



Coventry City Council

Public report

Report to

Audit and Procurement Committee

1st December 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:

Fraud Update 2014-15

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 during the financial year 2014-15 to date.

Recommendation:

The Audit and Procurement Committee is recommended to note:

1. The outcome of the Council's response to fraudulent activity during 2014-15 to date.
2. The update provided in respect of the implementation of the Single Fraud Investigation Service.

List of Appendices included:

None

Other useful background papers:

None

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:

Half Yearly Fraud Report 2014-15

1. Context (or background)

1.1 The focus given to fraud in the public sector has increased over the last few years, primarily as a result of the publication by the National Fraud Authority of "Fighting Fraud Locally - The Local Government Fraud Strategy". Whilst the national strategy states that the public sector is dealing with increasing levels of fraud, the experience of the Council is that except for benefit fraud, levels of identified / reported fraud against the Council are still at relatively low levels, in terms of both numbers and value. This report documents the Council's response to fraud during 2014-15 to date, 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 **Corporate Fraud** – The focus of work in this area has been split between co-ordinating the Council's response to the National Fraud Initiative and dealing with reported allegations of fraud. A summary of this activity is detailed below.

2.2 National Fraud Initiative (NFI) – The NFI exercise is currently led by the Audit Commission, although responsibility for this will move to the Cabinet Office in 2015. The exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. Our work in 2014/15 has been focused on collating and submitting the datasets for the next exercise. This was completed in early October 2014, with 12 datasets submitted. We expect the matches to be released for investigation in February 2015.

2.2.1 With the exception of Council Tax matches, all work arising from the last NFI exercise has now been completed. The work in respect of Council Tax relates to two areas:

- Single Person Discount matches - We have delayed looking into these matches pending the completion of a separate review by the Council Tax Team. We are now in the process of cross referencing the NFI matches to the results of the Council Tax Team exercise to identify any further cases that need to be pursued.
- Rising 18's - These matches provide information on individuals in properties who have either recently turned 18 or will turn 18 in the near future. The nature of these matches is such that this will be managed as an on-going piece of work over the coming months.

2.2.2 Referrals and Investigations – Table one below indicates the number of referrals by source in 2014-15, with figures for the previous three financial years.

Table One - Fraud Referrals Received between 2011-12 and 2014-15

Source	Referrals 2011-12	Referrals 2012-13	Referrals 2013-14	Referrals 2014-15 to date
Whistle blower	15	14	12	9
Manager	16	14	13	9
Complaint / External	1	-	4	1
Total	32	28	29	19

The figures for 2014-15 do appear to indicate an increase in the number of referrals received in comparison with previous financial years. In stating this, we need to be clear that we have no mechanism for determining the number of referrals the Council should receive on an annual basis and in our experience, it is very difficult to anticipate or identify the reasons behind fluctuations in numbers.

2.2.3 Quality of Referrals - Of the 19 referrals received, seven have led to full investigations. Reasons for referrals not resulting in a full investigation include:

- Poor quality referrals – In simple terms, in assessing some referrals, we have found no evidence to support the allegations. This does not necessarily mean that the allegations were false but can reflect a misinterpretation of the relevant events.
- Insufficient evidence on which to pursue an investigation - This can result from (i) a whistle blower contacting us anonymously and not providing any means of contacting them for clarification and / or further information, or (ii) the nature of the event being a 'one-off' situation and the impracticality of proving that an event in the past has actually taken place.

It should be noted that for five referrals, a decision has yet to be made regarding how these concerns will be pursued as these are still in the initial assessment / fact finding phase.

2.2.4 Type of Allegations - A breakdown of the seven investigations carried out in 2014-15 to date, by type of allegation, is detailed below.

- Theft (three) - This relates to theft of cash / council assets.
- Abuse of position (one) – This relates to an officer using their position to obtain a benefit that they are not entitled to.
- Attendance (one) - This relates to an allegation that an employee is falsifying their timesheets by claiming to be at work when this is not the case.
- Code of Conduct (two) – This relates to concerns around the behaviour / actions of officers.

2.2.5 Outcomes – With the exception of two cases, all investigations have now been completed. The following outcomes were achieved:

- One officer left their post during the investigation / disciplinary process.
- Two officers received final written warnings.
- The remaining cases were not pursued through to a formal disciplinary hearing. This was either due to (a) there was no case to answer, (b) the investigation could not determine responsibility for the matter and (c) it was determined that a resetting of standards was the most appropriate action.

2.3 **Benefit Fraud Team** – The performance of the team, in terms of administered sanctions, is reflected in table two overleaf, along with comparative figures for the previous three years.

Table Two: Sanctions Administered by the Benefit Fraud Team

	2011-12	2012-13	2013-14	2014-15 (April to October)
Administered Sanctions	189	174	190	85
Investigators (FTE) in Year	5.7	4.3	4.6	4
Sanctions Per Investigator	33	40	41	21

The work of the Team in 2014-15 to date has contributed to the identification of overpayments (fraud and non-fraud) totalling approximately £570,000, which is being pursued for recovery.

2.3.1 Single Fraud Investigation Service (SFIS) Update – Within the fraud annual report considered in July 2014, the Audit and Procurement Committee were advised that the Council had just received notification that the Council’s Benefit Fraud Team would transfer to the Department of Work and Pensions (DWP) in March 2015 as part of the creation of the SFIS. An initial meeting was held with the DWP Project Team on 30th September 2014 to agree an implementation plan for the Council and regular meetings are planned over the coming months to support this transfer. The full impact of the transfer from the Council’s perspective has yet to be determined as we have not received all the necessary information from the DWP. The Council’s priorities in the coming months will be on managing the impact and is likely to focus on the following issues:

- Ensuring that staff impacted by the transfer receive regular communications to keep them informed on this transfer.
- Ensuring a smooth transition when the transfer takes place.
- Assessing and managing the impact that the transfer will have on arrangements within the Council.

2.4 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 Internal Audit and Risk Manager considers this justified by the nature of the fraud.
- In terms of establishing when a fraud has occurred, we have applied two approaches, depending on the area where the fraud has occurred. Where these relate to benefits, these are defined as occurring when the case has been through the legal process and the case has been concluded. For all other fraud, this is defined as occurring when the fraud has been detected and / or reported.

2.4.1 In the period April to October 2014, eight significant frauds have been concluded. All relate to the area of benefit fraud and have resulted in successful prosecutions. A summary of the frauds is detailed below in table three.

Table Three – Significant Frauds April to October 2014

Ref	Value of Fraud (£)	Details of Fraud	Referral Mechanism
1	£10,311.24	Not resident in property	Housing Benefits
2	£15,372.28	Living together	Fraud Hotline
3	£21,060.77	Living together	NFI
4	£11,254.98	Non declared income - working	Housing Benefits
5	£27,020.37	Contrived Tenancy	Fraud Hotline
6	£15,331.04	Living together	DWP
7	£20,255.40	Non declared income – working	DWP
8	£37,591.14	Living together	Housing Benefits

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 (PACE), Regulation of Investigatory Powers Act (RIPA) 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 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 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 the corporate and Benefit Fraud Team. 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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