as possible together with the relevant details to an appropriate level of authority and experience. This can either be your line manager OR the Internal Audit Service on Rotherham 382121 Ext. 23297 OR the Assistant Director of Legal Services, Ext. 55768 OR the Chief Executive/ Managing Director.

Alternatively you may prefer to put your suspicions in writing to the Assistant Director of Audit, ICT and Procurement, Riverside House, Main Street, Rotherham and mark the envelope "CONFIDENTIAL — TO BE OPENED BY THE ADDRESSEE ONLY".

The Council would prefer you not to provide information anonymously as it may be necessary for you to provide further information. However, all anonymous information that is received will be investigated.

All reported suspicions will be dealt with sensitively and confidentially.

14.4 Independent External Advice.

If you are unsure whether, or how, to use the above procedure for reporting concerns or you prefer independent advice at any stage, you may contact the independent charity Public Concern at Work. Their staff can give you free confidential advice at any stage about how to raise a concern about fraud or other serious malpractice in the workplace. Public Concern at Work may be contacted by either telephone on 020 7404 6609. Further information regarding this organisation can be found on their web-site www.pcaw.co.uk.

15. PROCEDURE FOR THE INVESTIGATION OF SUSPECTED FRAUD AND CORRUPTION

15.1 Responsibilities. –

The responsibility for the prevention of fraud, other irregularities and error rests with management.

Auditors are responsible for reporting to management on areas of weakness and deficiencies in internal controls and financial systems, together with investigating circumstances where occurrence of fraud is suspected.

15.2 Procedures.

Once management has discovered or suspected a fraud Internal Audit should be notified immediately.

When Internal Audit discovers or suspects a fraud, management of the relevant department should be contacted and discussion take place and agreement reached on how the matter will be investigated. The Chief Executive / Managing Director and Strategic Director of Finance and Corporate Services should be briefed regarding the issues.

Where the matter involves employees of the Council it will be necessary to tie the investigation into the Council's Disciplinary procedure and it will be appropriate to consult with a Human Resource Manager to discuss procedures for possible suspension of the employee pending further investigation.

Members shall be informed of any investigation into Council affairs that requires reporting to the External Auditor as soon as is practical without prejudicing the investigation as per Minute 2920 (7) (ii) (D) of May 1977.

15.3 Objectives of an Investigation.

The objectives of any investigation shall be to: -

✓ Prove or disprove the original suspicions of fraud.
✓ Provide evidence in an appropriate format to substantiate proven cases of fraud.
✓ To implement appropriate controls to prevent a recurrence of the incident.

15.4 Conduct of an Investigation.

The investigation should be conducted by the Internal Audit Service in conjunction with management of the department in the following manner: -

✓ Secrecy and confidentiality shall be maintained at all times.
✓ An early decision may be required, in consultation with the Director of Human Resources at the start of the investigation to determine whether to suspend an employee to ensure evidence is not tampered with, subject to the proviso that the suspension does not prejudice the outcome of the investigation.
✓ All documentation and evidence that is relevant to the investigation should be requisitioned and secured at an early stage by either management or Internal Audit. Evidence and relevant information should be properly documented, considered and evaluated.

15.5 Interviewing.

Interviews with potential perpetrators of fraud will normally be held both at the beginning and at the end of the investigation. However, this procedure may be subject to alteration dependent upon circumstances. Interviews will be held in accordance with the Council's disciplinary procedure and, in cases where the person(s) under investigation are employees of the Council, they will be allowed to have a work colleague, friend, or trade union representative present.

At all interviews a person shall be nominated to take notes of the meeting.

15.6 Conclusion of Investigation.

Once a decision has been reached after interviewing the suspect, the following further matters will need to be considered: -

➢ Involvement of Police.

The Council should always, except in exceptional and extenuating circumstances, have a consistent and fair approach to the involvement of the police in proven cases of fraud and deception. This is especially relevant in the cases where recompense for any losses suffered is sought from the Council's insurers. The Fidelity Guarantee Policy includes a clause which reserves the right of the insurance company to involve the police in the name of the Council, but at the expense of the insurance company, in order to recover losses met within the terms of the policy.

Where the sums involved in an investigation are significant the question of police involvement should be discussed by the relevant Strategic Director, the Strategic Director of Finance and Corporate Services as Section 151 Officer, the Assistant Director of Legal Services and the Human Resources Manager [People]. The

Chief Executive / Managing Director should then be informed of the decision reached.

The Assistant Director of Audit, ICT and Procurement, after consulting and receiving the agreement of the Chief Executive / Managing Director, will notify the Police to investigate and determine with the Crown Prosecution Service whether any prosecution will take place.

