Audit and Standards Committee

Thursday 28 July 2022 at 5.00 pm

Town Hall, Sheffield, S1 2HH

The Press and Public are Welcome to Attend

Membership

Councillors Colin Ross (Chair), Ben Curran (Deputy Chair), Angela Argenzio, Simon Clement-Jones, Tom Hunt, Kevin Oxley and Garry Weatherall.

Independent Co-opted Members

Alison Howard.

Sheffield
City Council

PUBLIC ACCESS TO THE MEETING

The Audit and Standards Committee oversees and assesses the Council's risk management, control and corporate governance arrangements and advises the Council on the adequacy and effectiveness of these arrangements. The Committee has delegated powers to approve the Council's Statement of Accounts and consider the Annual Letter from the External Auditor.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted members.

A copy of the agenda and reports is available on the Council's website at http://democracy.sheffield.gov.uk. You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance.   The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. on Friday. You may not be allowed to see some reports because they contain confidential information.

Recording is allowed at meetings of the Committee under the direction of the Chair of the meeting. Please see the website or contact Democratic Services for details of the Council's protocol on audio/visual recording and photography at council meetings.

If you require any further information please contact Sarah Cottam in Democratic Services on 0114 273 5033 or email sarah.cottam@sheffield.gov.uk.

FACILITIES

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

AUDIT AND STANDARDS COMMITTEE AGENDA
28 JULY 2022

Order of Business

1.   Welcome and Housekeeping Arrangements

2.   Apologies for Absence

3.   Exclusion of the Press and Public
To identify items where resolutions may be moved to exclude the press and public.

4.   Declarations of Interest   (Pages 5 - 8)
Members to declare any interests they have in the business to be considered at the meeting.

5.   Minutes of Previous Meeting   (Pages 9 - 16)
To approve the minutes of the meeting of the Committee held on 16 June 2022

6.   Summary of Statement of Accounts   (Pages 17 - 40)
Report of the Director of Finance and Commercial Services

7.   Internal Audit Annual Fraud Report   (Pages 41 - 192)
Report of Senior Finance Manager, Internal Audit

8.   Role of the Audit Committee and Training   (Pages 193 -204)
Report of the Director of Finance and Commercial Services

9.   Work Programme   (Pages 205 -212)
Report of the Director of Legal and Governance

10. Dates of Future Meetings
To note the next meeting of the Committee will be held at 5.00 p.m. on 22 September 2022.

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ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

If you are present at a meeting of the Council, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest** (DPI) relating to any business that will be considered at the meeting, you must <u>not</u>:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner undertakes.

- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

  *The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –

  - under which goods or services are to be provided or works are to be executed; and
  - which has not been fully discharged.

- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

- Any tenancy where (to your knowledge) –
  - the landlord is your council or authority; and
  - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

  (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and

  (b) either -
    - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
    - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or

- it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously.

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Audit and Standards Committee in relation to a request for dispensation.

Further advice can be obtained from Gillian Duckworth, Director of Legal and Governance on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk.

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S H E F F I E L D   C I T Y   C O U N C I L

Audit and Standards Committee

Meeting held 16 June 2022

PRESENT: Councillors Colin Ross (Chair), Ben Curran (Deputy Chair), Angela Argenzio, Simon Clement-Jones, Tom Hunt, Kevin Oxley and Alison Howard

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1. **APOLOGIES FOR ABSENCE**

1.1   An apology for absence were received from Councillor Garry Weatherall.

2. **EXCLUSION OF THE PRESS AND PUBLIC**

2.1   The Chair stated that the report and appendices at agenda item 11 of the agenda (Item 11 in these minutes) were not available to the public and press because they contained exempt information described in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) relating to the financial or business affairs of any particular person. Accordingly, the public and press would be excluded from the meeting during consideration of that item of business. This item would be considered last on the agenda.

3. **DECLARATIONS OF INTEREST**

3.1   There were no declarations of interest made at the meeting.

4. **MINUTES OF PREVIOUS MEETING**

4.1   The minutes of the meetings held on 24 March 2022 were agreed as an accurate record.

4.2   A Member of the Committee asked whether the resolution at 5.12 of the minutes had been followed up. The Director of Legal and Governance, Gillian Duckworth explained that Group Whips had been informed of that recommendation at their previous Whips meeting.

4.3   The Director of Finance and Commercial Services, Ryan Keyworth agreed to work with External Auditors on agreeing a time and date for the closed meeting with Members.

4.4   The Director of Finance and Commercial Services informed the Committee of the Council's current budgetary position. It was mentioned that the Council had an overspend of approximately 20 million pounds at the end of the last municipal year. The Council predicted an overspend of approximately 19 million pounds at the end of this municipal year.

The Strategy & Resources Policy Committee received budget monitoring information at their last meeting. Other policy committees would also receive budgetary information and how to manage their budgets at their first meetings of the municipal year.

5. INTERNAL AUDIT PLAN 2022/23

5.1   The Committee received a report of the Senior Finance Manager (Internal Audit), Linda Hunter, which presented the Internal Audit planning methodology and programme of work for 2022/23.

5.2   The audit plan would be reassessed in September 2022 and brought back to the Audit & Standards Committee in November 2022.

5.3   The Senior Finance Manager (Internal Audit) referred to the summary of the audit plan on page 24 of the report. This highlighted the planned audit time for auditable areas within the Council. The combined planned audit time across all auditable areas was 1488 days. It was added that the full plan was in appendix 1 to the report.

5.4   Members of the Committee asked questions and the following responses were provided: -

5.5   The Senior Finance Manager (Internal Audit) explained the RAG ratings were based multiple factors. Some factors mentioned were when the area was last audited, budget and financial aspects, changes within a system or process and likelihood of fraud occurring in that area

5.6   The Senior Finance Manager (Internal Audit) confirmed the I Trent system process review referred to on page 37 was a payroll review which was still currently ongoing.

5.7   The Senior Finance Manager (Internal Audit) mentioned there was a review in place for internal audit to look at their processes, following the Councils change to a Committee System.

5.8   The Senior Finance Manager (Internal Audit) highlighted the vacancies in the service which would be recruited to in the near future.

5.9   The Senior Finance Manager (Internal Audit) referred to page 43 of the report which highlighted the 4 pro-active fraud audits.

5.10   The Senior Finance Manager (Internal Audit) explained that not all the risks that appeared on last years first-call list will appear on this year's list. This was because some risks identified last year were reassessed, they were not considered to be a high risk any longer. Each risk would be checked to ensure no risk was missed off when generating this year's list.

5.11   **RESOLVED:** That the Audit & Standards Committee endorsed the programme of work for 2022/23.

6.   PROGRESS IN HIGH OPINION REPORTS

6.1   The Committee received a report of the Senior Finance Manager (Internal Audit) was to present the progress made against recommendations in the audit reports that have been given a high opinion, a no assurance opinion or a limited assurance with high organisational impact opinion.

6.2   The Senior Finance Manager (Internal Audit) explained that this report was brought to the Audit & Standards Committee every 6 months to update the Committee.

6.3   The Senior Finance Manager (Internal Audit) informed the Committee that recommendations on the tracker will remain there until internal audit felt that sufficient progress had been made. Then, the Committee would be asked for approval to remove that recommendation.

6.4   There was report with one (with three recommendations) which internal audit was asking the Committee for approval to remove. This was the Information Security audit which internal audit felt the three recommendations had been sufficiently actioned.

6.5   One review was added to the recommendation tracker in December 2021. This was not followed-up for the last report due to longer than usual implementation date, and so was included in the report. This was Adult Safeguarding. In addition, there was also two new reports added to the tacker for this period. These were Disposal of IT Assets and Creditors Audit Review of Non-Standards Payments. There was a total of 29 recommendations on the tracker, in which 16 of those had been implemented with 13 still ongoing.

6.6   It was mentioned that this tracker was taken to the Performance and Delivery Board on 17/5/22 for review and comment.

6.7   Members of the Committee asked questions and the following responses were provided: -

6.8   The Senior Finance Manager (Internal Audit) agreed to amend the report to reflect that September had 30 days instead of 31.

6.9   The Senior Finance Manager (Internal Audit) explained the difficulty of getting training mandated across the service. The Senior Finance Manager (Internal Audit) agreed to check with the Safeguarding lead whether Persons in Position of Trust training was requested to be mandated, and if not why.

6.10   **RESOLVED:** That **(1)** the Audit and Standards Committee noted the content of the report; **(2)** That the Audit and Standards Committee agreed to the removal of the following report from the tracker – information security incidents; and **(3)** That the Senior Finance Manager (Internal Audit) agreed to check whether Persons in Position of Trust training was requested to be mandated, and if not why.

7.   NEW HOUSING SYSTEM AND PROJECT UPDATE

7.1   The Executive Director, Operational Services, Ajman Ali explained that following a review from internal audit in June 2018, there was a recommendation that the Housing Management System was not up to date. Therefore, the report presented to the Audit & Standards Committee outlined the work that had been completed to meet the recommendations. The Executive Director, Operational Services added that this recommendation had been outstanding for too long although this was now coming to close. He was also very pleased to see the work undertaken by officers and the progress made on the new housing system.

7.2   The Head of Neighbourhood Services, Bev Mullooly gave a presentation and the key points to note were: -

- The Open Housing Management System (OHMS) was used across the Housing and Neighbourhoods Service. This needed to be replaced in the medium to long term.
- The Housing and Neighbourhoods service used several systems alongside the OHMS. Some were:
- Abritas for Choice Based Lettings
- APEX and Technology Forge for Investment
- Confirm for grounds maintenance
- Internal audit were informed that the upgrade of the OHMS by Capita, was likely to be a significant cost to the Council.
- OHMS system migrated to Northgate Hosting in December 2020.
- Market test carried out to determine potential replacement options for OHMS in January 2021.
- OHMS system upgraded to latest version with all new features and capabilities available in April 2021.
- The OHMS system was now fully supported by the supplier in April 2021.
- Full tender issued for OHMS replacement in December 2021.

In conclusion, the service felt they had adequately complied with the audits recommendations as the OHMS system was running on its latest version and the services disaster recovery plan and business continuity plan were updated. Moving forward, timescales for actions were as follows:

- Preferred supplier to be informed and contract for new housing

management system to be signed in June 2022. This was currently pending approval from Legal Services.
- The implementation of the new system should be initiated in June 2022.
- Phase 1 of the implementation will be completed by September 2023.
- Phase 2 of implementation will be completed by March 2024.

7.3   Members of the Committee asked questions and the following responses were provided: -

7.4   The Head of Neighbourhood Services confirmed she was unable to discuss details that related to potential suppliers of the new system as this was commercially sensitive information.

7.5   The Head of Neighbourhood Services mentioned the Housing Service had a communication plan and risk register in place to identify and mitigate potential risks throughout the implementation phases. They had also contacted other authorities that had been through similar changes of systems.

7.6   The Head of Neighbourhood Services confirmed the budget had been allocated for this project. It was mentioned that both staff and customers had been consulted, therefore their requirements were checked and scored against potential supplier's solutions.

7.7   The Head of Neighbourhood Services stated there will be multiple accessibility streams for customers to use the new system from various devices. In addition, customers would still have the option to call the Council if they would prefer to use that method over the new online system.

7.8   The Business Applications Systems and Data Service Manager, Jessica Kavanagh raised the importance of having a new system that after implemented was instantly functional, but also able to be adjusted if necessary. It was mentioned that there will be parts of the system that can be configured by the service. Therefore, if a change was needed that the service had control over, that can be carried out. Alternatively, there would be elements of the system that can not be configured along with some potential areas that if requested back to the supplier, can be amended. The Business Applications Systems and Data Service Manager added that various factors including these one, had been considered throughout the procurement process so that the system was in the best possible position for the customers once implemented.

7.9   A Member of the Committee asked if a further update could be provided to Members of the Committee around the implementation plan and key dates.

The Director of Legal and Governance stated that the Housing Policy Committee may be better suited to oversee the implementation of the new system rather than the Audit & Standards Committee.

7.10   **RESOLVED:** That **(1)** Members of the Audit and Standards Committee are recommended to note this report and close the outstanding audit action as it is complete also note the progress to replace the Open Housing Management System and associated systems; and **(2)** that regular updates on the implementation of the new system is passed to the Housing Policy Committee, and that this Committee is involved as and if necessary.

8.   GOVERNMENT RESPONSE TO THE COMMITTEE ON STANDARDS IN PUBLIC LIFE REPORT

8.1   The Committee received a report of the Director of Legal and Governance which highlighted the Governments responses to the Committee on Standards in Public Life's Review of Local Government Ethical Standards.

8.2   In January 2019, the Committee for Standards in Public Life issued a report with recommendations on ethical standards in Local Government. This was following extensive consultation with local authorities. The Audit and Standards Committee carried out a workshop to review those recommendations and then implemented changes where necessary to the Members Code of Conduct and Procedure for dealing with complaints. The Audit & Standards Committee also submitted a consultation response on behalf of Sheffield City Council.

8.3   In summary, the Government had not made any changes to the legislation following the recommendations. Although, there were some areas which they committed to look at further. There were also some aspects noted where the Government considered Local Government could change if they wanted to without further legislation.

8.4   The Director of Legal and Governance summarised the recommendations in the report which the Audit & Standards Committee would find useful.

8.5   Independent person, David Waxman felt the report produced by the Committee for Standards in Public Life in 2019 was very well regarded and applauded by groups with interest in this area. Therefore, was disappointed with the Governments minimal interest to that report and recommendations.

8.6   Members of the Committee asked questions and the following responses were provided: -

8.7   The Director of Legal and Governance confirmed the current law was

clear that the Code of Conduct only applied to elected Members when they were acting in their official capacity This was set out in the judgment relating to Ken Livingstone when he was the Mayor of London and was supported by the Localism Act 2011. This stated that Members have a right to a private life and have the ability to exercise free speech when not acting in an official capacity. This leaves us with some ambiguity around when a member is acting in their official capacity and this report offered the government an opportunity to remove that ambiguity.

8.8   The Director of Legal and Governance informed the Committee that new Members were informed that they could request that their home address is withheld from the online register through the Monitoring Officer if they could evidence that the interest fell within the definition of 'Sensitive interest' within the Localism Act 2011. The Director of Legal and Governance also had regular conversations with Groups Whips around this issue. Members would also have been reminded of this through the Members code of conduct training which was recently delivered.

8.9   **RESOLVED:** That the Audit & Standards Committee noted the Government response to the Committee on Standards in Public Life review of local government ethical standards.

9.   WORK PROGRAMME

9.1   The Committee considered a report of the Director of Legal and Governance that outlined the work programme for the remainder of the municipal year. Members were asked to identify any further items for inclusion.

9.2   Independent Co-opted Member Alison Howard suggested that the private meeting for Members and the Council's External Auditors be recorded on the work programme.

9.3   A Member of the Committee suggested that Audit training took place prior to the first meeting of the committee.

9.4   A Member of the Committee raised concerns around the scheduling of meetings through the school holiday months as this caused issues for Members attending meetings who had families and other responsibilities in these periods.

9.5   **RESOLVED: -** that **(1)** the work programme be noted; and **(2)** that the closed meeting with Members be added to the work programme.

10.   STRATEGIC RISK REPORTING

10.1   The Finance Manager, Helen Molteno, referred to the report which summarised current Council risks and what actions the Council were taking to mitigate them.

10.2   Members of the Committee asked questions on the report.

10.3   **RESOLVED: -** That the Audit and Standards Committee **(1)** noted the current assessment of the Council's risk management arrangements and endorsed the measures being taken to strengthen those arrangements; and **(2)** noted the current and emerging risks and endorses the actions being taken to mitigate those risks.

11.   DATES OF FUTURE MEETINGS

11.1   It was noted that the next meeting of the Committee would be held on 28 July 2022.

Sheffield City Council

Audit and Standards Committee Report

Report of:	Ryan Keyworth
Date:	28 July 2022
Subject:	2021/22 Unaudited Statement of Accounts
Author of Report:	Jane Wilby / Ruth Matheson
Summary:	The purpose of this report is to provide Members of the Audit and Standards Committee with a summary of the 2021/22 Unaudited Statement of Accounts and explain the core statements and a number of the key notes to the accounts.
Recommendations:	The Audit and Standards Committee is asked to note the core statements and the key notes to the Unaudited Statement of Accounts for 2021/22.
Background Papers:	None
Category of Report:	OPEN

Statutory and Council Policy Checklist

Financial Implications	
NO	
Legal Implications	
NO	
Equality of Opportunity Implications	
NO	
Tackling Health Inequalities Implications	
NO	
Human Rights Implications	
NO	
Environmental and Sustainability implications	
NO	
Economic Impact	
NO	
Community Safety Implications	
NO	
Human Resources Implications	
NO	
Property Implications	
NO	
Area(s) Affected	
None	
Is the item a matter which is reserved for approval by the City Council?	
NO	
Press Release	
NO	

AUDIT AND STANDARDS COMMITTEE – 28 JULY 2022

STATEMENT OF ACCOUNTS 2021/22

Purpose of the Report

1. The purpose of this report is to provide Members of the Audit and Standards Committee with a summary of the 2021/22 Statement of Accounts and explain the core statements and a number of the key notes to the accounts. A full set of the unaudited accounts is now available on the Council's website via the following link: Statement of Accounts 2021/22. A full set of the final audited accounts is expected to be presented to the Audit and Standards Committee at the December 2022 meeting.

2. This report also outlines the approval process for the Statement of Accounts and the Audit and Standards Committee's role in this process.

Introduction

3. The Statement of Accounts has been prepared in accordance with the IFRS (International Financial Reporting Standards) based Code of Practice on Local Authority Accounting in the United Kingdom and the statutory Accounts and Audit Regulations. This ensures that local authorities produce their Accounts in a standard way, which facilitates comparisons.

4. The Accounts and Audit Regulations 2015 sets out the procedures for certification, approval and publication of the Statement of Accounts. However, due to the impact of COVID-19 on Local Authorities The Accounts and Audit (Amendment) Regulations 2021 extended the statutory deadlines for local authorities to approve and publish their accounts for the 2021/22 financial year.

    The Accounts and Audit (Amendment) Regulations 2021 have therefore implemented new deadlines by amending the Accounts and Audit Regulations 2015. The revised deadlines applicable to local authorities are as follows:

    *   No later than 31 July 2022 – Unaudited accounts to be certified by the Director of Finance and Commercial Services.

    *   From July 2022 – The Statement of Accounts is subject to audit by the Authority's auditors, Ernst & Young, and their findings will be reported to the Audit and Standards Committee in December 2022. During this time there is a period where the public can inspect the accounts and related

documents (Monday 1st August 2022 to Monday 12th September 2022).

- No later than 30 November 2022 – Accounts to be re-certified by the Director of Finance and Commercial Services.

- No later than 30 November 2022 – Audit and Standards Committee considers and approves the Statement of Accounts. Following approval, the Chair of the Audit and Standards Committee signs and dates the Statement of Accounts.

- No later than 30 November 2022 – Publish, on the Council's website, the audited Statement of Accounts together with any certificate, opinion or report issued by the auditor.

5. It is worth noting that the timings of the process above can be affected if members of the public object to the accounts, and, if by 30 November 2022, the auditors have not determined whether these objections could have a material impact on the Council's accounts. In addition it is expected that the external audit process will run into December 2022, so the Council will not achieve its 30 November 2022 statutory deadline, but the Statement of Accounts is due to be approved in December 2022.

Local Authority Accounting

6. The presentation of local authority accounts differs greatly to that of the private sector. Many of these differences occur due to legislative requirements for local government accounts and the recognition of costs for the purposes of budgeting and calculating the Council Tax. These differences mainly relate to the way the Council is required to account (or budget) for capital and pension costs.

7. Local authorities account for the revenue impact of capital in line with IFRS on the face of the Comprehensive Income and Expenditure Statement (CIES). This means including figures relating to movements in the value/cost of assets, including depreciation, revaluation, disposal and impairment. These entries are reversed out and replaced with an allowance for the consumption of capital (Minimum Revenue Provision). These "adjustments between accounting basis and funding basis under regulation" are shown in Note 8 to the unaudited accounts.

8. In terms of pension costs, local authorities are required to comply with an International Accounting Standard called IAS 19 (*Employee Benefits*), which means accounting for pension liabilities when local authorities are committed to them, not when they are actually paid out. This includes showing

movements in the value of pension scheme assets and liabilities.

9. The Council complies with IAS 19 and recognises the Council's share of the net liability of the South Yorkshire Pension Scheme in the balance sheet. Within the CI&ES the 'Cost of Service' figures have been adjusted so they represent the true costs of pensions earned. As stated above, IAS 19 does not have any effect on the calculation of the Council Tax Requirement as the entries are reversed out, and replaced by the cash contributions to the Pension Scheme, in an adjustment between accounting basis and funding basis under regulation.

10. The report on the Council's Revenue Outturn position at the end of the 2021/22 financial year was taken to the Strategy and Resources Policy Committee on 5th July 2022. It was reported that there was an overall deficit on the General Fund of £19.8m, before carry forward requests.

11. In contrast to this deficit, the CIES reports a surplus of £361.9m. The inclusion of items relating to capital and pensions is the major reason for this difference. The table below shows the reconciliation from the outturn position to the eventual CI&ES surplus:

	£000
Deficit on General Fund Revenue Account (per outturn report)	**19,790**
Net contribution from revenue reserves	9,332
Deficit on Schools' Accounts	6,072
Total Contribution from Reserves	**35,194**
Removal of debt charges	(47,206)
Removal of pension contributions	(49,538)
Items that do not affect Council Tax:	
Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI, etc.	(300,314)
(Surplus) on Income & Expenditure Statement	**(361,864)**

12. The Statement of Accounts comprise several key statements:

- Comprehensive Income and Expenditure Statement – **Appendix 1**

- Movement in Reserves Statement – **Appendix 2**
- Balance Sheet – **Appendix 3**
- Cash Flow Statement – **Appendix 4**
- Expenditure and Funding Analysis Statement – **Appendix 5**
- Key Notes to the Core Financial Statements – **Appendix 6**
- Housing Revenue Account Income and Expenditure Account – **Appendix 7**
- Collection Fund – **Appendix 8**

Comprehensive Income and Expenditure Statement – **Appendix 1**

13. This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (Council Tax). Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement – **Appendix 2**

14. This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.

15. The (Surplus) or Deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes, therefore an adjustment is made to the movement in reserves statement for adjustments between accounting basis and funding basis under regulation.

16. The "Net (increase) / decrease before transfers to earmarked reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet – **Appendix 3**

17. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

18. Reserves are reported in two categories:

- Usable reserves - those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use;

- Unusable reserves - those that cannot be used to provide services. This category includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Cash Flow Statement – **Appendix 4**

19. The Cash Flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents.

20. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Expenditure and Funding Analysis Statement – **Appendix 5**

21. The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios / services.

22. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

Key Notes to the Accounts – **Appendix 6**

23. The notes to the accounts contain information in addition to that presented in the main statements. They provide narrative descriptions, disaggregation of items presented in the statements and further information about items in the statements.

24. Attached at Appendix 6 are some of the key notes to the accounts, including the note on Officers' Remuneration (note 43). Full details are required for senior employees, who form part of the Executive Management Team, whose salary is above £50,000 per annum, and an additional summary disclosure is required of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances etc.) is above £50,000.

25. The Council's outturn position for 2021/22 reported a net deficit of £19.8m overall for the general fund revenue account. The Statement of Accounts is in line with the outturn report, but sets out the more detailed financial position for the Council in a format required by legislation. As well as the Expenditure and Funding Analysis Statement referred to earlier, the following note also shows the reconciliation between the outturn position and the Statement of Accounts CIES:

- *Adjustments between accounting basis and funding basis under regulations* (Note 8) – this note details how the CIES has been adjusted in accordance with accounting practice, and the resources that are specified by statutory provision as being available.

Housing Revenue Account (HRA) – **Appendix 7**

26. The HRA Income and Expenditure Statement is ring fenced from the rest of the General Fund and shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

27. Authorities charge rents to cover expenditure in accordance with regulations, which may be different from the accounting cost.

Collection Fund – **Appendix 8**

28. The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Central Government of council tax and business rates.

Key Issues for 2021/22

Net worth

29. The Council's net worth, as shown on the Balance Sheet (**Appendix 3**), has increased by the surplus from the CIES of £361.9m (or 27.8%) in 2021/22; the major factors being:

- a net increase in the Council's fixed assets (£104.4m);
- a decrease in the Council's long-term debtors (£34m);
- an increase in the Council's short-term investments (£62m);
- a decrease in the Council's short-term debtors (£17m), and
- an increase in the Council's other current assets (£52m), offset by;
- a decrease in the Council's pensions' liability (£210m) due to the annual review by the actuary;
- a net increase in the Council's borrowing (£40.6m), and
- a decrease in the Council's other liabilities (£25m).

Usable Reserves

30. As shown in the Movement in Reserves Statement (**Appendix 2**), during the year, total usable reserves increased by £4.7m. The key reasons for the movement in this category of reserves are as follows:

- Earmarked General Fund Reserves decreased by £9.3m during the year, predominantly the result of the Collection Fund reserve, due to a reduction in the retail relief funding from Government. HRA reserves decreased by £2m.

- Reserves used to fund capital expenditure on assets increased by £16m.

- The Council's usable reserves also includes £12.9m of Unallocated Reserves or General Fund Balances, which remained the same as in 2020/21.

Financial Implications

31. There are no direct financial implications arising from the recommendations in this report.

Equal Opportunities Implications

32. There are no specific equal opportunities implications arising from the recommendations in this report.

Property Implications

33. There are no property implications arising from the recommendations in this report.

Recommendations

34. The Audit and Standards Committee is asked to note the core statements and the key notes to the Statement of Accounts for 2021/22.

APPENDIX 1 – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2020/21					2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Continuing Operations:				
604,227	(302,071)	302,156	People		632,679	(323,799)	308,880
171,947	(168,467)	3,480	Schools		178,482	(172,410)	6,072
263,017	(76,667)	186,350	Place (excluding HRA)		296,834	(107,822)	189,012
6,612	(3,013)	3,599	Policy, Performance & Communications		6,926	(2,700)	4,226
183,013	(165,324)	17,689	Resources		177,235	(164,228)	13,007
557	835	1,392	Corporate		1,257	(3,023)	(1,766)
1,229,373	**(714,707)**	**514,666**			**1,293,413**	**(773,982)**	**519,431**
109,688	(151,974)	(42,286)	Housing Revenue Account (HRA)		198,808	(154,054)	44,754
1,339,061	**(866,681)**	**472,380**	**(Surplus) / Deficit on Continuing Operations**		**1,492,221**	**(928,036)**	**564,185**
		24,647	Other Operating Expenditure	9			13,194
		98,531	Financing and Investment Income and Expenditure	10			89,397
		(581,659)	Taxation and Non-Specific Grant Income	11			(577,597)
		13,899	**(Surplus) / Deficit on Provision of Services**				**89,179**
		(151,466)	(Surplus) / deficit on revaluation of non-current assets				(168,512)
		(449)	Re-measurements of the pension net defined benefit liability				(282,679)
		0	Any other (gains) and losses required to be included				148
		(151,915)	**Other Comprehensive (Income) and Expenditure**				**(451,043)**
		(138,016)	**Total Comprehensive (Income) and Expenditure**				**(361,864)**

APPENDIX 2 – MOVEMENT IN RESERVES STATEMENT

2021/22

	Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account Balance £'000	Earmarked Housing Revenue Account Reserve £'000	HRA Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	Note	34	34	34	34	34	34	34	34	35	
Balance at 31 March 2021		**(12,851)**	**(361,682)**	**(7,782)**	**(4,171)**	**(98,837)**	**(65,564)**	**(33,729)**	**(584,616)**	**(716,517)**	**(1,301,133)**
Movement in reserves during 2021/22:											
Total Comprehensive (Income) and Expenditure		33,020	0	56,159	0	0	148	0	89,327	(451,191)	(361,864)
Adjustments between accounting basis and funding basis under regulations	8	(23,688)	0	(67,735)	0	14,249	(13,236)	(3,656)	(94,066)	94,066	0
Net (increase) / decrease before transfers to reserves		**9,332**	**0**	**(11,576)**	**0**	**14,249**	**(13,088)**	**(3,656)**	**(4,739)**	**(357,125)**	**(361,864)**
Transfers (to) / from reserves	33	(9,332)	9,332	11,335	2,218	(13,553)	0	0	0	0	0
(Increase) / decrease in year		**0**	**9,332**	**(241)**	**2,218**	**696**	**(13,088)**	**(3,656)**	**(4,739)**	**(357,125)**	**(361,864)**
Balance at 31 March 2022		**(12,851)**	**(352,350)**	**(8,023)**	**(1,953)**	**(98,141)**	**(78,652)**	**(37,385)**	**(589,355)**	**(1,073,642)**	**(1,662,997)**

As at 31 March 2021 £000		Notes	As at 31 March 2022 £000
1,382	Intangible Assets	27	692
3,235,817	Property, Plant and Equipment	23	3,341,751
54,775	Heritage Assets	25	54,884
19,160	Investment Properties	26	18,780
159,570	Long term Debtors	16	125,507
3,470,704	**Long Term Assets**		**3,541,614**
120,000	Short Term Investments	14	182,000
1,366	Inventories		1,624
220,226	Short Term Debtors	17	203,270
160,797	Cash and Cash Equivalents	14 / 18	212,536
8,312	Assets Held for Sale	28	7,785
510,701	**Current Assets**		**607,215**
(16,977)	Short Term Borrowing	14	(15,665)
(301,458)	Short Term Creditors	19	(300,788)
(11,570)	Short Term Provisions	20	(12,107)
(19,631)	PFI / PPP Finance Lease Liability	14 / 24	(20,657)
(46,199)	Capital Grants Receipts in Advance	12	(45,086)
(395,835)	**Current Liabilities**		**(394,303)**
(855,567)	Long Term Borrowing	14	(897,489)
(17,257)	Long Term Provisions	20	(16,237)
(340,777)	PFI / PPP Finance Lease Liability	14 / 24	(320,120)
(1,001,114)	Pension Liability	45	(791,019)
(43,605)	Other Long Term Liabilities	21	(40,783)
(26,117)	Capital Grants Receipts in Advance	12	(25,881)
(2,284,437)	**Long Term Liabilities**		**(2,091,529)**
1,301,133	**Net Assets**		**1,662,997**
(584,616)	Usable Reserves	34	(589,355)
(716,517)	Unusable Reserves	35	(1,073,642)
(1,301,133)	**Total Reserves**		**(1,662,997)**

APPENDIX 3 – BALANCE SHEET
APPENDIX 4 – CASH FLOW STATEMENT

2020/21 £000		Notes	2021/22 £000
(13,899)	Net surplus or (deficit) on the provision of services		(89,179)
271,209	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	36	242,541
(59,633)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	36	(72,246)
197,677	**Net cash flow from operating activities**		**81,116**
(63,053)	Investing activities	37	(79,917)
(107,972)	Financing activities	38	50,540
26,652	**Net increase / (decrease) in cash and cash equivalents**		**51,739**
134,145	Cash and cash equivalents at 1 April	18	160,797
160,797	**Cash and cash equivalents at 31 March**	18	**212,536**

APPENDIX 5 – EXPENDITURE AND FUNDING ANALYSIS STATEMENT

2021/22	Notes	Outturn Position Reported to Internal Management	Adjustments for Items Not Reported to Internal Management	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions	Adjustments between the Funding and Accounting Basis	Other Adjustments	Net Expenditure in the CI&ES
Note		£000	£000	£000	£000 5	£000	£000
People		284,827	(1,189)	**283,638**	25,242	0	**308,880**
Schools		0	(755)	**(755)**	6,827	0	**6,072**
Place (excluding HRA)		133,085	(261)	**132,824**	54,936	1,252	**189,012**
Policy, Performance & Communications		3,083	0	**3,083**	1,143	0	**4,226**
Resources		10,494	(1,303)	**9,191**	3,816	0	**13,007**
Corporate		(411,699)	(6,950)	**(418,649)**	(68,276)	485,159	**(1,766)**
Total General Fund (GF)		19,790	(10,458)	**9,332**	23,688	486,411	**519,431**
Housing Revenue Account (HRA)		0	(11,576)	**(11,576)**	67,735	(11,405)	**44,754**
Net Cost of Services	5	**19,790**	**(22,034)**	**(2,244)**	**91,423**	**475,006**	**564,185**
Other Income & Expenditure GF		0	0	0	0	(486,411)	(486,411)
Other Income & Expenditure HRA		0	0	0	0	11,405	11,405
Other Income & Expenditure		**0**	**0**	**0**	**0**	**(475,006)**	**(475,006)**
Difference between General Fund (Surplus) / Deficit and CI&ES (Surplus) / Deficit	5	**19,790**	**(22,034)**	**(2,244)**	**91,423**	**0**	**89,179**
Opening General Fund and HRA Balance at 1 April		(386,486)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(2,244)					
Other Movements		13,553					
Closing General Fund and HRA Balance at 31 March*		**(375,177)**					

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

APPENDIX 6 – KEY NOTES TO THE CORE FINANCIAL STATEMENTS

Note 43 – Officers' Remuneration

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose information on their employees' remuneration in two sections.

