



Coventry City Council

# Public report

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## Report to

Audit and Procurement Committee

22<sup>nd</sup> January 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:

Half Yearly Fraud Report 2017-18

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## Is this a key decision?

No

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## 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 2017-18 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 2017-18.

**List of Appendices included:**

None

**Background papers:**

None

**Other useful documents:**

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 2017-18

**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 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 to date 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 largely reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. Work to date in 2017-18 has resulted in:
  - 80 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 £94,000
  - £30,000 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.

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 received by source during the first half of the financial year 2017-18.

**Table One – Council Tax Fraud Referrals Received April to September 2017**

Source	Referrals 2017-18 to date
C/F from 16/17	1
Housing Benefits	6
Council Tax	-
Members of the public	5
Other	3
<b>Total</b>	<b>15</b>

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 have validated three concerns to date in 2017-18 linked to the payment of council tax. This has resulted in revised bills / overpayments of around £16,500 being issued, of which £9000 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 to date on these matches is detailed below:

- Around 600 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 below highlights a breakdown of those areas where errors / overpayments have been identified:

**Table three – Breakdown of National Fraud Initiative results**

Match type	Number of errors / discrepancies	Issue	Overpayments / other action
Housing benefit claimants to student loans	2	Housing benefit claimants who had failed to declare their student loan.	£6,950 (as reported by the DWP)
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.	£10,065

Match type	Number of errors / discrepancies	Issue	Overpayments / other action
Council tax support to DWP deceased	1	The Council had continued to pay Council Tax support after the customer had died.	£2,337
Residents Parking Permits to deceased	79	A 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.

- Council tax single person discounts – 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, our work has focused on 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 £7100.

Processes are in place to recover the overpayments identified. Other action which may be taken is determined on a case by case basis. Work on the NFI matches remains on-going and a further update on this exercise will be included in future reports to the Audit and Procurement Committee.

- 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 three below indicates the number of referrals by source in 2017-18, along 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 to date
Whistle blower	12	5	5	2
Manager	13	14	15	10
Complaint / External	1	2	1	1
<b>Total</b>	<b>26</b>	<b>21</b>	<b>21</b>	<b>13</b>

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, as previously reported to the Committee, the decreasing number of referrals received via the Whistleblowing policy potentially indicates a requirement to refresh employees' awareness in relation to this process. As such, an approach to this is currently being developed with colleagues from across the Council as part of a wider piece of work around helping employees to raise concerns, both through the Whistleblowing policy and other mechanisms.

- 2.4.1 Of the 13 referrals received, two 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 or where our initial fact finding review does not substantiate the concern raised.

2.4.2 In addition to the two investigations highlighted in 2.4.1 above, a further three investigations were carried forward from 2016-17. Of the five investigations, four related to fraud / theft and one related to Code of Conduct issues.

Two out of the five investigations are still on- going, whilst of the remaining three:

- In one case, the officers involved received final / verbal warnings.
- In one case, the officer left their post during the disciplinary process.
- In one case linked to the award of a Council Tax single person discount, the discount was removed and a revised bill issued amounting to £4,800 (this amount is included in the council tax single person discount figure detailed in paragraph 2.3).

2.5 Proactive work – The Council's response to fraud also includes an element of proactive work. Due to the focus on the National Fraud Initiative in 2017-18, our ability to undertake this work is limited this financial year, although it is planned that proactive work will be prioritised in 2018-19.

### **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 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.

## **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?**

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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