Audit and Governance Committee
12 October 2020
Fraud and Whistleblowing

Choose an item.

Portfolio Holder: Cllr S Flower, Leader of the Council

Executive Director: J Mair, Corporate Director, Legal & Democratic

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Report Status: Public

Recommendation: To note the action plan developed to support delivery of the Council's Anti-Fraud, Bribery and Corruption Strategy.

Reason for Recommendation: To support the Council's zero tolerance to fraud.

1.   Executive Summary

At the meeting on the 7 July 2020 the Committee received an update from the Service Manager for Assurance on the status of outstanding actions from the South West Audit Partnership audit on Whistleblowing. It was agreed that the September meeting would receive an update on the actions, together with a summary of fraud and whistleblowing activity during financial year 2019/20.

2.   Financial Implications

Fraud presents a financial risk to the Council which needs to be managed to reduce risk down to an acceptable level.

3.   Climate implications

None

4.   Other Implications

None

5.   Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: Medium
Residual Risk: Medium

6.   Equalities Impact Assessment

Fraud policies have been subject to EQIA.

7.   Appendices

Appendix A – Anti Fraud, Bribery and Corruption Action Plan

8.   Background Papers

None

Whistleblowing and Fraud

1. Background

1.1 A number of fraud related policies were established and approved for Dorset Council ahead of 1st April 2019:

   o [Anti Fraud, Bribery and Corruption Policy](#);
   o [Anti Money Laundering Policy](#);
   o [Whistleblowing Policy](#)

   There are also clear links with Code of Conduct policies.

1.2 South West Audit Partnership carried out an internal audit on whistleblowing. A key finding was that whilst there was a policy framework in place, there was no defined action plan setting out how the Council would deliver on its objectives and commitments. A small task and finish group has been established with officers from Assurance, Strategic Finance and Human Resources to develop this action plan and drive its implementation forward. Helpfully this group has been supported and attended by SWAP to provide an input into approaches taken more widely across the south west.

1.3 This report sets out the action plan that has been agreed and provides an interim overview of whistleblowing and fraud activity ahead of a more formal Annual Report process being established from 1 April 2021.

2. Improvement Action Plan

2.1 The original whistleblowing audit was carried out for Dorset County Council and issued in October 2018. It provided a "partial" opinion and identified a number of recommendations, with a mix of priority 2 and priority 3 findings. A follow up audit was undertaken in July 2019 to look at outstanding actions, but with the wider remit of looking at Dorset Council's approach to whistleblowing. This identified a number of risk areas that had not yet been fully addressed:

2.2 **Issue - There is evidence to demonstrate that employees of the Council are not fully aware of the arrangements set out under its Whistleblowing Policy** (Priority 2).
This recommendation acknowledged that whilst the various fraud policies are available within the intranet, it is not easy to navigate to them. It was agreed that signposting within the intranet will be improved and that awareness will be strengthened via internal communication. This will include promoting the fraud e-learning module and emphasising the Council's zero tolerance to fraud.

2.3 **Issue - No formal fraud action / delivery plan in order to ensure that the outlined goals and objectives within the Anti-Fraud, Bribery and Corruption Strategy are achieved and maintained** (Priority 2).
This action plan has now been developed and is contained at Appendix A of this report.

2.4 **Issue - No effective mechanism to ensure fraud related policies are reviewed and updated against agreed timescales** (Priority 2).
The Business Improvement Team are currently working on a schedule of policies, owners and renewal dates. Generally policy will be reviewed every three years, other than where there is a significant change that necessitates an earlier review (for instance, legislative change).

2.5 **Issue - External stakeholders are not required to adhere to the Council's Whistleblowing Policy and Procedure** (Priority 2).
The Corporate Director for Legal and Democratic Services contacted colleagues in Legal and Procurement to ensure that contracts contain a clause requiring contractors to adhere to the principles of the whistleblowing policy. An action remains to improve accessibility to the fraud policies on the external website. All policies are posted within the ModGov system (that is used for committee reports) and do not therefore display whilst using the internet search.

2.6 **Issue - No mandatory reporting to the Monitoring Officer or SWAP of fraud, corruption, theft or wrongdoing cases takes place** (Priority 3).
The Task and Finish Group have been focussing on this, as there is currently no single point of reporting. This is discussed further in Section 3 of this report.

2.7 **Issue - No active publication of proven cases of fraud, corruption, theft or wrongdoing takes place** (Priority 3).
It has been agreed that each case will be looked at on its own merits in conjunction with the Monitoring Officer and Communications Team.

2.8 The improvement action plan developed by the Task and Finish Group has been included at Appendix A. SWAP will be carrying out a Follow Up audit shortly to review progress.

3. Reporting of Whistleblowing and Fraud – 2019/20

3.1 Whilst any issues reported via the Whistleblowing hotline or directly to either the Monitoring Officer or Section 151 Officer will be recorded centrally, other issues that could constitute fraudulent activity (for instance those related to staff code of conduct) are investigated and reported separately via Human Resources. Similarly the purpose of the

whistleblowing policy extends beyond fraud to other perceived cases of malpractice, whether behavioural, procedural or in respect of health and safety failings.