The first section must contain the details of those officers defined in the Regulations as senior employees whose salary is above £50,000 per annum. Senior employees are typically categorised as statutory chief officers or non-statutory chief officers. The latter category typically includes those officers who report directly to the Chief Executive (excluding those whose duties are solely secretarial). In addition, those senior officers whose salary is above £150,000 are required to be named in this section.

The second section must include a disclosure of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc.) is above £50,000.

The remuneration paid to the Council's senior employees is shown in the table below:

2021/22

Post Holder Information	Note	Salary – including Fees and Allowances	Expenses Allowances	Total Remuneration exc Pension Contributions	Pension Contributions	Total Remuneration inc Pension Contributions
		£	£	£	£	£
Chief Executive – Kate Josephs		204,311	0	204,311	38,819	243,130
Executive Director – Resources – Eugene Walker	1	158,051	0	158,051	30,294	188,345
Executive Director – People – John Macilwraith		156,637	0	156,637	29,761	186,398
Interim Executive Director – Place		134,420	0	134,420	25,540	159,960
Executive Director – Place (City Futures)	2	10,069	0	10,069	1,913	11,982
Director of Public Health		128,411	0	128,411	18,233	146,644
Director of Legal and Governance	3	98,301	0	98,301	18,464	116,765
Director of Policy and Performance	4	92,561	0	92,561	17,514	110,075
Total		**982,761**	**0**	**982,761**	**180,538**	**1,163,299**

Notes:
1. The Executive Director of Resources took up the role of acting Chief Executive on 16th February 2022.
2. The Executive Director of Place (City Futures portfolio) took up position with effect from 7th March 2022.
3. The Director of Legal and Governance in addition took up the role of Interim Executive Director of Resource on a job share basis from 16th February 2022.
4. The Director of Policy and Performance in addition took up the role of Interim Executive Director of Resource on a job share basis from 16th February 2022.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Officer Remuneration: Non-Teachers

■ Non-Teachers 21/22   ■ Non-Teachers 20/21

Remuneration Band	Non-Teachers 21/22	Non-Teachers 20/21
£50,000-54,999	154	157
£55,000-59,999	72	25
£60,000-64,999	34	37
£65,000-69,999	33	15
£70,000-74,999	18	11
£75,000-79,999	23	17
£80,000-84,999	8	0
£85,000-89,999	4	7
£90,000-94,999	10	1
£95,000-99,999	4	7
£100,000-104,999	2	0
£105,000-109,999	2	0
£110,000 - 114,999	0	1

Number of Officers / Remuneration Band

Officer Remuneration: Teacher

■ Teachers 21/22   ■ Teachers 20/21

Number of Officers

Remuneration Band	Teachers 21/22	Teachers 20/21
£50,000-54,999	35	40
£55,000-59,999	28	20
£60,000-64,999	17	22
£65,000-69,999	24	16
£70,000-74,999	21	5
£75,000-79,999	12	9
£80,000-84,999	3	6
£85,000-89,999	2	2
£90,000-94,999	6	3
£95,000-99,999	2	0
£100,000-104,999	0	1
£105,000-109,999	1	0
£110,000-114,999	0	1
£115,000-119,999	1	0

Remuneration Band
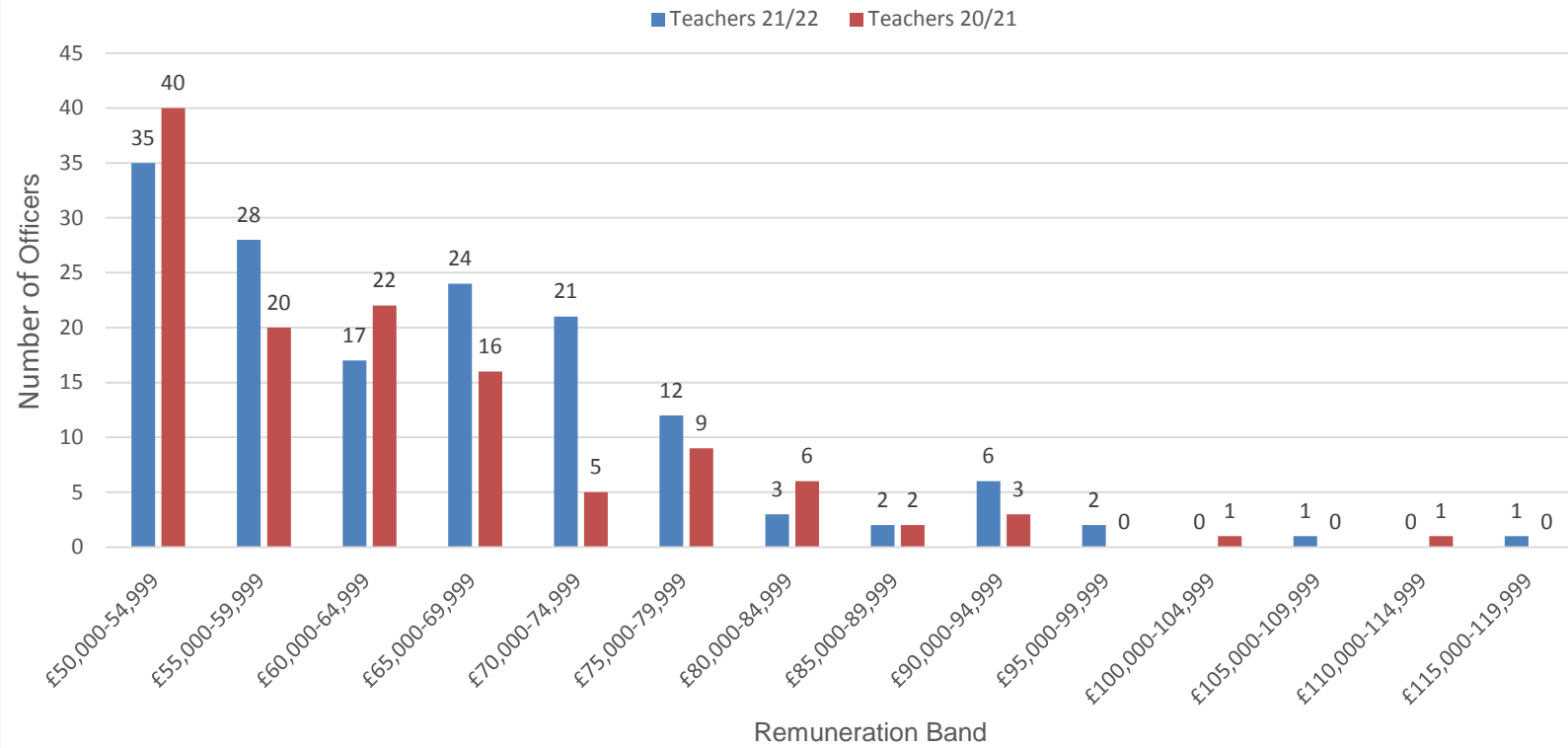
Note 8 – Adjustments Between Accounting Basis and Funding Basis Under Regulations

2021/22	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Notes							35	
Reversal of items debited or credited to the CI&ES:								
Depreciation of Non-current assets	(57,827)	0	(25,620)	0	0	(83,447)	83,447	**0**
Impairment losses charged to the CI&ES	0	0	0	0	0	0	0	**0**
Revaluation losses charged to the CI&ES	2,898	(69,111)	0	0	0	(66,213)	66,213	**0**
Movements in fair value of Investment Properties	(380)	0	0	0	0	(380)	380	**0**
Capital grants and contributions credited to the CI&ES	45,649	0	0	0	(7,230)	38,419	(38,419)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	3,574	3,574	(3,574)	**0**
Revenue expenditure funded from capital under statute	(19,173)	0	0	0	0	(19,173)	19,173	**0**
Costs of disposal funded from capital receipts	(164)	0	0	164	0	0	0	**0**
Net gain / (loss) on sale of non-current assets	(9,317)	1,349	0	(26,851)	0	(34,819)	34,819	**0**
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements	1,250	0	0	0	0	1,250	(1,250)	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(122,122)	0	0	0	0	(122,122)	122,122	**0**
Amount by which Council Tax and non-domestic rates income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation	42,850	0	0	0	0	42,850	(42,850)	**0**
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements	(639)	0	0	0	0	(639)	639	**0**
Insertion of items not debited or credited to the CI&ES:								
Statutory provision for repayment of debt (MRP)	47,179	0	0	0	0	47,179	(47,179)	**0**
Voluntary provision for repayment of debt (VMRP)	0	27	0	0	0	27	(27)	**0**
Revenue Contribution to Major Repairs Reserve	0	0	0	0	0	0	0	**0**
Transfer of Capital Receipts (<£10k) to the General Fund and HRA	(90)	0	0	90	0	0	0	**0**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(3,340)	0	0	3,340	0	0	0	**0**
Employer's contribution to pension scheme	49,538	0	0	0	0	49,538	(49,538)	**0**
Capital Financing:								
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	10,021	0	10,021	(10,021)	**0**
Use of Major Repairs Reserve to finance new capital expenditure	0	0	39,869	0	0	39,869	(39,869)	**0**
Total	**(23,688)**	**(67,735)**	**14,249**	**(13,236)**	**(3,656)**	**(94,066)**	**94,066**	**0**

APPENDIX 7 – HOUSING REVENUE ACCOUNT

Housing Revenue Account Income and Expenditure Statement

2020/21 £000		Note	2021/22 £000
	Expenditure:		
38,149	Repairs and maintenance		44,474
47,282	Supervision and management		54,450
2,587	Rents, rates, taxes and other charges		2,828
18,489	Depreciation, impairment and revaluation losses / (gains) of non-current assets	2 / 8 / 9	94,731
193	Debt management costs		223
2,145	Movement in the allowance for Bad or Doubtful Debts		1,304
108,845	**Total Expenditure**		**198,010**
	Income:		
(144,151)	Dwelling rents	11	(145,871)
(1,300)	Non-dwelling rents - garages, garage sites, shops	11	(1,310)
(6,154)	Charges for services and facilities		(6,406)
(369)	Contributions towards expenditure		(467)
(151,974)	**Total Income**		**(154,054)**
(43,129)	Net (Income) / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		**43,956**
843	HRA share of Corporate and Democratic Core		798
(42,286)	**Net (Income) / Cost of HRA Services**		**44,754**
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
1,702	(Gain) or loss on sale of HRA non-current assets		(1,349)
12,959	Interest payable and similar charges		12,862
(171)	Interest and investment income		(108)
(27,796)	**(Surplus) / Deficit for the year on HRA services**		**56,159**

Movement on the Housing Revenue Account Statement

2020/21 £000		Note	2021/22 £000
(7,646)	**Balance as at 1 April**		**(7,782)**
(5)	Opening balance adjustment		0
(27,796)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		56,159
0	Other Comprehensive Income and Expenditure	1	0
3,576	Adjustments between accounting basis and funding basis under regulation	2	(67,735)
(24,220)	**Net (increase) / decrease before transfers to reserves**		**(11,576)**
24,089	Transfer to / from reserves	3	11,335
(131)	**(Increase) / decrease in year on the HRA**		**(241)**
(7,782)	**Balance as at 31 March**		**(8,023)**

APPENDIX 8 – COLLECTION FUND

2020/21 Non-domestic Rates £000	Council Tax £000	Total £000		Notes	2021/22 Non-domestic rates £000	Council Tax £000	Total £000
			Income:				
0	(277,646)	**(277,646)**	Council Tax Receivable	1	0	(293,548)	**(293,548)**
(96,988)	0	**(96,988)**	NNDR Receivable	2	(175,173)	0	**(175,173)**
(96,988)	**(277,646)**	**(374,634)**	**Total Income**		**(175,173)**	**(293,548)**	**(468,721)**
			Expenditure:				
			Precepts and Demands:				
101,448	228,034	**329,482**	- Sheffield City Council		97,927	235,612	**333,539**
0	27,774	**27,774**	- SY Police Authority		0	29,406	**29,406**
2,070	10,461	**12,531**	- SY Fire and Rescue Authority		1,999	10,500	**12,499**
103,518	0	**103,518**	- Central Government share of NNDR		99,926	0	**99,926**
207,036	266,269	473,305			199,852	275,518	475,370
			Apportionment of Previous Years' Surplus/(Deficit):				
4,441	3,795	**8,236**	- Sheffield City Council		(44,893)	(4,697)	**(49,590)**
0	426	**426**	- SY Police Authority		0	(574)	**(574)**
91	178	**269**	- SY Fire and Rescue Authority		(916)	(216)	**(1,132)**
4,532	0	**4,532**	- Central Government share of NNDR		(45,809)	0	**(45,809)**
9,064	4,399	13,463			(91,618)	(5,487)	(97,105)
			Charges to Collection Fund:				
3,800	0	**3,800**	Non-domestic Transitional Protection Payments		1,199	0	**1,199**
0	0	**0**	Non-domestic Rates Supplement		0	0	**0**
			Impairment of debts:				
0	1,264	**1,264**	- Bad debt written off	1	0	1,257	**1,257**
2,925	12,524	**15,449**	- Allowance for bad debt		3,018	7,095	**10,113**
3,162	0	**3,162**	- Appeals provision		2,762	0	**2,762**
752	0	**752**	Cost of Collection		744	0	**744**
1,262	0	**1,262**	Renewable Energy Disregarded		1,580	0	**1,580**
692	0	**692**	Enterprise Zone Growth		651	0	**651**
0	0	**0**	New Development Deal Growth		3,991	0	**3,991**
228,693	**284,456**	**513,149**	**Total Expenditure**		**122,179**	**278,383**	**400,562**
131,705	6,810	138,515	**Movement on the Fund**		(52,994)	(15,165)	(68,159)
(34,104)	(1,318)	(35,422)	**Opening Fund Balance**		97,601	5,492	103,093
97,601	5,492	103,093	**Closing Fund Balance**		44,607	(9,673)	34,934

![Sheffield City Council]

Audit and Standards Committee Report

Report of: Senior Finance Manager, Internal Audit

Date: **28ᵗʰ July 2022**

Subject: Internal Audit Annual Fraud Report 2021/22

Author of Report: Stephen Bower, Internal Audit and Risk Manager

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Summary: The purpose of this report is to inform the Audit and Standards Committee of the outcomes of the work undertaken by Internal Audit on fraud and corruption during 2021/22 and the proposed work for 2022/23.

Recommendations:

1. That the Audit and Standards Committee Members note the content of this report.

2. That the Audit and Standards Committee Members note that the Council's policies in relation to fraud and corruption have been reviewed and fulfil the required governance arrangements for the Council.

3. That the Audit and Standards Committee Members note the completed checklist for those responsible for governance (Appendix A).

Background Papers:

Category of Report: **Open**

* Delete as appropriate
If Closed, the report/appendix is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

Statutory and Council Policy Checklist

Financial implications
~~YES~~ /NO Cleared by: L Hunter
Legal implications
~~Yes~~ /NO
Equality of Opportunity implications
~~YES~~ /NO
Tackling Health Inequalities implications
~~YES~~ /NO
Human rights implications
~~YES~~ /NO
Environmental and Sustainability implications
~~YES~~ /NO
Economic impact
~~YES~~ /NO
Community safety implications
~~YES~~ /NO
Human resources implications
~~YES~~ /NO
Property implications
~~YES~~ /NO
Area(s) affected
Corporate
Relevant Scrutiny Board if decision called in
Is the item a matter which is reserved for approval by the City Council?
~~YES~~ /NO
Press release
~~YES~~ /NO

Sheffield City Council

Report to the Council's Audit and Standards Committee

Fraud and Investigations

28th July 2022

Purpose of the Report

1. This is an annual report produced by Internal Audit to show the work that has been undertaken across the Council in relation to Fraud and Investigations. This report is to "those charged with governance" which in the case of Sheffield City Council is the Audit and Standards Committee, to show the work that has been undertaken within Internal Audit and how these fit into the national picture.

2. This report shows the outcomes from the work undertaken in 2021/22 and highlights the work to be undertaken in 2022/23. All of the Council's policies relating to fraud and corruption are available to all staff on the Intranet and have been embedded in the operation of the Council.

3. The Council has a full suite of policies attached, which have been fully revised and ensure that the Council has in place adequate governance arrangements for the prevention, detection and prosecution of fraud against the Council. This potential fraud may be covered by employees and the wider general public. These policies were last submitted to the committee in full in 2018 and have been updated for changes in legislation etc. The policies are attached to this report and members are asked to note them.

4. The Chartered Institute of Public Finance (CIPFA) produce an annual fraud and corruption tracker report, which correlates data from Councils and draws together an overall picture of fraud in Local Government across the country. Information from the CIPFA report is referenced in this report.

5. At the end of this report, we have provided a checklist (Appendix A) similar to previous years to provide the Audit and Standards Committee with assurance on the robustness of the Council's Counter Fraud arrangements. This has been revised to take account of the work that has been undertaken during the year.

6. As part of the covid pandemic several Internal Audit initiatives were undertaken to reduce the Councils risk of fraud. These were reported to the Committee previously. Although this work has ended Internal Audit continues to be vigilant to the risks of fraud facing the Council and will take the appropriate actions to mitigate this. We are mindful of the fact that criminal activity continues to target Councils in areas such as bank mandate fraud and we regularly reviews these areas. We are also aware that

with the current squeeze on living standards, some individuals may try to commit fraud against the Council. We continue to review these areas to ensure that fraud does not occur and Council resources can be focused into the appropriate areas of need.

Background

7. According to the National Fraud Authority (NFA), public sector fraud costs the British taxpayer around £24 billion per year, equating to roughly three pence of every pound spent by the government. Research by Policy Exchange finds that fraud and error during the COVID-19 crisis will cost the UK Government in the region of £4.6 billion. The government has awarded the Council a significant number of grants across the year to support the citizens and economy of Sheffield. The imperative was to distribute the grants at speed, with the necessity of speed taking precedence in their introduction, meaning the usual checks and balances were streamlined.

8. The Council has not identified any areas of fraud occurring. There were some issues of omissions and errors which were discovered and were reported to this committee last year. The Council has not identified any further issues and continues to cover the remaining monies outstanding in line with the processes set out by the government. We continue to report regularly to government on these issues. They are satisfied with the actions taken, and the Council is not at risk from loosing any income due to government clawback.

9. The Cabinet Office is responsible for the National Fraud Initiative (NFI). This is a biennial process, where data is supplied from a number of Council systems and is matched to data supplied from other Councils and third parties such as Department for Work & Pensions (DWP), Her Majesty's Revenue & Customs (HMRC) and the Student Loans Company. Any data matches are then supplied back to the Council to be investigated. Internal Audit coordinates and facilitates the process on behalf of the Council. The Council last submitted the data to be matched in October 2020. Also, as a result of the large number of Covid grants paid out the Cabinet Office required additional data sets relating to these grants to be submitted at the beginning of 2021. The data was supplied by various services and contractors directly to a secure portal operated on behalf of the Cabinet Office. All data submissions were monitored by Internal Audit. This work is now complete.

10. The first data matches were received in February 2021, with additional matches still being received (as other organisations submitted their data to the exercise at the end of 2021). This work is now complete and reported in detail later in this report.

11. The Council has already responded to the Cabinet Office consultation for the 2022 exercise. The Council will shortly receive details of the information that it must provide, and this will need to be submitted in the autumn. Work is already underway to ensure that all of the services who are required to submit data are aware of the requirements, deadlines and have the appropriate privacy notices in place.

12. As reported previously the Council no longer investigates Housing Benefit fraud. These are undertaken by the Single Fraud Investigation Service (SFIS) which is part of the Department for Work and Pensions (DWP). This is mentioned, as some of the work referenced particularly in regard to NFI includes figures relating to Housing Benefit fraud. Although these are identified within the Council, they are passed to the DWP for investigation and ultimate sanction, although recovery of any overpayment remains the responsibility of the Council.

National Picture

13. It is recognised that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to the people who need them. According to recent data from CIPFA the cost of fraud to the public sector is estimated to be at least £46.5bn annually and of this £8.2bn is related to Local Government. This increase in 2021 due to the discovery of a number of issues relating to covid business grants awarded by Central Government which were found to be fraudulent.

14. The level of fraud reported in Local Government in 2021 was approximately £284 million. This is up from £253m in the previous year whilst the average value per case has remained about the same at £3,600.

15. The CIPFA report highlights 72,000 frauds have been detected and prevented across local authorities in 2019/20, this is a slight increase from 2018/19. It is likely that the figures for 2020/21 will be skewed by factors related to covid. Internal Audit resources across the country were diverted to supporting services to prevent fraud in the new grant funding regimes and in many instances investigations were delayed.

16. Fraud by its very nature is often difficult to detect. The better the controls that the Council has, the more that those wishing to undertake acts of fraud will look to target weaker and more vulnerable areas, which is why there is an often a shift in the fraudsters focus. Sheffield is not complacent and as part of the Internal Audit annual plan we look to ensure that where fraud is highlighted as a risk that adequate controls are in place.

17. Sheffield City Council has robust processes to try to prevent and detect fraud. These are available to all staff and have become embedded into Council processes. This should reduce the amount of fraud and aid in its early detection. The work of Internal Audit should also reduce the prevalence of frauds, by ensuring services and processes have robust controls in place.

18. To aid this process the Finance and Commercial service has introduced two new groups to support services in the delivery for new and strengthened financial processes. The Financial Design Authority (FDA) group reviews new systems and process which are to take place across the Council to ensure a robust approach to implementation and to ensure that the systems all align with one another and give

value for money. The standards and policies group similarly reviews the Councils polices and financial standard to ensure that they are up to date and operate effectively. The Internal Audit service has representation on both groups and gives advice on the control framework and potential risk of fraud.

19. The Housing Benefit and Council Tax service was successfully transferred from Capita to the Council in January 2020. Capita had previously undertaken data matching exercises for Council Tax Single Person Discount. The service has recently undertaken an exercise in this area. This significantly reduces the risk of this type of fraud occurring and had identified and subsequently corrected numerous incorrect discounts.

Reactive Work Undertaken in 2021/22

20. The level of investigations in 2021/22 increased slightly on the previous year, this was to be expected as the council's activity was refocussed during the initial covid pandemic the previous year.

21. Internal Audit conducted 10 re-active investigations and assisted managers with a further 16 re-active investigations which arose in in 2021/22. Internal Audit also concluded investigation work on 1 re-active investigations and assisted managers with a further 12 investigations which had originated in 2020/21 (delayed due to covid).

22. As the Council has such a large workforce covering a large number of services there will always be a range of issues. These cases were from all portfolios and included theft of cash or assets, falsification of timesheets, financial abuse of service user, excessive use of internet during work time and behaviour breaching standards within the Code of Conduct. The types of frauds identified within the Council mirror those found nationally. South Yorkshire Police were notified and involved where appropriate. Following investigation, appropriate sanctions were applied where the issues were found to be proven. This resulted in several dismissals / resignations. In some cases, it was also found that there was no or insufficient evidence of fraud for action to be taken.

23. One area which continues to be of concern is the number of parking machines which are broken into. In the past year at least 6 have been reported. Parking services monitors the machines and cash is kept to a minimum. The effort that criminals go to in 'attacking' these machines, far outweighs the minimal amounts of money that is lost, however the cost of repair and replacing these machines is significant. All of these items have been reported to the Police.

24. The Council also continues to be attacked by criminal gangs using various types of phishing exercise. These are often aimed at committing bank mandate fraud. Work is ongoing in this area to ensure that the controls in place remain robust.

6

25. During the course of investigations, any control and process issues / weaknesses identified were reported to management for action.

26. Internal Audit continues to work closely with Human Resources. Human Resources often identify issues such as timesheet fraud as part of wider staffing issues and they have arranged a standard notification process for Internal Audit. There are also regular liaison meetings with Internal Audit, Human Resources and the Monitoring Officer where investigations and governance issues are discussed. This ensures consistency of approach on these matters. Internal Audit has only a limited amount of qualified investigator resources and these are therefore targeted at the most appropriate cases.

27. Internal Audit also liaised with a number of outside organisations including various banks, HMRC, DWP and the Insolvency Service in relation to fraud allegations relating to Covid grant frauds or scams.

Fraud work across the Council in 2021/22

28. Other services across the Council (note – they are not part of the Internal Audit service structure) also identify and address fraud and theft. Some of the work undertaken and the outcomes are summarised below.

Blue Badges

29. Parking Services continues to remove Blue Badges where they are being abused. A recent change to the Blue Badge penalty system means that cautions can now be offered to the offender, as an alternative to prosecution. The option to offer a caution has enabled a more cost-effective penalty which stays on record and can be used as evidence should the offender misuse a Blue Badge in the future and a prosecution pursued.

30. In 2021/22 no prosecutions took place. It should be noted that traffic restrictions were lifted for part of the year and also that traffic volumes were reduced. The service continues to enforce restrictions in a suitable manner, and they will be looking to impose the appropriate sanctions where these are required going forward. The service has stated that they are now fully operational.

31. Nationally the estimated average value per Blue Badge fraud cases is £687m. It should however be noted that the cost is per case and is likely to be lower in Sheffield, as we do not currently have a congestion charge or the scale of parking fees seen in London, where Blue Badge fraud would cost the authority considerably more.

Housing Tenancy and Right to Buy Fraud

32. It is difficult to fully determine the number of fraudulent tenancy cases as often the tenants hand back their tenancy when they are aware of an investigation taking

place. This means that lengthy and costly legal action is avoided and the houses are once more available to be used by the citizens of Sheffield who need them. The Council will always take the appropriate legal action if fraud can be proven, even if the tenancy has been given up.

33. These cases were investigated by the Housing Fraud Team (this is a small team which is part of the housing service and has 2 qualified investigators), including Right to Buy cases.

34. The service had 132 active cases at the start of the year (many delayed due to covid) and they started an additional 98 cases and were able to close 139 cases throughout the year.

35. 23 properties were returned as tenants quit whilst under investigation. 1 further property was abandoned during and investigation. A right to buy was also stopped.

36. Although many court cases were stopped during covid. One court case was heard and following a guilty plea the defendant received 150 hours of community service as well as having to repay almost £5,000 plus costs. The individual was also excluded from the Council rehousing register.

37. Now that the legal restrictions have been lifted, legal action will now continue in a further 6 criminal and five civil prosecutions.

38. In 2022/23 additional work is planned for the Housing Fraud Team, including:

- Training Trading Standards officers on the use of the National Anti-Fraud Network (NAFN).

- Briefings with local area policing teams on housing fraud.

- Housing Fraud briefings/refresher for SCC colleagues.

Bank Mandate Fraud

39. Bank mandate fraud continues to be a significant issue. Although we have robust controls in place to detect and prevent this, the Council is still targeted by organised criminal gangs who undertake phishing exercises. Methods are becoming more sophisticated, but our knowledge of this threat continues to develop.   Alerts from neighbouring Local Authorities as well as the National Anti-Fraud Network (NAFN) and the police are regularly circulated to the relevant service areas.