➢ Informing the External Auditor.

The External Auditor should always be informed of the outcome of all fraud investigations as part of his role in gathering statistics and information relating to fraud.

➢ Review of Systems.

Where a fraud has occurred as a result of weaknesses in existing systems then steps must be taken to remedy the problem to prevent recurrence.

➢ Insurance / Recovery of Losses incurred.

Chief Officers shall take appropriate action to ensure that the losses incurred by the Council are minimised including: -

(i)   Recover losses directly from the perpetrator of the fraud.
(ii)   Recovery from an employees contributions to the Superannuation Fund where appropriate.
(iii)   Claim on the Council's insurers.

Appendix C   Anti fraud and Corruption Action Plan

Ref	Action	Comments	Officer	Target date
1	Produce a protocol to agree with the Police covering opportunities for joint operations, sharing of intelligence and general liaison		Assistant Director Audit, ICT and Procurement	31 December 2015
2	Complete data analytics work on potential housing tenancy fraud and report results to the Audit Committee		Assistant Director Audit, ICT and Procurement	31 March 2016
3	Keep under review the adequacy of the Council's capacity to deal with corporate and general fraud.		Strategic Director of Finance and Corporate Services	31 March 2016
4	Refresh the Council's Anti fraud and Corruption Strategy, Policy and Action Plan, and ensure they address the shortcomings identified in the self-assessment against the revised Code of Practice on Managing the Risk of Fraud		Assistant Director Audit, ICT and Procurement	30 September 2015
5	Make arrangements for the external verification of the Council's compliance with the Code of Practice on Managing the Risk of Fraud, possibly through some form of peer review.		Assistant Director Audit, ICT and Procurement	31 March 2016
6	Make reference to compliance with the Code of Practice on Managing the Risk of Fraud in the Council's Annual Governance Statement	Completed – a statement has been included in the draft Annual Governance Statement	Assistant Director Audit, ICT and Procurement	Completed
7	Develop a Cyber Security Policy		Assistant Director Audit, ICT and Procurement	30 September 2015

Ref	Action	Comments	Officer	Target date
8	Anti fraud / internal audit work could include random routine checks on Members' register of interests, use of council resources by Members and officers eg IT and communication equipment and Members' dealings with the Council as residents.	Internal Audit planning will specifically include assessment and coverage of these areas	Assistant Director Audit, ICT and Procurement	31 July 2015 - Completed
9	Review of the commissioning of the third sector and grant giving, where the approach to procurement, commissioning and monitoring is variable across the council	Internal Audit planning will specifically include assessment and coverage of these areas	Assistant Director Audit, ICT and Procurement	31 July 2015 - completed
10	Checks in relation to any large projects should ensure that decision making reports provide clear financial analysis and the Chief Financial Officer's opinion. Where reports necessarily contain information which is confidential, opposition Members should have access to that part of the report on a confidential basis to satisfy themselves of the information.		Strategic Director of Finance and Corporate Services	With immediate effect.
11	Complete the programme of awareness raising and anti fraud risk register development agreed through the DCLG Counter Fraud Fund Programme. Ensure Members are included in the programme.		Assistant Director Audit, ICT and Procurement	31 March 2016

Appendix D
Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compl-iance Y/N/P [partial]	Details of compliance	Action required	Appendix C, above Action Point
A Acknowledge responsibility The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.	A1 The organisation's **leadership team** acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.	P	Most recent Anti-Fraud & Corruption Strategy and Policy document was approved by Audit Committee on 18/1/12	Refresh and submission of Anti-fraud Strategy / Policy / Action Plan to Commissioners for approval.	4
	A2 The organisation's **leadership team** acknowledge the importance of a **culture** that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.	P	As above	As above	4
	A3 The **governing body** acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.	P	As above	As above	4
	The **governing body** sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.	P	As above	As above	4

B Identify risks Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.	B1 Fraud risks are routinely considered as part of the organisation's risk management arrangements.	P	There are no fraud related risks on the Council's risk registers. It is the responsibility of the relevant risk managers to decide whether to consider / include risk within the relevant risk register.	IA plan to roll out raising fraud awareness training to senior officers and Members and develop a corporate fraud risk register in the near future using a consultant.	11 3
	B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.	P	Mentioned in the Strategy / Policy but the associated risks are not specifically noted.	Include within refresh in A1 above.	4
	B3 The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.	P	When formulating the Internal Audit [IA] Plan, IA consider national estimates contained in the Audit Commission's' publication "Protecting the Public Purse": http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/Protecting-the-Public-Purse-2014-Fighting-Fraud-against-Local-Government-online.pdf IA also considers previous fraud losses.	N/A	
	B4 The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.	N	Not in Strategy / Policy	Include within refresh in A1 above.	4
	C1 The governing body formally adopts a	P	Most recent Anti-Fraud &	Refresh required, as in	4

