APPENDIX 2

Isle of Wight Council

COUNTER FRAUD AND CORRUPTION STRATEGY

2016-2019

1. Document Information

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V1	August 2016	1st draft

2. Contents

3. Introduction

The Isle of Wight Council has always taken the risk of irregularities caused by fraud or error and corruption seriously and worked to protect the resources, both financial and otherwise, that we have at our disposal. However, at this time, with both reductions in funding and increasing demands on services, it is even more important that losses from fraud and corruption are minimised, and that opportunities to recover costs or assets from crime are maximised. It is essential that resources intended to provide vital services to Island communities are used for that purpose.

The public and private sectors are facing a time of unprecedented leaps forward in terms of technology and the public sector may not always have the skills and knowledge necessary to combat this developing area of fraud.

In addition, the environment we operate in and the way in which we are required by central government to administer and provide services is constantly evolving. This includes
- the roll out of personal budgets which allows clients control over the funding provided by the council for their personal care needs
- the move towards commissioning services from external providers via contractual arrangements
- opportunities to establish trading companies and other joint ventures in order to maximse profit making potential and funding

In September 2015, the benefit fraud teams which operated in most local councils were transferred to the Department of Work and Pension's Single Fraud Investigation Service (SFIS) and this has left many councils with reduced capacity for fraud investigation and gaps in specialist knowledge and skills around fraud investigation.

However, all staff, managers and indeed residents have a role to play in identifying fraud and corruption and the lack of a dedicated team should not be seen as a failure to address the risks of fraud and corruption. Many councils are finding innovative and collaborative ways to address this risk, in partnership with other public sector providers, utilising data sharing and technology to assess risk and then focus resource.

Rather than one investigative team who have sole responsibility for managing the risk of fraud and corruption, the Isle of Wight has an integrated framework of policies, mechanisms and staff who are all working together to protect the public purse.

Management of risk associated with fraud and corruption forms a key part of the management of individual services in the council. In view of the current financial environment for public services, the proactive management of this risk is being integrated into the council's overall risk management approach to ensure that the council can target all of its available resources, both financial and otherwise, to delivering specific outcomes and contributing towards local objectives.

This is a key element of our corporate plan priority to ensure that all resources available to the Island are used in the most effective way in achieving the Islands priorities.

4. Objectives

The key objective of this strategy is to provide a strategic overview of how the council ensures that public funds entrusted to the council to provide services on the Island, are protected from loss caused by fraud or corruption.

The application of the strategy and the associated framework documents is designed to bring greater clarity to the process of tackling fraud and corruption across the council. Its key aims are:

- To instil an anti-fraud culture and demonstrate a zero tolerance response to fraud
- To create a co-ordinated approach to managing the risks of fraud and corruption that is applied consistently across all service departments, whilst allowing service departments to focus their resources on those areas most at risk
- To define what we mean by fraud and corruption
- To bring together the framework of other policies and documents adopted by the council to prevent fraud and corruption
- To set out the process for responding to allegations of fraud, impropriety or abuse

5. Definitions

The starting point for risk identification is to adopt a clear definition of fraud and corruption. There are many definitions of fraud but the Serious Fraud Office states that:

> *'Fraud is a type of criminal activity, defined as an abuse of position, or false representation, or prejudicing someone's rights for personal gain. Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party'*

For the purposes of this strategy we also recognise the following definitions

Corruption *'the offering, giving, soliciting or acceptance of any inducement or reward which may improperly influence the action of any person'*	*Theft* *'appropriating property belonging to another with the intention of permanently depriving the other of it'*	*Bribery* *'an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage'*

The Audit Commission has also devised the following list to determine the different acts of ICT fraud and abuse:

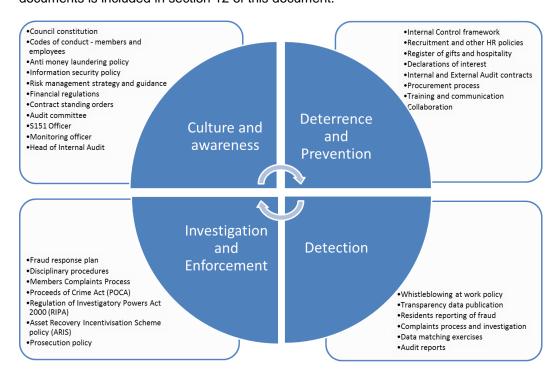| Type of ICT fraud or abuse	Ways committed
Business disruption	Virus infections/denial of service Hacking Sabotage
Reputational damage	Accessing inappropriate material Invasion of privacy Using unlicensed software
Financial loss	Unauthorised alteration of input Destroying, stealing or suppressing output Making unapproved changes to stored information Amending or misusing programs Using ict facilities for private work Theft of information

6. Scope

This strategy and the framework of associated policies and other documents apply to the activities of all council employees and members. The strategy also applies to council engagement with contractors, consultants, suppliers, schools and other council funded voluntary bodies and individuals, partners and any other external agencies.

7. Counter Fraud and Corruption Strategy

The council's strategic approach to managing the risks associated with fraud and corruption is integrated within the overall governance and counter fraud and corruption framework that the council has in place and which is outlined in the diagram below. A full list of associated policies and other documents is included in section 12 of this document.

The emphasis for the council's work on counter fraud and corruption is on awareness and prevention wherever possible. However the council recognises that measures to prevent fraud and corruption should be in proportion to the impact that such losses could cause and the likelihood of them occurring. We also recognise that measures should not affect the services provided to the majority of law abiding service users.

The council has assessed its position against the five key principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption which is attached as Appendix A.

We have also undertaken a council wide strategic level risk assessment which will be kept up to date and reviewed regularly.

This strategy has been written taking into account the results of both assessments as well as the recommendations from the following documents:
- CIPFA Local Government Counter Fraud and Corruption Strategy 2016-19 (Fighting fraud and corruption locally);
- Internal Audit Report on Fraud Risk Review November 2015.

8. Culture and Awareness

The council is committed to sound corporate governance and supports the Nolan 7 Principles of Public Life covering; selflessness, integrity, objectivity, accountability, openness, honest and leadership.

The council expects the highest standards of probity, propriety and conduct from all its members, employees and those with whom it has dealings, and has in place a governance framework which seeks to create a culture that minimises the risks associated with fraud and corruption across all our services.

Culture and awareness

The council will maintain a strong message of intolerance to acts of fraud and corruption and will seek to publicise to the public any cases which highlight the consequences of committing fraud. We will take action to prosecute and recover losses where appropriate.

Key structures and roles within that culture are:

Group or individual	Roles and responsibilities
Audit Committee	The council has established an Audit Committee with responsibility to *'consider the effectiveness of the council's anti-fraud and corruption strategies and whistleblowing policy along with the council's arrangements for risk management and corporate governance'*
S151 Officer	The council has appointed an officer with the statutory responsibility, under Section 151 of the Local Government Act 1972, "*to ensure the proper arrangements of the council's financial affairs*". In addition, the Chartered Institute of Public Finance and Accountancy's Statement on the role of the Chief Financial Officer lists one of the core responsibilities as "*implementing appropriate measures to prevent and detect fraud and corruption*".
Monitoring Officer	The council has appointed an officer with the statutory responsibilities under Section 5 of the Local Government and Housing Act 1989 to ensure that all decisions made by the council are within the law. The post holder also promotes high standards of conduct by members and employees throughout the council.
Head of Internal Audit	The council has appointed an officer with the duty to monitor instances of financial irregularities within the council and report as necessary to the Audit Committee and external auditors. The post holder also ensures that an appropriate investigation is carried out.
Internal Audit contractor	The council maintains an internal audit function which carries out reviews of the adequacy of controls in systems to prevent fraud, amongst other risks, and report on control weaknesses found. They also test aspects of the corporate governance arrangements that are being relied on to prevent and detect fraud.
External Audit contractor	Part of the External Auditor's statutory duties is to ensure that the council has adequate arrangements in place for the prevention and detection of fraud and corruption. Complaints of fraud and corruption can be taken directly to them.
Legal Services	The council maintains a legal services function who are able to provide or commission investigation support or advice and who will pursue action through the courts to prosecute and recover funds in appropriate circumstances.
Head of Organisational Change and Corporate Governance	The Head of Organisational Change and Corporate Governance leads a team bringing together a range of disciplines and activities which all form part of the overall governance framework including performance management, risk management, project management, value for money and corporate and service planning, They are also responsible for the production of the annual governance statement.