Whistleblowing

40. The number of whistleblowing issues reported remains low. The updated policy introduced in 2018 has been publicised. As whistleblowing is often seen as a last resort, it may be that the other Council processes are sufficient to allow for issues to

be raised without the need to use the whistleblowing policy. Work will be undertaken during 2022/23 to promote this policy.

Pro-Active Fraud Work 2021/22

41. Three pieces of pro-active counter fraud work have been undertaken by Internal Audit during the year. These involved a piece of work to examine the outcomes of the NFI to identify patterns and issues, where there was the potential to prevent these by strengthen controls. Two specific NFI reports relating to data matches between the Councils payroll (and others) and also the registering of business interests and Directorships were also fully examined. These did not identify any instances of fraud being undertaken.

42. Recommendations have been made in these areas where required, to improve control processes. Follow-ups of previous year's reviews were undertaken, and adequate progress had been made and reported to the Audit and Standards Committee via the Recommendation Tracker report.

43. In addition, there was work on data matches relating to the NFI exercise which are reported later.

The Counter-Fraud Plan for 2022/23

44. The councils internal audit department will continue to have an active role in the prevention detection and prosecution of fraud across the council. It will continue to support services through business partnering activity to ensure that we have a robust governance framework place.

45. The internal audit plan for 2022/23 includes four pieces of proactive work:

- Review the processes for Council Tax Exemptions

- Review the process for granting Small Business rates relief

- Reviewing The Councils Anti-Fraud policies

- Reviewing Councillors Declarations of Interest

Fraud E-learning

46. The Fraud E-Learning package has been produced by Internal Audit and is now available to all staff and Councillors on the Councils learning development hub.

47. This has been promoted to all staff and has been made part of the managers mandatory learning. As of the first of July, 1146 staff had undertaken the training.

48. The Fraud E-Learning package has been developed to give support to officers and members in understanding fraud risks and putting in place measures to prevent/ reduce the prevalence of fraud. The package has been tailored to the needs and processes of the Council.

49. The package covers the following areas:

- Introduction to fraud

- Fraud Definition

- Fraud types

- How to prevent Fraud

- Reporting Fraud

- How to respond to fraud

- National Fraud Initiative (NFI)

- Bribery

- Money Laundering

- Frequently Asked Questions

- Further Information

50. This package will support the policies noted by this Committee today.

Internal Audit Resources

51. Internal Audit now has three accredited counter fraud specialists, who undertake work in the fraud are, in addition to their other audit duties. This allows for flexibility in resourcing the natural peaks and troughs for the workload.

52. In 2022/23 the resources made available for fraud work is 204 days or 14% of the total days available. This is slightly less than last year; however, this is to be expected due the variations of work caused by the NFI cycle.

53. The plan covers the following areas:

- Time for investigations (this is an allocation of time from which individual investigations are allocated).

- Time to undertake work on the National Fraud Initiative.

- Proactive fraud reviews

- Time to undertake an annual review of the Housing Benefits processes.

National Fraud Initiative (NFI)

54. The Council (SCC) has a statutory duty to supply a number of data sets covering such areas as payroll, pensions, creditors, housing tenants, blue badge holders, resident parking permits and right to buy. These were supplied to the Cabinet Office in October 2020.

55. Internal Audit ensured that SCC complied with the data privacy requirements and liaised with various SCC services and schools to ensure accurate data was submitted in advance of the deadline. For the first time the Cabinet Office advised that they charge financial penalties to any Local Authority who either submitted poor quality data or submitted data after the given deadline. SCC met the data quality threshold and submitted the data in advance of the deadline, so were not penalised.

56. The national exercise is undertaken to collate this information electronically and where appropriate to provide data matches. These matches were provided in February 2021 (with additional matches provided throughout the year). These matches may identify fraud or input error, but in most cases the matches are a result of timing differences in the data matching process.

57. The National Fraud Initiative (NFI) for 2020/21 initially returned nearly 10,000 data matches for the Council.

58. Internal Audit have provided support and training to service areas where needed, as the secure portal was updated following a previous consultation.

59. As a result of a review of the matches, 4,800 matches were processed, including all of the core 890 high risk matches. At the present time fewer than 10 matches are still to be finalised. These matches fall within Housing and the Council Tax Support service areas. Due to the complex nature of the matches, the investigations can often be lengthy and it is expected that some investigations are still ongoing.

60. In addition to the standard NFI, the Cabinet Office mandated the submission of Covid grant data, which SCC supplied in December 2020. The matches were due to be released in March but due to delays encountered the NFI team did not release the matches until mid-May. A total of 146 matches were received following in excess of 9,000 grants being issued.

61. The only reports to yield financial outcomes in this exercise were the Housing Benefit, Council Tax Support, duplicate creditor invoices and pension gratuities reports.

62. Nearly 700 customer records were updated following the review of deceased record matches.

63. In total, fraud and errors the NFI 2020/21 exercise identified 135 errors and frauds with a value of over £164,000. Over £86,000 has been / is in the process of being

recovered. A summary of the areas in which these errors and frauds were identified follows:

Council Tax Support matches

64. Council Tax Support reports identified 27 fraud / error cases, with overpayments with a value of over £42,000 being identified. The majority of these cases were matched with pension data, with the remaining cases matched to payroll and taxi licence data. This represents an increased number and value than that identified in the 2018/19 exercise (6 cases totalling £7,200)

Creditor matches

65. For the first time the creditor reports identified two duplicated payments for the total value of £32,206. Both of which were recovered as a result of action by the creditors team, as soon as the reports were reviewed.

Pension Gratuities matches

66. Pension gratuities identified 97 cases, totalling nearly £77,000 where payments had continued to be made after the individual had passed away. This is an increase on those identified in the 2018/19 exercise (37 cases totalling £27,200).

67. The current policy remains that gratuities overpayments are not recovered but instead written off.

Record updates

68. The customer service team were able to update the records of 693 blue badge holders who had passed away. Deceased information also enabled the records of 2 housing tenants and a parking permit holder to be updated accordingly.

Checklist for 'Those Responsible for Governance'.

69. A checklist similar to previous years is included at Appendix A.

70. The tolerance of fraud within an organisation is a key element of a counter fraud framework. SCC has formally adopted a Policy Statement on Fraud and Corruption that underlines a zero tolerance to such acts. Fraud awareness training has been provided to services throughout the Council.

Recommendations

71. That the Audit and Standards Committee Members note the content of this report.

72. That the Audit and Standards Committee Members note that the Council's policies in relation to fraud and corruption have been reviewed and fulfil the required governance arrangements for the Council.

73. That the Audit and Standards Committee Members note the completed checklist for those responsible for governance (Appendix A).

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Governance Checklist for Fraud 2021/22

Sheffield City Council July2022

Prepared by Internal Audit on behalf of the Audit and Standards Committee

Introduction

The checklist allows Councils to evaluate their arrangements. This document seeks to evaluate the arrangements in place within Sheffield City Council.

This document has been prepared by Internal Audit to highlight to the Councils Audit and Standards Committee which is referred to as "those charged with governance" that the Council has in place adequate arrangements for the prevention, detection and investigation of fraud that may occur within the Council.

General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	✓	

Actions

The Council's Anti-fraud and Corruption Policy Statement and Framework, contains a statement that clearly states that the Council has a zero tolerance to fraud, and that it expects its employees to uphold the highest ethical standards and to strictly adhere to its anti-fraud framework and associated policies.

As part of the Officers Code of Conduct, the Policy Statement - Fraud & Corruption incorporates a message from the Chief Executive which clearly states the 'zero tolerance' approach of the authority. It incorporates the fact that any instances of fraud or corruption will be treated as gross misconduct.

Internal Audit has produced an eLearning training section of Human Resources service which supports the implementation of the counter-fraud policies across the Council. This is mandatory training for all managers and so far, 1046 members of staff have completed the training.

	Yes	No
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	✓	

Actions

The following fraud related strategies, policies and plans are in place:
Financial Regulations 2022
Code of Conduct for officers
Policy Statement – Fraud & Corruption (appendix to the above)
Internal Audit Plan (incorporating pro-active and re-active counter fraud assignments)
Finance Service Plan (including specific counter-fraud related deliverables)
Annual Governance Statement (fraud risks)
Fraud awareness e-learning module

The Council has a full suite of policies for Anti-Fraud and Corruption; these were updated and endorsed by the Audit and Standards committee in 2022. The policies

are designed to fit together in a consistent manner to ensure that they comply with the latest relevant legislation and guidance.

Anti-fraud and Corruption Policy Statement and Strategy – Overarching document which draws together all of the Councils other policies in relation to the fraud and corruption. It follows the CIPFA code in that it acknowledges the responsibilities of Officers and Members for countering fraud and corruption. It demonstrates how the Council will try to prevent fraud by identifying the fraud and corruption risk and then identifying strategies to mitigate these. It also sets out how the Council will pursue and take action against those who try to perpetrate fraud and corruption.

Fraud Risk - This document is designed to help managers in identifying fraud risks in their areas and to put forward strategies to manage and mitigate these risks.

Fraud Response Plan – This document has been written to aid managers in dealing with potential fraud issues and to investigate these in line with the relevant Council Human Resources policies.

Anti-Money Laundering Policy - This document was fully revised to comply with the current legislation in this area. It sets out what individuals need to do if they become aware of any potential money laundering activity.

Bribery and Corruption Policy – This document was devised to fill a gap in the Council's framework. By having this policy and adhering to it, it ensures that the Council has a defence should it or any of its employees be accused of bribery and corruption.

Know your Customer – This document is to aid checking of customers across the Council to comply with bribery and money laundering requirements.

Guidance to Schools – This is available to schools so that they can more easily identify and mitigate the risks that they face in relation to fraud and corruption.

Investigations Guidance – This provides information to support managers who are required to formally investigate allegations made against employees.

	Yes	No
3. Do we have dedicated counter-fraud staff?	✓	

Actions

Service Managers are responsible for the investigation of fraud within their respective areas. Internal Audit has accredited officers available to investigate larger scale allegations and provide advice to managers.

Internal Audit has a limited resource for fraud investigation as outlined in the Annual Plan. At present there are three qualified fraud investigators in the service.

There are dedicated officers in Trading Standards and in Housing to investigate housing tenancy fraud.

Resource is also provided from service areas across the Council to undertake work on the NFI matches and with any resulting investigations.

	Yes	No
4. Do counter-fraud staff review all the work of our organisation?	✓	

Actions

Internal Audit maintains a resource to address fraud issues e.g. policy issues, serious allegations etc. and the Internal Audit plan contains a small number of counter fraud exercises to review specific fraud risks.

Service management has the primary responsibility for internal fraud investigation (with the support of Human Resources).

Internal Audit operates a risk based approach to auditing and key risks are identified for inclusion in the audit plan in conjunction with service management. Internal Audit considers fraud risk for inclusion in the scope of each audit review.

The Council has suitably qualified risk advisors within Internal Audit who can support services in identifying and mitigating all types of risk across the Council.

	Yes	No
5. Does a councillor have portfolio responsibility for fighting fraud across the council?	✓	

Actions

The Strategy and Resources Committee of the Council is responsible for cross cutting responsibility for the development and of the Council's budget and financial policy framework. There is no specific responsibility delegated to the post to cover fighting fraud across the Council.

The Audit and Standards Committee receive reports on Fraud arrangements across the Council and are responsible for reviewing the effectiveness of the arrangements in place.

	Yes	No
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	✓	

Actions

The Annual Governance Statement provides a level of assurance that fraud risks have been identified and addressed.

The Internal Audit Plan is endorsed by the Audit and Standards Committee on an annual basis and the Senior Finance Manager (Internal Audit) produces an annual report which includes information on counter fraud activities.

	Yes	No
7. Have we assessed our management of counter-fraud work against good practice?	✓	

Actions

A code of practice was produced by CIPFA in 2016 and this checklist reviews the Council's policies against the requirements of the Code.

Internal Audit are members of the National Anti-Fraud Network (NAFN) and South and West Yorkshire Investigators Group (SWYFG) forums where best practice is shared, and this is incorporated into our methods of working.

The Council has a suite of fraud and corruption policies to ensure that we have a consistent and comprehensive anti-fraud framework for the Council.

	Yes	No

19

8. Do we raise awareness of fraud risks with:		
■ new staff (including agency staff);	✓	
■ existing staff;	✓	
■ elected members; and	✓	
■ our contractors	✓	

Actions

Fraud is specifically covered in the Officer's Code of Conduct. It is a requirement that all agency staff must comply with the code, and it is the appointing manager's responsibility to ensure that the individuals concerned are fully compliant with the code at the start of their appointment. Specific short-term appointments such as those of polling clerks may not cover the full code but specific fraud issues pertinent to these posts are specifically raised with the individuals concerned.

Additional training has been provided to key staff on request. An online training programme for fraud is available on the learning development hub.

Commercial fraud risks are addressed by a requirement for contractors to comply with all current legislation (and indemnity provision) being incorporated into the standard terms and conditions. In addition, specific anti-competitive and anti-bribery conditions apply to the contracting process.

	Yes	No
9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	✓	

Actions

Sheffield City Council maintains membership with Core Cities and the South & West Yorkshire Fraud Investigators Group.

There are effective working arrangements in place between the Council and Department for Work and Pensions (DWP) to cover the requirements of the Single Fraud Investigation Service (SFIS).

The National Anti-Fraud Network (NAFN) and the Financial Crime Information Network provide bulletins on current fraud risks. Internal Audit staff are members of professional bodies such as CIPFA, Institute of Internal Auditors and CIMA. These bodies provide periodic updates in areas such as fraud risks. These updates are cascaded throughout the team as appropriate.

CIPFA is the lead accountancy body for fraud governance arrangements in Local Government. Internal Audit ensures that the Council complies with CIPFA guidance.

The Internal Audit Service of the Council is required to comply with the Public Service Internal Audit Standards. As part of the requirements of the standards, a peer review was undertaken in 2021 and the service was found to generally conform.

	Yes	No
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	

Actions

As 9 and 10 above plus:

The Cabinet Office' National Fraud Initiative (NFI) operates under formal arrangements and provides for the sharing of data between local authorities and other participating organisations. As part of the South and West Yorkshire Investigators Group information on fraud issues is shared on a regular basis. A shared portal has been developed by Cheshire Council to allow this to be undertaken in an easier way.

We also use the online reporting system to Action Fraud.

	Yes	No
11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	✓	

Actions

As noted in the main body of the report finance and commercial services has developed two groups, the financial design authority and the policy and standards group which coordinate the development of new financial systems and review and update financial policies and processes.

The majority of the annual Internal Audit Plan contains risk-based audits. A risk assessment is undertaken and discussion held Service Directors to establish key risks. Each of the audits includes an assessment of the internal controls within scope to identify instances in which they are not present or not working effectively. Auditors consider fraud risks for each assignment.

Where appropriate recommendations are made to improve internal controls at the conclusion of each review, implementation is confirmed with the client and followed up.

A small number of pro-active counter fraud reviews are included in the Internal Audit Plan that focuses on activities where, due to the nature of the service, the risk of fraudulent activity is heightened. At the conclusion of appropriate re-active investigations, systems and controls are reviewed to identify weaknesses and to recommend improvements to prevent future instances of fraud both within the relevant service area and corporately.

A number of audits were undertaken following investigations to provide assurance to service areas where flawed internal controls had been identified during the investigation process.

	Yes	No
12. Do we maximise the benefit of our participation in the Cabinet Office National Fraud Initiative and receive reports on our outcomes?	✓	

Actions

The Council has been a participant in the NFI since 1995. Data matches are circulated to all relevant service areas for review and investigation where needed. Internal Audit maintains a coordinating and advisory role in addition to responsibility for examination of some data matches and validates the outcomes prior to the conclusion of each exercise.

Internal Audit examines areas from the NFI where significant numbers of new matches have been identified to ensure that the procedures in place are adequate to minimise the risk of fraud.

	Yes	No
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓	

Actions

The Council has adopted a detailed Anti Money Laundering Policy. This document has been revised and includes an appendix which contains guidance to staff and is available via the Intranet. Incidents are reported to Internal Audit and in turn the National Crime Agency where appropriate.

	Yes	No
14. Do we have effective arrangements for:		
■ reporting fraud; and	✓	
■ recording fraud	✓	

Actions

Financial Regulations require Executive Directors to ensure that Internal Audit (on behalf of the Section 151 officer) is notified of all incidents of financial irregularity. Internal Audit records each reported incident.

Perceived Money Laundering attempts against the Council have also been reported promptly to Action Fraud.

Although the above controls are in place, full compliance cannot be assured. Work is ongoing to raise awareness of fraud reporting. This work is continual as staff are

always moving and new issues are always arising.

A key issue to be reviewed going forward is to identify and record not only proven fraud activity, but also areas which are serious issues where actual fraud is indicated, but not proven.

	Yes	No
15. Do we have effective whistle-blowing arrangements? In particular are staff:		
■　　aware of our whistle-blowing arrangements	✓	
■　　have confidence in the confidentiality of those arrangements	✓	
■　　confident that any concerns raised will be addressed	✓	

Actions

The Council has adopted an extensive Whistleblowing Policy that contains an explanation on whistleblowing arrangements and the reporting access routes including the details of designated contact officers. The Human Resources service maintains a central register of allegations. Whistleblowing allegations are all reviewed and where appropriate fully investigated by someone independent of the area.

Regular meetings take place with between Internal Audit, the Head of Human Resources, and the Monitoring Officer to review whistleblowing and investigation cases.

	Yes	No
16. Do we have effective fidelity insurance arrangements?	✓	

Actions

The Council has adequate fidelity insurance cover.

There is an annual requirement to complete a pro-forma for the fidelity guarantee insurance. This is undertaken by the Insurance Section with input from Internal Audit, Treasury Management and Financial Systems Support Group (FSSG). This has recently been completed for the forthcoming year and accepted by the insurance company.

	Yes	No
Fighting Fraud with reduced Resources	Yes	No

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	Yes	No
17. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud?	✓	

Actions

The Internal Audit plan is produced on an annual basis. The formulation of this plan incorporates new and emerging risks including those associated with the current financial climate. The resources are regularly reviewed as there is very little capacity in the system should a major incident (or several smaller incidents) occur.

Current risks and issues	**Yes**	**No**
Housing tenancy		
18. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	✓	

Actions

The lettings policy ensures that there is a vetting and validation process in place to confirm identity and eligibility of everyone prior to the letting of any property. The Housing service has a fraud team in place to investigate any instances of potential tenancy fraud, such as sub-letting and to follow these up and recover properties and prosecute where appropriate.

	Yes	**No**
19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	✓	

Actions

Home visits and day to day contact with tenants provides assurance on occupancy however resources have been allocated to recover properties identified. The National Fraud Initiative (NFI) exercise also identifies potential issues with tenancies, which are further investigated by the Housing Fraud team.

Procurement	**Yes**	**No**
20. Are we satisfied our procurement controls are working as intended?	✓	

Actions

Internal Audit work in this area has previously not identified any significant weaknesses.

	Yes	**No**

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21. Have we reviewed our contract letting procedures to ensure they are in line with best practice?	✓	

Actions

Aspects of contract letting feature in the Internal Audit annual plan. All audits covering the letting or management of contracts now include testing in this area.

Recruitment	Yes	No
22. Are we satisfied our recruitment procedures:		
■ prevent us employing people working under false identities;	✓	
■ confirm employment references effectively;	✓	
■ ensure applicants are eligible to work in the UK; and	✓	
■ require agencies supplying us with staff to undertake the checks that we require?	✓	

Actions

The Council has in place controls to ensure that all of the above areas are covered; this included a requirement for the Council's agency staff provider to complete the appropriate propriety checking.

Internal Audit has completed testing in this area as part of its normal auditing work, and no issues have been found in the performance of the controls linked to the above areas.

Council tax discount	Yes	No
23. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	✓	

Actions

The Council Tax and Business Rates systems (including discounts) are regularly reviewed by Internal Audit as part of the assurance provided on the Council's main financial systems.

Council Tax team undertake an annual exercise to review the application of single person discounts. This includes checking with third parties and has consistently controlled the validity of this discount.

The National Fraud Initiative matches payroll and pension records against Council Tax Support records every two years and reports any potentially fraudulent claims for this discount.

Other fraud risks	Yes	No

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24. Do we have appropriate and proportionate defences against emerging fraud risks:		26
■ Business rates	✓	
■ Right to Buy	✓	
■ Council Tax Scheme;	✓	
■ Schools	✓	
■ Grants	✓	
■ PIP – Personal Independent Payment	✓	
■ Blue Badge fraud	✓	
■ Bank mandate fraud	✓	

Actions

Emerging fraud risks are taken into account in the formulation of the Internal Audit annual plan in addition to other identified risks. Examination of emerging risks is included in the scope of planned audits or scheduled for specific future review.

Notifications of emerging fraud risks are regularly received from the National Anti-Fraud Network (NAFN) and the police. These are reviewed and distributed by Internal Audit.

Sheffield City Council

Finance and Commercial Services

Anti- Fraud and Corruption Policy Statement and Framework

Policy reviewed and revised July 2022

Anti-Fraud and Corruption Policy Statement

1. This Statement sets out Sheffield City Council's (the Council's) policy in relation to fraud and corruption. It has the full support of both the Council's senior management in the form of the Senior Management and elected Members through Audit and Standards Committee.

2. The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. To achieve the objectives set out within the Corporate Plan, the Council needs to maximise the financial resources available to it. In order to do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, corruption and other forms of financial irregularity.

3. The Council advocates **strict adherence** to its anti-fraud framework and associated policies. A **zero tolerance** approach to all proven to fraud and corruption in all of its forms is taken. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners, service users or members of the general public and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, civil action for recovery and/or referral to the Police and/or other agencies. The required ethical standards are included in our Members' Code of Conduct and Officers' Code of Conduct, with both documents forming part of the overall Constitution of the City Council.

4. Sheffield City Council fully recognises its responsibility for spending public money and holding public assets. The prevention, and if necessary the investigation, of fraud and corruption is therefore seen as an important aspect of its duties which it is committed to undertake. The procedures and also the culture of the City Council are recognised as important in ensuring a high standard of public life.

5. The Council's general belief and expectation is that those associated with it (employees, members, school governors, service users, contractors and voluntary bodies) will act with honesty and integrity. In particular members and employees are expected to lead by example and will be accountable for their actions.

6. The City Council will take steps to help ensure high standards of ethical behaviour are adopted in partnerships of which the City Council is a member.

This will be done through applying appropriate elements of this framework to all partnership working, where it is relevant to do so. With regard to partnership working, responsibility for Codes of Conduct and policies of this nature (and so for enforcement action for breach of those codes or policies) generally lies with the relevant individual organisation in the partnership. Where appropriate, the City Council will draw the attention of the partner organisation to its concerns.

Anti-Fraud Framework

Introduction

1. This framework is designed to give an overview of the arrangements and policies regarding the anti-fraud work of the Council. It is supported by a number of additional documents which together allow the organisation to develop a broad and coherent approach to the prevention, detection and investigation of potential fraud and irregularities across the Council.

2. Sheffield City Council (the Council) advocates **strict adherence** to its anti-fraud framework and associated policies and adopts a **zero tolerance** approach to all forms of fraud, corruption and theft, arising both from within the Council and externally. The Council recognises that fraud and other forms of financial irregularity can:

   - Undermine the standards of public service that the Council seeks to achieve;
   - Reduce the level of resources and services available for the residents of Sheffield; and
   - Result in major consequences which reduce public confidence in the Council.

3. This framework defines both the proactive and reactive components of a good practice response to fraud risk management. It sets out the key responsibilities within the Council with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management. The framework provides overarching governance to the Council's suite of counter fraud policies and procedures which include: -

   - The Council's Constitution
   - Members' Code of Conduct
   - Officers' Code of Conduct
   - Guide to Managing Fraud Risks
   - Fraud Response Plan
   - Financial Regulations
   - Financial Protocol
   - Financial Framework of Accountability
   - Contract Standing Orders
   - Financial Procedure Rules
   - Whistleblowing Policy
   - Gifts & Hospitality Policy
   - Policy on the Declaration of Personal Interests
   - Anti-Bribery Policy
   - Anti-Money Laundering Policy
   - Information Security Policy

4. This Strategy adheres to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering

fraud and corruption in their organisations, in order to support good governance and demonstrate effective financial stewardship and strong public financial management.

5. The five key elements of the CIPFA Code are:

Acknowledge the responsibility of the governing body – in the Council's case Elected Members and the Executive Management Team – for countering fraud and corruption.	Acknowledge
Identify the fraud and corruption risks	
Maintain an appropriate anti-fraud and corruption strategy	Prevent
Provide resources to implement the strategy	
Take action in response to fraud and corruption	Pursue

6. Sheffield City Council has developed its Anti-fraud and corruption framework under these three keys themes: Acknowledge, Prevent and Pursue, these form the basis of the Council's work to reduce fraud.

Acknowledge Acknowledge responsibility and understand fraud risks	Prevent Preventing and detecting more fraud	Pursue Being stronger in punishing fraud and recovering loses
Assessing and understanding fraud risks. Committing support and resource to tackling fraud. Maintaining a robust anti - fraud response.	Having better use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture.	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to make fraudsters accountable. Collaborating across local authorities and with law enforcement.

What does the framework cover?

7. The framework covers the Council's response to fraud, theft and corruption. It also covers the areas of bribery and money laundering.

The framework in practice

8. The Council has developed a framework of processes and policies which, when implemented appropriately, allow services to demonstrate that an anti-fraud culture is fully embedded into the operation of the Council. Below is a chart that shows how each of these documents mesh together to give the overall coverage and responsibilities of the Council towards fraud:

Acknowledge – Prevent - Pursue

Acknowledge	**The Council's commitment to tacking fraud is clear. The Council has in place strong governance arrangements for dealing with fraud. The Chief Executive, Chief Financial Officer and Monitoring Officer along with the Leadership Boards of the Council, have overall responsibility to ensure that the Council has in place strong controls to prevent fraud. The Council's Audit and Standards Committee allows Member oversight of these arrangements.**
	The Council has in place the following documents that clearly lay out the Council's stance on fraud and corruption and the expectations on individuals to act in an appropriate manner, as well as to report any instances of fraud or irregularity. • **The Council's Constitution.** • **Members' Code of Conduct.** • **Officers' Code of Conduct.**
	The Council has in place a number of policies covering specific areas which support officers and members in understanding the requirements on them in relation to the various expectations. • **Gifts & Hospitality Policy.** • **Policy on the Declaration of Personal Interests.** • **Anti-Bribery Policy.** • **Anti-Money Laundering Policy.** • **Information Security Policy.** **The Council has an eLearning package available to all staff on Fraud and Corruption. There is also a document to support schools in their understanding of the fraud risks that they face.**

Prevent	**The Council has in place a strong governance framework to ensure that anti-fraud controls are included in all of its financial systems and processes, these are:** • **Financial Regulations.** • **Financial Protocol.** • **Financial Framework of Accountability.** **There is also a requirement on all services to have in place robust processes to combat potential fraud. Increasingly computer controls are being introduced to prevent and detect fraudulent activity. These elements are designed into systems that are being developed with the Council.**
	The Council has in place a robust risk management process which ensures that all risk pertaining to the delivery of its objectives are identified and managed at an appropriate level. To support this there is a Fraud Risk Guide for management to allow them to identify and manage any potential fraud risks that they face. Risk is reported to and overseen by the Leadership Boards and Audit and Standards Committee.
	All Directors are required to review their governance arrangements and report any issues as part of the Annual Governance Statement sign-off process. **Internal Audit undertakes risk based reviews across the Council and will report any control deficiencies found. In addition they carry out a number of proactive fraud reviews in specific high risk areas each year in order to test the anti-fraud controls in place.**

Pursue	**The Council has a number of detective controls that are built into systems to allow it to detect or prevent fraudulent activity.** **It is a requirement of all staff contained within the Code of Conduct to report fraud and irregularities, so that these can be investigated.** **If the normal lines of communication are not appropriate, then the Council has a whistleblowing process in place that allows officers to report any issues with the appropriate safeguards in place.**
	Where fraud is detected the Council has a comprehensive document "Fraud, Theft and Corruption Response Plan" to assist managers in the investigation of fraud issues. This is to be used alongside the Human Resources document that is used in all management investigations. There is support available from Internal Audit and Human Resources so that managers can be confident and consistent to their approach to investigating fraud. All outcomes are monitored for patterns and potential weaknesses in systems that may arise.

	The Council will, following a thorough investigation, report on the issues found and management will then undertake the appropriate levels of disciplinary. This will potentially be the dismissal of the employee for gross misconduct. All cases are investigated in line with best practice and any mitigating factors will be sought and taken into account in deriving the outcome. Any criminal activity will be reported to the appropriate authorities. Where a loss is identified, this will be pursued through the civil processes or insurance routes as appropriate.

Responsibilities

9. The table below shows the responsibilities of groups and individuals in relation to the Counter Fraud arrangements of the Council.

Stakeholder	Specific Responsibilities
Chief Executive	Accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Monitoring Officer	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Conduct/Practice. Overall responsibility for the maintenance and operation of both Officers' and Members' Codes of Conduct, the Whistleblowing Policy and other policies. Provide guidance on whether a case should be referred to the Police.
Chief Financial Officer (S.151 officer)	Legal duties with regard to the proper administration of financial affairs including ensuring that the Council's accounting control systems include measures to enable the prevention and detection of inaccuracies and fraud. The reconstitution of any lost records and a requirement for an adequate and effective internal audit of accounting records and of the system of internal control in accordance with the proper practices. .Additionally, they are the Head of Profession responsible for implementing appropriate measures to prevent and detect fraud and corruption.
Audit and Standards Committee	To monitor the adequacy and effectiveness of the arrangements in place for ensuring an adequate internal control environment and for combating fraud and corruption.
Elected Members	To comply with the Members' Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.

