

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	18 January 2012
3.	Title:	Anti Fraud and Corruption Policy and Strategy
4.	Directorate:	Resources

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 streamline the Policy and to ensure the Policy and Strategy are up to date with current best practice.

The report shows the good progress made in implementing the Council's action plan for managing the risk of fraud. It also provides a summary of proposals to further strengthen the Council's arrangements, following a self- assessment against the Audit Commission's checklist included in its document "Protecting the Public Purse".

6. Recommendations

The Audit Committee is asked to:

- Support the proposed revisions to the Council's Anti Fraud and Corruption Policy and Strategy
- Support the proposals made to improve further the Council's the Council's arrangements to manage the risk of fraud.

7. Proposals and Details

The Council's last full revision of its Anti-Fraud and Corruption Policy and Strategy was completed in 2009. It has subsequently been updated to reflect developments since then. A fuller revision is now proposed to reflect further changes resulting from national and local developments.

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

The main changes to the previous versions are as follows:

- The Policy has been streamlined to contain just general principles, the local policy context and the policy statement itself. A number of other areas covered by the Policy were repeated in the strategy and so have been removed from the Policy. Other items have been moved from the Policy to the Strategy (i.e. the procedures for reporting and investigating suspected fraud and corruption and the housing and council tax benefit prosecution policy)
- References to the now obsolete Use of Resources have been removed.
- The revised Policy and Strategy reflect the revised Corporate Plan objectives and to show the way the Council's anti fraud work supports these objectives.
- Both documents have been updated to reflect the requirements of the implementation of the Bribery Act 2010.
- Update contact details to take into account restructuring within the Council.

Attached at **Appendix C** is an update to the Council's action plan for managing the risk of fraud. A progress report on the completion of the action plan was provided to the Audit Committee in January 2011. This showed the action plan originally prepared in 2010 was fully completed but added 3 new actions to be completed during 2011/12:

- To ensure our fraud and corruption arrangements remain robust and relevant to current risks by refreshing the assessment of our arrangements against current best practice
- To promote and facilitate awareness and management of fraud risk within the Council's overall risk management arrangements
- To provide further training to staff on the prevention and detection of fraud and corruption.

Although we have made good progress, 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 2012/13:

- Promote revisions to the Anti Fraud and Corruption Policy and Strategy and remind managers of their responsibilities relating to fraud.
- Work with operational managers to produce and up-to-date Corporate Fraud Risk register which takes into account current risks and changes across the Council.
- Embed arrangements to comply with the Bribery Act 2010.
- Communicate the outcomes of fraud work to act as a deterrent
- Refresh and re-launch training, where relevant
- Review the Council's whistle blowing arrangements and promote the arrangements taking into account any revisions made

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.

There are no direct financial implications arising from this report.

9. Risks and Uncertainties

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

10. Policy and Performance Agenda Implications

Implementation of the Anti- Fraud & Corruption Strategy will contribute towards good governance.

11. Background Papers and Consultation

Audit Commission – 'Protecting the Public Purse'
CIPFA's Fraud Risk Assessment Tool FRED

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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

**ROTHERHAM
METROPOLITAN
BOROUGH COUNCIL**

**ANTI FRAUD AND CORRUPTION
POLICY**

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 The Council's vision is articulated via its Community Strategy, currently being refreshed, and Corporate Plan. The Council's Anti Fraud and Corruption Policy supports the following aim within the Council's Corporate Plan:-

"Helping to create safe and healthy communities".

Anti-fraud work assists in this by working with the Police to reduce crime and make communities safe.

Further, the Council's Anti-Fraud and Corruption Policy supports the Council's Corporate Plan in the way the Council does business. The Corporate Plan states that one of the ways the Council do business is by:-

"Getting it right first time, reducing bureaucracy, and getting better value for money."

- 2.2 Anti Fraud and Corruption Strategy.

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.

- 2.3 Partner Organisations.

Working with partner organisations is an integral element of the Council meeting its objectives. As part of establishing good partnership governance the Council will look to promote its policies and standards in respect of Anti Fraud and Corruption to our key partners.