9. Deterrence and Prevention

The council requires all employees, members and contractors to be aware of and to adhere to, any policy or strategy and any internal control system designed to prevent fraud and corruption.

Deterrence and Prevention

The council's policies and strategy documents will be kept up to date and relevant, and ongoing training and development will be provided and cover those documents and any internal control systems relevant to this requirement.

It is the responsibility of the chief officers for the council to design systems of control that can prevent, irregularities caused by error, fraud or corruption. Systems of control are an on going process which should be regularly appraised to identify and reprioritise risks and evaluate the likelihood of those risks being realised. Service managers are responsible for implementing systems of internal control and undertaking risk assessments to identify where those preventative controls need strengthening.

Key preventative controls include:

Key systems	Scope
HR	The council has a suite of HR procedures including checks to take place to confirm potential employee's right to live and work in the UK, qualifications or professional registrations, references, additional employment and health status. It also has procedures around sickness and absence, performance and disciplinary procedures. The council maintains a register of gifts and hospitality for all its staff and members, and also requires them to declare interests they may have in any contract or a relationship generally, which might cause a conflict between their private interests and the council's best interests. The requirement also applies to an employee's or members close family, partners or their firm.
ICT	The council is committed to safeguard the confidentiality, integrity and availability of all physical and electronic information assets to ensure that regulatory, operational and contractual requirements are fulfilled. The council's information security procedures apply to all elected members and employees, part-time and fixed-term employees, casual and agency staff [and volunteers] of the Isle of Wight council, which procures or operates council ICT equipment hereafter termed as officers. They also applies to members and officers using council's mobile computer equipment e.g. laptops, tablets, printers, projectors, blackberry's and mobile phones.
Procurement and payment	The council has a set of financial regulations and contract standing orders dealing with procurement and payment which are reviewed and updated regularly. These are applied via the integrated SAP order and payments modules that deal with the majority of the council's spend transactions. The council has approved mechanisms for self billing, payment requests outside of the SRM process and the use of procurement cards.
Payroll	The council's pay grade structures have been revised via the job evaluation process but there remain a number of remain a range of exceptions around additional allowances, however these are all administered via the SAP payroll module and the majority of changes to employees details are now made via the on line portal.
Income collection	The council has a charging policy which includes when we should charge and what exemptions might apply to these rules, and how we set the appropriate level of charge and what subsidies and concessions are permitted. Financial regulations outline the procedures in place to collect and bank income.
Assets	The Head of Strategic Assets is responsible for maintaining a register of all assets including land and property and also produces a property assets disposal plan which is reviewed and approved annually. The council also has a broader asset disposal policy which seeks to ensure that the council receives best value for disposals.

10. Detection

The council's approach to risk management is designed to detect control weaknesses that could allow irregularities cause by error or fraud and corruption and once corrected, actual fraud can be prevented. However, the systems of internal control must also include detective controls that will uncover where fraud or corruption has actually taken place.

Detection

It can also be the alertness of employees and the public to such weaknesses that enables detection to occur and the appropriate action to take place.

Our staff, members, and the public are therefore important elements in the council's ability to detect irregularities caused by error, fraud or corruption, and they are positively encouraged and expected to raise any concerns associated with the council's activity. This they can do, in the knowledge that such concerns will be treated in confidence and properly investigated.

