

Audit and Governance Committee

9 July 2021

Fraud and Whistleblowing

For Review and Consultation

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: The Committee is asked to:

- Note the recent findings from a South West Audit Partnership audit of the Council's fraud arrangements and support the improvement action plan;
- To receive the annual update on fraud and whistleblowing activity; and
- Approve a proposal that the Chair performs the role of member fraud champion.

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

1. Executive Summary

At the July 2020 Audit and Governance Committee it was agreed that an annual report of fraud and whistleblowing would be presented in future years. This provides an update on the Council's approach to fraud management and whistleblowing, including a summary of cases reported in the preceding twelve months.

South West Audit Partnership completed an audit on "Fraud and Reporting" in April 2021, with the objective of providing assurance that the fraud management

arrangements are clear and accessible. This include a follow-up on a 2018 review of whistleblowing.

The outcomes from the audit have been added to the existing Anti Fraud, Bribery and Corruption Action Plan which can be found at Appendix A of this report, with a clear delivery timetable. This includes details of the progress made since reporting to the Committee in September 2020.

SWAP completed a second piece of fraud reporting in May 2021,a cross-cutting baseline assessment report on the maturity of fraud management. In the majority of areas assessed against peers the authority has clearly initiated work in the key areas, but conflicting priorities on the Covid response mean that many of these arrangements are not yet fully operational. A further report on progress is proposed for the latter part of 2021. The outcomes demonstrate that our commitment to a zero tolerance of fraud is clear, but further work is necessary to embed arrangements.

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. Well-being and Health Implications

None

4. Climate implications

None

5. Other Implications

None

6. Risk Assessment

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

Current Risk: Medium
Residual Risk: Medium

7. Equalities Impact Assessment

Fraud policies have been subject to EQIA.

8. Appendices

Appendix A - Anti Fraud, Bribery and Corruption Action Plan

9. Background Papers

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.

Fraud and Whistleblowing

1. Background

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

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

There are also clear links with Code of Conduct policies.

1.2 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	<i>Causing someone to accept as true or valid what is false or invalid</i>
Bribery	<i>Offering someone money or something valuable in order to persuade them to do something for you</i>
Forgery	<i>Copying a document, signature etc in order to deceive</i>
Extortion	<i>Using violence, threats, intimidation, or pressure from one's authority to force someone to hand over money or something valuable</i>

Corruption	<i>Offering, giving or accepting an inducement or reward which would influence the actions taken</i>
Conspiracy	<i>A plan or agreement formulated by two or more persons to commit an unlawful, harmful, or treacherous act</i>
Embezzlement	<i>Theft or misappropriation of funds placed in one's trust or belonging to one's employer</i>
Misappropriation	<i>The wrongful, fraudulent or corrupt use of other's funds in one's care</i>
False representation	<i>An untrue or incorrect representation regarding a material fact that is made with knowledge or belief of its inaccuracy</i>
Concealment of material facts	<i>The act of hiding or not putting forward any relevant fact that should to be revealed</i>
Collusion	<i>The act of doing something secret or illegal with another person, company, etc. in order to deceive people</i>

2. South West Audit Partnership Findings

2.1 South West Audit Partnership carried out an internal audit on “fraud and reporting” which was completed in April 2021, including a follow up on outstanding issues from a 2018 “whistleblowing” report. The following key findings were identified, and have been embedded within the action plan at Appendix A:

2.2 Finding One (Priority 2) – The action plan developed in response to the 2018 whistleblowing report has not yet been completed. *Post audit update – the majority of 2018 actions are now complete. The action plan has been updated to reflect the 2021 audit.*

2.3 Finding Two (Priority 2) - Officers and Members have not received Fraud Awareness Training. *Post audit update – Added to the action plan. A draft training package is in development, with a target date of 31st August 2021.*

2.4 Finding Three (Priority 3) – There is no formal process to support the fraud hotline. *Post audit update – This action has been completed.*