External Audit	Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Senior Finance Manager (Internal Audit)	Responsible for developing and maintaining advice and guidance on the Council's approach to managing the risks of fraud, bribery and corruption. Compiles a risk-based annual Internal Audit Plan designed to evaluate the effectiveness of the control environment. Responsible for ensuring that all suspected irregularities reported to them and are dealt with promptly and in accordance with this framework and that action is identified to improve controls and reduce the risk of recurrence. Advises on (or, where appropriate, conducts) investigations.
Executive Directors.	To ensure that adequate fraud controls are in place and operating effectively for the portfolio that they control. They are also responsible for reporting any potential fraud or irregularities.
Directors/ Heads of Service	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the Director of Legal and Governance (Monitoring Officer) and the Chief Financial Officer (s151 Officer) via Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls. To provide assurance through the Annual Governance process that fraud controls are operating effectively
Sheffield City Council Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud and corruption, and to report via the normal lines of reporting or Whistleblowing procedure (where appropriate) any genuine concerns to management or the Director of Legal and Governance (Monitoring Officer) or Chief Financial Officer (s151 Officer).
Public, Service Users, Partners Contractors etc.	To be aware of the possibility of fraud and corruption against the Council and to report any genuine concerns / suspicions.

Additional Information

10. In order to be able to implement this framework effectively a number of policies have been developed and are available on the intranet to support staff and managers, these include:

- Sheffield City Council's Constitution
- Sheffield City Council's Code of Conduct for Members
- Sheffield City Council's Code of Conduct for Officers
- The Fraud reporting page
- The Council's Whistle Blowing Policy
- The Council's Guidance for identifying fraud risks
- The Council's Fraud Response Plan
- The Council's Anti-Money Laundering Policy
- The Council's Anti-Bribery and Corruption Policy
- The Council's Guide to Knowing your customer
- The Council's Guide for Fraud in Schools

11. The Council also has a number of Corporate HR, IT and Finance and Commercial Services procedures which cover key areas of process and have controls to prevent or detect varied acts of fraud, these include (this is not an exhaustive list):

- Recruitment Processes
- DBS Checking
- Capability Procedures
- Disciplinary Procedures
- Business Travel and Subsistence Policy
- Gifts and Hospitality
- Declarations of Interest

- Information Governance Framework
- Information Governance Systems and Processes

- Risk Management Processes
- Procurement Processes
- Insurance Procedures
- Financial Framework

12. These primary policies are also underpinned by a number of other procedures which are built into processes at service level, with the aim of preventing or detecting fraud.

Sheffield City Council

Finance and Commercial Services

Fraud Risk Management Guidance for Managers

Policy reviewed and revised July 2022

Introduction

1. Fraud is just one risk which can affect the Council. The Council currently has a risk framework which is there to ensure that all risks identified by services are recorded, reported and managed in a consistent manner.

2. It is appreciated that in a large and complex organisation such as the Council, which undertake a number of diverse functions that not every part of the organisation is subject to the same risks.

3. The purpose of this document is to aid managers in identifying potential fraud risks within their area, and then to develop the required processes to mitigate these risks as far as possible and to have suitable controls in place to identify if they do occur.

4. Fraud, by its nature, results in loss to the Council and therefore diminishes the resources available for it to achieve its objectives. A major difference between fraud and other common risks facing the Council is that we, as public servants, do not have the authority to be 'risk tolerant' in this area. Council Members and officers have a responsibility to ensure that we can demonstrate "Best Value" in all areas of expenditure therefore; we cannot simply accept a level of loss to fraud or theft. If we were to do this, we would not be fulfilling our statutory responsibilities. Additionally, fraud and theft are criminal offences. No Council officer or Member has the authority to tolerate a degree of criminality without themselves being culpable. Council officers have a responsibility in their code of conduct to report any incidents of fraud and theft to management for investigation and the strengthening of internal controls.

5. Consequently, whilst managers need to apply a balance between risk and cost, a 'risk averse' approach should be applied to the management of fraud risks.

Impact of Fraud

6. Risk management generally relates to managing events and implementing effective mitigation which could strengthen the ability of an organisation to achieve its aims and objectives.

7. Some examples of the specific impacts of fraud within the organisation are:

   - Inadequate funding available to deliver services / deficit budget
   - Claw back of Central Government funding or the EU
   - Reputational damage (organisation / individuals)
   - Negative External Audit opinion leading to an increased cost of borrowing
   - Negative publicity in local / national press
   - Criticism in external assessments possibly resulting in greater scrutiny
   - Psychological / motivational effect on employees
   - Job losses
   - Legal action against the Council
   - Rectification costs

Fraud Indicators

8. A fraud indicator is either a behavioral, or system based indication that fraud or theft is potentially occurring. System based indicators are specific to the systems involved in the delivery of a service and are covered later in this document. Behavioral indicators are more generic and can apply in any instance of fraud.

9. Some examples of behavioral fraud indicators are:

   - A reluctance to be absent from work for any significant period (annual leave or sickness)
   - Coming to work before other employees or / and staying later on a regular basis
   - An unwillingness to give up certain tasks or responsibilities
   - A disregard for central authority and / or processes
   - A 'cosy' relationship with suppliers / contractors
   - Indications of living beyond apparent means
   - Addiction or substance abuse issues
   - Willingness / encouragement to bypass certain controls
   - Sudden change in personality

10. It should be noted that this is not a definitive list and the existence of one or more of the above indicators is not evidence of fraud, however, they may highlight circumstances that require further examination.

Internal Controls

11. Controls implemented to combat fraud within an organisation generally fall into two categories. These are:

   - **Preventive Controls**: Controls intended to prevent fraud from being perpetrated.

   - **Detective Controls**: Controls implemented to detect fraud if it occurs.

12. For the purposes of this document there is another group of controls which are often included in the preventive controls category, namely **Deterrent Controls**.

13. Whilst preventive controls are system specific, deterrent controls can be applied to fraud / theft generally. For each fraud risk identified, preventive and detective controls will be dealt with separately. The main deterrent controls are as follows:

   - **Zero tolerance approach to acts of fraud**: It is essential that Council Policy incorporates a zero-tolerance approach to theft and fraud. It is equally important that this is communicated to all staff. A zero-tolerance approach includes treating fraud / theft as 'gross misconduct' and including proven fraudsters on the dismissal register (even if employees leave during an investigation). Knowledge of the sanctions applied to acts of theft / fraud through publicity and knowledge of internal procedures is enough of a deterrent to prevent most employees from committing such acts.

- **Fraud awareness**: If all employees have an understanding of the act(s) of fraud they are less likely to commit fraud because colleagues / managers are more likely to identify such acts.

- **Police involvement**: Employees should be made aware that it is standard practice for the authority to report any criminality to the Police.

- **Whistleblowing**: Employees should be aware that they are contractually required to report acts of fraud or theft. They should also be aware of the Council's Whistleblowing policy and the legal protection afforded to whistleblowers via the Public Interest Disclosure Act.

- **Declaration of Interests:** Employees should be aware of their contractual and legal obligations in relation to declaring financial / other interests which could conflict with their council role.

- **Signed Code of Conduct Agreement:** Employees show on MyHR that they have read and understand the Council's Code of Conduct. This will not only ensure that they are aware of the Council's stance on fraud and corruption but will also understand what constitutes unacceptable conduct.

- **Data Protection / Security:** Employees should be aware of their responsibilities in maintaining the security of data held by the Council and the potential penalties for non-compliance.

Principles of Fraud Risk Management

14. The first consideration for any officer tasked with managing fraud risk within a service area is the extent of the risk i.e. what assets could be targeted by fraudsters. These assets could take a number of forms including:

- Service area budget (via cheque fraud, procurement fraud, expenses claims, timesheet fraud, payroll fraud, income diversion etc.)
- Physical items such as stocks, stores or items of equipment
- Grants, allowances, permits, licenses, benefits etc. which could be approved by the service area
- Cash / assets belonging to service users for whom the service area has responsibilities
- Procurement / contracts granted by the service area

15. As with all risk management techniques, the key factors in managing fraud risk are the impact it would have if a particular fraud took place, and the probability that it will occur.

16. In assessing the impact of instances of fraud, it is not only the monetary values which should be considered. Officers should refer to the **Impact** section (2) in this document.

17. The probability of an event can vary significantly depending upon the potential for gain and the effectiveness of controls in place.

18. The probability of a person committing fraud or theft is directly related to the motive(s) they have and the opportunity which exists. A person who would not normally commit theft or fraud may do so if they suddenly have a compelling motive. Likewise, in instances of poor internal control, some may find the opportunity in itself compelling. Where fraud occurs management controls are often found to be lacking, for example an absence of time recording or regular appraisal. Therefore, it is reasonable to treat the probability of fraud as 'high' in the absence of adequate internal controls.

19. In establishing a control environment, officers should consider the potential perpetrators of fraud within the risk area in question. Perpetrators could be officers / members of the Council, contractors / partners / suppliers, members of the public or a combination of these parties where corruption is involved.

20. It is critical that officers do not discount managers or officers involved in systems under consideration on the basis that they are liked / trusted / respected / long standing employees. Controls must serve to protect assets / resources against fraud by all potential perpetrators, no matter how unlikely.

21. As in all areas of risk management, the cost of implementing internal controls must be proportionate to the fraud risk identified.

22. For example: In a procurement scenario, two quotations may be appropriate for small value purchases however, the risk attached to the letting of multi-million pound contracts should follow a strict tender process with a much greater degree of control.

23. Proportionality will depend largely upon the recurring factors of impact and probability.

24. The most common cause of fraud is a lack of effective controls i.e., existing controls failed to deter / prevent / detect fraud. Whilst this is often due to missing controls, it is equally common to identify controls which were not working as intended.

25. It is essential that any controls, which are relied upon to prevent / detect fraud, are tested to ensure that they are applied as intended and work effectively. Over a period of time the application of controls may deteriorate and should be periodically reviewed. Controls should not only apply to interactions within the Council and with third parties but also to prevent collusion between third parties against the Council's interests.

26. To summarise, the process for effective fraud risk management is as follows:

- Identify fraud risk 'targets'
- Assess potential for loss (including non-financial impacts)
- Identify individuals who may have an opportunity to commit fraud
- Review existing controls.

- Test for adequacy
- Implement new controls if necessary
- Periodically evaluate systems to ensure controls are operating effectively

N.B. Fraud risk management, like all risk management, is a dynamic process. fraud risks and corresponding controls should be reviewed periodically and considered as part of any change / project management process. Further guidance is provided in the Risk Management Framework.

Risk Management Plan

27. Officers should refer to the Risk Management Framework for guidance on compiling a Risk Management Plan. Fraud risks should be included in the Risk Management Plan for the service area.

Fraud Risk Areas

28. Whilst this section will attempt to identify most fraud risks applicable to Sheffield City Council, officers should not treat it as an exhaustive checklist. Officers in service areas are often best placed to determine service specific risks and should use this specialist knowledge along with the methodology above to create a comprehensive fraud risk management strategy.

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Fraud Risk Areas

Risk Area 1: Tendering

Risk Area 2: Procurement

Risk Area 3: Contract Management

Risk Area 4: Staffing

Risk Area 5: 'Approvals'

Risk Area 6: Expenses (Employees / Members)

Risk Area 7: Stocks and Stores

Risk Area 8: Inventory / Equipment

Risk Area 9: Income

Risk Area 10: Cash / Bank Accounts

Risk Area 11: Unofficial Funds

Risk Area 12: Grants

Risk Area 13: Time

Risk Area 14: Data Theft

Risk Area 15: Cash / Assets Belonging to Service Users

Risk Area 16: Liability Claims

Risk Area 1: Tendering

The tender process is intended to ensure that contracts of significant value are granted in a fair and transparent manner and that value for money is obtained. Because some contracts involve very large sums of money, fraud is an ever-present concern:

Risks

Contracts are awarded to inappropriate contractors due to fraud / impropriety in the tender process leading to financial losses / reputational damage

Causes

- Cartel behaviour amongst potential contractors – price fixing
- Failure to grant contract to best value qualifying tender
- Bribery of officers involved in the tender process
- Tender values of other contractors released to competitor(s) before tender opening date
- Manipulation of contract documents to suit particular contractors
- Improper use of approved contractor lists
- Changing evaluation criteria after submission deadline to benefit particular contractor
- Manipulation of the initial criteria for the selection of contractors

Key Controls

- Defined tender process (within SCC, all tenders must be obtained by a 'procurement professional')
- Approved contractors list
- Internal controls and procedures
- Separation of duties between key process stages
- Independent tender assessment process
- Defined authorisation levels
- Contracts register
- Clear controls/records of contractor negotiations

Risk Area 2: Procurement

Procurement can be defined as the process of obtaining goods and services. For the purposes of this document, it is treated as a separate area to 'Tendering' as the combined area would be unwieldy. The tendering process applies a relatively small number of Council contracts whereas all service areas are involved in procurement.

Risks

- Goods or services are paid for but are not received
- The Council is charged for goods or services supplied which have not been ordered
- Goods / services supplied do not represent value for money
- Payments intended for suppliers are diverted
- Goods are not used for delivery of Council services

Causes

- Submission and payment of invoices for which no order exists (SCC uses three way matching)
- Submission and payment of invoices which do not represent goods / services supplied
- Submission and payment of inflated invoices
- Submission and payment of invoices for unsolicited goods / services
- Inadequate control over ordering process (manual / computerised)
- Inadequate control over quotation process
- Inadequate control over goods received processes
- Collusion between contractors / suppliers and SCC employees
- Supplier bank account details amended inappropriately

Key Controls

- Defined procedures: requisition / ordering / goods received / authorisation
- Matching invoices to orders / delivery notes (Integra)
- Defined authorisation levels, with corresponding system controls.
- Creditor payments system access controls
- Separation of duties
- Effective budget management process
- Effective stock control process and security marking
- Asset register / inventory including periodic checks
- Strict controls over changes to BACS details

Risk Area 3: Contract Management

This section relates to the risks which exist beyond the tendering process i.e. once contracts are in place.

Risks

- Misrepresentation of KPIs
- Contract variations are made inappropriately to the benefit of the contractor
- Increased risk of fraud to client due to inadequate internal controls within contractor systems
- Additional charges submitted for functions within contract
- Open book accounting manipulation

Causes

- Contractors fabricate or exaggerate performance information to maximise payments from client / avoid penalties
- Collusion / bribery with / of client employees
- Inadequate counter fraud policies / procedures within contractor organisation
- Contract terms / SLAs fail to adequately cover counter fraud requirements / instances of fraud
- Insufficient separation between client and contractor staff

Key Controls

- Independent client testing of performance measures
- Separation of duties / independent check / formal approval process for contract variations
- Adequate contractual requirements relating to fraud risk management and access to records
- Independent review of contractor policies / procedures in relation to fraud e.g. employee vetting, fraud response plan, reporting arrangements, disciplinary policy, policy statement – fraud and corruption, whistle-blowing policy etc.
- Review of charges (standard/variations) against contract terms
- Periodical rotation of contract management staff
- Open book accounting training

Risk Area 4: Staffing

The largest cost to the Council each year is staffing. This section covers the fraud risks associated with staffing budgets as well as recruitment and selection of new staff.

Risks

- Staffing costs which relate to fictional employees
- Increased staffing costs due to fraudulently increased salaries/overtime
- Staff employed who do not meet specification for role
- Staff working hours not adequately controlled
- Payments made to incorrect/ changed bank accounts

Causes

- Starter forms (manual / electronic) processed for fictional employees
- Leavers continue to be paid with changes made to bank accounts
- Inappropriate salary increases processed (honorariums, TARA's, acting up allowances, overtime, increments etc.)
- Fiction / exaggeration / omission on application forms
- Non-adherence to recruitment process
- Absence of positive pay system (confirmation of ongoing employment)

Key Controls

- Formal recruitment process with adequate separation of duties / independent approval
- Formal 'variation' process with independent approval
- Payroll system access controls
- Effective budget monitoring process
- Effective applicant vetting process
- Limited responsibility for amending bank account details

Risk Area 5: 'Approvals'

The term 'Approvals' in the context of this document is used to refer to any process falling under SCC remit where there is a potential gain to third parties via qualification criteria. Examples of such 'approvals' are: Grants, licenses, benefits, concessions, permits, planning applications, health inspections etc.

Risks

- 'Approvals' are granted to parties to which they are not entitled

Causes

- False information submitted during application process accepted by SCC
- Changes in entitlement circumstances not notified to SCC
- SCC employees grant 'approvals' when entitlement is known not to exist
- Staff inducements

Key Controls

- Robust, evidence-based verification process
- Separation of duties in for checking and authorisation
- Independent post authorisation sample checks
- Periodic update requests
- Independent intelligence sources including data matching
- Periodic rotation of staff

Risk Area 6: Expenses (Employees / Members)

Although payments to individuals may be relatively small, the expenses system is readily accessible to those wishing to defraud the authority.

Risks

- Payments are made for expenses which have not been incurred at all or not incurred on behalf of authority activities
- Payments are made to employees where no entitlement exists

Causes

- Exaggeration of mileage / other expenditure
- Substitution of receipts / false receipts
- Non-compliance with expenses policy(s)

Key Controls

- Clear and consistent policies
- Payment via payroll
- Checks on mileages for accuracy
- Comparison of activities claimed against supplementary records
- Controls over adequacy of evidential records
- Clearly defined and secure authorisation process
- Exception reports
- Independent checking of 'significant' expense claims
- Timely submission / processing requirements
- Direct payment i.e. not made via third party

Risk Area 7: Stocks and Stores

Stocks and stores maintained by the Council are attractive to thieves and fraudsters as they are readily usable and easily converted to cash. In many cases, losses of stocks and stores will be simple theft however in some cases a single or more prolonged series of thefts may involve manipulation of records and would therefore be classed as fraud e.g. building materials, fuel etc.

Risks

- Misappropriation of Council assets
- Stocks and stores are used for non-authority purposes

Causes

- Simple theft (internal / external)
- Over-estimation of stocks / stores required for official purposes

Key Controls

- Physical security measures including CCTV
- Effective stock control, write off and disposal procedures
- Periodic un-announced independent stock checks
- Independent review / approval of stocks / stores requisitions
- Effective budget management
- Comparison of volumes of materials used on similar jobs
- Separation of duties between those issuing stock and those performing stock takes

Risk Area 8: Inventory / Equipment

The Council owns or has access to a vast amount of valuable equipment ranging from electrical and IT resources to plant and machinery. Many of these items are desirable to thieves and fraudsters either for personal use or to convert into cash. In addition to the risk of permanent deprivation of such items, their temporary use for personal gain by individuals must also be considered.

Risks

- Inventory items / equipment is stolen and / or used for non-official purposes

Causes

- Simple theft
- Equipment purchased for personal use via council processes
- Utilization of council equipment for personal gain
- Permanent equipment 'loans' or items removed for 'testing' on a long term basis

Key Controls

- Physical security measures
- Up to date inventory / asset register with clear descriptions and identification marks
- Un-announced independent physical checks including occasional out-of-hours checks
- Signing in / out registers with independent checks
- Checks from purchase orders to inventory records
- Procedures governing the removal / use of resources
- Security marking of assets (lessening desirability / aiding identification)
- Ensure that assets are assigned to individual budget centres.
- Robust process for disposal approval (separation of duties)

Risk Area 9: Income

The authority has many sources of income which are crucial to the maintenance of a balanced budget. A significant part of this income is collected in cash which is particularly attractive to thieves / fraudsters as it requires no conversion.

Risks

- Income due to the Council is diverted causing a loss
- Income is not raised for the correct amount (unofficial discount)

Causes

- Income is not banked intact
- Income is not checked and verified by each party during transfers
- Income is stolen in transit
- Income is stolen from storage
- Cash in hand services by Council employees (e.g. trade waste)
- Debts are written off / credited inappropriately (employee bribery / collusion)

Key Controls

- Physical security measures
- Pre-numbered receipts clearly distinguishable as Council stationery
- Procedures / signage confirming what proof of purchase should be expected by the public (receipts)
- Use of security firms for significant cash income sources
- Prompt banking / collection arrangements
- 'Mystery shopping'
- Income budget monitoring / reconciliation including trend analysis
- Rotation of duties for employees involved in income collection
- Separation of duties at key stages
- Limit use of cash wherever possible, by encouraging up front or online payment
- Independent review of write-offs / credit notes
- Rule prohibiting expenditure being funded direct from income – income must be fully banked intact on a timely basis

The Council still has some areas where cash is received or paid out. Cash is always vulnerable as it is a non-traceable item with immediate value. For this reason there are additional controls required to keep it safe. In addition bank accounts are also vulnerable as they give access to cash. Criminals are increasingly targeting bank accounts to divert payments to their own accounts. The Council also has procurement cards

Risks

- Theft or misappropriation of monies
- Amendments to bank accounts (bank mandate fraud)

Causes

- Simple theft
- Use of procurement cards for non-council expenditure
- Use of BACS / Direct Debits etc. for non-council expenditure

Key Controls

- Cash / Procurement Cards should be held securely at all times.
- Procurement cards are only used for Council expenditure and comply with procurement controls.
- Access to cash should be restricted to named personnel.
- Rule prohibiting encashment of personal cheques
- Effective controls over keys to safes etc.
- Cash balances should be kept to a minimum, recorded and reconciled periodically
- Authorised cheque signatory list with a minimum of two signatures required on all cheques
- Cheques marked "non-transferable" and "a/c payee only"
- Changes and additions to payee details and other standing data independently authorised
- System access to make and authorise these changes restricted and logged
- Supervision of all staff particularly new, inexperienced or temporary staff
- Restrict knowledge of transfer codes (and passwords if payments are initiated by computer) to approved individuals.
- Payment reports independently reviewed for accuracy immediately before the transfer of funds
- Regular bank reconciliations
- Regular petty cash reconciliations

Risk Area 11: Unofficial Funds

This section refers to monies which are not funded via the council but may be maintained by SCC employees and / or on SCC premises for example private school funds, social funds.

Risks

- Funds are misappropriated

Causes

- Simple theft
- Manipulation of records (mis-representation of financial position)
(Income and Procurement causes also apply)

Key Controls

- Physical security
- Minimum funds kept in cash
- Regular transparent cash / bank reconciliations
- Controlled signatory list
- A minimum of two signatories to sign cheques
- Rotation of administration duties
- Independent annual audit and statement of accounts
- (Income and Procurement controls also apply)
- Only administer funds where there is a clear business case for doing so

Risk Area 12: Grants

This section covers the risks and controls associated with grant funding managed by the Council and allocated to third parties for activities associated with council programmes. The Council often remains accountable for distributed funds and should ensure that appropriate controls are applied to and by the third parties. Grant funding is often targeted by fraudsters due to the often-significant amounts available.

Risks

- Grant application / approval process is manipulated to fraudulently obtain funding
- Grant funding is misappropriated
- Grant conditions are not observed

Causes

- Corruption / false claims
- Misrepresentation of grant purpose in application
- Funding spent on non-qualifying items
- Submission of false receipts / invoices
- Multiple applications for same purpose
- Changes in personnel
- Misrepresentation of inputs/outputs and supporting documentation

Key Controls

- Regular interaction with the **External Grant Funding Team** from the outset.
- Transparent vetting process with separation of duties (independent check)
- Data matching for multiple applications
- Effective monitoring including periodic inspections
- Full documenting of decisions
- Audit of grant usage at conclusion

Risk Area 13: Time

This section includes fraud risks associated with the employees' contractual time. By overstating hours worked or spending most of a working day performing non-council activities, employees are committing fraud.

Risks

- Service delivery is reduced due to employees failing to undertake Council responsibilities
- False claims for time worked causes additional costs to the Council

Causes

- Employees paid on a timesheet basis make false / exaggerated claims for time worked
- Employees working under a flexi-time scheme misrepresent start / finish / lunchtimes / breaks in order to meet contracted hours
- Employees spend excessive time on non-council activities during Council contracted working hours
- Employees conduct secondary employment during Council contracted working hours

Key Controls

- Effective performance monitoring
- Physical clocking-in machines / swipe-cards / attendance control procedure
- CCTV
- Internet monitoring software
- Flexi-time trend analysis
- IT usage analysis / access controls

Risk Area 14: Data Theft

The Council holds a significant volume of data which requires protection such as residential and benefits information, pupil data, information on vulnerable adults and children, payment information etc. Data has a value; be it to telemarketers or organised criminals involved in identification (ID) and banking fraud. The security of this data is at risk from employees and external individuals alike and the failure to protect such data can lead to wide ranging repercussions for the authority.

Risks

- Protected / sensitive data is disclosed to third parties for gain

Causes

- Hacking
- Data removal by employees
- Data removal by third parties who have gained access to premises / records
- Loss of IT equipment containing protected data
- Provision of access details to non-employees (bribery / collusion)
- Inadvertent provision of date to third parties by their deception this can be through Phishing (general email scam), SmiShing (SMS / text message scam)Vishing (telephone scam), or even Whaling (targeted email scam)

Key Controls

- Maintenance of up-to-date records of all information assets
- Physical security of buildings, paper records, servers etc
- Password security standards across systems including change times and deletion of leavers' access
- User access restrictions - minimum 'need to know'
- Limit means to remove data e.g. laptops, USB ports, CD/DVD writers
- Monitor system activity logs and test against users' work assignments
- Email encryption

- Limit email attachment file size
- Maintain up to date firewall and malware software
- Physical / system-based penetration testing
- Raising awareness through training on email, phone or text scams

Risk Area 15: Cash / Assets Belonging to Service Users

Some Council employees involved in social care have a responsibility to manage assets belonging to service users. This for example may take the form of legal guardianship or accountability for funds spent by third parties. The reputational damage associated with employees who steal from or defraud service users is significant. It is important that measures are in place to protect service users from such activities.

Risks

- Misappropriation of cash / assets belonging to service users by Council employees

Causes

- Simple theft of cash / property
- Falsified invoices, or receipts for goods purchased on behalf of service users
- Items purchased for employees using service users' cash / bank accounts

Key Controls

- Limit access to cash / valuable property via consultation with service users' families
- Ensure that service users have a way to report concerns
- Independent visits to service users by senior staff
- Arrange appointeeship for service user
- Regular independent reconciliation of service users accounts

Risk Area 16: Liability Claims

The Council is responsible for injuries caused by negligence in maintaining its roads, buildings and public spaces. False compensation claims for 'trips and slips' are commonplace due to the current blame-claim culture.

Risks

- Compensation is paid to claimants whose injuries / vehicle damage were not caused by Council negligence
- Compensation is paid to claimants who are not injured / vehicles not damaged or whose injuries / vehicle damage have been exaggerated

Causes

- False / exaggerated claims
- Claims fabricated by employees with systems access

Key Controls

- Implementation of insurance fraud indicator protocol to identify false claims
- Prompt assessment of site alleged to have caused injury / damage
- Data matching (serial claimants)
- Inspection of medical records
- Vehicle inspections
- Witness / claimant interviews
- Prosecution and publicity of claimants who submit fraudulent claims
- Separation of duties in claims submission / authorisation process

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Sheffield City Council

Finance and Commercial Services

MANAGERS GUIDANCE

FRAUD, THEFT AND CORRUPTION RESPONSE PROCEDURE

Policy reviewed and revised July 2022

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Note this document does not cover the reporting of potential acts of money laundering, these are covered by a separate Anti-Money Laundering policy.

INTRODUCTION

1. Sheffield City Council is committed to ensuring that public monies are not diverted by acts of fraud away from the Council's front line services. The Council's Policy Statement – Fraud & Corruption (Appendix B of the Code of Conduct) communicates its zero tolerance approach to those who seek to steal from or defraud the authority.

2. This document is primarily intended to act as a guide for managers who suspect that theft, fraud or corruption is occurring within the authority either via their own observations or via reports from an employee, contractor, partner or member of the public.

3. The Council's Code of Conduct states the following:

   If you have concerns that someone is stealing, committing fraud or behaving in a way that might be unethical, you must report this to your manager, or someone named in the Whistleblowing procedure.

4. This means that all officers of the Council are contractually required to report any concerns relating to theft, fraud or conspiracy via appropriate channels. Failure to report such activity is taken very seriously and can lead to action being taken against the employee under the relevant Council procedures.

5. The purpose of this plan is to define the responsibilities for action in the event of a suspected fraud, corruption or bribery. Its focus is to:
   - establish responsibilities for investigating the incident and taking appropriate action;
   - establish and secure evidence for disciplinary and/or criminal action;
   - prevent further loss;
   - recover losses;
   - establish lines of communication with the police.

6. This procedure does not cover specific guidance on money laundering and its reporting (as this is covered by specific legislation), this can be found in the Council's Anti-Money Laundering Policy.

7. The Council has guidance for managers about the Conduct of Investigations which can be found on the Human Resources SharePoint site on the Intranet. It details how investigations should be undertaken for all employee investigations and should be read in conjunction with this document.

DEFINITIONS

Fraud

8. Fraud is defined by offences contained in the Fraud Act 2006.
    To be guilty of fraud a person must have:

    'Committed a dishonest act with the intention of making a gain for themselves or another party or causing a loss, or the risk of a loss, to another party.'

9. A "gain" or a "loss" is limited to money or property (including intangible property), such as information and could be temporary or permanent. A "gain" could be construed as gaining by keeping their existing possessions, not just by obtaining new ones, and "loss" includes losses of expected acquisitions, as well as losses of already-held property.

10. It should be noted that no gain or loss need actuality have taken place for guilt to exist. The mere intention is adequate to define guilt.

11. The three main offences created by the act are:

    - Fraud by false representation – dishonestly making a false representation, and intention, by making the representation, to make a gain for themselves or another, or to cause loss to another or to expose another to a risk of loss;

    - Fraud by failing to disclose information – dishonestly fails to disclose to another person information which they are under a legal duty to disclose, and intends, by failing to disclose the information, to make a gain for themselves or another, or to cause loss to another or expose another to a risk of loss;

    - Fraud by abuse of position – occupies a position which they are expected to safeguard, or not to act against, the financial interests of another person, dishonestly abuses that person, and intends, by means of the abuse of that position to make a gain for themselves or another, or to cause loss to another or to expose another to a risk of loss. A person may be regarded as having abused his position even though their conduct consisted of an omission rather than an act.

Theft

12. In the context of this document, theft can be defined as: The taking of property rightfully belonging to another party (i.e. Sheffield City Council, its customers, service users, partners etc.) with the intention of permanently depriving the rightful owner of it.

13. There are two key differences between theft and fraud:

- To be guilty of theft, a person does not need to have made false representations, failed to disclose information or abused their position.

