Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 24 September 2026

Report Title
Counter fraud framework including Anti-Fraud and Corruption Policy and Strategy review

Is this a Key Decision and has it been included on the Forward Plan?
No

Executive Director Approving Submission of the Report
Judith Badger, Executive Director of Corporate Services

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Ward(s) Affected
Borough-Wide

Report Summary
This report refers to a proposed update to the Council's Anti-Fraud and Corruption Policy and Strategy. The update follows an annual review process which is designed to ensure that the Policy and Strategy are up to date with current best practice and to consider any changes to the Council's organisation structure. There have been only minor updates to the Policy and Strategy since the last review. The Fighting Fraud and Corruption Locally checklist has been used to review the council's arrangements against current best practice. The self-assessment against the checklist is included in this report.

This report also includes for the first time additional information on the Council's counter fraud framework including fraud risks and the mitigations in place.

Recommendations
That the Audit Committee is asked to:

1. Review and comment on the revised Anti-Fraud and Corruption Policy.

2. Approve the revised Anti-Fraud and Corruption Strategy.

3. Note the current fraud risks and the ongoing actions taken to strengthen the Council's fraud and corruption arrangements.

List of Appendices Included

Appendix A – Anti Fraud and Corruption Policy 2026
Appendix B – Anti Fraud and Corruption Strategy 2026
Appendix C – Anti Fraud and Corruption Policy showing tracked changes
Appendix D – Anti Fraud and Corruption Strategy showing tracked changes
Appendix E – Self-assessment against the Fighting Fraud and Corruption Locally Checklist

Background Papers
Fighting Fraud and Corruption Locally. A strategy for the 2020's.

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No

Council Approval Required

No

Exempt from the Press and Public
No

Counter fraud framework including Anti-Fraud and Corruption Policy and Strategy review

1. Background

1.1 Rotherham Metropolitan Borough Council, like every Local Authority, has a duty to ensure that it safeguards the public money that it is responsible for. It expects the highest standards of conduct and integrity from all who have dealings with it including staff; members; contractors; volunteers and the public. The Council is committed to the elimination of fraud and corruption and to ensuring that all activities are conducted ethically; honestly and to the highest possible standard. Fraud is defined by the Institute of Internal Auditors as “any intentional act characterised by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetuated by individuals or organisations to secure unjust or illegal personal or business advantage”.

1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) Guidance on Audit Committees sets out the role of the Audit Committee regarding ‘countering fraud and corruption’. The role of the Committee is to understand the level of fraud risk to which the authority is exposed, and the implications for the wider control environment. This can be undertaken by having oversight of counter fraud activity. Effective counter fraud arrangements also encompass having ethical standards for members and officers that the public expects. This report has been expanded this year to give members a broad oversight of the fraud risks at the Council, these being the risks that all councils are susceptible to.

1.3 The National Anti-Fraud Network (NAFN) Local Authority Counter Fraud Survey (2025) found that the top ten most investigated frauds reported by councils were Council Tax, employment, payroll, grants, procurement, insider fraud, tenancy fraud, blue badge, client monies and investment. The survey found an increase in case volumes with a decline in average case values to £2,708.

1.4 The Council’s last update of its Anti-Fraud and Corruption Policy and Strategy was in September 2025. This report provides an update to the Anti-Fraud and Corruption Policy and Strategy. In addition, in accordance with best practice, an annual review of the council’s Anti-Fraud and corruption arrangements has been undertaken against the Fighting Fraud and Corruption Locally Checklist, and the results are included in this report (**Appendix E**).

2. Key Issues

2.1 The Council's updated Anti-Fraud & Corruption Policy is attached at **Appendix A** and the updated Strategy is included at **Appendix B.** The contents have been reviewed with only minor changes having been made. The Policy shows the Council's aims and responsibilities while the Strategy shows how those aims are achieved. The tracked changes are shown in **Appendices C and D**.

2.2 **Appendix E** is a self-assessment against the Fighting Fraud and Corruption Locally Checklist. This is a review against best practice which demonstrates Rotherham's robust compliance with the arrangements. Areas for enhancement include using data analytics to identify potential fraud and further engagement with services in identifying, assessing and mitigating fraud risks at an operational level.