3.2 It is agreed that an Annual Report will be presented wef 1 April 2021 with the aim of providing a holistic overview of all whistleblowing and fraud activity, and the Task and Finish Group have included an action within the delivery plan to enable that.

3.3 To assist, the following definition of Fraud has been drafted:

"What is fraud? It can be defined as any intentional false representation, including a failure to declare information or abuse of position that is carried out to make a gain, cause loss or expose another to the risk of loss.

Fraud can be used to describe many acts such as:

Deception	*Causing someone to accept as true or valid what is false or invalid*
Bribery	*Offering someone money or something valuable in order to persuade them to do something for you*
Forgery	*Copying a document, signature etc in order to deceive*
Extortion	*Using violence, threats, intimidation, or pressure from one's authority to force someone to hand over money or something valuable*
Corruption	*Offering, giving or accepting an inducement or reward which would influence the actions taken*
Conspiracy	*A plan or agreement formulated by two or more persons to commit an unlawful, harmful, or treacherous act*
Embezzlement	*Theft or misappropriation of funds placed in one's trust or belonging to one's employer*
Misappropriation	*The wrongful, fraudulent or corrupt use of other's funds in one's care*
False representation	*An untrue or incorrect representation regarding a material fact that is made with knowledge or belief of its inaccuracy*
Concealment of material facts	*The act of hiding or not putting forward any relevant fact that should to be revealed*
Collusion	*The act of doing something secret or illegal with another person, company, etc. in order to deceive people*

3.4 A key performance indicator has been established for more regular reporting to the Senior Leadership Team.

3.5 The whistleblowing policy sets out a number of mechanisms for notification of fraud or other perceived malpractice. The table below sets out whistleblowing activity during 2019/20:

i)	Whistleblowing hotline	No notifications received
ii)	Notification to Manager / Executive Director / Chief Executive	A managerial/procedural issue was raised by a whistleblower. SWAP were engaged and an internal audit undertaken, resulting in an improvement action plan. An issuing relating to potential conflict of interest raised during 2018/19 but with the SWAP investigation concluded in 2019/20. This report has not focussed on the outcome of investigations, which are ported separately by SWAP.
iii)	Notification to the Monitoring Officer	No notifications received
iv)	Notification to the Section 151 Officer	No notifications received
v)	Notification to SWAP	No notifications received (other than 2 above)

Footnote:
Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

Appendix A – Anti Fraud, Corruption and Bribery Action Plan

Theme	Action	By Whom	By When	Progress
Policy framework	Define scope of what constitutes Fraud	Service Manager for Assurance	Aug-20	Drafted for further discussion with Task and Finish Group
	Liaise with Policy team to ensure that review of fraud related policies are incorporated within corporate framework	Service Manager for Assurance	Sep-20	Discussed with Business Improvement Team
	Formalise Joint Working Fraud Protocol with SWAP	Service Manager for Assurance / SLT	Oct-20	Document drafted by SWAP. The principle of this needs to be agreed with Monitoring Officer / SLT
	Develop fraud risk assessment to prioritise focus across services (linked to training needs analysis)	Service Manager for Assurance / Risk & Resilience Officer	Nov-20	Risk and Resilience Officer has produced a draft document 'Fraud Risk for Managers' which sets the scene and provides applicable fraud risk areas as action cards with a risk status, risks, causes and key controls. This will link in with training needs assessment
Communication and accesability	Internal promotion campaign on fraud awareness, including access to policy framework via "How Do I" section on the Intranet	Service Manager for Assurance / Comms Team	Sep-20	Greenlight from comms and article to be drafted by Service Manager for Assurance
	Improve accessability of policy framework from external website	Service Manager for Assurance / Digital Team	Sep-20	AS policies are stored within ModGov they are available to the public but are not accessible from searches. Separate page to be developed with hyperlinks

Theme	Action	By Whom	By When	Progress
	News article on the role of the Assurance Service and points of contact	Service Manager for Assurance / Comms Team	Sep-20	Greenlight from comms and article to be drafted by Service Manager for Assurance
	Ensure that proven cases of fraud are considered for publication / promotion	Service Manager for Assurance / Comms Team	Ongoing	To be considered on a case by case basis
Reporting and escalation	Identify areas of potential fraud that may be reported and managed through other management mechanisms (for instance, code of conduct). Ensure that this reporting is centralised with appropriate reporting to Monitoring Officer and SWAP	Service Manager for Assurance / Task & Finish Group	Sep-20	To be reviewed further by Task and Finish Group. Copies of documents from other LAs obtained for reference.
	Develop mechanism for consolidation of fraud reporting, including Annual Fraud report	Service Manager for Assurance	Sep-20	KPI on fraud to be added to the SLT dashboard