- To be guilty of theft, a person has to have actually taken something not belonging to them with the intention of permanently depriving the rightful owner of it.

Note, a person can be guilty of fraud by attempting to make a gain or cause a loss even if their actions are not successful. This would obviously cover false applications, even if they were identified during processing.

Corruption

14. There are a number of definitions of corruption. For the purpose of this document, corruption can be defined as: Offering, giving, soliciting or accepting an inducement to influence the action of any person i.e. an abuse of position (officer or elected member) for personal gain.

   NB Although the third offence under the Fraud Act 2006 also includes 'abuse of position', this differs from corruption because:

   - To be guilty of fraud by abuse of position, a person must be in a position where they are required to safeguard the financial interests of another party and fail to do so.

   - Corruption implies the involvement of a third party who offers an inducement in return for personal gain.

15. Acts of fraud, theft and corruption are all considered to be gross misconduct under the Code of Conduct.

16. Advice regarding the categorisation of activity can be obtained via the Internal Audit Investigations Team 0114 2736060 or 0114 2735587.

Bribery

17. Bribery can be defined as "giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so."

18. The Bribery Act 2010 outlaws both giving (active bribery) and receiving bribes (passive bribery) and could extend to cover seeking to influence a decision maker by giving some kind of extra benefit which amounts to more than can legitimately be offered.

19. The Act creates four categories of offence that address the following:
   - paying or offering a bribe;

- receiving or requesting a bribe;
- bribing a foreign public official;
- the corporate offence of failing to prevent bribery.

20. Any acts of suspected bribery must be reported in accordance with this plan.

Impropriety

21. In the context of this document, the term impropriety may be used to describe an inappropriate act in place of theft, fraud or corruption, particularly as the actual offence may not be apparent until investigations are partially or fully complete.

MANAGEMENT RESPONSE

Responsibility for and Purpose of Investigation

22. The prime responsibility for the investigation of allegations of theft, fraud and corruption lies with the management of the particular service area affected. The objective of such investigations is to prove or disprove the initial suspicion/ allegation by obtaining and thoroughly evaluating all material evidence so as to establish the facts of the matter and, if the suspicions appear to be well founded, to be able to:

- identify all those involved

- support the findings of the investigation by the production of all relevant evidence

- present that evidence in an appropriate form for any subsequent disciplinary or criminal proceedings

23. The investigation should also identify assets which may be recovered, consider methods of recovery and address control weaknesses which may have contributed to the loss (to prevent subsequent occurrences).

Reporting Methods including Whistleblowing

24. Managers may become aware of concerns of impropriety within their service area via the following:

- Control mechanisms
- Report by an employee
- Report by a member of the public
- Report by a partner / contractor / supplier
- Report via the Police
- Report from Internal Audit (possibly due to a Fraud Hotline allegation)
- Their own observations

25. It is a requirement of all employees through the Officers' Code of Conduct to report any potential frauds or irregularities. Many allegations of fraud will come through the normal management processes. This can be in one to one's etc.

26. If anyone asks for a meeting to discuss 'concerns' they may have, managers should make time to discuss at the earliest possible opportunity. Failure to do so may lead to further impropriety, destruction of evidence and/or attempts by perpetrators to prevent the individual coming forward.

27. If the report is made by an employee, Managers must consider if the information is coming from the employee from the normal course of business, or if it is being reported through whistleblowing procedures. If the report is via whistleblowing, in the first instance, they should ensure that the Whistleblowing Monitoring Officer is informed so that the incident can be recorded (where appropriate).

28. Managers should also ensure that they are familiar with the principles of the Public Interest Disclosure Act (PIDA) 1998. Under this legislation, whistle-blowers are afforded legal protection if they have acted in good faith and their disclosure meets one of six qualifying criteria, one of which is **'that a criminal offence has been committed, is being committed or is likely to be committed'**.

29. In line with the SCC Whistleblowing Policy and PIDA, managers should assure employees reporting impropriety that they will be protected from victimisation and / or bullying and also provide them with an ongoing communication channel to report any such incidents.

30. Managers should treat **any** allegation seriously and should not attempt to pre-judge the validity of the allegation(s) based on perceptions of the alleged perpetrator's character or historic behaviour. Case law repeatedly shows that theft, fraud and corruption are often perpetrated by trusted, well respected and long-standing employees.

Reporting to Internal Audit

31. Before commencing any investigation, managers should report the allegations or suspicions to the 'Section 151 Officer'. This role is currently the responsibility of the Director of Finance and Commercial Services with the Head of Accounting and the Head of Fianncial and Commercial Business partnering acting as deputies of the Executive Director of Resources; with the Head of Strategic Finance taking day to day responsibility for this area. In practice managers should inform the Finance Manager – Internal Audit (responsible for investigations) who will brief the S151 officer as appropriate. This is a requirement under Financial Regulations and is important for two key reasons:

- It allows the Finance Manager – Internal Audit (responsible for investigations) to assess the risks associated with any allegations and apply Internal Audit resource appropriately. Internal Audit involvement in any investigation will range from a simple monitoring function to taking full responsibility for the investigation if the risks identified are particularly significant.

- Internal Audit is responsible for maintenance of a central record of all fraud and corruption activity within the authority and for the reporting of these details to the Audit and Standards Committee.

32. If the investigation continues to be managed within the service area, managers should provide Internal Audit with periodic updates as the investigation progresses. Internal Audit are also able to provide advice and technical expertise if specific issues such as the extraction of data from systems is required.

33. In all eventualities Internal Audit will become involved at three key stages of the investigation process. These are:

- At commencement (see above) where Internal Audit can decide on the level of support required (to ensure that all investigations are recorded, as this is a statutory requirement).

- At the time when the investigation phase is complete. This is to ensure that support and challenge can be provided prior to the production of any statements of case. This is also to ensure along with HR, that all cases of a similar nature are dealt with consistently across the Council.

- At the end of any hearing or when the case is closed, so that the formal outcome of the allegation can be recorded.

HR Involvement and Disciplinary Process

34. If the allegations relate to an employee of the Council, it is important that Human Resources (HR) are notified at an early stage.

35. In such cases, managers investigating the allegation should ensure that the Council's Disciplinary Procedure is followed.

36. The nature of the allegations or suspicions may require consideration of 'without prejudice suspension' of one or more officers. The Council's Legal Framework – Disciplinary Process & Dismissal states the following:

'There is no argument for not suspending from all employment if the issue is one of potential gross misconduct.'

37. Acts of fraud, theft and corruption, if proven, are viewed by the Council as gross misconduct. HR can advise on the suspension process as well as assisting with investigative techniques, employment law and any later disciplinary action which may be necessary.

38. The following factors should be considered when deciding upon whether suspension(s) is appropriate:

- Do the suspected activities, if proven, constitute gross misconduct?

- Does the nature of the allegation(s) place service users/members of the public/officers at risk if the alleged perpetrator(s) remains in post?

- Could the authority suffer further losses if the alleged perpetrator(s) remains in post i.e. does the allegation/suspicion relate to a one-off incident or ongoing activities?

- If the alleged perpetrator(s) remains in post, to what extent could they damage or destroy evidence which would be needed in the investigation?

- Is the alleged perpetrator(s) capable of and/or likely to influence witnesses who may need to provide evidence pertinent to the investigation (including the person who made the allegation)?

39. **NB Managers should only proceed with suspension if initial enquiries suggest that the allegations / suspicions could be legitimate and the employee does not provide at the verification meeting, compelling information to suggest otherwise. However, as the act of suspending an employee is 'without prejudice', managers need not possess firm evidence of guilt in order to proceed with a suspension.**

40. Further guidance regarding suspension can be found on the Intranet under **Disciplinary Procedure Guidance**. This includes details of officers who must undertake the suspension.

41. In cases where suspension is appropriate, managers must ensure that any evidence or Council property in the possession of the employee, which could be pertinent to the investigation, is removed at the time of suspension e.g. laptop, Council phones, access passes, petty cash, procurement cardsMobile Phones (which may require managers to accompany an employee to their home immediately after the suspension meeting), desk contents etc. NB It may also be appropriate to suspend suspects' user accounts to prevent deletion / amendment of potential evidence via remote access. The Director of the Service should be made aware of all suspensions.

42. HR advisors will give the appropriate advice to the individual on contact with other employees and also be able to provide an independent contact to support the employee. In order to protect the employee and Council, it is important that staff in the department are suitably briefed whist maintain confidentiality and that communication to third parties is considered such as email out of office message on emails.

43. Suspensions have a cost and resource burden on the service and should be kept to as short a period as is reasonable to allow the investigation to take place. All suspensions will need to be reviewed at set periods and the employee informed in writing of any extensions.

Conducting the Investigation

44. The Director of Service should nominate a manager to lead the investigation and should produce a terms of reference for them to follow for the investigation. This should highlight the areas to be covered, the resources available and the key points where they expect to be informed of progress (this should either by on a time basis or at various points in the investigation).

45. It is essential that managers adopt a systematic approach to investigations. It is, however, equally necessary to ensure that the approach taken remains sufficiently flexible to ensure that the investigation is able to evolve in response to situations that may arise as evidence comes to light.

46. Managers should consider the fact that the extent of the perpetrator's impropriety may go beyond what is originally alleged / suspected. The fraud risks associated with the perpetrator's wider role should be considered and investigated as necessary. We refer to this technique as a 'holistic approach' (See Appendix A for suggested areas of consideration beyond the original allegation(s) in an investigation)

47. Once a decision has been made to commence an investigation, it is critical that a detailed record of all activity is maintained. As the nature of the investigation may lead to criminal proceedings and / or employment tribunal(s) at some time in the future, these records can prove invaluable. It is important that all meetings, interviews, removal/taking possession of evidence, telephone discussions, etc are documented. A more comprehensive note of any such event should be maintained in the form of a detailed file note which should be written up either during, or as soon after the relevant event as possible, and signed, dated and timed by the manager responsible. The investigation record should be supplemented with, and cross referenced to supporting documentation, which again could be called upon at a later stage due to future proceedings.

48. Dependent upon the scale of the investigation, it may be necessary for the manager responsible to establish a team or panel to conduct various elements of the investigation. Membership of this team should be carefully considered. It may be appropriate for managers to seek assistance from managers / officers from another service area as their expertise may assist proceedings and ensure that the investigation is completed in a timely manner. It may also be important to be able to demonstrate that managers independent to the service have been involved to counter allegations of victimisation. In certain circumstances, representatives from HR and / or Internal Audit may serve in this capacity.

Key Stages

49. Although the majority of investigations will be undertaken by service management. There is a need to ensure that all investigations by the Council are dealt with consistently. As a minimum Internal Audit and Human Resources should be involved at three key points in the investigations. These are:

- At the point where the initial allegations are made. This will ensure that support and advice can be given to the managers involved as to the way forward. This will also enable Internal Audit and Human Resources to determine their involvement in the investigation.

- In determining the outcomes (prior to the writing of the statement of case) this will ensure that the investigation can be challenged, to determine if any further areas need investigating. It will also ensure that there is consistency in the way that cases are handled (there will always be factors that impact on an individual case).

- At the conclusion of the case, to record the outcomes and to discuss any learning points for the future.

50. In complex cases or where further help and support is required the number of touch points will increase.

Resignations

51. During investigations, there are sometimes occasions where an individual may wish to tender their resignation during an investigation. The offering of a resignation does not infer guilt on the part of the employee and therefore the acceptance of a resignation cannot be used to place the employee on the Council's dismissals register. There is no reason for not accepting the resignation. The acceptance of a resignation does not prevent the conclusion of an investigation and the potential to hold a disciplinary hearing. In the event that gross misconduct is proven, the employee will still be recorded on the dismissal register, despite their resignation.

52. If a resignation is offered, this should always be discussed with Human Resources so that all of the options can be considered. As the Council has a zero tolerance to fraud, where practicable consideration should be made to concluding the investigation and holding a hearing.

Standards of Evidence

53. There are two basic evidential standards applied in UK courts which are relevant to this document:

- 'On the balance of probabilities'

- 'Beyond reasonable doubt'

54. In court, the first standard is applied in civil cases whilst the second is used for criminal cases.

55. In the case of fraud / theft case law has stated that for such cases to be proven, the level of evidence needs to be greater, ie beyond the balance of probabilities; however the actual level has not been prescribed.

56. If an investigation justifies disciplinary action against an employee, management is required to provide evidence which demonstrates 'on the balance of probabilities' that the person is guilty. This means that the quality / extent of the evidence of guilt obtained outweighs the likelihood of an innocent explanation.

57. Managers should bear in mind that if the Police are informed of suspected theft or fraud, the Crown Prosecution Service must demonstrate that evidence proves 'beyond reasonable doubt' that the defendant is guilty. This means that the evidence indicates that the only logical explanation is that the person is guilty and that any remaining doubts held by the judge or jury are not reasonable.

58. If criminality is suspected, the above should not dissuade managers from involving the Police as they are best placed to assess the quality of the evidence obtained and therefore whether a criminal investigation is justified.

Investigation Process

59. No two investigations will be exactly alike. There is however a process which should be followed to ensure that each investigation is professionally and comprehensively conducted. The key investigation stages are detailed below:

60. Identify, obtain and review evidential information. This may take a number of forms:

- **Paper documents:** Unless it is absolutely not possible, evidential documents should be originals rather than copies. Documents should be maintained in the form in which they were obtained (where required, copies of the original documents should be placed in the working papers to allow processes to continue). They should be protected and stored securely during the investigation. Managers should not annotate or mark original evidential documents in any way. If copied documents must be used, they should be certified by the officer making the copy as a true image of the original.
- **Computer held data:** It is likely that certain information required in the course of the investigation will be stored on computer systems. Managers should ensure that any printouts used are annotated with the date and time they are obtained. If this type of information is likely to be used in court proceedings at a later date, managers are advised to contact Internal Audit and the Information and Knowledge Management team in the first instance for advice. There are specific procedures which must be taken in order that computer data is admissible in court. In certain circumstances, it may be necessary to enlist the services of a forensic specialist to obtain the data and provide a chain of evidence which is satisfactory to the court. Such forensic specialists may also be able to recover data which has been deleted by the perpetrator in an attempt to destroy evidence.
- **Surveillance Evidence:** It may be that covert surveillance is necessary to establish the legitimacy of the allegations. If a manager decides that this is the case he / she **must** refer to the Surveillance and Investigation section of the SCC Intranet. This course of action should also be discussed with Internal Audit before any surveillance is performed. Failure to adhere to proper processes could not only jeopardise the investigation but also place the Council and / or individual officers at risk of legal action for breach of an individual's Human Rights.

61. To establish whether allegations / suspicions are valid, it may be necessary to conduct fact finding interviews with appropriate persons. If this is the case, managers should produce an interview plan containing details of interviewees, the reason for interviewing each officer, the order in which the interviews will be conducted and the reasoning behind this order. The suspect(s) should be the last person(s) interviewed to enable any evidence gained from previous interviews to be put to them. Interviewees should be given reasonable notice in advance of the interview and should be offered the opportunity to be accompanied during the interview. This will normally be a Trade Union Representative or other Sheffield City Council employee. If in particular circumstances these arrangements are not appropriate, the employee may request alternative representation although this should not be allowed to delay proceedings. Managers should establish the identity of the accompanying person in advance and ensure that this is appropriate in the context of the investigation e.g. the person accompanying an officer in a fact-finding interview should not have a personal relationship with the suspect(s).

62. Interviews should ideally be conducted by two officers for corroboration purposes. Managers must ensure that interview venues are appropriate and take reasonable steps to ensure that interviewees are comfortable. This could take the form of providing hot drinks or water, ensuring rooms are not excessively hot / cold and providing periodic comfort breaks depending on the length of the interview. Interviewers should obtain information via responses to questions rather than by eliciting statements through leading questions or oppression. Interviewees are entitled to refuse to answer any questions put to them and should not be pressurised if they choose to do this. All interviews must include a final question: "Are you satisfied with the way in which this interview has been conducted". This provides a defence against subsequent complaints of unfair treatment. All interviews should be recorded in the form of either summary or contemporaneous notes. These should be finalised as soon as possible either during or after the interview and Interviewees should be provided with a copy and asked to sign it show that it is an accurate reflection of the meeting.

63. Before conducting interviews with suspects, managers should consider the possibility that the interviewee may admit to a criminal act during the interview. If this were to occur the Council would be required to consult the Police in order to consider whether a criminal investigation should be instigated. The Police and Criminal Evidence Act 1984 (PACE) requires that suspects be formally cautioned and allowed access to legal representation before being questioned in regard to criminal offences. Managers are advised to contact Internal Audit for advice prior to interviews in which it is believed that this situation may arise.

64. Following completion of the interviews it may be necessary to follow up explanations of circumstances provided by interviewees to ensure that all pertinent information has been obtained and considered. It is important that all leads are followed up where they could disprove the case rather than those that would only prove the case.

65. If evidence of impropriety has been established, managers may apply the 'holistic approach' and expand the investigation into other areas of risk associated with the individual's role. Internal Audit has produced a document detailing areas of fraud

risk for consideration. This is referred to Appendix A of the Fraud Response Guidance. Again, it is important to keep a detailed record of the actions taken and to gather and protect relevant evidence. If further evidence is discovered, it is acceptable to re-interview potential witnesses if necessary. **NB If the evidence identified during the original investigation, including that obtained via fact finding interviews, does justify the adoption of the holistic approach, managers may wish to postpone interviews with the suspect(s) until the full extent of the suspected impropriety is established.**

66. If managers have adopted a holistic approach, upon completion of these investigations, they should again consider the possibility of criminality and whether the Police should be consulted.

67. When the investigation is complete, it should be apparent whether the original allegation(s) / suspicion(s) were valid. If no evidence has been found to support the allegations, then the investigation can be concluded. Managers should inform Internal Audit that this is the case so that the outcome can be recorded on the Internal Audit database. If there is evidence to support the original allegation(s) / suspicion(s), managers should consider whether criminality is involved and if so the Police should be consulted. Managers may wish to seek advice from Internal Audit before taking this action.

68. Once all the above actions have been completed, dependent upon circumstances, it may be appropriate to produce a report (separate to the statement of case) detailing the findings of the investigation and the actions which will be taken as a result. HR representatives will advise on whether and what disciplinary action is appropriate. Internal Audit should be informed of the outcome of the investigation and of any subsequent disciplinary action. The report should also consider the circumstances which allowed the impropriety to occur, the adequacy of existing controls and, in particular, whether any changes are necessary to prevent such occurrences in future. For further information, refer to the Statement of Case section of the [Managers' Disciplinary Procedures Guidance](#) document.

INITIATION OF RECOVERY ACTION

69. The Council will take appropriate steps, including legal action if necessary, to recover any losses arising from fraud, theft, irregularity or misconduct. This may include action against third parties involved in the fraud or whose negligent actions contributed to the fraud.

70. Use of the Proceeds of Crime Act 2002, where appropriate, will also be considered to maximise the penalty and level of recovery by the Council.

71. If the authority has suffered a loss as a result of the impropriety identified, managers should take action to attempt to recover the loss. This can be achieved via a number of methods:
- Internal recovery – agreement to repay / issue of a debtor account
- Civil recovery – seek advice from Legal Services

72. The Council's Insurance Officer must be informed as soon as possible of any loss. It is the responsibility of the Service Manager to do so. Where it is possible, details of the case should be given together with some indication of the likely loss and what recovery action is being attempted. This information has to be passed to the Council's insurers promptly to keep open the possibility of making a claim.

FURTHER INFORMATION

73. The information contained in this document is intended to cover all essential elements of a management investigation however it cannot cover every circumstance or eventuality; Managers are advised to discuss individual circumstances with Internal Audit / HR / Legal Services if further advice is required.

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Appendix A

Sheffield City Council

Finance and Commercial Services

MANAGERS GUIDANCE

FRAUD THEFT AND CORRUPTION RESPONSE PROCEDURE

HOLISTIC APPROACH TO FRAUD INVESTIGATION

Revised
July 2022

INDEX   **Page**

Introduction

This document is intended to assist managers who are undertaking investigations into suspected impropriety. The following sections identify potential fraud risks areas which may need to be covered is a "holistic" approach is to be adopted.

Fraud Investigation Area 1: Budgets

If the suspect has budget management responsibilities, the opportunities for them to commit fraud may be increased. The management of budgets, may also allow staff to more easily cover up fraudulent activity. Scrutiny of the activities surrounding the management of these budgets can provide clues to specific areas of potential fraud.

Questions

1. Does / did the individual have responsibility for budget management?
2. What is / was the extent of this responsibility in terms of number / value of budgets and specific access rights? (E.g. virements, transfers, allocation etc.)
3. Does / did the individual have access to suspense accounts?
4. Is / was the individual able to set up new budget heads / sub codes?
5. Is / was the individual solely responsible for management of certain budgets? (theoretically and practically)
6. Is / was the individual required to provide budget monitoring reports to a higher authority? (such as a governing body or committee)

Suggested Testing

1. Review the budget to see that it correlates to the service provision. Check that staffing, non-staffing, income and capital expenditure agrees to the activity that is being undertaken.
2. Does the range of budget codes being used appear reasonable; review the transactions to the code descriptions? Using a few codes and putting large quantities of unrelated items through those codes could be used to cover up issues.
3. Review current and previous budgets to assess overspend situation.
4. Identify specific cost codes which are being overspent and validate a sample of individual charges.
5. Ensure that regular budget monitoring reports have been produced / submitted.
6. Check that budget monitoring reports accurately reflect position at time of production. (Variances may give pointers to 'areas of concern')
7. Identify and investigate any transfers / virements made / authorised by the individual. Are they justified and appropriate? (Again, excessive virements / transfers may identify 'areas of concern')
8. Interview other staff with theoretical budget management responsibilities. Establish whether they were actually allowed to be involved in practice.
9. Consider a review of budget management activities purportedly carried out by other individuals. Compare these to independent leave / sickness information to identify discrepancies.
10. Review suspense account transactions. Do transactions appear appropriate? Are suspense accounts cleared regularly? Do budget monitoring reports incorporate suspense account balances?

11. Identify budgets set by the individual. How were they formulated i.e. supporting documentation? Do they seem appropriate i.e. variance from previous years, unusually large apportionments to particular areas?
12. Contact the relevant Finance Business Partner for further information.

Fraud Investigation Area 2: Staffing

Staffing costs are often the biggest area of expenditure in any service and are therefore worthy of scrutiny when attempting to identify potential fraud. Likewise, fraudsters will often seek to 'recruit' or exploit people around them to assist with their activities. It is worthwhile exploring the individual's relationships with colleagues to assess whether this is the case.

Questions

1. Does / did the individual have the authority to appoint new staff or process changes to existing salaries?
2. Is / was the individual particularly friendly with any other members of the team?
3. Does / did the individual manage / monitor staffing budgets?

Suggested Testing

1. Review staffing charges. Are all staff charges accounted for? Check starters and leavers to ensure pay arrangements are correct i.e. salaries have been correctly entered and pay has been started / stopped on appropriate dates?
2. Consider whether it is appropriate to review recruitment and selection process for employees appointed by the individual. Were all appropriate processes followed? Do appointments seem fair i.e. is there evidence of favouritism? Were all necessary propriety checks undertaken?
3. Review any salary changes made by the individual. Is there apparent justification and a satisfactory management trail present?
4. Is there evidence of collusion, i.e are the same employees always involved in signing off transactions.
5. Are there any employees on the payroll with no-pay; is there a specific reason for this?

Fraud Investigation Area 3: Statements of Accounts

If an individual is relied upon to produce statements of accounts, it may be that he / she could have hidden fraudulent activity via misrepresentation of the true financial position of the account or service.

Questions

1. Is / was the individual responsible for the production of any statements of accounts including balance sheets, profit & loss accounts etc?
2. How long has / had the individual held this responsibility?
3. Are / were accounts prepared by the individual subject to any independent scrutiny?

Suggested Testing

1. Identify all statements of accounts prepared by the individual. Carry out an independent reconciliation to ensure that accounts prepared are a fair representation of the financial position at the appropriate date.
2. Where accounts were required to be presented to a higher authority, check that presented figures correspond with actuals. (Variances could indicate 'problem areas')
3. Where accounts have been verified by a third party, check whether the same person was used consistently. Where this is the case, and irregularities have been identified, consider whether this person acted in collusion with the individual. Consider whether these findings justify further investigations into the activity of the third party.

Fraud Investigation Area 4: Procurement

This is one of the most common areas to be targeted by fraudsters both internal and external. Given the sheer number of creditor payments processed across a wide range of service areas, opportunities for fraud are diverse and should be considered in any fraud investigation.

Questions

1. Does / did the individual have the authority to order goods / services?
2. What is / was the individual's authority level?
3. Is / was the individual in a position to grant contract work or specify which suppliers / service providers were used?
4. What level of authority does / did the individual have in relation to granting of contracts?
5. Has the individual completed a declaration of interests?
6. Have any interests been declared?

Suggested Testing

1. Cross reference the individual's bank account details from payroll system against creditor payment account details. Investigate matches.
2. Review orders placed by the individual.
   a. Are goods / services appropriate in nature in respect of the service area? Investigate any anomalies.
   b. Have inventory type items been entered on the appropriate inventory / asset register?
   c. Consider a physical inspection of a sample of items.
   d. Where works / services have been provided, consider physical inspection to ensure that this appears to be genuine e.g. repair or maintenance works.
   e. Are there a significant number of transactions, just below the authorisation limits or the limits where quotations are required? Check that this is appropriate.
   f. Have authority levels been adhered to or have 'split orders' been used?
   g. Have approved suppliers been used?
   h. Has a significant amount of 'business' been given to a particular supplier / service provider?
   i. Have the correct number of quotations been obtained where relevant?
   j. Do supplies / services seem excessive given the nature of the service area?
   k. Has a particular employee regularly 'counter-signed' for some part of the procurement process? Is there any correlation with a particular supplier or type of goods / services?
   l. Do costs appear to represent value-for-money?
   m. Do any of the suppliers appear to have links to the individual?
3. Review contracts for goods / services granted by the individual.
   a. Were appropriate tendering processes used?

b. Has all appropriate documentation been retained?
c. Have multiple contracts been granted to the same supplier?
d. Is there evidence of favouritism in any contracts granted?
e. Do any of the contractors appear to have links to the individual?
f. Where works / services have been provided, consider physical inspection to ensure that this appears to be genuine e.g. repair or maintenance works.

Fraud Investigation Area 5: Income Collection

Although high value fraud is often non cash-related, cash is perhaps the most tempting to small scale fraudsters as it has immediate physical value. Employees with access to cash often handle significantly larger sums on behalf of their employer than they do in their private lives. The consideration of the fraud or theft opportunities involving cash are important in any investigation.

Questions

1. Does / did the individual have the responsibility of collecting income or have access to collected income?
2. What is / was the extent of this responsibility / access?
3. Does / did the individual have custody of collected funds?
4. Is / was the individual responsible for the reconciliation of income collected?
5. Does / did the individual have access to receipt books, tickets or other stationery which could have financial value?
6. Are all possible sources of income identified?
7. Have any concerns been raised in regard to income collected by the service historically?

Suggested Testing

1. Carry out reconciliations of income to banking for a sample period.
2. Ensure that all monies are banked intact.
3. Ensure that monies have been banked promptly (within banking regulations if applicable).
4. Check that cheques have not been substituted for cash.
5. Ensure that all possible sources of income are accounted for.
6. Ensure that ticket sales or other receipts reconcile with monies collected.
7. Account for all stationery with a financial value.
8. Reconcile any residual cash / cheques held to outstanding collections.

Fraud Investigation Area 6: Bank Accounts/ Treasury Management

Controls around treasury management and bank accounts tend to be stringent due to the high values of transactions that are processed through them. The values and volumes, however means that they are susceptible to serious and organised crime as the rewards could also be significant.

Questions

1. Is / was the individual responsible for the management of any bank accounts?
2. Is / was the individual a cheque signatory?
3. Do / did all bank accounts require 2 signatories on each cheque?
4. Do / did all bank accounts require 2 signatories on each cash withdrawal?
5. Are there any known links or suspicions of links between the individual and any other signatories?
6. What were the reconciliation / reporting requirements for the accounts?

Suggested Testing

1. Reconcile banking records to actual bank statements for a suitable period.
2. Review cheque expenditure to ensure amounts and type of expenditure is reasonable given the nature of the service area.
3. Consider requesting a sample of cheques from the bank to ensure that cheques were made out to stated payees and were actually signed by 2 employees.
4. If other signatories remain in post, confirm that they did actually countersign the cheques obtained i.e. that the individual did not forge signatures.
5. Review bank accounts to establish whether non-service related cheques have been deposited i.e. personal cheques for cash.
6. Ensure that any cheques written for cash were justified and that the cash was entered into appropriate records.
7. Review bank statements for direct debits, standing orders, loan repayments or other suspicious transactions.
8. Ensure that all procurement / credit cards are accounted for and that the individual is / has been removed as a signatory.

Fraud Investigation Area 7: Procurement Cards/Credit Cards

The use of procurement cards in the Council is limited. These are mainly used for emergency items, but need to be signed off similarly to petty cash. All purchases through the cards must be fully compliant with the procurement regulations of the Council.

Questions

1. Does / did the individual have responsibility / access to a procurement card?
2. In what capacity i.e. administrator / user / authorising officer?
3. Does the service have adequate supervision over the use and verification of the cards and transactions?
4. Are assets purchased using the purchasing card always physically verified (where appropriate)?
5. Are statements always checked authorised and retained?
6. Is the card kept securely?
7. Has the card been retained on suspension or has it been cancelled?

Suggested Testing

1. Obtain the copies of all statements from the bank/ Treasury Mangement?
2. Verify the transactions to actual activity or to physical goods?
3. Why have normal ordering processes not been used?
4. Are the goods items that are required by the service?
5. Have the goods been bought from non-standard suppliers?
6. Have contract requirements been met?
7. Was authorisation sought?
8. Does the supplier offer additional items such as free gifts? Can these be accounted for?
9. Have VAT receipts been obtained?
10. Where goods cannot be verified (such as food) can these be verified in other ways?
11. Are there patterns to usage? i.e. there is always an increase before the month end.
12. Is card usage excessive?

