



Purpose: To Note

Committee report

Committee	AUDIT COMMITTEE
Date	23 NOVEMBER 2020
Title	ANNUAL FRAUD, IRREGULARITY AND WHISTLEBLOWING REPORT 2019-20
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 2019 to 31 March 2020. 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 the following:
 - 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 and 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 has been undertaking joint working with them on relevant cases.
5. The summary of work performed during the period October 2019 to March 2020 is detailed below.
6. There are 13 joint working cases open with the DWP. Subsequent to COVID-19 and the March 2020 lockdown DWP Fraud have been redeployed, to help with a large influx of Family Credit and Universal Credit applications. This has resulted in all investigations being suspended, pending the return of the officers from redeployments and the removal of current interview restrictions. One case has been prepared for prosecution and is with the Crown Prosecution Service (CPS), awaiting a possible court date.

Independent Isle of Wight investigations

7. Direct Payments case (W007): sentenced at court on the 9 December 2019, individual receiving a 26-week custodial sentence, which, following an appeal on the 19 December 2019, was reduced to 18 months suspended sentence.
8. There are a further three ongoing investigations. One case is currently being prepared to put before the Isle of Wight sanction decision board. This board was set up in house to approve prosecution sanctions.
9. Two remaining Investigations are awaiting external evidence and have temporarily been delayed due to COVID-19 and demands on those external bodies.

Whistle-blowing

10. There have been no instances of reported whistleblowing during the period 1 April 2019 to 31 March 2020. New arrangements were implemented during 2019, to record concerns raised this includes, a whistle-blowing register and unique email address called 'Whistleblowing' which is aimed at providing

individuals with a means of formally raising their concerns in a confidential manner.

11. 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

12. Work is ongoing in several areas which includes the following:
 - 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.
 - Data analytics using the functions of IDEA (software tool) has been set up for duplicate payments. The results of which will be used in due course. The Direct Payments analysis is in progress and other high risk areas will be progressed in due course.
 - The reviewing of relevant policies and processes in place for the investigation of theft/ fraud and misappropriation across areas of the council.

CONSULTATION

13. Internal consultation has taken place over this report, liaising with those responsible for receiving and recording incidents of whistleblowing in accordance with policy and with senior management who are often the recipients of allegations of irregularity.

FINANCIAL / BUDGET IMPLICATIONS

14. 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

15. 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

16. 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

17. 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

18. To note the report of the chief internal auditor and agree any further information or action as required.

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