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 also brings together in one place links to 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](#)
- [Regulation of Investigatory Powers Act - Intranet Guide - Legal Services](#)

**ROTHERHAM
METROPOLITAN
BOROUGH COUNCIL**

**ANTI FRAUD AND
CORRUPTION STRATEGY**

1. INTRODUCTION.
2. PURPOSE OF THIS DOCUMENT.
3. WHAT IS FRAUD AND CORRUPTION?
4. HOW THE COUNCIL CURRENTLY MANAGES THE RISK OF FRAUD AND CORRUPTION.
5. HOW THE COUNCIL MEASURES UP AGAINST BEST PRACTICE.
6. OBJECTIVES OF THE STRATEGY.
7. ADOPTING THE RIGHT STRATEGY.
8. ACCURATELY IDENTIFYING THE RISKS.
9. CREATING AND MAINTAINING A STRONG STRUCTURE.
10. TAKING ACTION TO TACKLE THE PROBLEM.
11. DEFINING SUCCESS.
12. KEEPING AHEAD.
13. PROCEDURE FOR REPORTING OF SUSPECTED FRAUD AND CORRUPTION
14. PROCEDURE FOR THE INVESTIGATION OF SUSPECTED FRAUD AND CORRUPTION
15. HOUSING BENEFIT AND COUNCIL TAX BENEFIT PROSECUTION POLICY

1. INTRODUCTION.

1.1 Context.

RMBC employs nearly 13,000 staff and spends more than £400 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.

The Council's vision is articulated via its Community Strategy, currently being refreshed, and Corporate Plan.

The Council's Anti- Fraud and corruption Policy supports the Council's Corporate Plan in the following ways:

- one of the Corporate Plan's objectives is "*Helping to create safe and healthy communities*". Anti fraud work assists in this by working with the Police to reduce crime and make communities safe.
- the Council's Anti Fraud and Corruption Policy supports the Council's Corporate Plan in the way the Council does business. The Corporate Plan states that one of the ways the Council do business is by:-
"Getting it right first time, reducing bureaucracy, and getting better value for money."

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 2012/13 based upon the Chartered Institute of Public Finance and Accountancy's (CIPFA)

Fraud Standards and Audit Commission guidelines published in “Protecting the Public Purse”, 2011.

The CIPFA Fraud Standards state that the foundations of an effective anti fraud framework comprise five key elements:-

- adopting the right strategy;
- accurately identifying the risks;
- creating and maintaining a strong structure;
- taking action to tackle the problem;
- defining success.

This strategy document defines fraud, theft and corruption. It then assesses how well the Council’s current arrangements measure up against best practice as exemplified in the CIPFA Fraud Standards and expectations in the Use of Resources Key Lines of Enquiry. The document then uses the individual CIPFA Fraud Standards and Audit Commission guidelines as the basis of our strategic approach for taking forward the objectives outlined above.

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). A 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 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 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 Team, which provides an independent appraisal of the integrity of all internal control systems firstly on a priority risk basis.

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. A Register of Gifts and Hospitality is maintained to enable Members to record gifts / hospitality received with a value in excess of £25.
- h. Confidential Reporting ("Whistle blowing") procedures are in place and operate effectively.
- i. All relevant legislation is adhered to.

- j. 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 Strategic Director of Finance 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 the Director of Internal Audit and Governance and where sufficient evidence exists to believe that a criminal offence may have been committed, the Director of Internal Audit and Governance after consulting and receiving the agreement of the Chief Executive, will notify the police to investigate and determine with the Crown Prosecution Service whether any prosecution will take place.

Chief Officers will:-

- ✓ ensure that all suspected financial irregularities or financial impropriety brought to their attention are reported to the Strategic Director of Finance or the Director of Internal Audit and Governance.
- ✓ 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 Criminal Records Bureau (CRB) 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 policies 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. Financial systems regarded as 'core systems' e.g. creditor payments, income and debtors, and payroll are all audited on an annual basis, with a view, amongst other things, to assessing the controls within systems that help deter, prevent and detect fraud.

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.

Benefit Fraud.

- 5.1 The following is an extract from the Audit Commission's 'Annual Audit and Inspection letter' dated February 2008. Note this was the last time a comprehensive review of the Benefits was undertaken by the Council's External Auditors:-

"The Council has in place effective arrangements for preventing and detecting benefit fraud. During 2006/07 the Council sustained the high standard of performance it achieved during 2005/06 and retained its score of 'Excellent' both overall and against each of the Performance Standard themes. The Council has continued to take effective measures to tackle benefit fraud and error. The number of successful sanctions has increased and the target for both interventions and visits has been exceeded".

