



Coventry City Council

Public report

Report to

Audit and Procurement Committee

19th December 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Executive Director of Resources

Ward(s) affected:

City Wide

Title:

Half Yearly Fraud Report 2016-17

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 2016-17 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 2016-17.

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 2016-17

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 are at relatively low levels, in terms of both numbers and value.
- 1.2 This report documents the Council's response to fraud during the first half of the financial year 2016-17, 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 2016-17, 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 2016-17 to date is detailed below.

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

- Reviewing Council Tax Exemptions – This has been the main area of focus to date. This reflects our view 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. Work to date in 2016-17 has resulted in:
 - 101 exemptions have been removed from customers' accounts. These exemptions 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 £148,000.
 - £64,000 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.

Once the main exemption types have been completed, the focus of our work will move to the area of disabled person reductions.

- Council Tax Referrals – We have received a small number of referrals predominantly from the Benefits / Council Tax Department linked to the payment of Council Tax support / single person discount. To date, six concerns have been validated and resulted in revised bills of £18,000 being issued, of which £7,100 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. Our work in 2016-17 has been focused on collating and submitting the datasets for the next exercise. This was completed in early October 2016, with 15 datasets submitted. We expect the matches to be released for investigation in February 2017.

2.4 Referrals and Investigations – From time to time, the Internal Audit Team receive referrals or are asked to assist with investigations relating to employee misconduct and other fraud against the Council involving external individuals. Table one below indicates the number of referrals by source in 2016-17, along with figures for the previous three financial years.

Table One - Fraud Referrals Received between 2013-14 and 2016-17

Source	Referrals 2013-14	Referrals 2014-15	Referrals 2015-16	Referrals 2016-17 to date
Whistle blower	12	12	5	1
Manager	13	13	14	6
Complaint / External	4	1	2	0
Total	29	26	21	7

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, in considering the number of referrals received to date in 2016-17, it is our opinion that the following issues are relevant:

- In comparison to previous years we have received fewer referrals linked to attendance concerns (i.e. falsifying time records), which in our opinion reflects the Council’s new ways of working including agile / home working. This has impacted on the nature of this risk in that attendance issues may be less visible, but also reflects that management of employees has become more outcome focused.
- As previously reported to Audit and Procurement Committee, there is a need to refresh employees’ awareness of the whistleblowing policy. This will be linked to the publication of the new policy in 2016-17.

2.4.1 Of the seven referrals received, five have led to full investigations. There are various reasons for referrals not leading to an investigation including, for example where it is a “one off” situation and there is no information available to indicate who was involved.

2.4.2 In addition to the five investigations highlighted in 2.4.1 above, a further five investigations were carried forward from 2015-16. Of the ten investigations, seven related to fraud / theft. These included three cases linked to the theft of Council equipment / money and two cases linked to the award of Small Business Rates Relief, where the customer had failed to report other business interests they held which affected their entitlement to the relief.

Four out of the total ten investigations are still on- going, whilst of the remaining six:

- In two cases, the officer left their post during the disciplinary process.
- In one case, the officers involved received final / written warnings.
- In two cases linked to Business Rates, revised bills were issued amounting to £10,200.
- In one case, the allegation was found not to be substantiated.

2.5 Proactive work – The Council’s response to fraud also includes an element of proactive work. Whilst this work has been limited in the first half of 2015-16, it has included:

- Review of the Council’s fraud and corruption strategy linked to the publication of the updated national strategy. It is planned that this work will be completed in the near future and will be reported to a future meeting of the Audit and Procurement Committee.
- Following a request by Audit and Procurement Committee, arrangements have been made for an article on the rolling programme of Council Tax reviews to be published in the December edition of the Council’s Citivision magazine. This also includes mechanisms for members of the public to raise concerns.

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

The Council has a duty under section 151 of the Local Government Act 1972 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 1998 and if appropriate are referred to the Police for investigation.

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 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. 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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