2.5 Finding Four (Priority 2) – A central fraud register should be developed, with regular KPI reporting to SLT and Committee. *Post audit update – Partially complete. The database is operative and a whistleblowing KPI is reported. A wider fraud KPI will be developed, but further work is necessary to achieve a more holistic view of organisational fraud.*

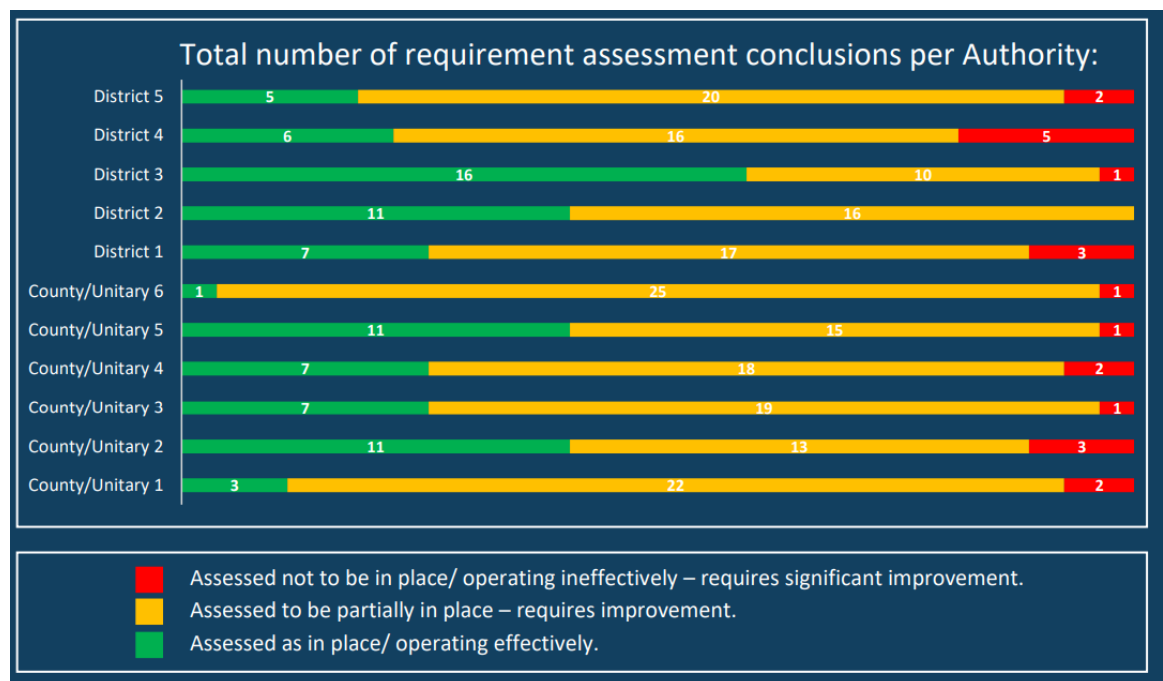
2.6 Finding Five (Priority 2) – Visibility of fraud related policies and guidance needs to be improved internally and externally. *Post audit update – Partially complete. Internal communication improved but greater visibility required on the external website.*

2.7 Finding Six (Priority 3) – There is currently no designated member champion form for fraud. *Post audit update – Proposal that the Chair of Audit and Governance Committee fulfils this role, as per recommendation set out in this report*

2.8 One of the benefits of our internal audit arrangements with SWAP is that they can provide a cross-authority comparison on significant risks and issues. In May 2021 SWAP completed a cross-cutting baseline assessment report on the maturity of fraud management, comparing authorities across a number of themes:

- i) Resource and co-ordination;
- ii) Risk management;
- iii) Policy related;
- iv) Committee roles;
- v) Culture and awareness;
- vi) Reporting, investigation and monitoring

The summary of output can be seen below, with Dorset Council shown as “County/Unitary Council 6”:



This highlights that whilst we have the majority of areas either addressed partially or underway, the arrangements are not currently determined as fully operating effectively in all but one category. Capacity issues within an Assurance Service responding to Covid has hindered progress, but there will be a concerted authority focus on fraud scheduled for September 2021. The response to this really helpful benchmarking work will be presented to committee later in the year. The improvements required to our fraud and whistleblowing arrangements have been recognised in our Annual Governance Statement.