2.3 The Global Internal Audit Standards (GIAS UK Public Sector) set out the requirement for the consideration of fraud risks within the Internal Audit Plan. When scoping audits, auditors should consider specific risks related to fraud. Auditors therefore need to have sufficient knowledge to recognise the probability of fraud. This is addressed by a prompt around considering fraud risk in the audit scoping process, by having four experienced auditors with a variety of fraud qualifications and investigatory experience which is shared with other auditors, and the completion of fraud awareness training by all staff in the Internal Audit Service.

2.4 Fraud risks continually evolve. The Council's audit processes therefore include regular horizon scanning, attending regional and national fraud discussions and identification of best practice. The service also regularly receives information on fraud risks and fraud alerts from various organisations.

2.5 Within the audit plan, time is set aside for reactive work, to investigate concerns raised by staff or members of the public around potential fraud, theft or corruption. To help to ensure controls are in place to prevent fraud from occurring, Internal Audit also undertake advisory work, attending project boards and groups to provide advice on controls and risks for example where new systems are being procured or implemented.

2.6 The Council's system of internal control to prevent and detect fraud is considered to be robust and operating effectively, with only a handful of fraud investigations being undertaken over the last few years. There are four trained fraud investigators within the Internal Audit Service. In addition, a Housing Tenancy Fraud Officer (within Housing Services) undertakes investigations into potential housing and right to buy frauds. A fraud awareness training session is available on the Council's online learning platform for all staff to access and is mandatory for all staff in Finance, Customer Services, Human Resources and officers at M3 grade and above.

2.7 In order to continue to highlight the fraud risks throughout the Council, Internal Audit will work with the Policy, Improvement and Risk Manager to raise awareness of fraud risks and mitigating actions at Risk Management training sessions. The Council's Risk Management Policy and Guide state that risk management is the responsibility of all Council officers. All employees are required to:-

- Understand risk and their role in managing risks in their daily activities including the identification and reporting of risks and opportunities
- Support and undertake risk management activities as required
- Attend relevant training courses focusing on risk and risk management.

2.8 An overview of the fraud risks to the Council and the mitigating arrangements is summarised from paragraph 2.8 below. This is not a full list of all the frauds that can be committed against the Council, but those frauds that are considered to be of a higher inherent risk. Members should be assured that the Council has robust arrangements in place to reduce the risk of fraud and corruption occurring. There have been no proven fraud cases during 2025/26.

Housing related fraud

2.9 It is a criminal offence to commit tenancy fraud under the Prevention of Social Housing Fraud Act 2013. Tenancy fraud includes: -

- Application fraud – not telling the truth when applying for a property, for example about how many people live there.
- Subletting fraud – a property is sublet without permission (this is a criminal offence).
- Succession fraud – living in a property after someone has died without the right to do so.
- Non occupation fraud – the named tenant permanently living somewhere else.
- Right to Buy fraud – false information provided to acquire a property at a discounted price.

2.10 The Council has a Tenancy Fraud Officer who is responsible for investigating tenancy related fraud referrals, including Right to Buy. They are also responsible for a housing staff awareness raising and training programme. The work undertaken during 2025/26 resulted in the recovery of 4 properties.

Benefits related fraud

2.11 Benefits frauds for the Council mean Housing Benefit frauds rather than any of the other Department of Work and Pension based claimable social benefits. The number of people entitled to legacy benefits like Housing Benefit continues to fall and this is expected to continue. Real time matching initiatives by the Department of Work and Pensions (DWP) are well established to highlight possible frauds. The investigation of frauds in this area, however, is the responsibility of the Single Fraud Investigation Service and not the Council who only administer the benefit on their behalf.

All information provided to the Council is validated against source documents, for example payslips and data held by the DWP. Work in this area is included on the National Fraud Initiative as mandated by the Government.

Council Tax related fraud

2.12 The following frauds can occur:-

- Council Tax Single Person Discount – a tenant claims to be the only adult resident to be eligible for 25% discount when in fact other adults reside in the property.
- Council Tax Reduction Support – where the council taxpayer fails to declare their income correctly.
- Other types of Council Tax fraud – eg claims for exemptions or discounts to which the council taxpayer has no entitlement.

