



Coventry City Council

Public report

Report to

Audit and Procurement Committee

10th September 2018

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Annual Fraud Report 2017-2018

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the Council's anti-fraud activity for the financial year 2017-18.

Recommendation:

The Audit and Procurement Committee is recommended to note and consider the anti-fraud activity undertaken in the financial year 2017-18.

List of Appendices included:

None

Background papers:

None

Other useful documents:

Half Yearly Fraud Update 2017-18

<http://internaldemocraticservices.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11608&Ver=4>

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee.

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Annual Fraud Report 2017-2018

1. Context (or background)

- 1.1 Fraud in the public sector has a national focus through the publication of "Fighting Fraud and Corruption Locally - The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy states that the level of fraud in the public sector is significant, the current trends in fraud activity includes areas which Coventry City Council does not have responsibility for, for example, social housing, and the levels of identified / reported fraud against the Council remain at relatively low levels, in terms of both numbers and value.
- 1.2 This report documents the Council's response to fraud during 2017-18, and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference '*to monitor Council policies on whistle blowing and the fraud and corruption strategy*'.

2. Options considered and recommended proposal

- 2.1 The Internal Audit Service is responsible for leading on the Council's response to the risk of fraud. The work of the team has focused on three main areas during 2017-18, namely:

- Council Tax
- National Fraud Initiative
- Referrals and investigations considered through the Council's Fraud and Corruption Strategy

A summary of the key activity that has taken place during 2017-18 is detailed below.

- 2.2 Council Tax – Work undertaken in this area has focused on the following:

- Reviewing Council Tax Exemptions / Discounts – A rolling programme of reviews is undertaken on an annual basis to provide an appropriate response to the inherent risk of fraud / error in this area, as the Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. The work in 2017-18 has resulted in:
 - 91 exemptions / discounts have been removed from customers' accounts. These exemptions / discounts were removed on the basis that the customer failed to report a change in circumstances. As such, they have been treated as an error, rather than a fraudulent application to obtain an exemption they were not entitled to.
 - Revised bills have been issued amounting to approximately £96k.
 - £90k of this money has been paid to the Council to date. The outstanding balances are being recovered through agreed payment instalment arrangements or are subject to the Council's standard recovery arrangements in relation to Council Tax.

In 2017-18, the focus of the Team's work has been on following up matches arising from the National Fraud Initiative (see 2.3 below). Consequently, this has had some impact on the volume of the exemption / discount reviews completed this year, but as a rolling programme of work, this is not viewed as a significant issue.

- Council Tax Referrals – The Council receives referrals from both internal and external sources linked to concerns around the payment of council tax support or council tax discounts / exemptions. Table one below indicates the number of referrals by source in 2017-18.

Table One – Council Tax Fraud Referrals Received 2017-18

Source	Referrals 2017-18
C/F from 16/17	1
Housing Benefits	13
Other Council departments	7
Members of the public	5
Other	2
Total	28

Whilst the vast majority of cases are passed to the Department Of Work and Pensions to investigate under agreed arrangements (i.e. where housing benefit is also in payment), we validated five concerns in 2017-18 linked to the payment of council tax. This has resulted in revised bills / overpayments of around £28,100 being issued, of which £10k has been paid to date.

- Other income – The work undertaken in relation to Council Tax has also led to four properties being identified that had not previously been put into rating. This could occur where a dwelling is built / converted but the customer has failed to notify the Council. Processes are in place for Council Tax to receive information from Planning, which will identify the vast majority of these cases, but there could be exceptions where planning permission is not applied for / not required. This has resulted in new bills being issued of around £16,360 of which £15,240 has been paid to date.

2.3 National Fraud Initiative (NFI) – The NFI exercise is led by the Cabinet Office. The exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. The results of the last exercise were released in January 2017 and identified approximately 3000 high quality matches for the Council to consider. A summary of the work undertaken in 2017-18 on these matches is detailed below:

- Around 1000 matches have been reviewed and processed. Given the high number of matches, priority has been given to known problem areas and key matches as judged by the Cabinet Office.
- Table two overleaf highlights a breakdown of those areas where errors / overpayments have been identified:

Table Two – Breakdown of National Fraud Initiative results

Match type	Number of errors / discrepancies	Issue	Overpayments / other action
Housing benefit claimants to student loans	8	Housing benefit claimants who had failed to declare their student loan	£48,500 (includes outcomes reported by the DWP)
Housing benefit / council tax support claimants to in-country immigration	6	Housing benefit / council tax support claimants whose leave to remain in the UK has expired and they are not eligible to claim benefits	£100,100 (includes outcomes reported by the DWP. £43k of this sum has been classed as un-recoverable)
Council tax support to council tax support	1	A customer in receipt of council tax support moved out of the area and failed to notify the Council	£10,100
Council tax support to deceased	1	The Council had continued to pay Council Tax support after the customer had died (out of city death)	£2,300
Blue Badge / Residents Parking Permits to deceased	276	A blue badge / residents parking permit has been issued to an individual who has subsequently deceased	A note has been made on the customer's record that they are deceased so the permit cannot be renewed / misuse detected
Waiting list to deceased	4	A customer has died but has remained on the housing wait list	£12,960 (this is not classed as recoverable but is based on NFI estimated values of removing the customer from the waiting list)
Council tax to other datasets	19	A customer is in receipt of a single person discount but other NFI information suggests there may be more than one person in the household	£55,800 (includes other overpayments identified as a result of the match, for e.g. housing benefit)
Total	315		£229,760

- Whilst the NFI exercise takes place every two years, Council Tax matches relating to the award of single person discounts are received on an annual basis as they are matched to the new electoral register which is published each December. In 2017-18, we have followed up those matches relating to council tax bands E and above. In total 113 matches were reviewed and as a result six single person discounts were cancelled. This has resulted in revised bills / overpayments of around £7,100.

