



Coventry City Council

Public report

Report to

Audit and Procurement Committee

27th January 2020

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 2019-20

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 undertaken by the Internal Audit Service during the financial year 2019-20 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 2019-20.

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 2019-20.

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 remain 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 2019-20 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 2019-20, 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 2019-20 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 normally undertaken on an annual basis to provide an appropriate response to the inherent risk of fraud / error in the area, as the Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. However, in 2019-20 to date only limited work has been undertaken in this area, given the focus of the Team's work on following up matches arising from the National Fraud Initiative (see 2.3 below). As a rolling programme of work, this is not viewed as significant. Notwithstanding this, the work undertaken has resulted in:
 - 20 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 £28k.

- £20k 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 2019-20.

Table One – Council Tax Fraud Referrals Received April to September 2019

Source	Referrals 2019-20 to date
C/F from 18/19	2
Housing Benefits	4
Council Tax	4
Members of the public	3
Other	5
Total	18

Whilst a significant number 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), the Internal Audit Service have validated two concerns to date in 2019-20, which has resulted in revised bills / overpayments of around £8k being issued, all of which has now been recovered.

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 2019 and identified approximately 10,000 matches for the Council to consider. A summary of the work undertaken in 2019-20 on these matches is detailed below:

- Around 2500 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. However, changes introduced by the Cabinet Office in the risk rating approach and the release of additional matches under a pilot scheme (see below for further details) has required more focus to be given to this area of work in 2019-20.
- Table two overleaf highlights a breakdown of those areas where errors / overpayments have been identified:

Table Two – Breakdown of National Fraud Initiative results April 2019 to January 2020

Match type	Number of errors / discrepancies	Issue	Overpayments
Housing benefit claimants to student loans	5	Housing benefit claimants who had failed to declare their student loan	£38,200 (includes outcomes reported by the Department of Work and Pensions)
Housing benefit claimants to taxi drivers	1	Housing benefit claimant who failed to declare the correct date they started work as a taxi driver	£250
Housing benefit claimants to personal alcohol licenses	1	Other overpayment – review of the data match led to identification that housing benefit should not have been paid due to the non-commerciality of the tenancy agreement between the claimant and the landlord	£20,500 (this has been classed as un-recoverable)
Housing benefit claimants to deceased	3	Housing benefit claimants who had died and the Council were not aware of the correct date their tenancy ended	£600 (£250 of this has been classed as un-recoverable)
Pensions to deceased	1	The Council has continued to pay a pension after the individual had died	£1200
Council tax support to pensions	1	Other overpayment – review of the data match led to identification that the claimant had moved out of the address but the liability had not been updated	£1700
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	£1500

		Council	
Council tax support to personal alcohol licenses	1	Council tax support claimant who failed to declare their full income	£1500
Council tax support to deceased	6	Other overpayments – In all cases whilst the Council were already aware the claimant had deceased, review of the data match led to identification that other persons should have been liable for the council tax	£5700
Council tax support to HMRC earnings and capital	8	Council tax support claimants who had failed to declare employment	£40,200
Council tax support to HMRC household composition	5	Council tax support claimants where review identified that other persons should have been liable for the council tax / household income was not fully declared	£40,000
Duplicate invoices	2	Duplicate creditor payments	£5000
Total	35		£156,350

- It is worth noting that in August 2019, the Cabinet Office released additional matches under a pilot scheme using data held by the HMRC to target three fraud risks:
 - Undeclared property ownership
 - Undeclared earnings and capital
 - Undeclared persons in a household

Whilst this is currently a pilot exercise, the initial results, both within the Council (as highlighted in the table above) and across other local authorities suggest that use of this data within the National Fraud Initiative will further strengthen the effectiveness of information available to the Council through this exercise to tackle fraud and error.

- 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 2019-20, Internal Audit have completed the work started in 2018-19 to follow up those matches relating to

council tax bands D and above. In total, a further 15 single person discounts were cancelled in 2019-20. This has resulted in revised bills / overpayments being issued of around £16,800.

- 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 2019-20, along with figures for the previous three financial years.

Table Two - Fraud Referrals Received between 2016-17 and 2019-20

Source	Referrals 2016-17	Referrals 2017-18	Referrals 2018-19	Referrals 2019-20 to date
Whistle blower	5	2	3	2
Manager	15	23	21	5
Complaint / External	1	5	2	1
Total	21	30	26	8

It is important to note that there is no mechanism for determining the number of referrals the Council should receive on an annual basis and whilst the number received during the period April 2019 to September 2019 is lower than previous years it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. It is 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 eight referrals received, three 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 three investigations highlighted in 2.4.1 above, a further three investigations were carried forward from 2018-19. All of the six investigations related to fraud / theft.

Three out of the six investigations are still on-going, whilst of the remaining three:

- In one case, which related to Adult Social Care, action was taken to change the care provider being used. In addition, around £2k is being recovered from the provider.
- In one case, whilst there was insufficient evidence to pursue the matter under the Council's disciplinary process, other action was taken by management / Human Resources to manage wider employment risks which were identified in the course of the investigation.
- In one case involving an external fraud against the Council, it was impractical to pursue the matter further. However, as a result of the investigation, a number of control improvements were identified and implemented in order to provide a robust response to the increased risk of fraud in this area.

- 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 2019-20, this work has included:

- Continuing delivery of face to face awareness sessions with staff from Adult Social Care in relation to direct payment fraud.
- Participation in a regional workshop to assist in development of the new national fraud and corruption strategy for local government.

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. In total, during 2019-20 to date, around £210k has been identified from the work of Internal Audit in relation to fraud and error and is subject to the Council's standard arrangements for recovery of monies owed (unless otherwise stated.)

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) Climate Change and the environment

No impact

6.6 Implications for partner organisations?

None

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