



PAPER E

Purpose: To Note

Committee report

Committee	AUDIT COMMITTEE
Date	2 DECEMBER 2019
Title	ANNUAL FRAUD, IRREGULARITY & WHISTLEBLOWING REPORT 2018-19
Report of	CHIEF INTERNAL AUDITOR

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 April 2018 to 31 March 2019. All cases are reported at the conclusion of an investigation and where applicable a prosecution. For the period noted there is one case 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.

WORK CARRIED OUT

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 (DWP) under the Single Fraud Investigation Service. However from October 2018 and at the request of the DWP, the Council have been undertaking joint working with them on relevant cases.
5. The summary of work performed during the period October 2018 to March 2019 is detailed below.
 - 10 Joint working investigations commenced within the above. Of those 10, five have been closed with no further action and five were ongoing as at 31 March 2019.

Non Benefit Investigations

6. During 2018/19 there has been one case proceeded under prosecution. This case has been raised with the committee as it resulted in a successful prosecution and recovery of £171, 000.
7. In addition to this, three other cases have been investigated two of which have been closed with no further action. The remaining case as at 31 March 2019 was still under investigation and further details will be provided to the committee during the next reporting period.

Whistle-Blowing

8. There have been no instances of reported whistle-blowing during the period 1 April 2018 to 31 March 2019. New arrangements have been implemented to record concerns raised this includes, a whistle-blowing register and unique email address called 'Whistle-blowing' which is aimed at providing individuals with a means of formally raising their concerns in a confidential manner.
9. The Council has maintained its membership with 'Protect' previously known as 'Public Concern at Work' which is a registered charity providing independent and free confidential support for whistle-blowers. Protect also supports organisations with best practice whistleblowing arrangements.

Scheduled Work

10. Over the coming months work will continue in the following areas and a further report will be presented to this committee with respective results.
 - Coordinating the National Fraud Initiative (NFI) requirements, (a mandatory requirement of the Cabinet Office). The bi-annual data submissions are currently in the process of being uploaded.
 - The setting up of additional data analytics using the functions of IDEA (software tool) which will enable the Council to have clarity on potential high risk areas.
 - The reviewing of relevant policies and processes in place for the investigation of theft/ fraud and misappropriation across areas of the council.

CONSULTATION

11. 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, taxpayers 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 note the report of the Chief Internal Auditor and agree any further information or action as required.

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