strategy	counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.		Corruption Strategy and Policy document was approved by Audit Committee on 18/1/12. This was followed by two Anti-Fraud & Corruption 'Action Plan Update' reports 24/10/12 and 12/06/13.	A1 above. Updates to the strategy and policy are needed, including: reference to RMBC goals; reference documents no hyper-link / may not exist; RMBC expenditure / staff numbers, reference to UoR / KLOE; refreshed action plan needed.	
An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.					
	C2 The strategy includes the organisation's use of **joint working or partnership** approaches to managing its risks, where appropriate.	Y	See Policy document, section 2.3, 9.5.		1
	C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out **below**:				
	Proactive Developing a counter-fraud **culture** to increase resilience to fraud.	Y	Mentioned many times within the Policy.	N/A	
	Proactive Preventing fraud through the implementation of appropriate and robust internal controls and security measures.	Y	See Strategy, section 4.1.	N/A	
	Proactive Using techniques such as data matching to validate data	Y	See Policy, section10.3: NFI mandatory participation. NFI voluntary participation in Mortality Screening imminent.	Tenants exercise imminent also, in liaison with Housing Department and private company – 'Datatank'.	2
	Proactive Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters	P	See Policy, section 3.2.	IA currently developing: • a marketing plan in this area • an E-learning	11

				module to be rolled out • training via a consultant.	
	Responsive Detecting fraud through data and intelligence analysis	Y	See Strategy, section 10.3. IA utilise for fraud and non-fraud work: • IDEA software • IBM Cognos • m/s excel and Access	N/A	
	Responsive Implementing effective whistleblowing arrangements.	Y	See Strategy, section 10.3.	IA currently reviewing arrangements to include a fraud hotline.	
	Responsive Investigating fraud referrals.	Y	See Strategy, section 10.4. Link to Fraud and Investigation Plan and Disciplinary Procedures.	N/A	
	Responsive Applying sanctions, including internal disciplinary, regulatory and criminal.	Y	See Strategy, section 10.5.	N/A	
	Responsive Seeking redress, including the recovery of assets and money where possible	Y	See Strategy, section 10.5.	N/A	
	C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.	Y	See Strategy 4.3.	N/A	
D Provide	D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of	P	The IA Planning exercise matches resources to risk.	Specific fraud risk / resource assessment required.	3

resources	risk.				
The organisation should make arrangements for appropriate resources to support the counter fraud strategy.	D2 The **organisation** utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation	Y	IA staff includes 1 fraud qualified staff, and many, very experienced staff.	N/A	
	D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.	Y	All IA staff have such access, in accordance with Financial Regulations.	N/A	
	D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.	Y	RMBC participates in NFI, follows agreed protocol.	N/A	
E Take action The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.	E1 The organisation has put in place a policy **framework** which supports the implementation of the counter fraud strategy. As a minimum the framework includes: Counter fraud policy Whistleblowing policy Anti-money laundering policy Anti-bribery policy Anti-corruption policy Gifts and hospitality policy and register Pecuniary interest and conflicts of interest policies and register Codes of conduct and ethics Information security policy Cyber security policy	P Y Y Y Y Y Y Y Y N	But, many of these documents do not appear on the RMBC Intranet and / or are not apparently available. Cyber security Policy does not exist.	Review existence of such Policies and ensure refresh in A1 above includes links. IA liaising with ICT on this issue.	 7
	E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.	N	Plans and operations are contained within the Strategy / Action Plans but out of date.	Include within refresh in A1 above.	

	E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.	Y	Participation in mandatory NFI. Participate in NFI voluntary "Mortality matching exercise."	N/A	
	E4 Providing for independent assurance over fraud risk management, strategy and activities.	N	Periodic reviews by external auditors. A formal independent review of IA will take place in 2015/16, this could include fraud risk management.	Consultancy / peer review being considered.	5
	E5 There is a report to the governing body **at least annually** on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.	P	Action Plan normally reported on annually but last Anti-Fraud & Corruption 'Action Plan Update' report was 2 years ago.	Refresh required as in A1 above.	4
Applying the code in practice	Where organisations are making a statement in an **annual governance report** about their adherence to this code, one of the following statements should be approved according to whether the organisation conforms with the code or needs to take further action. The statement should be approved by the governing body and signed by the person responsible for signing the annual governance report. **Statement 1** Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. Or **Statement 2** Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate.	P	RMBC do not make such a statement in their AGS.	RMBC need to decide whether to make a statement in the AGS.	6