

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	12 June 2013
3.	Title:	Updated Anti Fraud and Corruption Action Plan
4.	Directorate:	Environment and Development Services

5. Summary

The Council has a good track record for implementing current best practice relating to anti-fraud and corruption.

This report provides an update on progress in implementing our strategy and action plan for managing the risk of fraud. Review of progress shows (a) good practice is being maintained in a large majority of areas, and (b) action is continuing to be taken to update our plans where needed.

The report also provides information on the level of fraud at Rotherham Council. This continues to show, with the exception of benefits fraud, that there is a very low level of fraud identified in the Council, confirming the robustness of the Council's arrangements and the honesty and integrity of the overwhelming majority of staff employed by the Council.

6. Recommendations:

The Audit Committee is asked to:

- **Note the Council's overall good arrangements for managing the risk of fraud.**
- **Support the actions being taken to update relevant parts of the Council's arrangements for managing the risk of fraud.**
- **Acknowledge the results of anti-fraud work in 2012/13.**

7. Proposals and Details

This report refers to an update of the Council's actions plans relating to the prevention and detection of fraud and corruption.

A progress report on the implementation of the action plan was last provided to the Audit Committee in October 2012, when three previous action plans were consolidated into an overall "Anti-Fraud and Corruption Action Plan". The report showed that very good progress was made in implementing the plan and identified some new initiatives for 2012/13.

Important guidance has recently been published in this area:

- The "Fighting Fraud Locally" Strategy document was finally published in October, 2012, by the Home Office.
- "Protecting the Public Purse" was published in November, 2012, by the Audit Commission.

Both these documents have informed the Council's updated Action Plan and Strategy / Policy respectively.

Review of current arrangements and progress

The latest version of the Council's "Anti-Fraud and Corruption Action Plan" can be seen in **Appendix A**. A review of the action points shows continued compliance with good practice and a number of positive actions taken to maintain the Council's position, including:

- Implementation of bribery act requirements into relevant contracts.
- Continued rigorous review of National Fraud Initiative matches, for which the Council has been commended by the Audit Commission.
- Substantial savings achieved through the implementation of Council Tax Single Persons Discount checking and Housing Benefit and Council Tax Benefit Fraud work, totalling nearly £1.3m - see **Appendix B**.
- Strong resources maintained for carrying out Benefits and general fraud investigations.
- Strong networking and information arrangements for identifying any new fraud risk areas or current frauds, and for minimising the risks.
- Appropriate controls for managing risks in current high risk areas including tenancy fraud and recruitment.
- The continued maintenance of a corporate fraud risk register.
- Review of the Council's whistle-blowing policy.
- Review of the maintenance of adequate internal controls while reducing services and changes in structures and processes.
- Information communicated to the Audit Committee and officers about current risks and the Council's arrangements for managing risks.

Actions to be taken over 2013/14 include:

- Reviewing and revising relevant policies to take account of developments such as Bribery legislation including, in particular, Financial Regulations.
- Provision of updates / training as appropriate to Members and officers.

- Reviewing the Council's Anti-fraud Strategy and Policy to reflect the Government's " *Fighting Fraud Locally* " Strategy
- Audit work will be carried out in other highlighted current risk areas, including personal budgets.
- Consideration of further participation in the Audit Commission's new Flexible Matching Service [FMS], as and when this service develops.
- Producing annual publicity highlighting the outcome of fraud work.

Delivery of the updated Action Plan 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. If adequate procedures are not in place the Council could suffer significant losses and reputational damage if it became victim to any major fraud or corruption.

10. Policy and Performance Agenda Implications

Further implementation of the Anti- Fraud & Corruption Action Plan will contribute towards good governance and support the way the Council does business, by: *"Getting it right first time, reducing bureaucracy, and getting better value for money."*

11. Background Papers and Consultation

Audit Commission – "Protecting the Public Purse"
Home Office – "Fighting Fraud Locally" Strategy

Contact Names:

Colin Earl, Director of Audit and Asset Management, ext 22033
Steve Pearson, Internal Audit Manager, ext 23293

Appendices:

Appendix A Anti-Fraud and Corruption Action Plan
Appendix B Summary of fraud detected at Rotherham Council 2012/13

