



Purpose: For Noting

Committee report

Committee	AUDIT COMMITTEE
Date	28 NOVEMBER 2022
Title	ANNUAL FRAUD, IRREGULARITY AND WHISTLEBLOWING REPORT 2021-22
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 2021 to 31 March 2022. 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.

RECOMMENDATION

2. The Audit Committee notes the report of the Chief Internal Auditor.

BACKGROUND

3. 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

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

4. 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.

Responding to climate change and enhancing the biosphere

5. There are no direct impacts within this report that will affect this corporate priority.

Economic Recovery and Reducing Poverty

6. There are no direct impacts within this report that will affect this corporate priority.

Impact on Young People and Future Generations

7. There are no direct impacts within this report that will affect this corporate priority.

Corporate Aims

8. Supports the Corporate Plan core value of being fair and transparent and the aspiration to Keep the Isle of Wight Council solvent and take all the measures we can to improve the financial position of the council.

WORK CARRIED OUT

General

9. Since 18 January 2022 the Isle of Wight Department of Work and Pensions (DWP) have slowly begun returning the Fraud Officers from redeployment back to fraud duties. Joint working with the Isle of Wight Council's counter fraud service has recommenced. However, the service still remains on reduced staffing levels, so the level of Joint working referrals are still lower than would normally be expected.
10. Joint working investigations which have been performed will be reported in the next reporting period.
11. One joint working prosecution case is with the DWP/Criminal prosecution Service. The Isle of Wight Council are awaiting an outcome.
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 that are in place for the investigation of theft/ fraud and misappropriation across areas of the council.

Direct Payments

13. Direct Payments investigations have continued throughout Covid-19, and as a result two cases have been presented to the Isle of Wight Authority Panel. The decision of the panel, for these cases, is that both the claimant and the additional individual (who had aided and abetted the fraud) should be prosecuted and therefore Legal Services have been instructed.
14. In relation to the cases mentioned above, Invoices have been issued to recover the overpaid Direct payments as follows:
 - £76,541.11 (invoices raised February 2021)
 - £14,998.53 (invoice raised May 2021)
15. There is currently an Adult Social Care investigation ongoing. The Financial implications will not be known until data has been analysed.

Traffic Offences

16. The Isle of Wight Parking Service have begun the process of introducing Enforcement action to address the misuse of disabled blue badge. As a result, the first case that was under consideration for prosecution or sanction proceeded with an interview under caution being conducted and has resulted in a formal caution/warning being issued.
17. The Parking Service have worked with the Counter Fraud Team to create and introduce new procedures and processes.
18. Additional training has been undertaken by Parking Officers, subsequent to the period covered by this report.

Whistleblowing

19. There has been no instance of whistleblowing reported during the period 1 April 2021 to 31 March 2022. Arrangements are in place 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.

CONSULTATION

20. 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

21. 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

22. 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

23. 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.

RISK MANAGEMENT

24. 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.

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