2.13 All information provided to the Council is validated to ensure accuracy. In addition, regular, rolling, reviews of discounts and exemptions are undertaken. Work in this area is included on the National Fraud Initiative as mandated by Government. Where it is subsequently identified a reduction has been awarded in error, the reduction is cancelled from the date it should no longer apply, for example a single parent has a child who turns 18, the discount will be cancelled from their 18^{th} birthday and a revised bill is issued. If the bill is not paid, in line with council tax legislation, action is taken to recover any amounts outstanding.

Business rates fraud

2.14 Business rate fraud may include the fraudulent applications for exemptions and reliefs and unlisted properties. Examples include claiming properties are not in use, claiming fake charity statuses or trying to transfer their liabilities to parties that are fake / do not exist. Legislation however makes it difficult to separate evasion and avoidance.

2.15 The Revenues and Benefits Team are well versed in the tactics used by some ratepayers to avoid business rates. Many mitigation schemes have been legislated by High Court decisions, however, any cases identified are checked to ensure the circumstances claimed to be in operation are actually taking place on the ground. In addition, the Council uses a specialist firm of solicitors who have a significant amount of experience in fighting these cases through a liability order application process. The Council also periodically instructs a third party organisation to identify any properties missing from the rating list.

Bank mandate/creditor payment fraud

2.16 Action fraud defines mandate fraud as 'when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier'. This usually occurs through some form of telephone call, email or letter. Some attempts are made by spoofing contact details, others can be because of cyber-attack on the customer / supplier. The mandatory publication of payment data makes councils particularly vulnerable to bank mandate fraud. Whilst councils have to publish details of invoices paid of £500+, the introduction of the Procurement Act 2023 also now includes a requirement to publish information on payments £25k+ (net) and these will have to be linked to a specific contract.

2.17 Another type of fraud here includes 'whaling' where senior council officers are targeted and impersonated to obtain fraudulent payments. There have been increased instances nationally of hackers gaining access to email accounts of suppliers and using them to attempt to commit mandate fraud.

2.18 The Council has strong controls in place to prevent this type of fraud including 3-way matching of invoices (order, receipt, payment). Checks are undertaken independently by Creditors in the supplier set up process and for requests for changes to bank details.

Procurement Fraud

2.19 This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person or organisations in the purchase to pay or post contract procedure, including contract monitoring. The procurement of goods and services often accounts for a significant proportion of expenditure and is open to a wide range of potential fraud risks. This is because there are usually multiple individuals involved in a process who often do not work closely together i.e. the person requesting the contract/goods/service does not work directly with the people who initiate orders and those responsible for paying. Examples include deliberately duplicated invoices or inflated invoices, to deliberate price fixing between rival suppliers.

2.20 The Council has robust controls in place including segregation of duties; contracts are put in place as part of a team rather than by any one individual, and any declarations of interest are logged prior to individuals commencing tender evaluations and/or procurement processes. Contracts are put in place through an open and transparent competitive tender process with clear pricing. A system of 3-way matching of invoices (order, receipt, payment) is in place. Introduction to procurement training is delivered as part of the Council's management development programme.

Cyber Fraud

2.21 Cyber fraud is any cyber enabled crime. In this case it is used to refer to the extortion of funds from the Council via malware or trojans, denial of service attacks (where council systems are repeatedly bombarded with traffic to crash them or stall them), phishing, and criminal access to internal systems by 3rd parties for electronic data theft or harvesting.

2.22 The Council has a very robust set of controls. The Council's Information and Cyber Security Standards provide details of the Council's approach to information and cyber security. Mandatory annual training is rolled out to all council employees regarding Cyber Crime and GDPR risks.

2.23 An annual IT Health check takes place, with regular patching, isolation of vulnerable systems, IT Security and Compliance; end point security and active scanning (Surecloud).

2.24 A number of additional measures have been implemented that increase our security, including the deployment of a number of tools from the National Cyber Security Centre. The Council is Public Services Network (PSN) Certified until January 2027. Salford Technical Audit Services will be undertaking a cyber security audit review during 2026/27.