Fraud Investigation Area 8: Petty Cash

Petty Cash although small in value is often susceptible to both theft and also manipulation. This is often referred to as "teeming and ladling" or the payday loan where money is taken with the supposed intention of repayment. It is explicit that staff should not under any circumstances; "borrow" money from petty cash and therefore any missing funds should always be treated as theft.

Questions

8. Does / did the individual have responsibility / access to petty cash?
9. In what capacity i.e. administrator / signatory / authorising officer?
10. Does the petty cash system have adequate internal controls to prevent mis-use / misappropriation?
11. Are periodic reconciliations required to be presented to a higher authority for review?
12. Is / was the individual the sole key-holder for the petty cash tin / receptacle?

Suggested Testing

13. Reconcile the petty cash.
14. Review expenditure from petty cash. Is it reasonable in value (within guidelines) and appropriate in terms of the service area?
15. Are receipts retained to evidence expenditure?
16. Do receipts appear to be legitimate or have 'generic' receipts been submitted i.e. no establishment / date / VAT no. stated?
17. Is petty cash usage excessive?
18. Are there patterns to usage? i.e. there is always an increase before the month end.
19. Has the individual made an unusually high number of petty cash purchases?
20. Where large purchases have been made via petty cash, consider verifying items / date with supplier.
21. If 'inventory type' items have been purchased, verify their physical existence.
22. If transactions require a counter-signatory, can trends be identified?
23. Is there evidence that signatures have been forged?
24. Reconcile previous petty cash returns to ensure that they accurately represent the position at the time.

Fraud Investigation Area 9: Non Official Funds

Non official funds are funds that are not the Council's or clients, such as school funds, collections etc. These are funds for which we have no official duty, but which may have been in the possession of a Council employee. The loss of such funds although not attributable to the Council could still damage its reputation.

Questions

1. Does / did the individual have responsibility / access to non official funds?
2. What was the extent of this access?
3. Are / were these funds subject to independent review / scrutiny?
4. Is there any evidence or suspicion of links with these independent reviewers?
5. Are reconciliations of these funds required to be submitted to a higher authority?

Suggested Testing

Testing in this area may be inappropriate as we may have no right to do so. However, if irregularity is proven in other areas, the relevant authority should be informed that a review of these funds is recommended.
If we are able to review the funds, the testing detailed in bank accounts, petty cash, income and statement of accounts may be used.

The Council manages funds and property on behalf of a number of vulnerable clients. These relationships by their very nature can be difficult. The controls in place are to protect the client and the officers who operate these systems were these to fail; the reputational damage would be significant.

Questions

1. Does / did the individual have responsibilities in relation to / access to funds / property belonging to service users?
2. What is / was the extent of this access i.e.
   a. access to service users' homes
   b. specific duties in managing service users' financial affairs
   c. access to bank accounts / cash within Council establishment
   d. access to service users' property within Council establishment
3. Do systems in place to manage the above contain adequate internal controls to prevent abuse?
4. Have there been previous concerns relating to service users funds / property?

Suggested Testing

1. Where funds are retained on behalf of service users, reconcile any cash / bank accounts held.
2. Select a sample of transactions from service users' funds in which the individual has been involved. Check the following:
   a. expenditure seems reasonable
   b. receipts have been provided and appear genuine
   c. transactions have been countersigned
   d. in cases where large / expensive items have been purchased, that they actually exist / have been given to the service user
   e. any monies which are claimed to have been banked were actually deposited in the appropriate bank account
   f. monies claimed to have been banked were deposited promptly i.e. no un-necessary delays
   g. cash which was claimed to have been banked was deposited as cash i.e. not substituted by cheques
3. Examine records of previous reconciliations of service users' funds. Is the individual the person who usually carries out reconciliations (i.e. the primary signatory)?
4. Have such reconciliations been counter signed?
5. Can these counter signatories verify that they actually checked the funds?
6. Check with banks to establish whether the individual has been set up as a signatory on the accounts of any service user inappropriately. Remove as necessary.
7. Where the individual visited service users in their own homes, consider interviewing other staff who visited the same clients to establish whether there have been concerns raised by service users over missing cash or property.

8. Reconcile records of property retained on behalf of service users to ensure that it remains in storage.
9. Check property records to establish whether the individual has signed to claim that property has been returned to service users. Check that all transactions of this nature are countersigned. Attempt to verify that property has been returned independently.

Fraud Investigation Area 11: Council Property

The Council owns or has access to a vast amount of valuable equipment ranging from electrical and IT resources to plant and machinery. Many of these items are desirable to thieves and fraudsters either for personal use or to convert into cash. In addition to the risk of permanent deprivation of such items, their temporary use for personal gain by individuals must also be considered.

Questions

1. Does / did the individual have access to council property (i.e. items which could be transportable / valuable / desirable)?
2. If particular items of property had been assigned to the individual (e.g. laptop, mobile, blackberry, tools, vehicles etc.) have there been any previous claims that such items have been stolen?
3. Have any items assigned to the individual been returned and accounted for?
4. Does the individual have the ability to access to Council property out of hours? i.e. do they have keys/passes etc.?
5. Would the individual have the ability to loan out Council property?

Suggested Testing

1. Carry out an inventory check of items to which the individual had access.
2. Examine documentation regarding previous claims of loss / theft for patterns / validity.
3. Check whether the individual has ever written off inventory / asset items. Does the age of the items suggest that write-offs are appropriate? How have the items been disposed of? Can this be independently verified?

Fraud Investigation Area 12: Stocks, Stores and Controlled Stationary (certificates/ permits etc)

Stocks, stores and certificates / permits maintained by the Council are attractive to thieves and fraudsters as they are readily usable and easily converted to cash. In many cases, losses of stocks and stores will be simple theft however in some cases a single or more prolonged series of thefts may involve manipulation of records and would therefore be classed as fraud e.g. building materials, fuel, birth certificates and blue badge permits etc.

Questions

1. Does / did the individual have access to / responsibility for SCC stocks, stores, the issue of certificates / permits?
2. What is / was the extent of this access / responsibility (i.e. simple 'access' to stock / store rooms / buildings / receptacles / certificates / permits or involved in stock control system, recording goods in / out, stock ordering / issue etc.)?
3. What is the process for periodic reconciliation of stocks / stores / certificates / permits?
4. Does the above incorporate independent involvement?
5. Is / was the individual involved in stocks / stores / certificate / permit reconciliations?
6. What is the process for writing-off obsolete, damaged or out-of-date stocks / stores.

Suggested Testing

1. Identify stocks / stores / certificate / permit records and carry out sample checks to ensure that stocks held agree to stock records.
2. Select a sample of stock / stores orders / deliveries and ensure that goods received were entered accurately on stock records.
3. Identify unusually frequent orders and / or unusually high numbers / values of stocks / stores ordered / retained. Ascertain trends / justifications (This may require independent specialist advice.)
4. Check reconciliation records for the following:
   a. Have reconciliations been carried out in accordance with instructions?
   b. Has the individual carried out reconciliations?
   c. If so, have reconciliations been counter checked?
   d. If reconciliations have been counter-signed, is there any evidence to suggest the forging of signatures?
5. Examine documentation covering the requisition of stocks / stores. Ascertain the following:
   a. Are all requisitions signed by employees other than the individual?
   b. Are job numbers included?
   c. Can these be independently verified against specific jobs (e.g. by comparison to timesheets, other systems etc.)?

d. If so, carry out sample checks to ensure that all stocks / stores were requisitioned appropriately.
e. Check that stocks / stores requisitioned are appropriate for jobs. (This may require independent specialist advice.)
f. Check to ensure that requisitions amounts have not been amended.
6. For a sample of jobs for which stocks / stores have been requisitioned, ensure that unused items have been returned to stores. (i.e. check that records exist to demonstrate the quantity of stocks / stores used on the job and record details of unused stocks / stores.)
7. For a sample of returned stocks / stores, ensure that returned quantities are recorded back into stocks / stores records promptly and accurately.
8. Identify any write-offs of stocks / stores. Check the following:
    a. Do they seem appropriate? (This may require independent specialist advice.)
    b. Have they been authorised by the individual or another employee / manager?
    c. Have write-offs been counter-signed?
    d. Consider whether it is possible to independently verify disposal of the written-off stocks / stores.

Fraud Investigation Area 13: Provision of Services

This area is increasingly significant. The Council provides a number of services which have significant benefits attached both to the rightful recipients, but also to individuals who do not have a right to them. This is a growing area for organised crime. The types of services susceptible is wide spread, but covers the provision of council housing, blue badges, residents parking permits, licences and the provision of school places.

Questions

1. Does / did the individual have access to / responsibility for processing or approving applications?
2. What is / was the extent of this responsibility (i.e. are they processing or do they allocate or approve transactions.)?
3. What is the process for verification of processing?
4. Does the above incorporate independent involvement?
5. Are reviews of processing carried out?
6. What controls are there to prevent processing of applications for family and friends?
7. Is all income reconciled to the provision of service? (licences etc.)

Suggested Testing

1. Identify the transactions carried out by the individual?
2. Are there system contols? Can items be processed in another's name?
3. Verify any transactions carried out by leavers from the service? (particular after their leaver date)
4. Check any transactions with the same address, the same name or individuals known to be associated with the individual?
5. Carry out a sample check of transactions undertaken by the individual? Have these been completed correctly?
6. Verify the validity of the transactions to original documentation? Ensure that these appear genuine.
7. Have all transactions been checked and authorised independently?
8. Identify unusually frequent transactions by individuals or to an address?
9. Check reconciliation records for the following:
   - Have reconciliations been carried out in accordance with instructions?
   - Has the individual carried out reconciliations?
   - If so, have reconciliations been counter checked?
   - If reconciliations have been counter-signed, is there any evidence to suggest the forging of signatures?
10. Are complaints independently received and dealt with?

Fraud Investigation Area 14: Mileage / expenses claims

Although payments to individuals may be relatively small, the expenses system is readily accessible to those wishing to defraud the authority.

Questions

1. Has the individual claimed expenses from SCC?
2. Are these expenses of material value?
3. What is the process for authorisation / verification within the service area?
4. Where and for what period are receipts retained?

Suggested Testing

1. Obtain and review expense forms submitted by the individual. Check the following:
   a. Receipts were provided for each expense
   b. Receipts appear to be valid (rather than generic)
   c. Dates of receipts agree to dates of expense
   d. Amounts claimed are reasonable / within guidelines / prescribed limits
   e. Expenses are claimed for legitimate purposes only (requires independent verification)
   f. Mileage / fares are accurate (via web search: route planner, fare sites etc.)
2. Check that expense claims have been authorised by a suitable individual (consider individual's involvement if expenses are found to be fraudulent.)
3. Check leave records to ensure that individual has not claimed expenses whilst not working (e.g. whilst on annual leave / sick leave).

Fraud Investigation Area 15: Authorisation Responsibilities (including confirmation of 'qualification criteria')

This area covers a multitude of possible responsibilities and fraud opportunities because the Council is responsible for granting / authorising a wide variety of 'entitlements' (for example benefits, allowances, grants, approvals)

Questions

1. What duties / responsibilities are associated with the individual's post?
2. Does / did the individual have the authority to 'sign-off' or significantly contribute to the 'signing-off' of any benefit, certificate, grant, application, claim, permit, licence, entitlement, service, cost etc. which could qualify as a gain either personally or to a third party?
3. Could the individual speed up, fast track or queue jump any of the above examples, which could effectively cause a loss to another by nature of the fact that their application etc. would be slowed down or refused due to actions in 2 above?
4. Is / was the individual in a position to prevent / refuse any of the examples listed in 2 above, to which an applicant or other individual would be otherwise entitled, in order to cause a loss to an individual?

Because of its varied nature, suggested testing in this section is generic. For the purposes of this document, transactions of the nature referred to above will be referred to as 'approvals' or 'rejections'.

Suggested Testing

1. For a sample of approvals made by the individual, independently assess the 'application' to ensure that it meets normal qualification criteria. (This should include the provision of any documentation required as part of the process and the validation of such documentation.)
2. For the above sample, establish whether the application for the approval has been processed / granted within expected timescales / in accordance with approved processes. Check that the approvals have not been fast-tracked.
3. If the transaction relates to a financial entitlement, settlement, payment etc. check that this has been calculated correctly.
4. For a sample of rejections made by the individual, independently assess the 'application' to ensure that qualification criteria are not met and therefore that the rejection is appropriate.
5. For a sample of approvals / rejections, ensure that correct details have been entered on supporting systems i.e. to ensure that false information has not been entered to achieve either approval or rejection.
6. For a sample of approvals / rejections, examine original application documentation to ensure that amendments have not been made in order to gain approval / rejection.

Fraud Investigation Area 16: Data Access

Data is an asset:
- Names and contact information for individuals has a monetary value to unscrupulous companies involved in telemarketing or spam email selling
- Customer information has a monetary value to competitors
- Criminals may offer large sums for information of particular use to their enterprises.

The Council holds an enormous amount of data, much of it extremely sensitive, for example relating to children and vulnerable service users, but also in relation to the details of many thousands of bank accounts relating to staff, council tax payers, benefit claimants etc.

This section deals with an individual's ability to access that data either piecemeal or en masse for immoral and/or dishonest purposes.

Questions

1. Does / did the individual have access to SCC systems?
2. Do these systems contain 'sensitive data'?
3. Does / did the individual's access level allow him / her to access sensitive data?
4. (In relation to each individual system if access was available to more than one): Does the system incorporate an audit trail which records user activity? (Obtain reports for the individual's activity)
5. If the system does incorporate an audit trail facility, is this adequately protected from amendment (by for example parties with the individual's level of access)? [If this is not the case, testing in this area is likely to be unproductive]
6. Does the individual have access to a PC / laptop?
7. Has this been interrogated as part of the investigation?

Suggested Testing

1. Review the audit trail for each system to ascertain the individual's system activity.
2. Identify any 'unusual' activity i.e. activity which does not appear to be associated with his/ her day-to-day duties. (Investigate further if found.)
3. Review PC interrogation data. Did this identify data files which were unusual or inappropriate to the individual's role? Is there any evidence that the individual downloaded the files to a memory stick, burned them to CD/DVD or printed them?
4. Don't forget to check any server drives, to which only the individual had access, for evidential data.
5. (See also section 15) Review email server logs to ascertain whether data files have been sent outside SCC by the individual.

Fraud Investigation Area 17: Internet / Email Usage

This section deals with the internet and email usage of the individual. This is important as not only could these give clues to the type and extent of his / her fraudulent activity, it will also give an insight into their personality and provide information to you concerning the time spent on non-work-related emails and internet use.

Questions

1. Does the individual have access to email?
2. Does the individual have access to the internet?
3. Has the individual signed a form / confirmed agreement via MyHR to the conditions of the SCC Electronic Communication Policy
4. (For I.T.) Is all internet and email activity logged centrally i.e. via a firewall or proxy-server
5. For what period is the above data stored?
6. Was the individual's PC confiscated before he / she was aware that allegations / suspicions had been raised?

Suggested Testing

1. Examine the individual's emails (sent / received / deleted etc.) for evidence of 'unusual' activity. If you suspect that the individual has deleted relevant emails, they may be saved centrally on a firewall or proxy server. Contact BCIS to check this.
2. Was the individual in contact with an email contact (either internal or external) unusually often? Pay particular attention to the content of such emails as the recipient may be a 'confidante' or may also be involved in inappropriate activities.
3. Examine the individual's internet access (via temporary internet files on his / her PC or via interrogation of the firewall or proxy server.)
   a. What proportion of his / her time is spent on the internet whilst at work? Compare internet access to timesheet details, clock cards etc. to establish any 'on-the-clock' usage.
   b. What sites have been visited? Are any 'inappropriate' or give clues as to the individual's activities?
4. Establish whether any of the individual's email or internet usage contravenes SCC's Electronic Communications Policy?

Fraud Investigation Area 18: **Flexi-time / Time-keeping**

One of the most common types of fraud is employees who claim time whilst not at work. This type of activity usually starts with small anomalies i.e. just a few additional minutes claimed however, it can escalate significantly if it goes un-checked.

Questions

1. How many hours is / was the individual contracted to work?
2. What are the procedures for recording times in and out of work?
3. Is / was the individual subject to specific working schedules or were flexible working hours available?
4. Does the individual's normal place of work operate a security system such as swipe-cards or CCTV which could be used to independently verify time claimed?
5. Are / were the individual's timesheets subject to independent scrutiny / authorisation?
6. To what extent did authorising officers check / authorise time claimed?
7. If the individual worked away from base regularly, what controls are in operation to ensure that times claimed are accurate?

Suggested Testing

1. Attempt to validate a sample of timesheets via reference to external sources e.g. swipe card records, CCTV etc.
2. If the individual spent considerable time away from base, consider independently checking security systems at a sample of establishments e.g. signing in / out books, CCTV, Visitors passes etc.
3. If the individual used a SCC vehicle, establish whether it was fitted with a tracker (as most SCC vehicles are). Consider checking tracker records to establish whether they can validate or disprove times claimed / locations visited.
4. Interview authorising officers to establish to what extent checks were undertaken when authorising the individual's time / flexi sheets.

Whilst this is an area which has always been of concern, during periods in which competition for employment is particularly tough, job applicants are more likely to make false claims about their qualifications and / or experience. Equally importantly, they may cover up previous employments from which they were dismissed or left under unexplained circumstances in order to prevent employers from identifying their intentions or risks associated with employing them.

Questions

1. Is a copy of the individual's application form / CV available? (Obtain a copy)
2. Is there evidence to demonstrate what (if any) checks were undertaken to establish his / her propriety during the application / appointment process? (e.g. were original certificates seen / copied etc.)
3. What qualifications / experience are necessary to carry out the role? (e.g. an applicant requires QTS to qualify for a teaching role.)
4. What are the risk exposures to the authority if the individual has falsified experience or qualifications? (e.g. is the individual in a role with particular authority, control or trust?)

Suggested Testing

1. Attempt to independently verify the following:
   a. All results / passes if relevant i.e. if in recent past or where they have not been superseded by 'higher' qualifications (i.e. if individual claims to have 3 A' levels and a degree, verify the degree.)
   b. Specific qualifications / memberships via requests to governing organisations. (Even if these are not 'necessary' for the role, any fabricated qualifications give an insight into the individual.)
   c. Career history. (It is only practical to go back so far with this testing i.e. if the individual has been in various employment for 30 years, it may not be practical to contact all previous employers.)
2. In certain cases, it may be appropriate to check the individual's right to work / immigration status.

Fraud Investigation Area 20: External Activities / Information

With the rise in popularity of the internet and particularly social networking, investigators are turning to the World Wide Web to help.

Sites such as Facebook, MySpace, Twitter, YouTube etc. can be successfully utilised to identify key fraud indicators.

For example, the individual may have written blogs about his / her dissatisfaction at work, the state of his/her finances or even bragged or hinted about theft or fraud. He / she may be showing off expensive possessions or holidays on YouTube which could indicate a lifestyle beyond his / her apparent means, or may be advertising stolen SCC property on sales / auction sites such as ebay.

Whilst you may not have access to some of these types of sites at work, certain individuals have been provided with access. If you have suspicions in this area, contact Internal Audit for advice on how you can search for this type of activity.

Aside from these restricted sites, a simple web search of an individual's name (along with a location if appropriate) can assist your investigation. The individual may have been involved in activities that he / she has not informed the authority about.

The individual may be running a business 'on the side', the activities of which may conflict with Council standards or individual responsibilities. This could be worthy of further investigation.

Fraud Investigation Area 21: Refunds and Write offs

This area is often overlooked but can be significant. In certain areas, the level of income is significant and so is the level of write off. The individual with the ability to undertake refunds can undertake fraud in one of three ways. They could refund legitimate payments to their own accounts. They could write off debts to accounts for payment or use the writing off of debts to cover other transactions that they have already put in.

Questions

1. Can the individual under take refunds?
2. Do refunds need to be matched to payments?
3. Can refunds only be made to the original payment source, bank account/ payment card?
4. Is there an independent process for authorising write offs?
5. Are all write-offs reported and agreed?

Suggested Testing

1. Review the value of write offs and write backs?
2. Examine if the individual is undertaking these write offs?
3. Is there a separation of duties in who authorises the write offs?
4. Examine a sample of write offs to see if the reason is correct and they tie back to accounts?
5. Obtain the bank details from payroll for the individual and check if any refunds have been made to that account?

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Sheffield City Council

Finance and Commercial Services

Anti-Money Laundering Policy Statement and Procedures

Anti-Money Laundering Policy Statement and Procedures

1. This statement sets out Sheffield City Council's policy in relation to money laundering. It has the full support of both the Council's senior management and elected members through the Audit and Standards Committee.

2. The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. The Council has an ongoing commitment to continue to improve its resilience to fraud, corruption (including bribery and money laundering) and other forms of financial irregularity.

3. The Council advocates **strict adherence** to its anti-fraud framework and associated policies. Whilst individual circumstances of each case will be carefully considered, there will be a zero-tolerance approach to fraud and corruption (including bribery and money laundering) in all its forms. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, loss recovery and/or referral to the Police and/or other agencies. The Council's general belief and expectation is that those associated with it (employees, members, school governors, service users, contractors and voluntary bodies) will act with honesty and integrity.

4. This Anti-Money Laundering Policy is supplementary to the Council's wider Anti-Fraud and Corruption Strategy (the Strategy), which sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud and corruption. The Strategy sets out the key responsibilities with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

5. The Council's anti-money laundering policy statement and procedures have been in place for a number of years. These have now been revised and updated to take into account, changes in the Council's management arrangements, and also the requirements of the new money laundering regulations which came into effect on the 10 January 2020. These update the UK's Anti Money Laundering regime to incorporate international standards set by the Financial Action Task Force (FATF) and to transpose the EU's 5th Money Laundering Directive.

6. The new additions seek additional monitoring in certain cases. In relation to the Councils activities this is particularly the case where, there are relevant transactions between third parties based in high risk third part countries. Since the recent Russian actions in the Ukraine have taken place there is also an increase in the number of sanctioned individuals and companies which the Council cannot do business with. These change rapidly and where there is potential for such activity to take place, these should be referred to the relevant treasury office lists. Other changes affect areas which are not undertaken by the Council.

INTRODUCTION

1 There are a number of pieces of legislation that underpin the requirement for the Council to have robust anti-money laundering processes, to prevent money laundering and if it is suspected, to ensure that the issues are reported promptly. The relevant legislation include the Proceeds of Crime Act 2002, the Terrorism Legislation 2000 and the most recent Money Laundering Regulations 2020 (Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations).

2 Money Laundering regulations apply to UK financial businesses and legal professionals. This includes; banks, building societies, money transmitters, bureau de change, cheque cashiers, savings and investment firms, accountants, tax advisors, auditors, insolvency practitioners, estate agents, casinos, high value dealers and trust or company service providers. There is also a requirement on large organisations that are not directly affected by the legislation to have appropriate processes in place to prevent and report on money laundering.

3 There are a large number of Council services that do not fall under "relevant business" for the purpose of the legislation. There are some elements such as property transactions that do. There is a requirement on organisations to review the potential risks of money laundering. There is a requirement on all services across the Council to undertake ongoing reviews of their risks. The Council's cash transactions have diminished, but those remaining continue to be examined by the Council to reduce them further. The Council has developed these processes to ensure that services are aware of the legislation and that they comply with the relevant reporting requirements.

4 It should be noted that there is a clear link between this policy and the requirements of the Council's Officers' Code of Conduct requirements and also the Council's Whistle Blowing Policy. As part of the cultural ethos of the Council the citizens of Sheffield have the right to expect that all officers in their actions comply with the requirements of the Nolan Committee, these are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

5 If anyone within the Council becomes aware of any potential money laundering activity there is an expectation on them to report this in line with the processes in this document.

6 The policy has been tailored to the specific requirements of Sheffield City Council; however, much of the detail is necessary to be consistent with the specific

requirements of the legislation. The policy complies with the requirements of the Money Laundering Regulations 2020.

7 There is a requirement for the Council to report any suspicious activity using an online Suspicious Activity Report (SAR) to the National Crime Agency (NCA) this is done by the Council's Money Laundering Reporting Officer (MLRO) as explained later in this document.

What is Money Laundering?

8 'Money laundering' is any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. Criminals try to undertake transactions with 'dirty money' (money from criminal activity or from untaxed income sources) in an attempt to make it look 'clean' (derived from a legitimate source) in order to be able to use the proceeds without detection and to put them beyond the reach of law enforcement and taxation agencies. This typically involves transactions through legitimate organisations such as the Council.

Scope of the Policy

9 This policy applies to all employees of the Council and aims to maintain a high standard of conduct. The Policy sits alongside the Council's suite of documents governing counter fraud, including the Whistleblowing Policy, Officers' Code of Conduct, Member's Code of Conduct and Anti-Fraud and Corruption Strategy.

10 The policy sets out procedures that must be followed to enable the Council to comply with its legal obligations. Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's disciplinary policy.

11 This policy should be read in conjunction with the 'Anti-Money Laundering Guidance Note for Staff', attached at Appendix A.

Anti-money laundering legislation and offences

12 Anti-Money Laundering Legislation is contained in the following acts:

- The Proceeds of Crime Act 2002 (POCA).
- Serious Organised Crime and Police Act 2005.
- Serious Crime Act 2015.
- The Money Laundering Regulations 2020.
- The Terrorism and Security Act 2015.
- Counter Terrorism Act 2008.

13 Under the legislation, the main money-laundering offences include:

- Concealing, disguising, converting or transferring criminal property or removing it from the UK;

- Entering into or becoming involved in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person; or
- Acquiring, using or processing criminal property; or
- Becoming involved in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property.

14 The Money Laundering regulations also extend to failing to disclose incidents of Money Laundering or 'tipping off' a person or persons who are expected to be involved in Money Laundering.

15 The Anti-Money Laundering Guidance Note for Staff at Appendix A gives practical examples of money laundering that are applicable to Council services.

What arrangements does the Council need to have in place?

16 Under the Money Laundering Regulations 2020, organisations are required to establish appropriate risk sensitive policies and procedures to prevent activities related to money laundering and terrorist financing. There is also a requirement to report potential incidents of money laundering to the National Crime Agency (NCA).

17 To meet the requirements of the money laundering regulations, the Council must have in place:

- A Money Laundering Reporting Officer (MLRO) to receive money laundering reports within a structured system for making those reports.
- Ensure that there is risk assessment process in place to identify areas of potential money laundering.
- Have in place 'Customer Due Diligence' procedures that are designed to acquire knowledge about the identity of clients and prospective clients and undertake ongoing monitoring of this – A Guide to Knowing Your Customer
- Ensure that there are internal controls in place to try to prevent money laundering (particularly in areas perceived to be of a higher risk).
- Ensure that there is a system in place that monitors and manages compliance with this policy.
- Ensure that this policy and procedures are fully communicated to staff.
- The Council's Officers' Code of Conduct has explicit expectations that all officers should comply with the law and to have the highest standards in public life.

18 This policy details how the Council has implemented the measures above and to ensure ongoing compliance.

The Money Laundering Reporting Officer (MLRO)

19 The officer nominated to receive disclosures about money laundering activity within the Council is the Head of Accounting, Jane Wilby. She can be contacted as follows:

> Jane Wilby
> Head of Accounting
> Moorfoot Building
> Sheffield
> S1 4PL
>
> Telephone: 0114 2736293
> Email: Jane. Wilby@sheffield.gov.uk

20 In his absence, Stephen Bower, Audit and Risk Manager, is the appropriate officer to deputise for him on this matter. He can be contacted at the address above or:

> Telephone: 0114 4742595
> Email : Stephen.Bower@sheffield.gov.uk.

Disclosure Procedure

21 Under the Proceeds of Crime Act failing to report knowledge or suspicion of money laundering is a criminal offence. Any employee who suspects money laundering activity must report their suspicion promptly to the MLRO, either by discussing the suspicion or using the appropriate money laundering form attached at Appendix C. The MLRO is responsible for assessing these reports, making further enquiries and reporting where necessary, to the National Crime Agency (NCA). **At all times it is important to note that if you have a suspicion of money laundering activity, this must be reported to the MLRO as soon as possible.**

22 The form attached at Appendix C should be used to report money laundering activity and requests details of the people involved, the information that the knowledge or suspicion is based on and the whereabouts of the 'property' (proceeds). Please note that the staff guidance note at Appendix A includes a section on recognising money laundering activity.

23 Once the matter has been reported to the MLRO you must follow any directions he may give you. **You must not make any further enquiries into the matter yourself and under no circumstances should you voice your suspicions to the person/s suspected of money laundering activity. You must not discuss the matter with anyone else or make a note on a client file/record that a report has been made to the MLRO. If a client exercises their right to see the file, any note that has been made would tip them off. The MLRO is responsible for retaining all appropriate records in a confidential manner.**

24 The MLRO will promptly evaluate the internal report to evaluate if the activity should be reported to NCA. The roles and responsibilities of the MLRO are covered in the attached guidance – 'Roles and Responsibilities of the MLRO', attached at Appendix B.

Due Diligence

25 Services are required, to undertake a proportionate level of due diligence in relation to all transactions. The amount of due diligence required is linked to the type and value of transaction being undertaken, however services need to know the identity of the individual they are dealing with and where their funds are coming from. The process of knowing your customer is also fundamental in ensuring that the Council can comply with the data protection legislation.

26 Most areas of the Council currently have in place adequate processes to ensure that they know their customers. There is enhanced checking in key areas such as property transactions, benefits claims, employment checking, council house tenancies and "Right to Buy" sales as well as several other areas. This issue does need to be included when services look to move transactions from face to face to online transactions.

27 Under Money Laundering Regulations, businesses should undertake a risk-based approach to 'customer due diligence'. Risks must be assessed before the appropriate level of due diligence can be applied.

