



Coventry City Council

Public report

Report to

Audit and Procurement Committee

20th October 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Damian Gannon

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

National Fraud Initiative: Outcomes and Information for Elected Members and Decision Makers 2012-13

Is this a key decision?

No

Executive summary:

The purpose of this report is to present to the Audit and Procurement Committee, the Audit Commission's report titled 'National Fraud Initiative: Outcomes and Information for Elected Members and Decision Maker 2012-13', which considers both outcomes of the exercise at a national and local level.

Recommendation:

The Audit and Procurement Committee is recommended to consider the report and determine whether it feels the Council approach in responding to the National Fraud Initiative is appropriate.

List of Appendices included:

Appendix – National Fraud Initiative: Outcomes and Information for Elected Members and Decision Makers 2012-13

Other useful background papers:

None

Has it or will it be considered by scrutiny?

No 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:

National Fraud Initiative: Outcomes and Information for Elected Members and Decision Makers 2012-13

1. Context (or background)

- 1.1 The National Fraud Initiative (NFI) exercise is currently led by the Audit Commission, although responsibility for this will move to the Cabinet Office in 2015. The exercise commenced in 1996, takes place every two years and involves matching electronic data within and between public bodies, with the aim of detecting fraud and error.
- 1.2 As an outcome of the most recent exercise, the Audit Commission has produced a report for each participating body aimed specifically at elected Members and senior management. The report covers the following:
 - Background to the NFI.
 - Key outcomes of the 2012-13 exercise – across England.
 - Activity, engagement and outcomes – Coventry City Council.
 - Questions for elected Members and decision makers.
- 1.3 This report is presented to the Audit and Procurement Committee in order to discharge its Council wide fraud 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 Attached as an appendix is the full report of the Audit Commission. To provide context to the report, key aspects of the Council's approach to the NFI exercise are outlined below.
- 2.2 **Activity and Engagement** – The information (page 7) within the Audit Commission report indicates that the Council investigates as a percentage, significantly less matches in comparison to other local authorities. The Council's approach to investigating NFI matches has evolved over the last few years, with the focus on achieving the best outcome whilst acknowledging that Council's resources have reduced. Our approach is based on:
 - Targeting areas where the Council has had previous success with the NFI exercise.
 - Undertaking sample checks on recommended matches in other areas and using the results from this to determine whether additional work is justified.
 - Not duplicating other Council work undertaken in some of these areas (e.g. single person discount, duplicate payments).

Based on benchmarking data (pages 9-11) provided in the report, this approach does not seem to have had a detrimental effect on outcomes, as the Council's performance is some of the best in comparison with 15 council's which have been modelled by CIPFA as those with the most similar profile to Coventry City Council.

- 2.3 Governance arrangements over the NFI exercise: Page 12 of the Audit Commission's report highlights five questions that should be considered in respect of the Council's approach to NFI. These are noted below along with a description of the Council's current arrangements / approach:

- **What governance arrangements do we have in place to ensure the organisation achieves the best possible outcome from the NFI?** From a governance perspective, the NFI exercise is co-ordinated and overseen by the Internal Audit and Risk Service. The outcome of such work is reported through the six monthly fraud updates provided to the Audit and Procurement Committee.
- **Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?** Refer to section 2.2 for details around process. The area that generates the greatest return from the NFI exercise is benefit fraud. The outcome of investigations (i.e. sanctions, including prosecutions) are determined by the Council's Benefit Fraud Prosecution and Sanction Policy. For other areas, the Council's experience is that in most cases, the issue is not necessarily fraud and is often due to error. In such cases, the Council's focus is generally about recovery of monies.
- **What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?** We do not believe that the NFI exercise on its own can be used to gain assurance of the effectiveness of internal control in any area, as it does not consider all fraud risks faced by the Council. In saying this, it is used when considering the effectiveness of specific processes in areas such as recruitment and social care.
- **Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Services?** The Council did take part in a pilot in respect of direct payments. We consider opportunities on a case by case basis regarding participation in the flexible data matching service, although there are a number of factors that underpin any decision made (i.e. timing, cost, and judgement on the value of participating).
- **How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?** The NFI exercise along with other information is used to inform the Council's fraud risk assessment and, where appropriate, our planned programme of proactive reviews. It has also led to the Council looking at further opportunities to use internal data sources to identify fraud and error (e.g. business rates, council tax discounts and exemptions).

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 Executive Director Resources

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

All Housing Benefit fraud cases are conducted in accordance with the Police and Criminal Evidence Act, Regulation of Investigatory Powers Act and the Data Protection Act (DPA). In terms of corporate fraud cases, investigations are conducted in line with DPA and are referred to the police when considering criminal proceedings.

5.3 Human Resources Implications

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

6. Other implications

6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

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 and Risk Service's work on both corporate and benefit fraud. This is monitored by the Audit and Procurement Committee.
- Through agreed management action taken in response to individual fraud investigations.

6.3 What is the impact on the organisation?

None

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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