# Rotherham
## Metropolitan
## Borough Council

# Anti-Fraud
# &
# Corruption Policy

A guide to the Council's approach to preventing fraud and corruption and managing any suspected cases.

~~Octo~~September 20~~19~~20

# Contents

## 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 should act solely in terms of the public interest.

> **Integrity**. Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

> **Objectivity**. Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

> **Accountability**. Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

> **Openness**. Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

> **Honesty**. Holders of public office should be truthful.

> **Leadership**. Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

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, including integrity, openness and accountability. These principles require a culture within the Council that is based upon honesty, where accountability is clear and where decisions and behaviours can be challenged.

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 The Council recognises that it is important that its policy is deliverable and clearly links to operational considerations. Our approach is articulated in the Council's Anti-Fraud and Corruption Strategy, which is focused on identifying,

delivering and monitoring outcomes, and an action plan which includes practical measures which ensures the Council's Policy is turned into practice.

## 3. Anti-Fraud and Corruption Policy

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 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.

3.3 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.

3.4 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.

3.5 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 and Procurement Procedure Rules
- Code of Official Conduct
- Members Code of Conduct
- Anti-Money Laundering Policy
- Confidential Reporting Code / Whistleblowing Policy
- Regulation of Investigatory Powers Act Policy.

## 4. How the Council Currently Manages the Risk of Fraud and Corruption

4.1 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. There have been some new attempts by organised criminals to fraudulently claim small business grants linked to the Covid 19 pandemic which have been reported for investigation nationally.

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

**Internal Control Environment**

4.3 The Council revised its Constitution in May 2018, incorporating responsibilities for decision making and rules of procedure. These procedures, together with detailed Financial and Procurement Procedure Rules, 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.

4.4 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.

**Key Controls**

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

- The Authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption
- All Members and employees act with integrity and lead by example.
- Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.
- 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.
- A Corporate, electronic 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.
- A Corporate, electronic, 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.
- Confidential Reporting ("Whistle blowing") procedures are in place and operate effectively.
- All relevant legislation is adhered to.
- The risk of theft, fraud and corruption is specifically considered as part of the Council's risk management processes.

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

**Roles and Responsibilities**

4.7 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. Declarations should be made on the on-line form which is managed centrally by the Corporate Support Unit. 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.

4.8 Strategic Directors will:

- Ensure that all suspected financial irregularities or financial impropriety that are brought to their attention are reported to the Head of Internal Audit.
- Instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- Ensure that all Declarations of Interest and entries in the Gifts and Hospitality Register are reviewed (and where applicable, a risk assessment has been undertaken) by Line Managers / Senior Managers.
- Maintain both a Departmental Register of Interests and a Departmental Register of Gifts and Hospitality. The system has recently moved from a paper system to an electronic one which is managed centrally by the Corporate Support Unit. Entries are forwarded to the relevant Directorate for the Line Manager / Senior Management to review and undertake an assessment of risk (if required).
- Ensure staff dealing with financial systems including cash handling and payment systems (cashier / payroll / creditors 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.

4.9 The Head of Internal Audit will:

- Develop and maintain an Anti-Fraud and Corruption Policy.
- Maintain adequate and effective internal control arrangements.

4.10 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 Financial and Procurement Procedure Rules.

- 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. Both the Register of Interests and Gifts and Hospitality Register are electronic and completed online. They are managed corporately by the Corporate Support Unit.

**Policies, Procedures and Codes**

4.11 ~~The Council has in place a Constitution and Codes of Conduct for both Members and officers. It also has 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:~~
This Policy is designed to supplement existing Council policies, which form the key building block in the Council's anti-fraud and corruption governance arrangements:

- Financial and Procurement Procedure Rules
- ~~Anti-Fraud and Corruption Policy~~
- Anti-Money Laundering Policy
- Whistleblowing and Serious Misconduct Policy
- Employee Code of Conduct
- Members Code of Conduct.
- Regulation of Investigatory Powers Act Policy

4.12 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.

**Internal Audit Activity**

4.13 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.

4.14 The plan also includes provision for Anti-Fraud projects to be carried out.

4.15 Internal Audit also co-ordinates the National Fraud Initiative (NFI) exercise within RMBC. This is a biennial data-matching exercise that helps detect and prevent fraud and overpayments from the public purse across the UK. The NFI matches data across organisations and systems to help public bodies identify fraud and overpayments.

## 5. Procedure for the Reporting of Suspected Fraud and Corruption

5.1 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 5a of the Employees Code of Official Conduct.