28 A separate document "guide to knowing your customer" is available online to aid in this process.

Transactions with the potential to be Money Laundering

29 Below are types of transactions which may be considered suspicious and should be examined to see if they have the potential to be money laundering:

- **When an individual makes a payment in cash of £1,000 or more or;**
- **When an individual makes a series of lump sum linked transactions in cash over a short period of time that total £2,500 or more or;**
- **Where the payment will lead to a significant overpayment.**
- **When making a refund of £1,000 or more, particularly if this cannot be made to the account where the funds originated.**

Important note: In line with the Council's Financial Regulations and Financial Policy 3.5, no payment over £2,500 in cash should be accepted by the Council's employees or its agents, unless specifically agreed with the MLRO.

30 It is very important that officers use their experience to judge situations appropriately. If an action arouses suspicion because it is so unusual or different from the norm, then it may need to be investigated further. It would also be appropriate in these situations to require additional verification of identity without warning the individual of concerns. For example, if a significant council tax or rent

overpayment was made for no specific reason, further investigations would be required. As noted, this relies on staff using their common sense and experience in each individual case.

Record keeping procedures

31 Where require all client identification evidence and details of the relevant transactions must be retained for a minimum of five years. The records need to be maintained in a format where they can be easily recovered by the client department.

Risk assessment and control

32 Under the 2020 Money Laundering Legislation, all relevant businesses are required to have policies and procedures in place to safeguard against money laundering activity in relation to the level of risk that they face. The Council has a risk assessment process to identify areas of potential money laundering. These areas have enhanced controls in place to try to prevent money laundering from occurring. It is important that the controls already documented in this policy – verifying customer's identities, monitoring activity and reporting to NCA, keeping the right records and ensuring there are appropriate management controls in place are diligently applied across the Council and in particular in high-risk areas. If you are aware of changes that may increase the risk of money laundering activity in your service area, you should report this to the MLRO as soon as possible.

The Council and its external relationships

33 Sheffield City Council is involved in a number of external relationships to deliver its services and obtain inward investment. If a 'partner' is engaged in delivering a service that may be subject to money laundering activity, they are required to have the necessary safeguards in place to mitigate the risks associated with this. Relevant controls/ requirements should be documented in contract terms and conditions.

34 When undertaking transactions with overseas clients, it is important that due diligence is undertaken in relation to foreign national, so that the Council complies fully with the anti-bribery legislation. This is particularly important if it the individuals are linked to overseas governments or political parties.

Monitoring and Compliance

35 The Money Laundering process is controlled by the Head of Accounting, but relies upon officers in the Council undertaking the required assessment of risk, carrying out due diligence and reporting where appropriate. Further details of monitoring and compliance are included within the briefing note for the MLRO at Appendix B.

Communication and Support

36 This policy alone will not reduce the risk of money laundering activity across the Council. The risk of money laundering and the controls in place to prevent this must be communicated to all staff and particularly to those undertaking 'relevant' business if the Council is to reduce the risk.

37 All staff should have access to this policy and to the relevant guidance notes attached.

38 It is important that management assess the risk of money laundering activity within their service area and communicate the risks and the controls to mitigate this risk in the most appropriate manner. This should include regular reminders to staff of the requirements to comply with the process.

Further Information

39 Further information can be obtained from the MLRO and the following sources:
  • National Crime Agency (NCA) – http://www.nationalcrimeagency.gov.uk/
  • CIPFA - http://www.cipfa.org/members/members-in-practice/anti-money-laundering
  • CCAB - Anti-Money Laundering (Proceeds of Crime and Terrorism) – Guidance for Accountants – www.ccab.org.uk
 (main site) or
  • The Law Society - Anti-Money Laundering Guidance and Advice http://www.lawsociety.org.uk/advice/anti-money-laundering/

ANTI-MONEY LAUNDERING GUIDANCE NOTE FOR STAFF

INTRODUCTION

This document provides practical guidance on Sheffield City Council's Anti-Money Laundering Policy.

What is Money Laundering?

'Money Laundering' is any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. Criminals try to undertake transactions with 'dirty money' (money from criminal activity or from untaxed income sources) in an attempt to make it look 'clean' (derived from a legitimate source) in order to be able to use the proceeds without detection and to put them beyond the reach of law enforcement and taxation agencies. This typically involves transactions through the legitimate organisations such as the Council.

What are the Offences under the Money Laundering Regulations?

Under the legislation, the main Money-Laundering offences include:

- Concealing, disguising, converting or transferring criminal property or removing it from the UK; or
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person; or
- Acquiring, using or processing criminal property; or
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property.

The Money Laundering Regulations 2020 also extend to failing to disclose incidents of money laundering or 'tipping off' a person or persons who are expected to be involved in money laundering.

A RISK BASED APPROACH

Money laundering legislation does not apply to all Council business but to avoid confusion, all staff should be aware of the policy and adhere to the requirements. As noted in the policy, the reputation of the Council would be compromised if it did not comply with the spirit of the legislation.

Under legislation, it is important to apply a risk-based approach to anti-money laundering controls. Therefore, it is important for the service to determine the activities it undertakes, and which would be the most susceptible to money laundering activity. Certain activities that we undertake are specifically covered by the legislation and are referred to as 'relevant business'.

Relevant business in the Council would include:

- Accountancy services.
- Audit services.
- Legal services including financial and legal property transactions.
- The formation, operation or management of a company or trust.

There are also other service areas/activities within the Council that are more susceptible to money laundering activity, than others. These include:

- Central cashiers' function.
- Processing of Council Tax, NNDR (National Non-Domestic Rates) and Creditors.
- Banking contracts.
- Property auctions.
- Council employees involved in giving financial advice to others such as in social services and CYP
- Property services.
- Licensing.
- Markets.
- Planning.

This is by no means a comprehensive list. Staff should always be open to the possibility of potential money laundering activity even if it doesn't appear to fall in the confines of the categories noted above. However, in line with risk-based principles, if your service falls under one of the categories listed, it is important that you understand the money laundering legislation and follow the policy and guidance notes here.

POSSIBLE EXAMPLES OF MONEY LAUNDERING ACTIVITY WITHIN THE COUNCIL

- Payments of large bills such as Council Tax/ NNDR in cash (note the Council has only limited cash transactions)
- Overpayment of bills – this can be to obtain a refund cheque from the Council which is much easier to pay in to a bank than large amounts of cash.
- Individuals claiming benefits etc who appear to be living significantly beyond their declared means.

It should be noted that these are possible indicators and are not proof of money laundering activity.

HOW DO YOU RECOGNISE MONEY LAUNDERING ACTIVITY?

It is impossible to give clear rules as to how to recognise money laundering activity. All individuals can do is to be aware of the policy and to trust their professional judgement and experience. The following list gives some risk factors which alone or cumulatively, may suggest the possibility of money laundering activity:

- ✓ A new or secretive client that refuses to provide the information requested.
- ✓ Concerns about a client's honesty, integrity, and identity.
- ✓ Illogical transactions – the unnecessary routing or receipt of funds via third party accounts.
- ✓ Payment of a substantial sum in cash (over £1,000).
- ✓ Significant overpayments by a client (or repeated overpayment).
- ✓ Size, nature and frequency of transactions or instructions (or size, location or type of client) are out of line with normal expectations.
- ✓ A transaction without an obvious legitimate purpose or which appears uneconomic, inefficient or irrational.
- ✓ Cancellation or reversal of an earlier transaction.
- ✓ Unusual property transactions that have no apparent investment purpose or rationale.

Again, this list is not a fully comprehensive list and a transaction as listed above may be legitimate. The key is to use professional judgement and experience. Any suspicious activity should be reported to the Money Laundering Reporting Officer (MLRO).

The Money Laundering Reporting Officer (MLRO)

The Officer nominated to receive disclosures about Money Laundering activity within the Council is the Head of Accounting Jane Wilby. She can be contacted as follows:

Jane Wilby
Head of Accounting
Moorfoot Building
Sheffield
S1 4PL

Telephone: 0114 2736293
Email: Jane. Wilby@sheffield.gov.uk

In his absence, Stephen Bower, Audit and Risk Manager, is the appropriate officer to deputise for him on this matter. He can be contacted at the address above or:

Telephone: 0114 4742595 or
Email : Stephen.Bower@sheffield.gov.uk

Officers should also consider the following questions:

- Am I suspicious, or do I know that the activity I have witnessed is criminal and caused someone to benefit in some way?
- Although I cannot pinpoint an offence, am I suspicious because an action is so unusual or lacking in normal commercial rationale that it causes me to suspect money laundering activity?

- If so, do I suspect a particular person or persons of having been involved in criminal activity (or do I know who undertook criminal activity), or does another person have details of this person(s) or information that might assist in identifying this person?
- Do I know who might have received, or still be holding, the benefit of the criminal activity or where the criminal property might be located or have I got information which might allow the property to be located?
- Do I think that the person involved in the activity knew or suspected that the activity was criminal or do I think the activity arose from an innocent error?
- Can I explain coherently what I am suspicious of, and why I consider that money laundering activity may have taken place?

It is important that these questions are asked so that you can complete a fully detailed report to the MLRO. The reporting form to the MLRO is included at Appendix C. A report should be made to the MLRO as soon as suspicions are aroused. **If you do not report your suspicions, you are committing an offence. You must report any concerns you have irrespective of where you work or whether you are undertaking 'relevant business'. You can discuss your concerns with your line manager, but you must make the report yourself. You must not discuss the suspicions or the report to the MLRO with anyone else and you must not make further investigations yourself once the report has been made. The key is if you are at all suspicious; provide a report to the MLRO.**

Client Identification Procedures – "Know your Customer"

It is important that with all financial transactions or where we are providing information to someone that we can be assured of their identity and entitlement. The amount of checking is in proportion to the service that they are accessing or the information that they seek. A separate document "guide to knowing your customer" is available to aid in this process.

There are some areas or Council activity, such as property transactions, benefits claims and recruitment for example where additional checking is in place.

If someone tries to pay the Council £1,000 or more in cash (or up to £2,500 in linked transactions) or is suspicious in nature, then you will need to check their identity. Similarly, if they are requiring a significant refund.

Important note: In line with the Council's Financial Regulations and Financial Policy 3.5, no payment over £2,500 in cash should be accepted by the Council's employees or its agents.

Support and Advice

If you undertake work in a relevant business area, you should have received training on money laundering and the Council's Anti-Money Laundering Policy. If not ask your manager for guidance.

Money laundering and the Anti-Money Laundering Policy should always be covered in induction where appropriate and should be detailed enough for most officers across the Council.

The Council policy gives links as to where additional information may be sought.

Summary

There is a requirement on all Officers to comply with the spirit of the legislation. These guidance notes should be read in conjunction with the full Policy. The key is if in doubt, report it.

SHEFFIELD CITY COUNCIL

THE ROLES AND RESPONSIBILITIES OF THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

The Money Laundering Reporting Officer (MLRO) role carries significant responsibility and as such should be undertaken by a senior officer who has the authority to take independent decisions and who has the knowledge and experience to undertake the role.

The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures about Money Laundering activity within the Council is the Head of Accounting, Jane Wilby. She can be contacted as follows:

> Jane Wilby
> Head of Accounting
> Moorfoot Building
> Sheffield
> S1 4PL
>
> Telephone: 0114 2736293
> Email: Jane. Wilby@sheffield.gov.uk

In his absence, Stephen Bower, Audit and Risk Manager, is the appropriate officer to deputise for him on this matter. He can be contacted at the address above or:

> Telephone: 0114 4742595 or
> Email : Stephen.Bower@sheffield.gov.uk.

The key role of the Money Laundering Reporting Officer is to receive internal reports from within the Council about potential money laundering activity and to make reports to NCA (National Crime Agency) where necessary.

The MLRO will also advise staff on how to proceed once a report has been made, guarding staff against tipping off or prejudicing the investigation.

Considerations to be made by the MLRO

When the MLRO receives an internal report, she should review the report and all the internal information available. Reports should be made on a standard proforma and this is included within the Anti-Money Laundering Policy at Appendix C. The MLRO may want to consider the transaction patterns and volumes, link one off transactions, the nature of the business relationship and any identification details held.

Reports to the MLRO should contain the following relevant details (and are included on the standard proforma):

- Who is making the report.
- The date of the report.
- Who is suspected or information that may assist in ascertaining the identity of the suspect.
- Who is involved in or associated with the matter and in what way.
- What the facts are.
- What is suspected and why.
- Information regarding the whereabouts of any criminal property or information that may assist in ascertaining it.
- What involvement does the Council have with the subject so that immediate action can be fully considered.

The MLRO will then decide whether to make a report to NCA. This should be undertaken as soon as possible after receiving the report. The MLRO needs to review the evidence presented and determine whether there is actual or suspected money laundering taking place and if there are reasonable grounds to know or suspect that this is the case. All decisions should be fully documented. If the MLRO does not decide to make a report then the reasons why should be fully documented and supported with any relevant information. The MLRO should also hold records of the reports sent and any other relevant information. These should be held securely and should be subject to the strictest confidence. As stated within the Anti-Money Laundering Policy, notes should not be made on any other client files as this may result in the potential 'tipping off' of a client.

If the MLRO decides to continue with the report, there are a number of ways in which a report can be made to NCA using the secure portal at www.NCA.gov.uk.

NCA are essentially looking for the answers to six questions:

- Who?
- What?
- Where?
- When?
- How?
- Why?

Ideally, they will need to know the subjects name and date of birth, the subjects address including postcodes, the account numbers/policy numbers and transaction details including recipient account details if appropriate, the full reason for suspicion including date of activity, type of product or service and the reason for the suspicion and how the activity will or has taken place. It should be noted that it is important that the relevant information is completed within the appropriate fields on the online portal, and not merely placed within the 'reasons for suspicion' field. The NCA will provide acknowledgement of the receipt of the information.

Once a report has been made the MLRO should advise staff about how to continue work and the interaction that will be required post report. Essentially, the MLRO

should advise staff not to discuss the matter with anyone else or make any record of the report made. The MLRO's file will include all the information necessary.

Under the money laundering regulations, there may be reasons why the MLRO would not disclose an internal report to NCA. There may also be instances where consent is required from NCA to continue with the disclosure. An example would be a lawyer who could claim legal professional privilege (see below).

A relevant professional adviser who suspects or has reasonable grounds to suspect that another person is engaged in money laundering activity is exempted from making a report where his knowledge or suspicion comes to him in privileged circumstances (the privilege reporting exemption). Provided that the information is not given with the intention of furthering a criminal purpose, the advisor has a complete defence against a charge of failing to disclose. The exemption means that in these circumstances a report should not be made as the advisors are bound by the same standards of behaviour as in the case of legal advisors who have legal professional privilege. Relevant legal professional advisors include accountants, auditors and tax advisors. However, this is a complex area and if this situation emerges, the MLRO should seek further advice from Legal Services.

Monitoring and Compliance

Managers are responsible for assessing their area and establishing the level of risk in relation to money laundering activity. If an area is assessed as high risk, they need to provide evidence of the measures that are in place and the training given to officers to comply with the policy.

The Money Laundering Reporting Officer should ensure that the policy and guidance is up to date: managers are then responsible to disseminate this information to their service.

Services are currently required, as part of the Annual Governance Statement process, to verify that the Anti-Money Laundering Policy has been implemented and the necessary actions taken in line with the policy.

CONFIDENTIAL

Report to the Money Laundering Reporting Officer

**To: Jane Wilby, Head of Accounting,
Money Laundering Reporting Officer (MLRO)**

Name of officer making this report: …………………………………………

Portfolio: …………………………………………………………………………

Service: …………………………………………………………………………

Date: …………………………………………………………………………..

DETAILS OF SUSPISIOUS ACTIVITY

Please give as much information as possible to allow the Money Laundering Reporting Officer to fully evaluate the report.

Who is suspected of undertaking the activity? (Please provide details such as: names, addresses and dates of birth if known).

What (if any) documents have been checked to validate the person's identity or address?

Please give details of the activity causing suspicion or the details of the incident. This should include details of the nature, value and timing of the activity, where and when the activity took place and why there is cause for suspicion. Please provide as much detail as possible.

Has any investigation been undertaken (as far as you are aware)?   YES/NO

If yes, please give details of the investigation below and why it was deemed necessary:

Have you discussed your suspicions with anyone else?   YES/NO

If yes, please give details below including explaining why the discussion was necessary:

Have you consulted any supervisory body regarding your suspicions?   YES/NO

(For example, the Law Society)

If yes, please give details below:

Do you have a reasonable reason for not disclosing this matter to the National Crime Agency (NCA)?
        YES/NO (For example, professional privilege)

If yes, please give an explanation below:

Do you feel that you need consent from NCA to continue transaction within this report?

YES/NO

If yes, please give an explanation as to why below:

Is there any other information that you wish to provide? If so, please give details below.

Signed: …………………………………… Dated: ……………………………………….

Please do not discuss the content of this report with anyone else. Please await further instructions from the Money Laundering Reporting Officer.

Sheffield City Council

Finance and Commercial Services

Anti-Bribery Policy and Procedures

Policy reviewed and revised July 2022

Anti-Bribery Policy Statement

1. This Statement sets out Sheffield City Council's (the Council's) policy in relation to bribery. It has the full support of both the Council's senior management in the form of the Leadership Boards and Elected Members through the Audit and Standards Committee.

2. The Council takes its responsibilities to protect finances very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. To achieve the objectives the Council needs to maximise the financial resources available to it. In order to do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, corruption (including bribery) and other forms of financial irregularity.

3. The Council advocates **strict adherence** to its anti-fraud framework. This is a series of separate but related documents on the following areas, all of which can be found on the Council intranet.

    *   Anti-fraud and Corruption Strategy
    *   Fraud Risk
    *   The Fraud response plan
    *   Anti-Bribery Policy
    *   Anti-Money Laundering Policy
    *   Whistle Blowing Policy

4. Whilst individual circumstances of each case will be carefully considered, in the majority of cases there will be a zero tolerance approach to fraud and corruption (including bribery) in all of its forms. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, civil action for recovery and/or referral to the Police and/or other agencies. The required ethical standards are included in both the Members' Code of Conduct and Officers' Code of Conduct, both documents form part of the overall Constitution of the City Council.

5. The Council fully recognises its responsibility for spending public money and holding public assets. The prevention, and if necessary the investigation, of fraud and corruption (including bribery) is therefore seen as an important aspect of its duties which it is committed to undertake. The procedures and also the culture of the Council are recognised as important in ensuring a high standard of public life.

6. The Council's general belief and expectation is that those associated with it (employees, members, school governors, service users, contractors and voluntary bodies) will act with honesty and integrity. In particular members and employees are expected to lead by example and will be accountable for their actions.

7. The Council will take steps to help ensure high standards of ethical behaviour are adopted in partnerships to which the Council is a member. This will be done through applying appropriate elements of this document to all partnership working, where it is relevant to do so. With regard to partnership working, responsibility for Codes of

Conduct and policies of this nature (and so for enforcement action for breach of those codes or policies) generally lies with the relevant individual organisation in the partnership. Where appropriate, the Council will draw the attention of the partner organisation to its concerns.

Introduction

1. The Bribery Act 2010 came into effect from 1st July 2011 and replaced common law offences and the Prevention of Corruption Acts 1889-1916. The legislation was introduced to counter the threat that bribery poses to democracy, the rule of law, emerging economies and the operation of free markets. The legislation is not intended to impose burdensome procedures on organisations and places proportionality as a core principle.

What is Bribery?

2. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

Objective of this policy

3. This policy lays out the Council's stance on bribery. The Council is explicit in that it will not offer bribes or improper inducements to anyone for any purpose nor will it accept bribes or improper inducements.

4. This policy provides a framework to enable employees and members to understand and implement arrangements enabling compliance. In conjunction with related policies referred to below, it will enable employees and members to identify and report a potential breach.

5. We require all staff, including temporary agency staff and all contractors and their employees working on behalf of the Council and all elected members to:

   - act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible; and
   - comply with the spirit, as well as the letter, of the laws and regulations in respect of the lawful and responsible conduct of activities.

6. The Council's Officers' Code of Conduct provides the minimum standards to which all employees are expected to keep. Section 2 relates to public duty, private interest, fraud and theft states "You must never accept a financial payment, bribes or inducement from any individual, body or organisation. For example: payments of inducement from contractors, developer or consultants".

Scope of this policy

7. This policy applies to all of the Council's activities. For strategic partners, contractors and suppliers, we will seek to promote the adoption of policies consistent with this policy.

8. Within the Council the responsibility to control the risk of bribery occurring rests at all levels. It does not rest solely within assurance and audit functions, but is embedded in all services of the organisation and members exercising their Council functions.

9. This policy covers all staff at all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, members (including independent members), volunteers and consultants.

Summary of Bribery Act

<u>Definition</u>

10. The Bribery Act contains two general offences and two further offences which address commercial bribery.

11. The four criminal offences created by the Bribery Act 2010:

*   bribery of another person (section 1) to induce or reward them to perform a function improperly
*   requesting or accepting a bribe (section 2) as a reward for performing a function improperly
*   bribing a foreign official (section 6) to gain a business advantage
*   failing to prevent bribery (section 7)

<u>General offences</u>

The offering, promising or giving of a bribe (section1).
The requesting, agreeing to receive or accepting of a bribe (section 2).

12. These offences may apply where it is intended to bring about improper performance by another person of a relevant function or activity or to reward improper performance.

13. In summary, improper performance is defined as; performance which amounts to a breach of an expectation that a person will act in good faith, impartially, or in accordance with a position of trust.

14. The general offences apply to any function connected to business or of a public nature and therefore covers both private and public sectors.

<u>Commercial offences</u>

Bribery of a foreign public official in order to obtain or retain business or an advantage in the conduct of business (section 6).
Failing to prevent bribery on behalf of a commercial organisation (section 7).

15. The term foreign public official includes elected or appointed officials that hold a legislative, administrative or judicial position of any kind of a country or territory outside of the UK.

16. The Act does not intend to criminalise bona fide hospitality, promotional or other business expenditure to improve commercial image or establish cordial business relationships. It is clear that these can be employed as bribes, however, for an

offence to be committed there must be an intention for the financial or other advantages to influence the official's role thereby securing business or business advantage.

17. A commercial organisation will be liable to prosecution if a person associated with it bribes another person intending to obtain or retain business advantage for that organisations (is or it would be guilty on an offence under sections 1-6).

18. The Government expects that this offence will apply to incorporated organisations or partnerships that engage in commercial activities irrespective of the purpose for which profits are made – this includes educational or public functions.

    A person associated with an organisation is defined as a person who performs services for or on behalf of an organisation. Guidance provides that contractors and suppliers may be included as "associate persons".

19. The last offence – section 7 is a corporate offence of failure by a commercial organisation to prevent bribery intended to obtain or retain business, or an advantage in the conduct of business. An organisation will have a defence to this offence if it can show that it had in place **adequate procedures** (see below) designed to prevent bribery by or of persons associated with it. The standard of proof required by an organisation to prove the defence is balance of probabilities

Penalties

20. An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months or to a fine not exceeding £5,000, or to both
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

Facilitation Payments

21. These are small bribes paid to facilitate routine Government action and may trigger an offence under section 6 or section 1 (and therefore under section 7) when intended to induce improper conduct. The Bribery Act does not provide any exemption for such payments although it is recognised that eradication in some parts of the world is a long term objective. Prosecution of facilitation payments in England and Wales is referred to the Director of the Serious Fraud Office and the Director of Public Prosecutions.

Anti-Bribery procedures

22. It is for the Council to determine the anti-bribery procedures that it puts in place proportionate to the risk it faces. The procedures applied by other organisations may therefore differ depending upon the scale of challenges that they encounter.

23. The Government recommends that the Anti-bribery procedures should be informed by 6 non prescriptive principles. These are described below together with the associated procedural arrangements applied by the Council to prevent the offering or acceptance of bribes and improper inducements.

Principle 1 – proportional procedures.

24. The procedures implemented by the Council are proportionate to the risk of bribery that it faces and are practical, accessible and enforced. Anti-bribery procedures operate through a variety of polices and other internal controls that apply to Council employees, agents and representatives.

    These controls include:-
    - Standing Orders (decision making and procurement procedures)
    - Financial Regulations and Protocol
    - Financial Procedures
    - Officers' Code of Conduct
    - Code of Conduct for Members
    - Gifts and Hospitality Policy / code of Practice
    - Risk Management Policy
    - Statement on Fraud and Corruption
    - Recruitment Policy
    - Annual Governance Statement
    - Whistle Blowing Policy
    - Procurement procedures and contractual terms and conditions.

25. The Council (in line with the transparency code) also publishes the details of all individual payments to suppliers and other organisations over £250 in value on a monthly basis that are paid through creditors and details of all payments made by procurement cards.

Gifts and Hospitality policy

26. The Council's policy on Gifts and Hospitality forms part of the Officers' Code of Conduct and states that Council employees must not accept gifts, loans, fees and rewards from any person or organisation in particular those who may potentially expect to receive and advantage or benefit in return. This includes gifts, loans, fees and rewards from contractors, outside suppliers or members of the public. Breaches of this policy may be viewed as gross misconduct and be subject to disciplinary procedure.

27. The Policy/Code of Conduct includes guidance on incidental gifts and hospitality that may be accepted and provides that all offers of gifts, hospitality and inducements should be recorded on the appropriate form and retained by the relevant Head of Service.

28. The Council is undertaking some work overseas to seek potential inward investment. The Council is developing a policy to underpin the guidance given to staff in this area regarding not only gifts and hospitality received but also gifts and hospitality provided by the Council. A record of this activity is agreed and signed off by the relevant Head of Service.

Principle 2 – Top-level commitment

29. The Council's Leadership Boards has maintained a consistent message that acts of impropriety are unacceptable. The Council has in place a Statement on Fraud and Corruption that contains a statement from the Chief Executive expressing a zero tolerance environment in relation to fraud and corruption. The Statement on Fraud and Corruption forms part of the Officers' Code of Conduct.

Sheffield City Council's commitment to action

30. Sheffield City Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date
- To having clear, up-to-date date policies on gifts and hospitality
- Making all employees and members aware of their responsibilities to adhere strictly to this policy at all times
- Enabling all employees and members to recognise and avoid the use of bribery by themselves and others
- Encouraging its employees and members to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Providing information to all employees and members on how to report breaches and suspected breaches of this policy
- Maintaining appropriate clauses in contracts to prevent bribery.

Principle 3 – Risk Assessment.

31. The Council has in place a formal risk management process to assess and document its exposure to risk, the acceptable level of risk appetite and/or mitigating actions that have been implemented to control risk.

32. Each Service Director is required to sign an Annual Governance Statement (AGS) that contains assurance on the application of risk management, fraud risk management and procurement arrangements amongst others. The Annual

Governance Statements will make specific reference to Anti-Bribery Policy within the risk management context.

33. The Council recognises that it works and contracts with external organisations in sectors that may be susceptible to acts of bribery. Through the application of procurement and risk management procedures the Council will assess and mitigate the exposure to the risk associated with bribery. Where a risk of bribery is identified, managers will document the risk and appropriate mitigating controls within their Service Risk Management Plans in accordance with the risk management framework.

Principle 4 – Due Diligence

34. The Council applies proportionate due diligence processes in respect of persons and organisations that perform or will perform services on its behalf to mitigate the risk of bribery. The Council's recruitment policy contains mandatory pre-employment checks that must be completed before a formal, contract of employment can be issued. A bribery clause is contained in the standard terms and conditions of any new contracts entered into by the Council.

Principle 5 - Communication

35. The Council has embedded and communicated to staff a range of policies and procedures to deter and detect fraud and corruption. The tone of internal communication has been to consistently condemn acts of irregularity and to establish a culture where employees are encouraged to report any suspicions and inappropriate behaviour. Communication methods include induction training, fraud awareness, staff briefings and intranet articles. An in-house fraud awareness eLearning facility has been introduced and includes information on the Bribery Act.

Principle 6 Monitoring and Review.

36. Internal Audit maintains ongoing scrutiny of the Council's internal control framework as determined by application of a risk based planning process and consultation with senior management. The activities of Internal Audit are reported to the Audit and Standards Committee. In addition each Service Director is required to sign off their AGS to verify that the service has adequate levels of internal control. This is done on an annual basis. Where any areas of noncompliance are identified, the service has to formulate a plan of action to correct these deficiencies and allocate responsivity for ensuring that they take place within the required timescales. This is then monitored.

Staff responsibilities

37. It is the responsibility of all personnel employed by or acting on behalf of the Council to report any concerns that someone may be committing fraud or behaving in a way that is unethical, this includes the offering or acceptance of a bribe. Reports can be made via an employee's line management or any or the contacts listed in the Whistleblowing Policy and Procedure. The Whistleblowing

Procedure explains the protection that is afforded to the person reporting concerns and how the concern will be handled.

38. All personnel should therefore:
   - Read, understand and comply with this policy.
   - Report any actions that may conflict with this policy.

Further Information

39. If you have any questions about this policy you should contact your line manager or alternatively contact Internal Audit.

Other relevant policies

40. Further information on relevant Council policy and practice can be found in the following internal documents:
   - The Constitution
   - Members Code of Conduct
   - Officers Code of Conduct
   - Anti-Fraud and Corruption Policy
   - Confidential Reporting Procedure Whistleblowing Policy
   - Gifts & Hospitality Policy
   - Anti-Money Laundering Policy

Useful links

   - The Bribery Act 2010
   - Bribery Act guidance
   - CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption

Sheffield City Council

Finance and Commercial Services

Guide to Knowing your customer

Policy reviewed and revised July 2022

Know Your Customer

1. **Know your customer** (**KYC**) is the process of a business identifying and verifying the identity of its clients.

2. The key question that should always be asked is "how sure am I that that I know the identity of the person that is requesting a service or access to information?" People are not always who they claim to be. There has been an increasing trend of people using various methods to obtain and use someone else's identity. It is everyone's responsibility to assure themselves of the identity of a customer, before the service is given. If you are unsure ask for appropriate proof.

3. Increasing the Council is moving from face-to-face contacts with customers to different methods of communication, such as by phone through the call centre and increasingly over the internat. This means that the individual and increasing the computer will have no directly knowledge of the individual.

4. There are an increasing number of reasons why it is increasing important that we know our customers:

   - To ensure that information is only provided to the rightful recipient of that information.
   - To ensure that we can record our transactions accurately so that we can build up a corporate picture of customer requirements and need and to allow us to better target our services.
   - To ensure that we are aware of the individual making a request for service that is chargeable.
   - In inevitably there will be individuals in society, who try to gain access to services that they are not entitled to, or will try to use another persons' identity, to access those services.