3. Reporting of Whistleblowing and Fraud – 2020/21

- 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. At this point in time, this report focuses on issues reported to the Monitoring Officer or Section 151 Officer.
- 3.2 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.
- 3.3 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 2020/21:

Whistleblowing hotline	No notifications received
Notification to Manager / Executive Director / Chief Executive	One notification received, but managed via HR processes
Notification to the Monitoring Officer	One notification received relating to safeguarding concerns. These were partially upheld.
Notification to the Section 151 Officer	No notifications received
Notification to SWAP	No notifications received

Appendix A – Anti Fraud, Corruption and Bribery Action Plan

Theme	Action	Source	By Whom	By When	Progress Since September 2020
Policy framework	Define scope of what constitutes Fraud	2018 SWAP Report	Service Manager for Assurance	Complete	
	Formalise Joint Working Fraud Protocol with SWAP	Fraud working group	Service Manager for Assurance / SLT	Oct-21	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)	2018 SWAP Report	Service Manager for Assurance / Risk & Resilience Officer / South West Audit Partnership	Jan-22	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. SWAP have been undertaking fraud risk assessment work regionally and this will be looked at further early 2022.
	New action – Review and update fraud and linked policies:	Fraud working group	Service Manager for Assurance	Sep-21	

Theme	Action	Source	By Whom	By When	Progress Since September 2020
	New action – Establish a “member champion” for Fraud	2021 SWAP Report (Priority 3)	Corporate Director for Legal & Democratic Services	July-21	July Audit and Governance Report proposes that the Chair of the committee is named as fraud champion
Communication and accessibility	Internal promotion campaign on fraud awareness, including access to policy framework via "How Do I" section on the Intranet	2018 SWAP Report 2021 SWAP Report (Priority 2)	Service Manager for Assurance	Complete	Comms article issued, signposting to policy framework. Central intranet page developed, signposting to policies Chief Executive email May 21 included a reminder on whistleblowing arrangements
	Improve accessibility of policy framework from external website	2018 SWAP Report 2021 SWAP Report (Priority 2)	Service Manager for Assurance / Digital Team	May-21 (Overdue)	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
	Ensure that proven cases of fraud are considered for publication / promotion	2018 SWAP Report	Service Manager for Assurance / Comms Team	Complete/ Ongoing	To be considered on a case by case basis

Theme	Action	Source	By Whom	By When	Progress Since September 2020
	Fraud awareness training to be developed for officers and members, to include awareness of whistleblowing	2021 SWAP Report (Priority 2)	Service Manager for Assurance / Risk and Resilience Officer	Aug-21	First draft prepared, for review
Training	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	Fraud working group	Service Manager for Assurance / Task & Finish Group	Sep-20 Overdue (on hold pending Covid response)	To be reviewed further by Task and Finish Group. Copies of documents from other LAs obtained for reference.
Reporting and escalation	Develop mechanism for consolidation of fraud reporting, including Annual Fraud report	2018 SWAP Report	Service Manager for Assurance	Part complete	A whistleblowing KPI is reviewed by SLT. A wider fraud KPI to be developed once a more holistic view of fraud is achieved
	New action - Develop formal process for the fraud hotline	2021 SWAP Report (Priority 3)	Service Manager for Assurance	Complete	Process has been developed. Additional resilience added to ensure that the calls are picked up in the absence of the Service Manager
	New action - Develop central fraud database, with access by Monitoring Officer and Section 151 Officer	2021 SWAP Report (Priority 2)	Service Manager for Assurance	Complete	Database created and operative.
Fraud Identification	Initiate the Cfes data matching arrangements	SWAP review meeting	Service Manager for Assurance	Complete	DC now a member of Cfes

