Audit and Governance Committee

4 August 2025

Annual Fraud and Protected Disclosures Report

For Decision

Cabinet Member:
Cllr N Ireland, Leader of the Council, Climate, Performance and Safeguarding

Local Councillor(s): N/A

Executive Director:
J Mair, Director of Legal & Democratic

Report author and job title: Marc Eyre, Service Manager for Assurance
Email: marc.eyre@dorsetcouncil.gov.uk

Statutory Authority:

Report status: Public Choose an item.

1. **Executive summary**

1.1 The Audit and Governance Committee receives an annual report on fraud and protected disclosures (often referred to as whistleblowing). This provides an update on the Councils approach to combatting the fraud risk, and a summary of cases reported in the preceding twelve months.

1.2 The Committee is also responsible for signing off counter fraud related policy documents. These are now due for review, and have been reworked. The whistleblowing policy has been renamed "Protected Disclosure (Whistleblowing) Policy" and has been updated to reflect a number of minor "priority three" SWAP audit requirements.

1.3 A new "Counter Fraud and Financial Crime" policy has been developed, superseding and combining the previous "Anti Fraud, Bribery and Corruption" and "Anti-Money Laundering" policies, in addition to incorporating anti tax evasion and recognising a compliance regime in respect of the new offence of "Failure to Prevent Fraud" as per the Economic Crime and Corporate Transparency Act 2023.

2. Recommendation(s)

2.1 The Committee are asked to:

i) Note the annual update on fraud and protected disclosure activity;
ii) approve the revised “Protected Disclosure (Whistleblowing) Policy;
iii) approve the new “Counter Fraud and Financial Crime Policy”; and
iv) note the compliance matrix

3. Reason for the recommendation(s)

3.1 To support the Council’s zero tolerance to fraud and other financial crimes.

4. Summary of Anti Fraud Initiatives

4.1 Previous annual reports have noted the SWAP internal audit baseline assessment of anti-fraud maturity, which provided a cross-cutting baseline assessment report on the maturity of fraud management across wider SWAP partners. This was last completed in 2022 but provided a good tool for the development of a counter fraud compliance matrix.

4.2 The Economic Crime and Corporate Transparency Act (ECCTA) 2023 received Royal Assent on 26 October 2023. Whilst the most direct impacts of this act fall on companies (including local authority-owned ones), all local authorities have a role to play in ensuring compliance, especially in procurement, partnerships, and fraud prevention. This act introduces a new “failure to prevent fraud” offence, which could be found against local authorities if they:

- Fail to put in place reasonable fraud prevention procedures
- Are involved in economic activities where fraud risks are present

4.3 There are also implications in relation to commissioning and procurement arrangements, in particular:

- To meet diligence obligations under the Act
- The need to verify the legitimacy and transparency of corporate partners
- Potential liability if they engage with entities involved in economic crime

4.4 The compliance matrix included at Appendix A incorporates the key requirements set out in the ECCTA, ie:

- Implement procedures proportionate to the fraud risks faced by the authority;
- Assess the nature and extent of exposure to fraud risks;
- Foster a culture of integrity and anti-fraud commitment from senior leadership;
- Apply due diligence to associated persons (e.g. contractors, suppliers);
- Ensure staff and associates are aware of fraud risks and prevention procedures;
- Monitor and review fraud prevention procedures regularly

4.5 There are a number of areas noted as Green in the matrix where we are refreshing actions (for instance, the review of the policy framework) or where we believe we are already demonstrating commitment to fraud risk reduction but are looking at enhancing existing controls.

4.6 The main gap when measuring current controls against the expected commitment within the new legislation is the training regime. Whilst there is an e-learning module, take up is low. The development of a training matrix for higher risk areas and a review of the module will be undertaken as priority actions.

4.7 The SWAP Internal Audit Annual Opinion Report 2024/25 presented to the committee on 2 June 2025 provided the following update on the CiFAS data matching service:

> *SWAP has paid an annual subscription of £17,215 for 2024/25 to enable Dorset Council to be part of CIFAS. This data matching service will help the Council to both detect and prevent fraud. SWAP, working with both CIFAS and the council have facilitated data matching work in the following areas across the Council:*
>
> - *Potential new contractors – all company directors are being searched for potential new contracts.*
> - *Insurance – all liability cases are being searched.*
> - *Adult Service Users – at the point of a direct payment being agreed a search is undertaken. This includes Powers of Attorney and Finance Agents. Whilst the provision of care cannot be refused the Council can keep a closer watch on cases if a fraud has previously been committed.*
> - *Adults Homelessness – applications are being searched, and this can include facial matching where identity documents are*

searched to see if they have previously been used within a fraud.

- *Adults Housing Register - applications are being searched and this can include facial matching.*
- *Licensing – applications for taxi licenses are being searched and this can include facial matching.*
- *All new permanent staff are being searched and if a match is returned this is shared with the hiring manager for a risk assessment to be undertaken.*
- *All new agency staff are being searched and if a match is returned this is shared with the hiring manager for a risk assessment to be undertaken.*
- *Shared Lives Carers – all existing and new applications are searched. New for 2024/25*
- *Senior Officers (Executive Directors, Monitoring Officer and Chief Executive) were searched, and this will be an annual check.*

Data matching has had a positive impact with some matches being identified resulting in an agency worker not being employed, and where insurance claims are being refused where Cifas information has confirmed this is the correct decision. Matches have also been returned within Procurement and Licensing but risk assessments have deemed that the Council proceed with the engagements.