5. There are a number of pieces of legislation that require us to know who we are dealing with, and users of our services will be used to providing verification detail, this is as much about preventing the individual customers and their identity as it is about protecting the council and its resources.

6. The legislation that require us to know our customer, includes, anti-money laundering and terrorism legislation (for cash transactions), Payment Card Industry (for taking card payments and Direct Debit), Anti- Bribery legislation (for contracts and inwards investment) and also data protection legislation.

7. The Council is a very large and complex organisations that interacts with individuals and organisation on a whole number of different levels. The range of services can include dealing with refuse collections and road repair enquires, through planning and Council tax, the provision of council housing and sales under right to buy through social care issues and major inward investment by foreign parties. It is not practicable or possible to have a single process in place to enable the verification of all customers who use our services or interact with us.

8. The approach needs to be proportionate and economic, whilst at the same time fulfilling not only our statutory duties, but also the requirements of the Council.

9. These are some examples of the types of verification used:

    *   From straight forward transactions such as reporting road issues or missed waste collections, name/ address and post code, may be simply taken without checking.

    *   For service issues such as library cards etc., we would wish to have utility bills as proof of address and also a photo ID such as a driving licence to prove identity.

    *   Where we are providing a service over a long period the details should be checked at commencement, and where carers change, there should be a smooth hand over and introduction.

    *   For any refunds, we should always pay these back to the account where they were credited from.

10. There are specific rules that govern property transactions and Legal Services are trained in this area.

11. Where we deal with significant inward investment or other contractual type transaction, then the Legal Services should be contacted as there may be a requirement to undertake a more thorough due diligence process.

12. It should be noted that where you are dealing with foreign nationals or oversea companies it is important to check the treasury sanctions lists. As a result of actions overseas the number of individuals and companies on the list has significantly increased.

13. It is important when devising new processes or revising current processes that we ensure that we adequately take account the requirement to know our

customer, not to do so could lead to serious consequences to the Council and its users. If you require additional advice, this is available (dependent upon the issues concerned) from Internal Audit, Legal Services or the Information Governance Team.

Where identification is required there are normally two elements that are required, one is to prove the individuals identify and the other is to identify there address. Dependent upon the service only one element may be required.

These items are for illustrative purposes, and additional items may be accepted where they fulfil the requirements.

Proof of identity:

- Current EU/EEA passport, photo driving licence or identity card.
- All other current signed passports, with a valid UK Visa where applicable.
- Current UK non-photo driver licence.
- HMRC Tax Notification.
- Biometric Residence Permit.
- Blue disabled drivers pass.
- Benefits or pensions notification confirming the right to benefit.
- Student ID card (youth/student accounts only – NUS & Student Union cards not accepted).

Proof of address:

- Bank or building society statement.
- Utility bill (such as gas or landline phone bill) dated within the last six months.
- Local authority tax bill for the current year.
- Tenancy agreement issued by a solicitor, housing association, local council or reputable letting agency.
- Benefits or pensions notification letter confirming the right to buy.

Important note regarding acceptable document:

- All documents must be the most recent ones.
- Documents used as proof of address should show the full name and current address.

Forgeries can be purchased on line, or created at home. It is obviously not possible to check the validity of documents such as passports, however if the documents do not look genuine or feel genuine then there may be a requirement to ask for additional documentation.

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Sheffield City Council

Finance and Commercial Services

Guidance to Schools on Fraud Risks

Policy reviewed and revised July 2022

Sheffield
City Council

Introduction

Sheffield City Council recognises that all areas are susceptible to fraud. Fraud can lead to significant loss and thus prevent the schools from achieving its objectives with the resources available. Although all schools are different, they all face similar type of fraud risks. This document has been developed to support schools in allowing the management of schools to examine the perceived, risk from fraud in their schools and where there are possible gaps in control to identify these and put in place relevant control measures.

What is Fraud?

A criminal activity where deception is used for possible gain or to cause a loss.

There are three ways of committing fraud, established by the Fraud Act 2006.

Fraud by….

- False representation
- Failure to disclose information
- Abuse of position

How Does Fraud Occur?

When the perpetrator spots an **opportunity**, has a **motivation** to commit fraud and feels able to **justify** their actions.

- Controls not function
- Staff changes/losses
- Tolerance

- Pressure for results
- Financial
- Revenge

- I've earned it
- Nobody will suffer
- It's a "one off"

The Fraud Triangle

It is recognised that fraud is often one end of a spectrum that begins with poor practice. Poor practices are almost invariably found in organisations, including schools, where frauds are discovered. This in turn can lead to a laissez faire attitude with regard to financial control and governance in which weaknesses can be deliberately exploited by an individual with the motivation to commit fraud.

Whilst a poor control environment provides the opportunity and may inevitably lead to fraud, a key issue for schools to consider is the autonomy given by the governing body to the head teacher and other staff involved in financial decisions. If you look at the publicised case studies, it is often these staff who were responsible for the losses. These cases are certainly not unique and there are likely to be many more that remain unreported.

The Department for Education (DfE)'s 'Financial Management Standards in Schools' (FMSiS) and subsequent 'Schools Financial Value Standard' (SFVS), have sought to highlight to governors their role and responsibility for good governance and financial management, and encourage proactive involvement in governing the school.

There is a risk of fraud at all levels, including head teachers, finance managers, teaching staff, caretakers or premises managers who are able to take advantage of opportunities afforded by poor governance and control environments and poor practices.

This document is divided into two parts:

- The first part highlights some of the areas of a school's business that are more susceptible to fraud risk and the risks that are in these areas. These issues were derived from work by CIPFA and its partners in this area It should be noted that these risks will be prevalent in most schools, but not all. In addition some schools may undertake activities or be configure in a different way to the norm, which may incur additional fraud issues.

- The second part is a self-assessment checklist that can be used by schools in order to check their own health against the fraud risk areas identified. In addition, we have produced an accompanying Excel spreadsheet which schools can use to score their controls in order to obtain a red, amber or green rating to help the organisation in considering fraud risks.

In addition to this package, four key sources of guidance that schools may wish to refer to with regard to fraud awareness and governance, are:

Keeping Your Balance

Safer Recruitment in Education

Full Guide for Employers on Preventing Illegal Working in the UK

Fraud Risks in Schools: Advice for School Governors

What should happen if fraud is suspected?

If you suspect fraud this should be raised in the first instance with your line manager, who will be able to look into the matter and see if there are issues for investigation.

There is full guidance on the Council's Intranet to aid in the investigation of frauds. All potential fraud cases should be referred to the Councils Internal Audit Service who will be able to provide support and advice in undertaking investigations.

If you suspect fraud is being undertaken by Senior Officers within the School, you can always use the School's Whistle Blowing Policy to raise your concerns. It should be remembered, that in many cases issues which at first sight may look like fraud may well be as a result of a simple mistake, or have another rational explanation.

School Fraud Risks

Staffing

Type of Risk: Your People	Example Risks
Recruitment	Senior member of staff recruits family member or friend, or friends or family members are recruited through an agency rather than as a direct appointment.
	This may result in the best individual not being recruited for the post, reputational damage to the school, and a lack of objectivity in future decision making by senior staff.
Application	An applicant applies for a post and either fails to declare something they are legally required to declare - for example, a relationship or criminal record or declares something that is untrue, e.g. they are allowed to work in the UK when they are not, or have a qualification which they do not have.
	This may result in the best individual for the job not being recruited, children's safety being put at risk, and/or the school potentially being liable for a fine.
	Whilst checks on teacher qualifications are more common and therefore easier to do, it is the checks on non-teaching staff and teaching assistant qualifications that can cause problems.
Inappropriate Pay Awards including: • Increments • Honorariums • Bonuses • Allowances	A member of staff falsifies information in order to obtain an excessive pay award which may include those elements listed opposite.
	This type of fraud may also include conspiracy or collusion between the head teacher, governing body and financial managers and may result in financial and reputational damage to the school.
	This also happens as a result of poor judgement by the schools management team or governors, and it is not necessarily fraud.
Off Payroll Payments	Payments to staff are made through petty cash or by other means in order to avoid the individual's and the school's duty to pay tax or national insurance.
	This may result in reputational damage and/or a fine from HM Revenue and Customs. In addition, if unpaid tax / national insurance cannot be recovered from the individual, the employer will be liable, in addition to any fines imposed by HMRC.
Long Term Sickness	A member of staff represents themself as sick and finds employment elsewhere whilst continuing to receive payment from the school.
	This may result in financial loss as the school may need to appoint extra resources to cover the absence.

Procurement

Type of Fraud Risk: Procurement	Example Risks
Collusion / corruption in supplier selection can be described as 'an illicit agreement between two or more parties, typically to limit open competition in the procurement process'	A member of staff with responsibility for the award of a contract colludes with the contractor in order to benefit the contractor, sometimes in return for a bribe or favours. Alternatively, the organisation or contractor breaches procurement regulations in order to win or roll-over a contract. This may result in a breach of procurement regulations which may not represent value for money, reputational damage and potential legal action by other contractors.
Leasing (particularly ICT hardware such as whiteboards and photocopiers)	A company approaches the school with what appears to be a reasonable scheme for the leasing of IT equipment. However the agreement is overpriced and the school is duped into purchasing more equipment than they need at a price higher than they can afford and, in some cases, using hire purchase arrangements which schools are forbidden from entering into. The companies that create the lease agreement then sell the debt on to other agencies for collection. As a result, the school may be left with debts it is unable to service and ICT equipment that is not fit for purpose.
Inappropriate Personal Use of Goods or Services	A head teacher uses school money to procure goods or services for their own use, rather than for the benefit of the school. As a result, the school may suffer financial loss and reputational damage.

Theft

Type of Fraud Risk: Theft	Example Risks
Cash and Assets: • Assets e.g.: ICT equipment and inventory, lead flashing, stationery items e.g. from catalogues - printer cartridges, projector bulbs • Cash e.g.: Voluntary funds, petty cash, income (e.g. trips, uniform)	There are many areas of school business where there is a risk of theft - The areas listed to the left are typically high risk areas. Some are at risk of internal theft, while other assets are at a greater risk of external theft or collusion. As a result of IT theft, the school may also lose confidential information and may suffer financial loss through penalties and reputational damage.
Premises Rental	A member of school staff rents out part of the school building for an event. As a result of the inappropriate use of school premises, the school may lose revenue and the users of the premises may possibly be uninsured.

False Accounting

Type of Fraud Risk: False Accounting	Example Risks
False Records	Records are falsified or fabricated to disguise theft of school assets and cash.
Moving Monies between years Delaying Payments	Goods or services that should be bought and paid for in one financial year are attributed to another financial year, resulting in a misrepresentation of accounts. This is often used to disguise fraud or theft in other areas.
Staff Loans	The school gives a loan to a member of staff which is outside of regulations and does not arrange a repayment plan. As a result, the school may suffer financial loss and reputational damage.
Inappropriate increase in finance through falsely stating SEN numbers, student numbers, or free school meals	The school exaggerates the number of pupils receiving free school meals, or incorrectly accounts for pupils that leave during the year, and as a result receives funding to which the school is not entitled. This may cause reputational and financial damage to the school.
Misuse of Public Money	The school pays for gratuities - for example, flowers or entertainment e.g. staff parties using school funds. This may result in financial loss and reputational damage to the school and is never a proper use of school funds.

Bribery

Type of Fraud Risk: Bribery	Example Risks
The Bribery Act 2010 defines bribery broadly as giving or receiving a financial or other advantage in connection with the 'improper performance' of a position of trust, or a function that is expected to be performed impartially or in good faith. Areas that may be of particular risk within school are: • Results • Procurement	The risk that building contractor offers the head teacher a significant discount on building an extension at their own home (or other inducements) in return for appointing the contractor to deliver work for the school. This may result in reputational damage to the school and may result in a contract that does not represent value for money for the school.

School Fraud Risk Health Check - Self Assessment Checklist

Staffing

Type of Risk: Your People	Check	In Place Yes/No
Governors and Senior Leaders are not familiar with Governance and Financial matters	Has the governing body assessed its governance and financial management skills and put actions in place to address any gaps?	
	Do school governors receive training in governance and finance?	
	Do all school governors effectively and robustly challenge senior school leaders and apply professional scepticism?	
	Do senior leaders, including the head teacher, receive training in governance and finance?	
	Does this training include fraud and bribery risks?	
	Does the school have a clear whistle blowing policy?	
	Does the school encourage staff to raise concerns about financial irregularities through a whistle blowing policy that is communicated and available to all staff?	
	Does the whistle blowing policy allow concerns to be raised outside of the school's management structure? (e.g. to the governors or local authority)	
	Is there a clear and well communicated policy with regard to the declaration of interests, gifts and hospitality?	
	Is the declaration of interests, gifts and hospitality policy adhered to?	
	Are senior staff and governors aware of the way they should deal with declarations of interests, gifts and hospitalities?	
	Does the school receive relevant fraud alerts? (e.g. from the National Anti-Fraud Network, see excerpt at **Appendix 2**).	
Recruitment	Does the school have a clear recruitment process?	
	Does the recruitment process include vacancies being agreed by governors?	
	Is the recruitment process followed?	
	Does the school employ or use family members of the senior leadership team for one off projects / support?	
	Is there a clear separation of duties?	
	Could it be considered that the recruitment of such family members was inappropriate?	
	Does the school require relations employed in the school to be detailed on application	

Type of Risk: Your People	Check	In Place Yes/No
	forms?	
	Does the application form ask for details of right to work in the UK?	
	Are identity documents and qualifications on application forms checked prior to recruitment?	
	Are references checked prior to recruitment?	
	Is a Disclosure and Barring Service check performed?	
	Are there contracts of employment signed by both parties prior to commencement of employment?	
	Is induction training provided?	
Pay Awards including: • Increments • Honorariums • Bonuses • Allowances - links to examples can be found below	Do school salaries (especially those of the senior leadership team) conform to the School Teachers Pay and Conditions Document?	
	Are governors made aware of increments, honorariums, bonuses, allowances and gratuities paid to staff?	
	Is there appropriate separation of duties with regard to the award of these payments?	
	Is the salary to budget ratio monitored by governors with finance knowledge?	
	Do governors review all pay awards and increments and ensure that these are made in accordance with the School Teachers Pay and Conditions Document?	
Payroll (Ghost Employees)	Is access to payroll systems only granted to those who require it?	
	Are payroll functions suitably segregated?	
	Is the process for leavers clear and followed?	
	Have data matching checks been undertaken for duplicate names, addresses and bank account details?	
	Are the monthly pay reports checked and signed?	
	Are budget variations in payroll spend monitored, and are higher than budgeted staff costs accounted for?	
False Claims for: • Overtime • Expenses • Unauthorised Use of Procurement Cards	Does the school have a clear, comprehensive and well communicated expenses policy setting out exactly what staff can claim for and in what circumstances?	
	Do all expense claims include original supporting documentation?	
	Are explanations sought where this is not the case?	
	Is there a process whereby the head teacher's expenses are reviewed or authorised by governors?	

Type of Risk: Your People	Check	In Place Yes/No
	Is petty cash only used to reimburse expense claims supported by a receipt, rather than paid out in advance?	
	In instances where advance payments are made, are unexpended funds timely returned and is original documentation for expenditure reconciliation provided?	
	Has the school prohibited the use of credit and debit cards?	
	If procurement cards are issued, are the statements received by the school and not just by the card holder?	
	Are these statements monitored and reconciled to expense claims?	
	Does the school have a 'no exceptions' time limit for the submission of expenses?	

Procurement

Type of Risk: Procurement	Check	In Place Yes/No
Procurement, including: • Not following Procurement Guidelines • Splitting Tenders • Nepotism • Bribes • Collusion / Corruption • Rolling Contracts Forwards • Misuse of Single Tender Actions • Procurement Card Abuse	Does the school have a clear and well communicated process with regard to the procurement of goods and services? Is the process adhered to? Are senior staff aware of governance and the requirement to declare interests, gifts and hospitalities? Are relevant contracts (as identified by the scheme of delegated authority) subject to a competitive tendering process? Are standard procurement templates / tools used for transparency and consistency? Is there a segregation of duties in business case approval and the procurement process? Do authorisation limits require anything over a set limit to be signed off by the relevant governors committee? Can the same individual requisition and approve orders? Are the circumstances in which a single tender action may be considered clear? Are any tender waivers agreed by the governing body? Are all single tender actions considered by the governing body? Are undeclared interests that subsequently come to light treated as a breach of contract and a disciplinary offence? All requirements for staff resources and subsequent recommended appointments approved by an independent panel? Are consultants only employed where there is a clear business need with approval and sign off?	
Leasing (particularly ICT hardware such as whiteboards and photocopiers)	Have relevant staff within the school been informed / reminded of which leasing agreements are allowed and which are not permitted? Is there a clear channel for advice to be sought from the local authority in order to clarify complex lease agreements?	

Theft

Type of Risk: Theft	Check	In Place Yes/No
Theft / False Accounting including: • Bursar making payments to him / herself • Office staff pocketing money raised through fundraising activities • Undeclared revenue - e.g. rental of school premises at weekends	Does the finance manager have too much autonomy? Are the results of fundraising activities publicised? Are records of cash received kept and are all funds including any 'unofficial' fund and petty cash reconciled to cheque stubs and bank accounts by someone other than the bursar? Are the accounts reported and explained to the governing body?	
Stolen / Forged / Missing Cheques	Are bank accounts reconciled with cheque stubs and queries followed up with the bank if necessary?	
Mandate Fraud (payment diversion resulting from inappropriate changes of account details)	Is there a clear process in place in order that any change requested to a supplier bank account is verified and the veracity of the request ensured?	

Audit and Standards Committee Report

Report of:	Ryan Keyworth
Date:	28 July 2022
Subject:	Role of the Audit Committee and Training Plan
Author of Report:	Jane Wilby / Clair Sharratt
Summary:	The purpose of this report is to provide members of the Audit and Standards Committee with a summary of the newly published position statement from CIPFA on the role of Audit Committees in Local Government and recommend suitable committee-specific training for members of the Audit Committee.
Recommendations:	The Audit and Standards Committee is asked to note the and adopt the position statement and agree a forward training programme to support members of the Committee with their role.
Background Papers:	None
Category of Report:	OPEN

1

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human Rights Implications
NO
Environmental and Sustainability implications
NO
Economic Impact
NO
Community Safety Implications
NO
Human Resources Implications
NO
Property Implications
NO
Area(s) Affected
None
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
NO

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AUDIT AND STANDARDS COMMITTEE – 28 JULY 2022

Role of the Audit Committee and Training Plan

Purpose of the Report

1.   The purpose of this report is to bring to the attention of members of the Audit and Standards Committee a newly published position statement from the Chartered Institute of Public Finance and Accountancy (CIPFA) on the role of Audit Committees in Local Government.

2.   This paper covers the function of, and training relating to, the Audit Committee. The additional role of the Committee for Standards is not addressed.

3.   This report also discusses Audit Committee training to support new and existing members of the Committee with their role.

CIPFA Statement on Audit Committees

4.   The Chartered Institute of Public Finance and Accountancy (CIPFA) is the public finance accountancy body. It is an accounting standards setting body, which produces the public sector-wide financial Codes of Practice, together with sector-specific policy and guidance in many areas, including governance.

5.   CIPFA has published a new position statement for the attention of Audit Committees in Local Government, a full copy of the statement is included in **Appendix 1**.

6.   CIPFA asserts that the new statement will help guide Local Authorities to "strengthen their audit committees, enabling them to have a greater impact on governance, risk management and internal control". For authorities in England, the Department of Levelling Up and Communities (DLUC) has endorsed the statement.

7.   The statement will also be supported by a detailed publication to replace the 2018 edition of *Audit Committees, Practical Guidance for Local Authorities and Police*. The release date is expected to be in the autumn and copies will be made available to members of the Committee when it is published.

Summary of Key Principles

8.   The *Position Statement* provides guidance on a number of key principles for Audit Committees:

3

- Purpose of Audit Committees – there a greater emphasis on the Audit Committee being independent of other governance committees, including executive and scrutiny committees, to allow it focus objectively on the Council's governance, risk, and control arrangements.

- Committee model – provides detail on the regulatory and recommended membership of the committee, including co-opted expert independent members, and its place in reporting directly to the overall governance function provided by full Council.

- Committee Membership – recommends the skills and knowledge required by the members of the committee and how expertise is balanced across the membership. To support this, members are expected to be willing to undertake appropriate training. It details expectations around the characteristics and contributions of members and how the committee conducts its business.

- Core functions – with a greater emphasis on assurance, internal control, financial reporting and external audit, the statement sets out the specific responsibilities of the Audit Committee in the key areas of Governance, Risk and Control, Financial Reporting and robust Audit Arrangements.

- Engagement, Outputs and Impact – recommends that regular attendees of Audit Committees should include the Chief Executive, Director of Finance, Monitoring Officer, Head of Internal Audit and External Audit and that the Committee should be able to meet with representatives from both audit functions, privately and separately.

   It is also recommended that the Audit Committee should, at least annually, review and report on its own performance, including how it has complied with the principles of the position statement and how effectively it has engaged with the leadership team and those charged with governance.

Audit Committee Training

9. Following on from the requirement in the position statement that there is appropriate training available for members of the Audit Committee, it is proposed that an annual programme of essential and recommended training be developed, with an initial introductory course to cover the role of Audit Committees and then more specific training in the autumn to prepare members to give assurance in signing the Council's financial statements.

10. Proposed training for 2022:

4

- Introduction to the Knowledge and Skills of the Audit Committee (CIPFA) **Essential**

  Two half-day webinars: 13 September 2022 10am-12.30pm, 14 September 10am-12.30pm (recording available after)

  Link: Introduction to audit committee skills | CIPFA

  The workshops include:
  - *briefings on the latest guidance to keep audit committee members up-to-date*
  - *guidance on the knowledge and skills audit committees should have, featuring practical examples*
  - *in-depth discussion on the audit committee role in relation to internal audit, risk management and assurance*
  - *discussion and guidance on overcoming the barriers to audit committee excellence*

- Councillor's Guide to Understanding Your Council's Financial Reporting Requirements (CIPFA) **Recommended**

  Half day webinar: Wednesday 31 August 2022 10am-1:15pm

  Link: Understanding your council's financial reporting requirements | CIPFA

  The workshop will benefit all local authority elected members charged with governance responsibilities for approving their authority's accounting statements for 2021/22, regardless of the level of knowledge and previous experience in this role.

- Reviewing the Financial Statements Effectively (bespoke for Sheffield City Council – independent, external trainer) **Essential**

  Half day webinar: to be confirmed, November 2022

  The webinar includes:
  - *A brief overview of the law, rules and regulations surrounding the financial statements*
  - *How to read the statements for your authority and what to look for*
  - *How to effectively question and challenge officers and auditors to gain assurance*
  - *Topical issues*

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11. Please book courses by emailing clair.sharratt@sheffield.gov.uk.

12. Further training for 2023, as identified by the Audit Committee, either current courses or bespoke training designed for Sheffield, can also be arranged.

Financial Implications

13. There is an annual budget to support Members with the costs of the recommended training programme.

Equal Opportunities Implications

14. There are no specific equal opportunities implications arising from the recommendations in this report.

Property Implications

15. There are no property implications arising from the recommendations in this report.

Recommendations

16. The Audit and Standards Committee is asked to note the position statement from CIPFA on the role and function of Audit Committees in Local Government, and adopt the principles as set out in the statement, where appropriate.

17. The Audit and Standards Committee is asked to approve the essential and recommended training for Members of the Committee and consider the Committee's future training requirements.

6

CIPFA

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope
This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement
The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable

- in local authorities, be independent of both the executive and the scrutiny functions

- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable

- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups

- have rights to request reports and seek assurances from relevant officers

- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.

- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.

- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.

- In relation to the authority's internal audit functions:

    o oversee its independence, objectivity, performance and conformance to professional standards

    o support effective arrangements for internal audit

    o promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.

- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.

- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.

- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.

- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:

  o promoting apolitical open discussion

  o managing meetings to cover all business and encouraging a candid approach from all participants

  o maintaining the focus of the committee on matters of greatest priority.

- Willingness to operate in an apolitical manner.

- Unbiased attitudes – treating auditors, the executive and management fairly.

- The ability to challenge the executive and senior managers when required.

- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public

- be able to meet privately and separately with the external auditor and with the head of internal audit

- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required

- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters

- support transparency, reporting regularly on its work to those charged with governance

- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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Audit and Standards Committee Report

Report of:	Director of Legal and Governance

Date:	28 July 2022

Subject:	Work Programme

Author of Report:	Jay Bell, Democratic Services

Summary:

The report provides details of an outline work programme for the Committee.

Recommendations:

That the Committee:-

(a) considers the Work Programme and identifies any further items for inclusion; and

(b) approves the work programme.
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Background Papers:	None

Category of Report:	OPEN

Statutory and Council Policy Checklist

Financial Implications
NO   Cleared by:
Legal Implications
NO   Cleared by:
Equality of Opportunity Implications
NO   Cleared by:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
NONE
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

WORK PROGRAMME

1. **Purpose of Report**

1.1 To consider an outline work programme for the Committee.

2. **Work Programme**

2.1 It is intended that there will be at least five meetings of the Committee during the year with three additional meetings arranged if required. The work programme includes some items which are dealt with at certain times of the year to meet statutory deadlines, such as the Annual Governance Report and Statement of Accounts, and other items requested by the Committee. In addition, it also includes standards related matters, including an annual review of the Members Code of Conduct and Complaints Procedure and an Annual Report on the complaints received.

2.2 An outline programme is attached and Members are asked to identify any further items for inclusion.

3. **Recommendation**

3.1 That the Committee:-

(a) considers the Work Programme and identifies any further items for inclusion; and

(b) approves the work programme.

Gillian Duckworth
Director of Legal and Governance

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Audit and Standards Work Programme 2022-23- Working Copy

Date	Item	Author
16 June 2022	Internal Audit Plan 2022/23	Linda Hunter (Senior Finance Manager)
	Progress in High Opinion Reports	Linda Hunter (Senior Finance Manager)
	New Housing System and Project Update	Ajman Ali (Executive Director Operational Services)
	Government Response to The Committee on Standards in Public Life Report	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
	Strategic Risk Reporting	Helen Molteno (Corporate Risk Manager)
7 July 2022	Closed Meeting with Members and Ernst & Young	
28 July 2022	Summary of Statement of Accounts	Ryan Keyworth (Director of Finance and Commercial Services)
	Internal Audit Annual Fraud Report	Stephen Bower (Finance and Risk Manager)
	Role of the Audit Committee and Training	Claire Sharratt (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
September / October 2022	Audit Training	External Facilitator (TBC)
22 September 2022	External Audit Plan 2021/22	External Auditor (EY)

	Annual Internal Audit Report	Linda Hunter (Senior Finance Manager)
	Formal Response to Audit (ISA 260) Recommendations	Ryan Keyworth (Director of Finance and Commercial Services)
	Interim Standards Complaints Report (Half Yearly)	Gillian Duckworth (Director of Legal and Governance)
	Annual Governance Statement	Gillian Duckworth (Director of Legal and Governance)
20 October 2022	Work Programme	Gillian Duckworth (Director of Legal and Governance)
November 2022	Workshop to review Members Code of Conduct	
17 November 2022	Statement of Accounts (Audited)	Ryan Keyworth (Director of Finance & Commercial Services)
	Report of those Charged with Governance (ISA 260)	External Auditor (EY)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
22 December 2022	Whistleblowing Policy Review	Clare Corneille (Head of Human Resources)
	Information Management Annual Report	Sarah Green (Senior Information Management Officer)
	Progress in High Opinion Reports	Linda Hunter (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
19 January 2023	Strategic Risk Reporting	Helen Molteno (Corporate Risk Manager)
	Annual Standards Report	Gillian Duckworth (Director of Legal and Governance)

	Review of Members' Code of Conduct and Complaints Procedure	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
16 February 2023	Work Programme	Gillian Duckworth (Director of Legal and Governance)
9 March 2023	Work Programme	Gillian Duckworth (Director of Legal and Governance)
13 April 2023	Internal Audit Plan 2023/24	Linda Hunter (Senior Finance Manager)
	Compliance to International Auditing Standards	Ryan Keyworth (Director of Finance and Resources)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
July / August 2023	Audit Training	External Facilitator (TBC)
June 2023	Progress in High Opinion Reports	Linda Hunter (Senior Finance Manager)
	Internal Audit Annual Fraud Report	Linda Hunter (Senior Finance Manager)
	Strategic Risk Update	Helen Molteno (Corporate Risk Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)

IMPORTANT INFORMATION FOR REPORT WRITERS

The Audit and Standards Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

Audit and Standards Work Programme 2022-23- Working Copy

The purpose of the Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Sheffield City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Committee also cover Standards and is primarily responsible for promoting and maintaining high standards of conduct by councillors, independent members,

and co-opted members. It is responsible for advising and arranging relevant training for members relating to the requirements of the code of

conduct for councillors. The Committee also monitor the Council's complaints process and the Council's response to complaints to the Ombudsman.

The Committee is not an operational committee, so is not focussed on the day to day running of your service. However, its focus is on risk management and governance, so it will want to understand how you manage your key risks, and how you are responding to new challenges and developments. In particular the Committee will be interested in the progress on implementing agreed recommendations from inspection and audit reports, and will want to review your services' outputs and actions in response. You can expect some challenge if deadlines for implementing agreed actions have been missed. Please ensure breakdowns of information are included in your report, as the Committee is interested in the key facts and figures behind areas.

Most Audit and Standards papers are public documents, so use everyday language, and use plain English, don't use acronyms, or jargon and explain any technical terms. Assume the reader knows little about your subject.

Think about how the paper will be interpreted by those who read it including the media.

Use standard format - don't subvert it.

Ensure – You convey the key message in the first paragraph not the last.

The report should include –

- *Summary*
- *Recommendation (s)*
- *Introduction*
- *Background*
- *Main body of the report (in. legal, financial and all other relevant implications)*

(report templates are available from Democratic Services)