Cipfa Standards – 'Managing the Risk of Fraud'.

- 5.2 In March 2009 Internal Audit completed a self assessment of the Council's current arrangements based upon a checklist of best practice specified within the CIPFA publication 'Managing the Risk of Fraud'. The results of this self assessment indicated the Council was substantially compliant, however, it did identify a number of areas where the Council could further strengthen its arrangements. The results of this self assessment and the resultant action plan were submitted to and approved by the Council's Audit Committee in March 2009. Further self assessments against this CIPFA document were reported to Audit Committee in January, 2010 and January, 2011.

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

In addition, and in order to be fully comprehensive in this area, Internal Audit have completed a separate self assessment against the Audit Commission's 'Protecting the Public Purse' checklist. In fact, the majority of issues in this, much briefer, checklist are subsumed within the CIPFA checklist.

[November 2011 CIPFA Fraud and Corruption self assessment.doc](#)

[November 2011 Audit Commission 'Protecting the Public Purse' self assessment.doc](#)

6. OBJECTIVES OF THE STRATEGY.

- 6.1 The Council's objectives for its Anti fraud 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:-

- adopting the right strategy;
- accurately identifying the risks;
- creating and maintaining a strong structure;
- taking action to tackle the problem;
- defining success.

6.2 The next section of this strategy document outlines each of the CIPFA fraud standards and assesses how each of these will be delivered. Key activities that will be taken forward in the Action Plan for 2011-12 are highlighted and referenced to the Action Plan in Appendix B. The Action Plan also includes actions that seek to introduce other elements of best practice from the Audit Commission's guidelines in "Protecting the Public Purse", recent Bribery Legislation and best practice in other Local Authorities.

7. ADOPTING THE RIGHT STRATEGY.

7.1 To reduce losses to fraud and corruption to an absolute minimum, a strategic approach is required with a clear remit covering all areas of fraud and corruption affecting the organisation. The Use of Resources Key Line of Enquiry for 2009 required authorities to have a counter fraud and corruption strategy in place that is linked to strategic objectives and describes outcomes against which to evaluate its effectiveness.

Additionally, there needs to be a clear understanding of the importance of the links between policy work (to develop an anti fraud and corruption culture, create a strong deterrent effect and prevent fraud and corruption by designing and redesigning policies and systems) and operational work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where they are found).

The temptation may be to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the organisation's focus clearly on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc).

8. ACCURATELY IDENTIFYING THE RISKS.

8.1 Measuring the level of illicit activity is inherently difficult, however, this must be done where practicable. Through measuring the problem of fraud and learning from where it is detected and how systems are penetrated, we can gain knowledge of where it is necessary to strengthen or introduce systems.

The Use of Resources Key Line of Enquiry for 2008/09 required that pro-active counter fraud and corruption work is undertaken, based on

an assessment of risk. Measuring the potential risk exposure will be key to developing this informed approach.

9. CREATING AND MAINTAINING A STRONG STRUCTURE.

Authority.

9.1 The responsibility for an anti fraud culture is the joint duty of all those involved in giving political direction, determining policy and management.

The Audit Committee and the Standards Committee are key member forums for ensuring sufficient authority is given to anti fraud activity.

Corporate Management Team should own the fraud strategy and are responsible for ensuring a strong counter fraud culture within their Directorates, and that staff accept their responsibility for preventing and detecting fraud and corruption.

In order for the Council to deal robustly and effectively with suspected incidents of fraud, those responsible for investigating matters must be fully supported by all officers.

Culture.

9.2 The Audit Commission, in its annual survey and report on fraud and corruption in the Public Sector ('Protecting the Public Purse'), has highlighted the need for Members and senior officers to create an anti fraud culture and environment within the organisation. The fight against fraud and corruption can only truly be effective where these acts are seen as anti-social, unacceptable behavior and Whistle blowing is perceived as a public-spirited action.

The actions outlined in the action plan aim to help the Council to continue to ensure that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption.