Key mechanisms by which the council may detect irregularities caused by error, fraud or corruption include:

Key indicators	
Detective controls	Service managers will ensure that suitable levels of detective controls are utilised to detect any irregularities which may be caused by error of fraud. These could include exception reporting, reconciliations or monitoring of transactions, physical checks of assets such as stock checks, and periodic repetition of initial eligibility criteria checks for things like benefits, grants or concessions. There is also an increasing use of data analytics being pursued in local government and the council is looking into how this could be utilised here.
Whistleblowing	The council has a whistleblowing process which reassures staff that they are able to raise genuine concerns without fear of reprisal. Concerns are treated confidentially and there is a confidential support and counselling hotline available to whistleblowers who raise concerns under this policy.
Referrals from the Public	Members of the public can make concerns known in a number of ways but the council has established a fraud reporting web page on iwight to enable concerns to be raised. Any reports will be treated confidentially and in line with the fraud response process.
Complaints	Members of the public can of course continue to raise concerns via the councils complaints process and can do this either in writing, by email, via iwight or in person. Again, any reports will be treated confidentially and in line with the fraud response process.
Data Matching	The council participates in the National Fraud Initiative data matching exercise which pulls together data from public and private sector sources to detect fraud.
Monitoring officer	The Monitoring Officer will undertake relevant enquiries into allegations of misconduct in relation to Councillors. If necessary this may include consultation with a designated independent person, consideration by the Appeal Committee and if appropriate referral to the Police.
Audit Reports	Audit reviews of systems of internal control may highlight not only weaknesses leading to the risk or fraud but actual fraud itself.
National mechanisms	Anyone can report instances of benefit fraud to the DWP via the National Benefit Fraud Helpline at: ▪ Helpline: 0800 854 4400 (textphone 0800 320 0512) ▪ Website: www.gov.uk/report-benefit-fraud ▪ Post: NBFH, PO Box 224, Preston, PR1 1GP Action Fraud is the UK's national reporting centre for fraud and cyber crime where you should report fraud if you have been scammed, defrauded or experienced cyber crime.

11. Investigation and Enforcement

The council will take all reports of suspected fraud or corruption seriously and undertake preliminary investigations to establish if further more detailed investigation is required.

Investigation and Enforcement

Fraud investigation is a specialist area that requires trained officers, and managers and the staff should be careful to avoid taking any actions in early stages of an allegation that could prejudice any legal action later in the case. The fraud response procedure is to refer any suspicions to the Head of Internal Audit who will ensure that the appropriate internal procedure and legal regulations are followed. The Head of Internal Audit will also consider whether external specialist advise or investigation is required and make arrangements for the provision of such if appropriate.

Investigating officers will ensure that investigations are objective, fair and complete, taking suitable advice where required, and that they comply with the relevant statutory provisions and internal procedures.
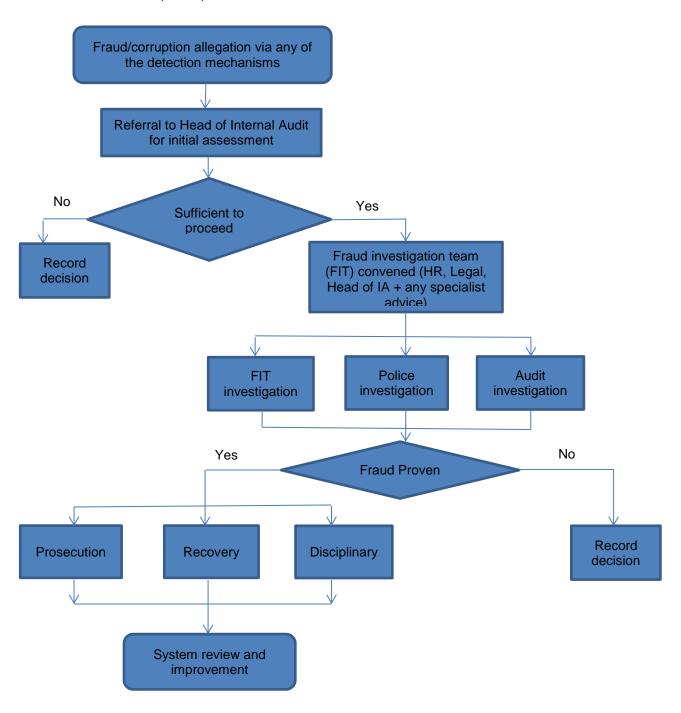
Incident	Response
Staff	Incidents involving staff will be dealt with in accordance with the disciplinary procedures.
Members	Incidents involving members will be dealt with in accordance with the misconduct procedures for members.
Criminal activity	Where criminal activity is suspected the investigators will notify the police and take their advice or hand over the investigation to them.
Contractors	Where fraud or impropriety has been perpetrated by organisations/ individuals with whom the Council has a contractual relationship the Council will take action, including where appropriate, terminating the contract, publicising findings and civil recovery proceedings.