Refs	Action	Status?	Comments	Officer	Target date
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Policy & Strategy					
A2.2	Develop the anti-fraud and corruption strategy to incorporate new Bribery legislation.	In progress	The following key Council documents have been revised: <ul style="list-style-type: none"> • The Scheme of Delegation for Members and Officers and Standing Orders was revised and approved by Council in May, 2013. • The Council's Code of Conduct for Members was revised and approved by Council in April, 2013. • The Council's Policy in respect of the Regulation of Investigatory Powers Act 2000 [RIPA] has been revised to take into account the changes made by the Protection of Freedoms Act 2012. <p>A review of Financial Regulations is in progress following Council restructuring</p>	Director of IA&AM / Director of L&DS	October 2013
B4	Clear, Practical and Accessible Policies and Procedures to be in place.				
C1	Do we have a zero-tolerance policy towards fraud?	Complete	This is clearly stated in the Council's Anti-Fraud & Corruption Strategy & Policy documents.	n/a	Complete
C2	Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	In progress	The publication of the Government's 'Fighting Fraud Locally' strategy document was delayed. Relevant policies and strategies will reflect the strategy when they are next revised.	Director of IA&AM	December 2013

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Policy & Strategy

A4.2	The Council's whistle blowing Policy has recently been reviewed and updated	Complete	An effective whistle blowing policy exists which is readily accessible by staff. There are nominated senior officers to lead in whistleblowing cases.	n/a	Complete
C13	Do we have effective whistle blowing arrangements?		The Council's Confidential Reporting Code was revised in May, 2013 by the Director of Legal and Democratic Services and is displayed on the Council's Intranet.		

Commitment, Awareness and Promotion

A1.1	Continue to promote the Anti-Fraud and Corruption Strategy, the revised Anti-Fraud and Corruption Policy, and other work to staff / public / Partners.	Complete	The following actions are taken to maximise awareness and encourage commitment:	n/a	Complete
C7	Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • New and existing staff • Elected members; and • Our contractors? 		<ul style="list-style-type: none"> • Reports produced / presented to Members • Managers' briefings issued • Publicity on specific cases as appropriate. 		
A3.1	Ensure that the Strategic Leadership Team, Standards Committee and Audit Committee endorse the revised Anti Fraud & Corruption Strategy and Policy.	Complete	The Strategy and Policy are always submitted to Audit Committee and Standards Committee for approval. In addition, the Audit Committee is kept up to date on anti-fraud developments e.g. NFI briefing December 2012.	n/a	Complete
B2	Top level commitment – establishing a culture across the organisation in which fraud, corruption and bribery are		The Director of Audit & Asset		

Anti-Fraud and Corruption Action Plan

Appendix A

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	unacceptable. Making the message clear and regularly referring to it with staff and partners. A senior officer within the organisation should take the overall responsibility for developing and implementing the programme.		Management has overall responsibility.		
Commitment, Awareness and Promotion					
A3.2	Produce an annual staff newsletter highlighting the outcome of fraud work.	Partially complete	External publicity is made through the Council's Annual Fraud report. A staff article will be produced summarising the level of fraud reported at Rotherham Council, compared with others as appropriate.	Director of IA&AM	Complete December, 2013
A4.1	Internal Audit to produce further managers' briefings following fraud investigations to highlight risks and control measures and to publicise recent Bribery legislation.	Complete	Various briefings and reminders issued	n/a	Complete
Guidance and Training					
A3.3	Refresh the anti-fraud training for Members and Officers, incorporating Bribery legislation.	Scheduled for completion	Training material is being revised to include reference to the provisions of the Bribery legislation Benefits fraud staff have recently delivered a number of tenancy / benefit fraud awareness sessions to Neighbourhood Champions.	Director of IA&AM	March, 2014

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Guidance and Training

A3.4	Reintroduce an 'e-learning' fraud and corruption package to incorporate new Bribery legislation.	Scheduled for completion	A new, revised anti-fraud and corruption E-learning module has been developed and will be rolled out with other training material / publicity. A new CIPFA 'E-learning' tool is to be made available to Councils in June, 2013.	Director of IA&AM	March, 2014
B3	Internal Audit will issue guidance to all relevant officers involved in: <ul style="list-style-type: none"> • Commissioning and procurement from the private sector • Payments made to the voluntary sector • Partnerships. Guidance will identify actions to be taken by relevant officers to develop our anti-bribery response.	Scheduled for completion	Some work has been done to Identify & review all business relationships entered into by RMBC. This needs to be completed for all services and contracts.	Director of IA&AM	October 2013

Fraud Risk

A2.1	Produce an up-to-date Corporate Fraud Risk Register.	Complete	Internal Audit has produced a corporate fraud risk register.	n/a	Complete
B1	Risk Assessment – Internal Audit should produce a Corporate Fraud and Corruption [F&C] risk register, including reference to bribery.		Provisional guidance by CIPFA suggests the high risk areas are: 'Gifts & Hospitality, Operational Functions, Contracting & Purchasing, and Use of Consultants'. The Council has robust arrangements in these areas.		