Safe Recruitment.

9.3 The Council recognises that one of the most important aspects in relation to the prevention of fraud and corruption is the recruitment of staff. The Council already seeks to:-

- Obtain satisfactory references before appointments are made.
- Verify and retain copies of certificates for stated qualifications.
- Comply with s.8 of the Asylum and Immigration Act 1999.
- Undertake checks with the Criminal Records Bureau where appropriate for the post.
- Compliance with other Codes of Practice (e.g. OFSTED) for staff dealing with vulnerable service users.

Training and Staff Development.

9.4 As part of the annual review of the mechanisms to prevent and detect fraud, training and appropriate skills and expertise will need to be developed. Both officers involved in anti fraud work and general operations need to develop appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation.

The Council will ensure that key anti fraud staff have in place an appropriate personal development and training plan that will ensure that they have the right competency levels to prevent, identify and investigate fraud.

The Council will also consider the need to provide 'fraud risk awareness' training to groups of Officers, this may consist of general fraud awareness or specific fraud awareness training such as case handling and IT crime; this may be provided internally or be procured externally.

Such courses may include: -

- Pre-employment screening.
- Interviewing skills.
- Money laundering.
- Identity Fraud.
- Fraud Identification and Prevention.
- Regulation of Investigatory Powers Act.
- Data Protection Act.

Relationships with other Organisations.

9.5 Arrangements are in place to encourage the exchange of information about fraud and corruption between the Council and other public agencies. Any such exchange of information will be undertaken in accordance with the principles contained in the Data Protection Act 1998.

These public agencies may include: -

- Police.
- Local, Regional and National Auditor Networks.
- The National Anti fraud Network.
- Audit Commission.
- External Auditor (KPMG).
- Office of Fair Trading.
- Department of Work and Pensions.
- Health Service.

10. TAKING ACTION TO TACKLE THE PROBLEM.

Deterrence.

10.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are internal or external to the Council. These include, but are not limited to:

- Publicising the fact that the Council is firmly set against fraud and corruption and stating this at every opportunity.
- Acting robustly and decisively when fraud and corruption are suspected and proven.
- Taking action to affect maximum recoveries for the Council.
- Informing the Council's Press Office where cases of fraud and corruption against the Council are referred for criminal proceedings and subsequently brought to court, with a view to issuing a press release.
- Having sound internal control systems which allow for innovation but do not provide the opportunity for fraud and corruption.

The following actions have been identified to strengthen our arrangements in this regard:-

- **Internal Audit to produce further managers' briefings following fraud investigations to highlight risks and control measures and to publicise recent Bribery legislation. (Ref 4.1).**

Prevention

10.2 There is an important role to be played in the prevention of fraud and corruption by managers within all services. It is vital that managers understand the importance of soundly designed systems which meet key control objectives and minimise the opportunities for fraud and corruption. They are responsible for assessing the potential for fraud and corruption within their own Service's activities and for implementing appropriate strategies to reduce this risk. To this end, Internal Audit and Risk Management endeavors to provide appropriate advice to service Managers to ensure that they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work.

Detection

10.3 It is often the alertness of employees or members that enables detection to occur.

Under our Anti Fraud and Corruption Policy, employees must report any suspected cases of fraud and corruption to the appropriate manager, or if necessary, directly to the Chief Executive, Assistant Chief Executive (Legal Services) or the Director of Internal Audit and Governance. Reporting cases in this way is essential to the anti fraud and corruption strategy and ensures that: -

- Suspected cases of fraud and corruption are investigated properly.
- The fraud response plan is carried out properly.
- People and our interests are protected.

The Council's Whistle blowing policy is intended to encourage and enable employees to raise serious concerns.

The Council participates in the National Fraud Initiative and detects certain types of fraud by this means. In addition, our Benefits Service participates in the Department of Work and Pensions data matching exercises.

Investigation.

10.4 Depending on the nature and anticipated extent of the allegation(s), the Director of Internal Audit and Governance will normally work closely with management and other agencies, such as the Police, to ensure that the allegation(s) are properly investigated, reported and where appropriate, maximum recoveries are achieved.