The council expects the fullest co-operation from staff and members who are called upon to assist with an investigation. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.

The council will seek to recover any losses fraudulently obtained from it and where necessary the costs incurred in doing so. We will consider all means available to recover these amounts including possession orders, compensation claims, civil litigation, making an application for recovery from an employee's pension fund and general debt recovery. Other forms of redress to recover losses, (such as making a claim against our insurance cover) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body); will also be used wherever appropriate.

The council's fraud response plan is shown below:

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┌─────────────────────────────────┐
│ Fraud/corruption allegation via │
│   any of the detection          │
│         mechanisms              │
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                │
                ▼
┌─────────────────────────────────┐
│ Referral to Head of Internal    │
│ Audit for initial assessment    │
└─────────────────────────────────┘
                │
                ▼
No  ◄──────  ◇ Sufficient to  ◇  ──────►  Yes
            proceed
  │                                         │
  ▼                                         ▼
┌──────────┐              ┌─────────────────────────┐
│ Record   │              │ Fraud investigation team│
│ decision │              │ (FIT) convened (HR,     │
└──────────┘              │ Legal, Head of IA + any │
                          │ specialist advice)      │
                          └─────────────────────────┘
                  ┌───────────────┼───────────────┐
                  ▼               ▼               ▼
            ┌──────────┐   ┌──────────┐   ┌──────────┐
            │ FIT      │   │ Police   │   │ Audit    │
            │investiga-│   │investiga-│   │investiga-│
            │ tion     │   │ tion     │   │ tion     │
            └──────────┘   └──────────┘   └──────────┘
                  └───────────────┼───────────────┘
                                  ▼
Yes ◄──────────────  ◇ Fraud Proven ◇  ──────────►  No
  │                                                   │
  ├──────────┬──────────┐                             ▼
  ▼          ▼          ▼                      ┌──────────┐
┌────────┐ ┌────────┐ ┌────────────┐           │ Record   │
│Prosecu-│ │Recovery│ │Disciplinary│           │ decision │
│ tion   │ │        │ │            │           └──────────┘
└────────┘ └────────┘ └────────────┘
  │          │          │
  └──────────┼──────────┘
             ▼
      ┌─────────────────┐
      │ System review   │
      │ and improvement │
      └─────────────────┘
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12.   List of Related Documents

Council Constitution (includes Members Code of Conduct)

Financial Regulations

Contract standing orders

Counter fraud strategy

Counter fraud prosecution policy

Whistleblowing at work policy

Anti money laundering policy

Gifts and hospitality policy and register

Declaration of interest policy and register

Information security policy

Risk management strategy and guide

ARIS policy

Recruitment and retention policy

Declaration of offences

Statement on recruitment of Ex offenders

Sickness and absence policy

Capability procedure

Disciplinary procedure

Additional employment procedure

Grievance procedure

Employee code of conduct

Investigators pack

Publication of transparency data

ICT Asset disposal policy

Community asset transfer guidance

Strategic asset management plan

Data Exchange Agreements

NB. These documents are 'owned' by the relevant service managers who are responsible for revision and updating.

All related documents are available on wightnet.