



Coventry City Council

Public report

Report to

Audit and Procurement Committee

21st January 2019

Name of Cabinet Member:

Cabinet Member for Policy and Leadership - Councillor G Duggins

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Half Yearly Fraud and Error Report 2018-19

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 and error activity during the financial year 2018-19 to date.

Recommendation:

The Audit and Procurement Committee is recommended to note and consider the anti- fraud and error activity undertaken during the first half of the financial year 2018-19.

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 and Error Report 2018-19.

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 and error during the first half of the financial year 2018-19, 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 and error. The work of the team has focused on four main areas during 2018-19, 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 2018-19 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 2018-19 has resulted in:
 - 90 exemptions have been removed from customers' accounts. These exemptions were removed on the basis that the customer failed to report a change in circumstances.
 - Revised bills have been issued amounting to approximately £104k.
 - £58k 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.

Given that on an individual basis, the amounts involved were not sizeable, these cases have been treated as an error (as oppose to fraud). The Council's approach to this reflects the need to use resources in the most cost effective way. However, further investigation / action would be considered in the event that any individual case was considered to be significant (i.e. in excess of £10k).

- 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 2018-19.

Table One – Council Tax Fraud Referrals Received April to September 2018

Source	Referrals 2018-19 to date
C/F from 17/18	4
Housing Benefits	10
Council Tax	2
Members of the public	0
Other	6
Total	22

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 ten concerns to date in 2018-19. Whilst the majority of these cases are linked to the payment of council tax / council tax support, three cases relate to the payment of housing benefit, where in light of the circumstances, it was more appropriate for the Council to take action directly, rather than pass the matter to the Department of Work and Pensions. In total, the ten cases have resulted in revised bills / overpayments of around £23k being issued, of which £17k 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 2018-19 has been focused on collating and submitting the datasets for the next exercise. This was completed in early October 2018, with 12 datasets submitted. We expect the matches to be released for investigation in February 2018.
- 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 2018-19, along with figures for the previous three financial years.

Table Two - Fraud Referrals Received between 2015-16 and 2018-19

Source	Referrals 2015-16	Referrals 2016-17	Referrals 2017-18	Referrals 2018-19 to date
Whistle blower	5	5	2	0
Manager	14	15	23	14
Complaint / External	2	1	5	1
Total	21	21	30	15

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. Whilst the number of referrals received through the Council's Whistleblowing policy has reduced over time, a campaign to encourage employees to raise issues (both through Whistleblowing and other mechanisms) is due to be publicised in the near future. It is also worth noting that this information only reflects referrals made in respect of concerns relating to fraud and corruption and does not include other matters raised under the Whistleblowing policy.

2.4.1 Of the 15 referrals received, five have led to full investigations. The reasons for referrals not resulting in a full investigation include (a) our initial assessment / fact finding does not find any evidence to support the allegations (b) appropriate action has already been taken, and (c) the nature of the event means it is impractical to pursue further.

2.4.2 In addition to the five investigations highlighted in 2.4.1 above, a further five investigations were carried forward from 2017-18. All of the ten investigations related to fraud / theft.

Six out of the ten investigations are still on-going, whilst of the remaining four:

- In one case, the officer involved received a final written warning.
- In one case, the officer left their post during the disciplinary process.
- In one case linked to a Council supplier, this is now being dealt with as a contract management issue.
- In one case linked to council tax, action was taken to correct the council tax liability on four accounts. (This case related to a wider fraud involving two high street banks where the individuals fraudulently applied to become liable for council tax in order to obtain proof of identity / address).

2.4.3 Proactive work – The Council's response to fraud also considers an element of proactive work to ensure that all key fraud risks are considered. In 2018-19, this work has included:

- Review and update of the Council's Fraud and Corruption Strategy, which was considered by the Audit and Procurement Committee in June 2018 and approved by the Cabinet Member for Policy and Leadership in July 2018.
- A fraud awareness e-learning tool has been made available to staff. This both highlights some of the common types of fraud in local government and provides details of how concerns can be reported. Face to face sessions are also planned in February 2019 with staff from Adult Social Care in relation to direct payment fraud.
- The Council was part of a group of West-Midlands authorities who took part in a pilot data matching project run by the Cabinet Office to detect fraud and error in Business Rates. This involved review of around 470 matches. As well as assisting the Cabinet Office to shape the future direction of this activity as part of the main National Fraud Initiative, the project resulted in revised bills being issued in 9 cases, totalling around £21k. Given the value of the individual cases, these have been classed as an error.

2.5 Actions taken to prevent fraud / error - As part of the work carried out by Internal Audit which is linked to fraud and error, consideration is given as to whether control improvements can be made to prevent further incidents from occurring in the future. During the period April to September 2018, this has included the following:

- The annual review form for Disabled Persons Relief in respect of Council tax has been amended to ask for confirmation that the individual is still resident in the property.
- Awareness has been raised with staff within Council Tax regarding fraudulent attempts to obtain liability for council tax and the need to remain alert for this moving forward.

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 / error 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 2018 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 plan?

The scope and content of this report is not directly linked to the achievement of key Council objectives, although it is acknowledged that fraud / error 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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