The follow-up of any allegation of fraud and corruption received will be through the agreed procedures of the Anti Fraud and Corruption Policy, the Fraud Investigation Plan and Disciplinary Procedures. The Council must also adhere to the provisions of the Regulation of Investigatory Powers Act and Money Laundering Legislation.

Where a fraud has occurred, management must take any necessary changes to systems and procedures to ensure that similar frauds will not recur. Any investigation undertaken may highlight where there has been a failure of supervision or a breakdown / absence of control. Any lessons learnt will be disseminated to all relevant sections.

Sanctions and Redress.

10.5 After any investigation, sanctions should be applied where fraud and corruption are proven to be present. This should be done in a comprehensive, consistent and proportionate manner with all possible sanctions – disciplinary, civil and criminal – considered. Success rates need to be monitored routinely as an indicator and part of the quality process. The organization should be effective in recovering any losses incurred to fraud and corruption using, as appropriate, criminal and / or civil law.

Methods of recovery include, but are not confined to: -

- Recovery of pension contributions from employees who are members of the Pension Fund.
- An assessment of what assets an employee or third party who has committed fraud has and whether the losses incurred by the Council can be recovered.
- Bankruptcy - if it is believed an individual has a poor history of paying.
- If an individual remains an employee of the Council any assessed losses can be recovered from future salary payments or an application for an 'attachment of earnings' can be made.

11. DEFINING SUCCESS.

11.1 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.

12. KEEPING AHEAD.

12.1 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: -

- Audit Commission Publications – in particular:
 - National Fraud Initiative Newsletters.
 - Audit Commission Fraud Reports.
 - Protecting the Public Purse.
 - ICT Fraud and Abuse.
- HM Treasury Publications – in particular:
 - Annual Fraud Reports.
- CIPFA Better Governance Forum (IPF).
 - Monthly 'Risk News' Newsletters.
- National Anti Fraud Network.
 - Strategic Risk Assessment – Local Authority Fraud.
 - Ongoing Alerts on website.

13. PROCEDURE FOR REPORTING OF SUSPECTED FRAUD AND CORRUPTION

13.1 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.

13.2 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.

13.3 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. 22033 OR the Senior Manager, Legal and Electoral Services, Ext. 23553 OR the Chief Executive, Ext. 22770.

Alternatively you may prefer to put your suspicions in writing to the Director of Internal Audit and Governance, Doncaster Gate Council Offices, Doncaster Road, Rotherham S65 1DW 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.

13.4 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.pcaaw.co.uk.

14. PROCEDURE FOR THE INVESTIGATION OF SUSPECTED FRAUD AND CORRUPTION

14.1 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.

14.2 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 and Strategic Director of Finance 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.

14.3 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.

14.4 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 Assistant Chief Executive, 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.

14.5 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.

14.6 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 as Section 151 Officer, the Senior Manager, Legal and Electoral Services and the Assistant Chief Executive, Human Resources. The Chief Executive should then be informed of the decision reached.

The Director of Internal Audit and Governance, after consulting and receiving the agreement of the Chief Executive, 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.

15. HOUSING BENEFIT AND COUNCIL TAX BENEFIT PROSECUTION POLICY

- 15.1 Rotherham Metropolitan Borough Council is committed to the effective combating of Benefit Fraud and Abuse.
- 15.2 It further recognises the fundamental value of co-ordinated sanction activity in terms of deterrence and value for money.
- 15.3 This policy document outlines the Prosecution, Administrative Penalty and Caution criteria.
- 15.4 All suspected offenders will be dealt with strictly in accordance with all relevant legislation, ensuring fair and equal treatment for all.

PROSECUTION.

- 15.5 Prosecution will normally be considered appropriate where any of the following applies:-

- ✓ The gross overpayment is substantial i.e. above £2000
- ✓ The gross overpayment is less than £2000 but any of the following applies:-
 - The person was in a position of trust.
 - The fraud was calculated and deliberate.
 - The fraud continued over a long period of time i.e. 6 months or more.
 - The person has relevant previous convictions.
 - The person has previously agreed to pay an Administrative Penalty or has received a Formal Caution in respect of an earlier offence.
 - The person has declined the offer of an Administrative Penalty or Formal Caution or has withdrawn from an agreement to pay an Administrative Penalty.
 - The case involves a collusive employer or landlord.