2.4 Referrals and Investigations – Table three below indicates the number of referrals by source in 2017-18, with figures for the previous three financial years.

Table Three – Fraud Referrals Received between 2014-15 and 2017-18

Source	Referrals 2014-15	Referrals 2015-16	Referrals 2016-17	Referrals 2017-18
Whistle blower	12	5	5	2
Manager	13	14	15	23
External	1	2	1	5
Total	26	21	21	30

In considering this information, we need to be clear that there is no way of determining the number of referrals that the Council should receive on an annual basis and it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. Whilst the number of referrals received through the Council’s Whistleblowing policy has reduced over time, potentially this could be reflective of employees raising more issues directly with management. However, notwithstanding this, work to refresh employees’ awareness in relation to whistleblowing is currently being undertaken as part of a wider campaign to encourage employees to raise issues.

2.4.1 Of the 30 referrals received in 2017-18, ten have led to full investigations. The reasons for referrals not resulting in a full investigation include (a) our initial assessment / fact finding does not find any evidence to support the allegations, (b) appropriate action has already been taken, and (c) the nature of the event means it is impractical to pursue further.

2.4.2 In addition to the ten investigations highlighted in 2.4.1 above, a further three investigations were carried forward from 2016-17. Of the thirteen investigations, twelve related to fraud / theft or other activities linked to obtaining a financial benefit, whilst the other case involved a code of conduct issue.

Five out of the total thirteen investigations are still on-going, whilst of the remaining eight:

- In one case, the officers involved received verbal / final written warnings.
- In two cases linked to council tax, revised bills were issued amounting to £14,900 (£4,800 of this sum is also included in the council tax single person discount figure detailed in paragraph 2.3).
- In three cases, the officer left their post during the disciplinary process. (In one case, the matter has also been referred to the police.)
- In two cases, the matter was referred to the appropriate third party to take forward.

2.5 Proactive work – The Council’s response to fraud also considers an element of proactive work. Due to the focus on the national Fraud Initiative in 2017-18, our ability to undertake

this work was limited, although it is planned that proactive work will be prioritised in 2018-19.

2.6 Significant frauds - Within the International Auditing Standards, there are clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This includes an expectation that appropriate detail is provided around significant fraud. We have applied the following principles when defining significant fraud:

- A financial impact in excess of £10,000.
- Frauds of under £10,000 can be included if the Acting Chief Internal Auditor considers this justified by the nature of the fraud.
- In terms of establishing when a fraud has occurred, this is normally defined as occurring when the disciplinary process has been concluded, although in cases not involving employees, this will be linked to other management action, such as criminal prosecution.

In the period April 2017 to March 2018, no significant frauds have been identified.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a monitoring report.

5. Comments from the Director of Finance and Corporate Services

5.1 Financial Implications

All fraud has a detrimental financial impact on the Council. In cases where fraud is identified, recovery action is taken to minimise the impact that such instances cause. This also includes action, where appropriate, to make improvements to the financial administration arrangements within the Council as a result of frauds identified.

5.2 Legal implications

The Council has a duty under S151 of the Local Government Act to make arrangements for the proper administration of their financial affairs. To effectively discharge this duty, these arrangements include Council policies and procedures which protect the public purse through managing the risk of fraud and error.

All cases are conducted in line with the Data Protection Act 2018 and if appropriate are referred to the Police for investigation.

6. Other implications

6.1 How will this contribute to achievement of the Council's plan?

The scope and content of this report is not directly linked to the achievement of key Council objectives, although it is acknowledged that fraud can have a detrimental financial impact on the Council.

6.2 How is risk being managed?

The risk of fraud is being managed in a number of ways including:

- Through the Internal Audit Service's work on fraud, which is monitored by the Audit and Procurement Committee.
- Through agreed management action taken in response to fraud investigations and / or proactive reviews.

6.3 What is the impact on the organisation?

Human Resources Implications

Allegations of fraud made against employees are dealt with through the Council's formal disciplinary procedure. The Internal Audit Service are fully involved in the collation of evidence and undertake, or contribute to, the disciplinary investigation supported by a Human Resources representative. Matters of fraud can be referred to the police concurrent with, or consecutively to, a Council disciplinary investigation.

6.4 Equalities / EIA

Section 149 of the Equality Act 2010 imposes a legal duty on the Council to have due regard to three specified matters in the exercise of their functions:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The "protected characteristics" covered by section 149 are race, gender, disability, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment. The duty to have due regard to the need to eliminate discrimination also covers marriage and civil partnership.

The Council acting in its role as Prosecutor must be fair, independent and objective. Views about the ethnic or national origin, gender, disability, age, religion or belief, political views, sexual orientation, or gender identity of the suspect, victim or any witness must not influence the Council's decisions.

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

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