Anti-Fraud and Corruption Action Plan

Appendix A

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C4	Do counter-fraud staff review all the work of our organisation?	Complete	Benefits fraud staff review benefits fraud, whilst IA staff review fraud within the rest of the organisation. The IA Plan is a risk -based plan covering all Council activities and includes emerging risks. Fraud risk areas are subject to a rolling review programme.	n/a	Complete
C5	Do we receive regular reports on fraud risks, action plans and outcomes?	Complete	IA produces reports regularly to the Audit Committee. The IA Plan shows planned work. The IA Annual Report and IA Annual Fraud Report show outcomes.	n/a	Complete
C6	Have we assessed our management of counter-fraud work against good practice?	Complete	Three checklists have been used to show compliance with best practice: the CIPFA Better Governance Forum; "Protecting the Public Purse" [Audit Commission; and "The 6 Principles of Bribery Prevention" [Secretary of State for Justice].	n/a	Complete
Fraud Risk					
C8	Do we work appropriately with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	Complete	IA attends the South and West Yorkshire [SWY] regional Chief Auditor and Fraud groups where fraud issues are discussed. IA receives electronic bulletins from various sources e.g. National Anti-Fraud Network [NAFN], and the Audit Commission's National Fraud Initiative [NFI].	n/a	Complete

Anti-Fraud and Corruption Action Plan

Appendix A

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			<p>Regular pro-active fraud intelligence gathering from various sources exists e.g. CIPFA, including a new CIPFA on-line fraud discussion forum.</p> <p>IA and Benefits fraud staff regularly attend specialist fraud seminars.</p>		
C9	Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	Complete	<p>IA shares knowledge and data (where allowed) through the SWY Fraud group.</p> <p>The Council participates in the NFI.</p>	n/a	Complete
C15	Have we reassessed our fraud risks since the change in the current financial climate?	Complete	<p>IA has carried out an exercise to evaluate internal control following spending cuts.</p> <p>More generally, IA revises its audit plan every 6 months as a minimum. Emerging risks are recorded for potential inclusion in the IA Plan and IA takes account of important fraud publications e.g. the Audit Commission's 'Protecting the Public Purse'.</p>	n/a	Complete
Fraud Risk					
C16	Have we amended our counter-fraud action plan as a result?	Complete	The counter-fraud action plan is kept under constant review and reported 6 monthly to the Audit Committee.	n/a	Complete

Anti-Fraud and Corruption Action Plan

Appendix A

Refs	Action	Status?	Comments	Officer	Target date
C17	Have we relocated staff as a result	n/a	Not necessary, as adequately trained and qualified staff exist within IA and the Benefits Fraud team	n/a	n/a
Resources					
C3	Do we have dedicated counter-fraud staff?	Complete	<p>This largely comprises a Benefits Fraud Team and an Internal Audit Division with fraud training.</p> <p>All Benefits fraud staff are qualified for investigating fraud. All IA staff are professionally qualified or hold the accounting technician qualification. A member of IA has obtained the CIPFA Certificate in Investigative Practice.</p> <p>Further counter-fraud work is performed by the Blue Badge Enforcement Team and the Trading Standards Unit.</p>	n/a	Complete
Monitoring & Review					
B5	Embedding anti-bribery in internal controls, recruitment and remuneration policies, operations, communications and training on practical business issues.	Complete	Actions that are being taken on an ongoing basis are reflected in this action plan, and help to embed and demonstrate application of any updated procedures.	n/a	Complete
B6	There is monitoring and review of financial controls that are sensitive to bribery.	Complete	Internal Audit carries out an annual programme of testing which is risk-based.	n/a	Complete

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Monitoring & Review

C10	Do we identify areas where our internal controls may not be performing as well as intend? How quickly do we then take action?	Complete	Any weaknesses are shown in the specific IA reports and all areas where significant inadequate controls exist are summarised annually in the IA Annual Report and Annual Governance Statement. IA reports are issued promptly to management containing agreed Action Plans with timescales for compliance.	n/a	Complete
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Other

C11	Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on the matches investigated?	Sheduled for completion	IA has commenced work on NFI 2012/13 matches. IA is currently involved in a pilot exercise involving Direct Payments' claimants. IA regularly monitors the on-line progress reports to ensure all relevant matches are investigated.		December 2013 December 2013
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C12	Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	Complete	A 'Financial Regulations Guidance Note' exists for money laundering. This explains to staff what to do when fraud is suspected. Additionally, IA has issued a "Manager's Briefing Note" in this area.	n/a	Complete
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Appendix A