This list is not exclusive or exhaustive and each case should be judged on its own merit.

15.6 Prosecution will not be considered appropriate where:-

- × There has been previous voluntary disclosure.
- × Where the mental or physical condition of the offender or partner is considered relevant.
- × Where social factors make a prosecution undesirable.
- × Adverse technical factors.
- × Unjustifiable delay.

CASES SUITABLE FOR ADMINISTRATIVE PENALTY OR FORMAL CAUTION

15.7 Where prosecution is not the first option, consideration of an Administrative Penalty or Formal Caution should be given. In both instances, it is necessary to investigate individual cases to the same standard as required for prosecution cases. That is, the case must be progressed up to and including the interview under caution stage. It therefore follows that those factors that would preclude prosecution apply equally when considering an Administrative Penalty or Formal Caution.

ADMINISTRATIVE PENALTY

15.8 An administrative penalty may be offered as an alternative to prosecution where the overpayment is less than £2000, subject to the 'less than £50 de-minimis' rule and: -

- ✓ Suitable evidence exists to instigate proceedings.
- ✓ The person has no previous convictions or cautions that are relevant to the present offence within the last 3 years.
- ✓ There is no evidence of collusion with any other person.
- ✓ The person does not admit the offence.

- 15.9 In exceptional circumstances the Fraud Manager may consider a case suitable for offer of an Administrative Penalty where the Overpayment is over £2000. However, it is envisaged this decision will be used rarely, and will not be appropriate where prosecution has been ruled out, for example, due to health or social factors.

It remains that when a case goes forward for prosecution and following representations from the defence solicitor, RMBC Legal Services may recommend the offer of an Administrative Penalty as the most appropriate means by which to dispose of the case. In these circumstances it is not necessary to obtain an additional authority from the Fraud Manager.

FORMAL CAUTION

- 15.10 A formal caution may be offered as an alternative to an Administrative Penalty or prosecution where the overpayment is less than £2000, subject to the 'less than £50 de-minimis' rule and:-

- ✓ Suitable evidence exists to instigate proceedings.
- ✓ The person has no previous convictions or cautions that are relevant to the present offence within the last 3 years.
- ✓ There is no evidence of collusion with any other person.
- ✓ The person admits the offence.

- 15.11 If the person declines to accept the caution or the offer of an administrative penalty, the case would be considered for prosecution.

ANTI-FRAUD AND CORRUPTION ACTION PLAN

Ref	Action	Deadline	Responsibility
ADOPTING THE RIGHT STRATEGY			
1.1	Continue to promote this revised Anti Fraud and Corruption Strategy, the revised Anti Fraud and Corruption Policy, and other work to staff / public / partners.	Continuous	Director of Audit and Asset Management [Director of A&AM]
ACCURATELY IDENTIFYING RISKS			
2.1	Produce an up-to-date Corporate Fraud Risk Register.	March, 2012	Director of A&AM
2.2	Develop this anti fraud and corruption strategy to incorporate new Bribery legislation.	November, 2011	Director of A&AM / Senior Manager Legal and Electoral Services
CREATING AND MAINTAINING A STRONG STRUCTURE			
3.1	Ensure that the Strategic Leadership Team, Standards Committee and Audit Committee endorse the revised Anti Fraud and Corruption Strategy and Policy.	November, 2011	Director of A&AM
3.2	Produce an annual staff newsletter highlighting the outcome of fraud work.	March, 2012	Director of A&AM
3.3	Refresh the anti fraud training for Members and Officers, incorporating new Bribery legislation.	March, 2012	Director of A&AM / Senior Manager Legal and Electoral Services
3.4	Reintroduce an 'e-learning' fraud and corruption package to incorporate new Bribery legislation.	March, 2012	Director of A&AM / Senior Manager Legal and Electoral Services

Ref	Action	Deadline	Responsibility
TAKING ACTION TO TACKLE THE PROBLEM			
4.1	Internal Audit to produce further managers' briefings following fraud investigations to highlight risks and control measures and to publicise recent Bribery legislation.	As and when required	Director of A&AM
4.2	Review and, if appropriate, re-launch the Council's whistle blowing arrangements.	March, 2012	Director of A&AM / Senior Manager Legal and Electoral Services