



Coventry City Council

Public report

Report to

Audit and Procurement Committee

14th December 2015

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor Gannon

Director approving submission of the report:

Executive Director of Resources

Ward(s) affected:

City Wide

Title:

Half Yearly Fraud Report 2015-16

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 2015-16 to date.

Recommendation:

The Audit and Procurement Committee is recommended to note and consider the anti- fraud activity undertaken during the first half of the financial year 2015-16.

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 2015-16

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 levels of identified / reported fraud against the Council are still at relatively low levels, in terms of both numbers and value.
- 1.2 This report documents the Council's response to fraud during 2015-16 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 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 four main areas during 2015-16, namely:
- Council Tax
 - National Fraud Initiative
 - Referrals and Investigations considered through the Council's Fraud and Corruption Strategy
 - Proactive Work

A summary of the key activity that has taken place during 2015-16 is detailed below.

- 2.2 Council Tax – When the Benefit Fraud Team moved to the Department for Work and Pensions in February 2015, the Council created two posts to respond to the risk of fraud and error in council tax. Work undertaken in this area includes:
- Reviewing Council Tax Exemptions – This has been the main area of focus to date. This reflects our view is that there is an 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. Based on a report obtained in March 2015, 7,204 council tax accounts existed where an exemption was currently in place. The vast majority of these (5,493) are student exemptions and these will be the subject of a separate review given the numbers involved. To date we have reviewed six exemption types covering 796 exemptions which has resulted in the following:
 - 90 exemptions have been removed from customers' accounts.
 - Revised bills have been issued amounting to approximately £113,000.
 - £56,000 of this money has been paid to the Council.

A number of exemption types have still to be reviewed and it is anticipated that these will be reviewed by the end of January 2016. Once completed, the focus of our work will move to the area of discounts.

- Council Tax Support Project – We are currently undertaking a proactive project aimed at better understanding the specific circumstances which could lead to council tax support fraud or error. This involves testing out scenarios that could lead to fraud and error to understand the Council’s exposure to risk in these cases. This is nearing completion and it is anticipated that the findings of this review will be used to develop a more targeted approach to this area of work.
- Council Tax Referrals – We have also received a small number of referrals predominantly from the Council Tax Department regarding concerns over the legitimacy of either council tax support / single person discounts awarded to customers. To date, four concerns have been validated and resulted in revised bills of £2,300 being issued.

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. Since the last update was reported to the Audit and Procurement Committee in August 2015, work has been focused on the following areas:

- Single Person Discount – After initial checks, 68 matches were subject to additional checks including customer validation. As a result of work undertaken, 13 discounts have been removed from council tax accounts with overpayments amounting to £13,000.
- 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, which in turn can affect the customer’s on-going entitlement to a single person discount. In the last update, we reported that 53 discounts had been cancelled totalling approximately £13,250. Since then a further 16 discounts totalling £4,000 have been cancelled.
- Direct Payments – Customers who are in receipt of a direct payment from the Council to purchase their care requirements are means tested to identify if they should pay a contribution to their care. The matches in this area relate to customers who may have failed to disclose to the Council the full extent of their income when their financial circumstances were assessed. Work is currently on-going in-conjunction with the Financial Assessments Team to consider these matches.

2.3 Referrals and Investigations – Table one below indicates the number of referrals by source in 2015-16, along with figures for the previous three financial years.

Table One - Fraud Referrals Received between 2012-13 and 2015-16

Source	Referrals 2012-13	Referrals 2013-14	Referrals 2014-15	Referrals 2015-16 to date
Whistle blower	14	12	12	3
Manager	14	13	13	8
Complaint / External	-	4	1	-
Total	28	29	26	11

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 it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. However, the number of referrals received in 2015-16 through the Whistle blowing Procedure is substantially lower than previous years. As such, we intend to pursue this with colleagues in Human Resources, who are responsible for this procedure, to ensure that the mechanisms for promoting awareness remain adequate.

2.3.1 Of the 11 referrals received, four have led to full investigations. The main reason for referrals not leading to an investigation relates to the feasibility of being able to pursue the issue, for example, the nature of the event being a “one-off” situation and the impracticality of proving that, retrospectively, it has actually taken place.

2.3.2 In addition to the four investigations highlighted in 2.3.1 above, a further two investigations were carried forward from 2014-15. Five of the six investigations relate to attendance at work concerns and the other was in respect of theft of money. Four of these investigations are still on-going, whilst in the other two cases, one officer left their post during the disciplinary process and in the other case, the allegation was found not to have been substantiated.

2.4 Proactive work – The Council’s response to fraud also includes an element of proactive work to ensure that all key fraud risks are considered. Whilst the plan is to undertake further proactive work in the second half of 2015-16, work undertaken to date in this area has included:

- Updating the Council’s fraud risk assessment to reflect changes in the way the Council works and the impact of this on the Council’s exposure to the risk of fraud.
- We are currently participating in a procurement pilot in conjunction with the Home Office and West Midlands Police. This involves data matching information between the Council and the Police aimed at detecting fraud / crime in the public sector. This work is currently on-going and further updates will be provided to the Audit and Procurement Committee in the coming months.

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 of 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 fraud work is conducted in line with the requirements of the Data Protection Act. Where appropriate, cases are referred to the police for consideration of 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 Service are 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 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?

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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