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C14	Do we have effective fidelity insurance arrangements?	Complete	All staff are covered to the value of £15m. This is in line with other comparable Local Authorities.	n/a	Complete
Current Specific Risks and Issues					
	Housing Tenancy				
C18	Do we take effective action to ensure that social housing is allocated only to those who are eligible?	Complete	The Council reviews the relevant NFI matches in this area. The IA Plan includes work this area. A dedicated whistle blowing 'hotline' for suspected tenancy fraud exists. Cases are investigated by Neighbourhoods staff.	Director of IA and AM	Complete
C19	Do we ensure that social housing is occupied by those who are allocated properties?	Scheduled for completion	As above. Additionally, the IA Plan includes housing tenancy allocation which will cover this.	Director of IA and AM	March, 2014
	Procurement				
C20	Are we satisfied our procurement controls are working as intended?	Complete	Recent IA review concluded controls were adequate. This area is reviewed annually by IA.	Director of IA and AM	Complete
C21	Have we reviewed our contract letting procedures since the investigations by the OFT into cartels and compared them with the best practice?	Complete	Contract terms and conditions were amended in EDS to take account of this.	Director of IA and AM	Complete

Refs	Action	Status?	Comments	Officer	Target date
	Recruitment				
C22	<p>Are we satisfied our recruitment procedures achieve the following:</p> <ul style="list-style-type: none"> • Do they prevent the employment of people working under false identities; • Do they confirm employment references effectively; • Do they ensure applicants are eligible to work in the UK; and • Do they ensure agencies supplying us with staff undertake the checks that we require? 	Complete	<p>Robust procedures are in place and have recently been audited.</p> <p>The NFI matches concerning eligibility to work in the UK are always reviewed.</p>	Director of IA and AM	Complete
Current Specific Risks and Issues					
	Personal Budgets				
C23	<p>Where we are expanding the use of personal budgets for social care, in particular direct payments, have we introduced proper safeguarding arrangements proportionate to risk and in line with recommended good practice?</p>	Partial	<p>IA is currently participating in the Audit Commission's new "NFI Flexible Data Matching Service" covering personal budgets. This service provides high-quality regional results instantaneously.</p>	Director of IA and AM	December, 2013
	Council Tax				
C25	<p>Are we effectively controlling the discounts and allowances we give to council tax payers?</p>	Complete	<p>The Council reviews this as part of the NFI exercise, approximately £200k savings were identified in last NFI.</p>	Director of IA and AM	Completed

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			Additionally, in 2012/13 £564k Council Tax SPD was identified through a partnership with Northgate.		
	Housing and Council Tax Benefit				
C26	<p>When we tackle housing and council tax benefit fraud do we make full use of:</p> <ul style="list-style-type: none"> • The National Fraud Initiative [NFI]; • Department for Work and Pensions; Housing Benefit Matching Service; • Internal data matching; and • Private sector data matching? 	On-going	<p>IA fully utilises the NFI and the Benefits Fraud Team make full use of the Housing Benefit Matching Service.</p> <p>£717k fraud was identified in 2012/13.</p>	Director of IA and AM	Continuous

Note for references:

A = RMBC former Anti-Fraud and Corruption Action Plan

B = Bribery Act Action Plan

C = Audit Commission 'Protecting the Public Purse' Action Plan

Director of IA&AM= Director of Internal Audit & Asset Management

Director of L&DS = Director of Legal and Democratic Services

Audit Commission fraud and corruption survey

2012/13

Fraud detected in RMBC

<u>Type of fraud</u>	<u>Total</u>		<u>Cases involving employees or Councillors</u>	
	<u>Numbers</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
Housing benefit and council tax benefit fraud	331	717,930	1	2976
Council Tax SPD fraud	1954	563,915	No	No
Procurement fraud	1	3,500	No	No
Economic and third sector support fraud [false payment of grants, loans etc to any 3rd party]	1	1,200	No	No
Payroll and employee contract fulfilment fraud	5	NR		
Other fraud - employees / public	2	1,784	1	1206
Blue Badge	13	n/a		
Fraud and Corruption Prosecutions	29	n/a	1	n/a
Frauds over £10,000 and all incidents of corruption [included within the above data]	8	n/a	No	No
Total value of fraud detected	2,307	1,288,329		