5.2 Anyone who suspects a fraud in the workplace, including fraud perpetrated by Council contractors, or who receives information from an external source regarding fraud, should **make an immediate note of all relevant details, including:**

✓ The date and time of the event.
✓ A record of conversations relating to the issue (including telephone conversations).
✓ The names of persons present (or description if the name is not known).
✓ Other details as appropriate, for example for vehicles the type, colour, registration etc.

They should also:

✓ Report any suspicions as rapidly as possible together with the relevant details to an appropriate level of authority and experience. This can either be a line manager **OR** the Internal Audit Service on Ext 23282 **OR** the s151 Officer on Ext 22046 **OR** the ~~Assistant Director~~ Head of Legal Services on Ext 23661~~55768~~ **OR** the Chief Executive on Ext 22770. Alternatively any suspicions may be put in writing to the **Head of Internal Audit, Riverside House, Main Street, Rotherham, S60 1AE,** with the envelope marked **"CONFIDENTIAL – TO BE OPENED BY THE ADDRESSEE ONLY".**

Anyone suspecting fraud **should not:**

✗ Confront or accuse any suspected culprit directly.
✗ Try to investigate the matter themselves.
✗ Discuss their suspicions with anyone else other than the appropriate level of authority
✗ Be afraid to report a matter on the basis that any suspicions may be groundless; all reports will be treated on the basis that they are made in good faith.

5.3 A person who wishes to report a suspected serious wrongdoing under the whistleblowing policy should do so by:-

E-mail to: whistleblowing@rotherham.gov.uk

Telephone: Whistleblowing Hotline 01709 822400 where a recorded message can be left

Post to:- Whistleblowing,
c/o the Head of Legal Services,
Rotherham Metropolitan Borough Council,
Riverside House,
Main Street,
ROTHERHAM.   S60 1AE

Setting out the following information:-

- Name: (unless they wish to be anonymous)
- Contact details (unless they wish to be anonymous)
- Who has committed the alleged serious wrong doing?
- What is the nature of the alleged serious wrong doing?

Alternatively a person wishing to report any suspected wrong doing may contact any of the three Whistleblowing Officers who are

- Monitoring Officer – Tel: 01709 823~~56~~61
- S151 Officer – Tel: 01709 822046
- Head of Internal Audit – Tel: 01709 823282

The three Whistleblowing Officers are responsible for the oversight and operation of the Whistleblowing Policy, once a disclosure has been received by the Council.

Further, a person wishing to report any suspected wrongdoing may do so by contacting the Chief executive as below, providing the information as set out above:

- Chief Executive – Tel: 01709 822770

5.4    Council employees are also entitled to make a Protected Disclosure, under the Council's Whistleblowing Policy, through their manager, if they feel confident in approaching their manager to report a concern or allegation of serious wrongdoing that falls under this policy. The manager must follow the obligation of confidentiality, but must, as soon as possible, and no later than 2 working days after receiving the Protected Disclosure, log the disclosure in accordance with 5.2 above, and then confirm to the employee concerned, in writing  or email, that this matter has been recorded.

5.5    The Council prefers anyone raising any suspicions not to provide information anonymously as it may be necessary for them to provide further information. However, all anonymous information that is received will be investigated. All reported suspicions will be dealt with sensitively and confidentially.

5.6    In the event that an employee does not feel comfortable in making a disclosure internally to Council officers, they are entitled to also make a Protected Disclosure in a number of other different ways:-

- Local Councillors - Details of how to contact them and surgery hours are on the Council's website www.rotherham.gov.uk;
- The Council's External Auditors. They are completely independent from the Council and can be contacted on 0113 245 5514 or by writing to them at:-

    Grant Thornton UK LLP,
    No 1 Whitehall Riverside
    Whitehall Road
    Leeds

LS1 4BN

- Relevant professional bodies;
- Solicitors;
- South Yorkshire Police - Telephone:  101;
- PROTECT (formerly Public Concern At Work (PCaW)) - An independent authority which seeks to ensure that concerns about malpractice are properly raised and addressed in the workplace.  PROTECTCaW can provide confidential advice at any stage about how to raise a concern about fraud or other serious malpractice in the workplace. PROTECTCaW can be contacted by telephone on 020 3117 2520. Contact details are on their website at www.pcaw.org.uk.