5. Reporting of Fraud and other Protected Disclosures – 2024/25

5.1 The Public Interest Disclosure Act 1988 protects any whistleblowing worker from any form of reprisal or mistreatment from their employer after raising a concern, where that concern is in the public interest. The Council's whistleblowing policy (to be superseded by the Protected Disclosure policy included with this report) sets out the Council's response to this legislation, and applies to all council employees and other workers; including freelance staff; temporary and agency staff; trainers; volunteers; consultants; and contractors.

5.2 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, the Section 151 Officer or via the whistleblowing hotline.

5.3 The purpose of the 'Protected Disclosure' policy extends beyond fraud to other perceived cases of malpractice, whether behavioural, procedural or in respect of health and safety failings. Whilst a protected disclosure relates purely to council workers, the spirit and procedures of the policy are also applied if contact is made by a contractor or a member of the public.

5.4 The table below sets out whistleblowing and fraud activity during 2024/2025, with ten cases reported in the twelve month period (April 24 to March 25), down from fourteen in the previous year:

Ref	Category (Alleged)	Reported by	Via	Summary	Direct-orate	Status
2024/01	Malpractice, negligent, unprofessional or unethical behaviour	Employee	SWAP	Alleged breach of code of conduct – private work	Place	Not Upheld
2024/02	Malpractice, negligent, unprofessional or unethical behaviour	Employee	Whistleblow hotline	Management Practices	Adults & Housing	Not Upheld
2024/03	Safeguarding and financial irregularities	Member of Public	Whistleblow hotline	Alleged safeguarding issue and potential fraud	Childrens	Not Upheld
2024/04	Financial irregularities (fraud, corruption or unauthorised use of public funds)	External	SWAP	Alleged fraudulent grant claim	Childrens	Not Upheld
2024/05	Malpractice, negligent, unprofessional or unethical behaviour / Financial irregularities (fraud, corruption or unauthorised use of public funds)	Employee	Whistleblow hotline	Circumvent-ing contract procedural rules / bullying	Place	Upheld
2024/06	Health and safety	Member of the Public	Whistleblowi hotline	Allegations about health & safety at a commissioned service	Childrens	Not Upheld
2024/07	Malpractice, negligent, unprofessional or unethical behaviour	Member of the public	Complaints e-form	Allegation of polygamous working	Adults & Housing	Not Upheld

Ref	Category (Alleged)	Reported by	Via	Summary	Direct-orate	Status
2024/08	Malpractice, negligent, unprofessional or unethical behaviour	Member of the public	Complaints e-form	Allegations about an employee.	Place	Not Upheld
2024/09	Financial irregularities (fraud, corruption or unauthorised use of public funds)	Service	Monitoring Officer	Ongoing investigations re commissioned service	Childrens	Open
2024/10	Malpractice, negligent, unprofessional or unethical behaviour	Ex-employee	Monitoring Officer	Ongoing investigations	Adults & Housing	Open

5.5 The case 2024/05 that is marked as upheld was a whistleblow that prompted the investigations by SWAP that have been subject to discussion at this committee on 2 June and 7 July 2025.

5.6 The following table provides a summary of whistleblowing activity and/or reported fraud across a number of financial years:

Financial Year	2024/25	2023/24	2022/23	2021/22
Upheld	1 (10%)	2 (14%)	1 (14%)	
Partially Upheld		3 (21%)		1 (25%)
Not Upheld	7 (70%)	9 (65%)	6 (86%)	3 (75%)
Ongoing	2 (20%)			
Total	**10**	**14**	**7**	**4**

6. Policy Framework

6.1 The portfolio of fraud related policies are reviewed every three years, or more frequently where required. Previously the Council operated a number of separate policies –

- Anti Fraud, Corruption and Bribery Policy;
- Anti Money Laundering Policy
- Whistleblowing Policy

6.2 The opportunity has been taken to merge the anti-fraud, corruption and bribery and anti money laundering policy into a single document, to reduce duplication. During this rewrite, the opportunity was also taken to incorporate the risk of tax evasion, which had been identified as a gap in the policy framework. Recognising the new “failure to prevent fraud” offence, the policy also more clearly sets out the Council’s commitment and establishes a compliance matrix to supersede the previous action plan, which forms Appendix A of this report.

6.3 As whistleblowing has a wider reach than financial wrong-doing, this has been retained as a separate policy, but clearly linked. The title has however been amended to “Protected Disclosure (Whistleblowing)” policy. Aside from the name change, the policy reinforces more strongly the need for training and awareness.

6.4 The Committee are requested to review and endorse these revised policies.

7. **<u>Alternative options considered</u>**

7.1 To retain separate policies for Anti Fraud, Bribery and Corruption and Anti Money Laundering and introduce a new Anti Tax Evasion policy. This was discounted however as there was a lot of duplication across policies, and instead this brings all financial crime related processes under a single umbrella.

7.2 Consideration was also given to incorporating the Protected Disclosure policy within the new Counter Fraud and Financial Crime policy, but this was discounted because whistleblowing extends beyond financial matters to incorporate wider perceived management practice issues.

8. **Legal considerations**

8.1 The revised policy framework considers the Economic Crime and Corporate Transparency Act (ECCTA) 2023, and in particular the corporate offence of “failure to prevent fraud”.

9. **Financial implications**

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

10. **Natural environment, climate & ecology implications**

10.1 None

11. **Well-being and health implications**

11.1 None

12. **Other implications**

12.1 None

13. **Risk implications**

13.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Medium
Residual Risk: Medium

14. **Equalities**

14.1 None

15. **Appendices**

Appendix A – Compliance Matrix
Appendix B – Draft Protected Disclosure (Whistleblowing) Policy
Appendix C – Draft Counter Fraud and Financial Crime Policy

16. **Background papers**

16.1 None

17. **Report sign-off**

17.1 This report has been through the internal report clearance process and has been signed off by the Director for Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s)