Social care fraud including financial abuse of vulnerable individuals

2.25 Social care fraud occurs in the following circumstances:-

- direct payments are not used to pay for the care of a vulnerable adult or child;
- care workers claim money for time they had not worked;
- the allocated budget has been spent inappropriately;
- individuals make false statements and/or try to conceal their funds to avoid paying for residential or community provision;
- residential homes continue to claim for customers who are no longer in residence (e.g. after they pass away).

2.26 The financial abuse of vulnerable individuals is a risk for all councils. Care and support arrangements or guardianship orders (any arrangements where a child or young person is reliant on any individual), may be exploited by individuals for their own purposes. The Council manages care for some vulnerable residents and for several clients administers their financial affairs. Whilst it is unlikely that any Council employee working in these areas would exploit their clients, it remains a risk to be managed and monitored through appropriate internal controls and reporting.

2.27 There is a Direct Payments Section within the Revenues and Benefits Service. They risk assess each (adult) case after the first audit, the lower the risk the less frequent the subsequent audit. They also deal with potentially fraudulent claims and chase any monies owed back to the council. There is a similar section within Children’s and Young Peoples Services who deal with all direct payments for young people and perform audits on those receiving the payment. The National Fraud Initiative includes matching on direct payments and residential care homes to the deceased list.

Insurance Fraud

2.28 Insurance fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation’s insurers e.g. for accidents or damage.

2.29 Claims are managed in accordance with the Council's insurance procedures and guidance. The Council Insurance Team reviews all claims and obtains supporting evidence before settlement. Liability claims are managed through the Council's appointed claims handlers and insurers, with claims monitored throughout their lifecycle. Claims information is reconciled between internal records and claims handling systems to identify discrepancies or duplicate claims. Suspicious, exaggerated or potentially fraudulent claims are challenged and investigated before settlement. Claims trends are monitored and emerging risks are reported to relevant services where preventative action may be required.

Payroll and recruitment fraud

2.30 Payroll fraud covers a wide range of areas such as ghost employees on the payroll, diversion of payments into fraudulent accounts, employees set up to receive higher salaries than they are entitled to by either grade or hours worked and false overtime or expenses claims.

2.31 Exception reports are produced automatically by the payroll system, i.e. errors and warnings which shows critical errors. These are checked before the payroll is processed. Establishment controls are in place including line managers being asked on a twice-yearly basis to complete the mandatory establishment sign off audit form. Monthly and quarterly additional payment reports which include overtime, mileage and honoraria are sent to managers to check.

2.32 Recruitment fraud includes applicants providing false CV’s, job histories, qualifications, references, immigration status (i.e. the right to work in the UK) or the use of a false identity to hide criminal convictions or immigration status. An increasingly new risk nationally is around staff not disclosing second/overlapping jobs (polygamous working). There is also an emerging risk of AI in recruitment whereby applicants are using technology to generate application forms.

2.33 Strong long standing internal controls are applied to the recruitment processes. This includes obtaining DBS checks and enhanced checks where appropriate, references, evidence of qualifications, and right to work in UK.

3. Options considered and recommended proposal

3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for ensuring the Council has appropriate arrangements in place for managing the risk of fraud.

4. Consultation on proposal

4.1 This section is not applicable to this report.

5. Timetable and Accountability for Implementing this Decision

5.1 This section is not applicable to this report. The approval of the Anti-Fraud and Corruption Policy will be taken by an officer executive decision.

6. Financial and Procurement Advice and Implications

6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

7.1 There are no legal implications arising from this report.

8. Human Resources Advice and Implications

8.1 There are no direct Human Resources implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no immediate implications associated with the proposals.

10. Equalities and Human Rights Advice and Implications

10.1 There are no immediate implications associated with this report.

11. Implications for CO_2 Emissions and Climate Change

11.1 There are no direct CO2 and Climate Change implications arising from the report.

12. Implications for Partners

12.1 Implementation of the Anti-Fraud and Corruption Strategy will contribute towards ensuring the Council operates and maintains a culture in which fraud and corruption are understood to be unacceptable.

13. Risks and Mitigation

13.1 Failure to refresh the Anti-Fraud and corruption initiatives could expose the Council to increased risk of fraud and corruption as new and emerging risks appear.

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