5.7    Concerns about a child safeguarding issue, e.g. that a child may have suffered harm, neglect or abuse, can be reported to the Children's Social Care Service on 01709 336080; or in an emergency contact South Yorkshire Police direct.

5.8    Adult safeguarding concerns can be reported to the Adult Care Service on 01709 822330, or in an emergency contact South Yorkshire Police direct.

# 6.    Procedure for the Investigation of Suspected Fraud and Corruption

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

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

6.3    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 and Strategic Director Finance and Customer Services should be briefed regarding the issues.

6.4    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 Service Manager to discuss procedures for possible suspension of the employee pending further investigation.

6.5    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.

6.6    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.

6.7 The investigation should be conducted by Internal Audit 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 Human Resources, on 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 and returned on the conclusion of the investigation.

6.8 Interviews with potential perpetrators of fraud will normally be held both at the beginning and at the end of an 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.

6.9 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 have a consistent and fair approach to the involvement of the Police in proven cases of fraud and corruption. The question of Police involvement should be discussed by the relevant Strategic Director, the Strategic Director Finance and Customer Services, the Head of Internal Audit and the Human Resources Business PartnerService Manager for the relevant area. The Chief Executive should then be informed of the decision reached. In appropriate cases the Police will be notified, in order for them 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 required to fulfil their role 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) Recovering losses directly from the perpetrator of the fraud.
  (ii) Recovery from an employee's contributions to the Superannuation Fund, where appropriate.

(iii)  Claiming against the Council's insurance policy.

6.10   Attempts of cyber-crime or fraud by organised criminals are investigated nationally by the Police and reported to Action Fraud by Internal Audit.

# Anti-Fraud
# & Corruption
# Strategy

# Contents

# 1. Introduction.

### Context

1.1 Fraud affects the UK across all sectors and causes significant harm. The last, most reliable and comprehensive set of figures relating to fraud was published by the University of Portsmouth Centre for Counter Fraud Studies in 2016, and indicates that fraud may be costing the UK £193bn a year.

1.2 The Council employs around 7,200 staff and spends around £670 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.

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

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

### Links to Strategic Objectives

1.5 The Council developed a new Council Plan for 2019-20 and the Cabinet continues to work to ensure Council decisions reflect the concerns of local people and the needs of local communities.

1.6 The Council has sought expert guidance to strengthen its Scrutiny System and are also working more proactively with partners across Rotherham on new arrangements for joint working in the best interests of local communities.

1.7 An effective anti-fraud and corruption policy and strategy is a critical component of the Council's improved scrutiny and governance framework and will support partnership objectives to create safe and healthy communities.

# 2. Purpose and Objectives of this Document.

2.1 The purpose of this document is to outline the strategy for taking forward counter fraud and corruption work within RMBC. Whilst the term 'anti-fraud' is used in the document, the strategy also covers anti-theft and anti-corruption measures, including bribery.

2.2 The key objectives of this anti-fraud strategy are to maintain minimal losses through fraud and corruption and 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, 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").

## 3. What is Fraud and Corruption?

### Fraud

3.1 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.

3.2 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".

### Theft

3.3 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'.*

### Corruption

3.4 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."*

### Bribery

3.5 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].*

3.6 The Bribery Act 2010 replacesd the common law offences of offering or accepting a bribe with two statutory offences (S1 and S2). The Act also createsd 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.

3.7 The 'Corruption Acts 1889 to 1916' awere repealed in their entirety. Wider offences awere created by the Act which mean that the more specific offences created by the old Acts serve no practical purpose. Other statutes less relevant to Local Authorities have been were repealed or amended by the Act and a full list is in one of the schedules of the Act.

## 4. Objectives of the Strategy.

4.1 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.

## 5. Defining Success.

5.1 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 outcomes 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. A comprehensive and professional approach to countering fraud and corruption is required to effectively protect an organisation's valuable resources.

## 6. Keeping Ahead.

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

- National Audit Office Publications
- Audit Commission Publications / HM Treasury Publications

- National Anti-Fraud Network
- Member of the South and West Yorkshire Fraud Group.

## 7. Whistleblowing Arrangements

7.1 The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing, a comprehensive, management led, anti-fraud and corruption culture needs to be maintained, including clear whistleblowing arrangements. These arrangements should ensure that staff and the public have access to a fraud and corruption whistle-blowing helpline, and should be kept under review. The Council refreshed its whistleblowing arrangements in 2019.

## 8. Delivery Plan

8.1 The Council's own arrangements are consistently checked against best practice guidance including the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.