



## Committee report

Committee	<b>AUDIT COMMITTEE</b>
Date	<b>4 DECEMBER 2017</b>
Title	<b>ANNUAL FRAUD, IRREGULARITY AND WHISTLEBLOWING REPORT 2016-17</b>
Report of	<b>CHIEF INTERNAL AUDITOR</b>

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### EXECUTIVE SUMMARY

1. This report is to inform the committee of any incidents of fraud and irregularity experienced by the council during the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017. All cases are reported at the conclusion of an investigation and where applicable prosecution. For the period noted that are no cases to report.

### BACKGROUND

2. The council continues to have a comprehensive array of strategies and associated policies to counter the risk of fraud and corruption, including:
  - Counter Fraud and Corruption Strategy
  - Codes of Conduct for employees and for members
  - Audit Committee
  - Financial Regulations
  - Contract Standing Orders and associated Procurement Code
  - Policies and processes, including Gifts & Hospitality
  - Monitoring Officer and Section 151 Officer
  - Complaints Policy
  - Whistleblowing Policy
  - National Fraud Initiative
  - Internal audit
  - External audit
  - Compliance with transparency requirements
  - Systems and controls which are designed to counter fraud and error
  - Processes for managing risks
  - A comprehensive system of budget monitoring

### STRATEGIC CONTEXT

3. As the steward of public funds and the custodian of public assets, the council must ensure that its operations are protected from fraud. If undetected, fraud

will mean that taxpayers' moneys and contributions received from service users will be wasted and not available for spending on services, placing even more pressure on the council's budget.

### BENEFIT FRAUD

4. An area susceptible to fraud is that of Housing Benefit. With effect from October 2015 the responsibility and resources for the investigations of benefit cases transferred across to the Department of Works and Pensions under the Single Fraud Investigation Service.
5. The responsibility to investigate non-housing benefit fraud such as Local Council Tax Support fraud, Housing fraud, Council Tax and Business Rates discounts and exemptions frauds remains with the Council, resources are deployed as and when required and in accordance with policy.

### NON- BENEFIT FRAUD

6. There is little evidence of widespread fraud against the council, which has been reported in previous years and it is difficult to be specific about the reasons, but they will include:
  - Fraud exists, but goes undetected or unreported, this risk is unquantifiable however nationally fraud is reported to be on the increase.
  - The controls highlighted at paragraph 2 above are effective at controlling the risk of fraud to a large extent.

### WHISTLE-BLOWING

7. There have been three instances of reported whistle-blowing during 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017. For a number of years the council has had a procedure for receiving and dealing with whistle-blowing, but has not received many allegations through this particular route. This may be because there are other routes which staff, members and contractors can use to report such allegations, such as through the complaints process or directly with management.
8. The three instances reported are noted below:
  - a) A member of staff raised concerns relating to the process of dealing with referrals to Adults Services. The investigation concluded that there was a need for a shared understanding of how the individual teams should operate and also support each other, and for the department to ensure all staff receive the right level of training.
  - b) Concerns were raised relating to the operation of the council's flexible working policy. Having investigated the concerns, the council was satisfied that the policy was being adhered to.

- c) A member of staff raised concerns as to their role and the statutory requirements that related to their duties, and other employment related matters. All concerns were addressed, even though they mainly related to matters that would usually be dealt with by escalation through line management or the grievance procedure.
9. The council continues to maintain a whistle-blowing policy for staff, members and the public <http://www.iwight.com/documentlibrary/view/whistleblowing-at-work-policy> which is intended to encourage people to raise their genuine concerns so that any malpractice or irregularity can be investigated and addressed.

## FUTURE DEVELOPMENTS

10. From the 1<sup>st</sup> April 2017 the Council has entered into a shared arrangement for the statutory role of Chief Internal Auditor (CIA) with Portsmouth City Council. Under this arrangement and at the agreement of the s151 Officer, the CIA will, during 2017-18 be arranging for the completion of activities noted below that support the Council in its current counter fraud arrangements. This includes:
- Carrying out investigations into suspected theft or fraud, with if required the support of the Council's Financial Investigator.
  - Coordinating the National Fraud Initiative (NFI) requirements, (a mandatory requirement of the Cabinet Office).
  - Carrying out additional data analytics using the provisions of IDEA (software tool) to enable the Council to have clarity on potential high risk areas.
  - Acting on the recommendations presented following the audit of the current Counter Fraud arrangements by the Internal Audit team.
  - Reviewing the policies and processes in place for the investigation of theft/ fraud and misappropriation, including a review of the whistle-blowing arrangements, staff awareness and reporting.
  - A review of the system of internal control considering the impact of the ongoing austerity programme and reducing resources.

Progress on work in all areas will be routinely reported to this committee during the forthcoming reporting cycles.

## CONSULTATION

11. Only internal consultation has taken place over this report, liaising with those responsible for receiving and recording incidents of whistle-blowing in accordance with policy and with senior management who are often the recipients of allegations of irregularity.

## FINANCIAL / BUDGET IMPLICATIONS

12. Fraud, if undetected will have a direct impact on the council's financial well-being and will deny the use of resources for service delivery or to meet the council's savings requirements.

## LEGAL IMPLICATIONS

13. There are no direct legal implications of this report. The council has a duty to administer its financial affairs in a proper manner. Part of that requirement is that the council must protect itself, tax payers and service users from the risk of fraud and other irregularity. The council may initiate prosecutions for fraud or liaise with appropriate body depending on the type of offences alleged.

## EQUALITY AND DIVERSITY

14. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups. The council is required to have adequate governance arrangements in place to effectively manage its resources.

## RISK MANAGEMENT

15. It is important for the council to recognise the risk from fraud. That means it must continue, as a minimum, to use the measures that are set out in paragraph 2 to counter that risk. Investment in anti-fraud measures can be cost-effective in reducing the cost of fraud which has the potential to impact on over £300 million of council spending and income. There is a fraud risk held on the council's risk register intended to manage the risk of fraud and to ensure that controls continue to operate to counter the risk.

## RECOMMENDATION

16. To consider the report of the Chief Internal Auditor and agree any further information or action as required.
17. To agree that the Committee receives updates on anti-fraud & corruption actions throughout the committees reporting cycle.

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