



Coventry City Council

Public report

Report to

Audit and Procurement Committee

20th March 2023

Name of Cabinet Member:

Cabinet Member for Policy and Leadership - Councillor G Duggins

Director approving submission of the report:

Acting Chief Executive / Chief Operating Officer (Section 151 Officer)

Ward(s) affected:

City Wide

Title:

Half Yearly Fraud and Error Report 2022-23

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 first half of the financial year 2022-23.

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 2022-23.

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 2022-23

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 2022-23 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 strategic response to the risk of fraud and error. The establishment of Internal Audit includes a Corporate Fraud and Error Officer post to support delivery of this work. This post became vacant at the end of March 2022. A recruitment exercise was undertaken which was unsuccessful and it was viewed that, given the unique remit of the post, it was unlikely that it could be filled in its current format.
- 2.2 Consequently, the role and responsibilities of the post have been reviewed and it has been agreed that the budget will be transferred to the Revenues and Benefits Service and a new post of Revenues and Benefits Compliance Officer will be created. This role will focus on fraud and error work specifically linked to Revenues and Benefits (including the investigation of National Fraud Initiative matches relating to council tax and benefits.) The Internal Audit Service will retain responsibility for corporate fraud referrals, co-ordination of the National Fraud Initiative exercise (including the investigation of specific match types) and other ad hoc proactive work linked to the strategic response to fraud. It is viewed that this will provide more resilient arrangements moving forward and will enable the Internal Audit Service to better focus its resources on the Council's strategic response to the risk of fraud.
- 2.3 In the interim, arrangements have been put in place to pass referrals relating to council tax and benefits to the Revenues Service. Whilst proactive reviews of council tax exemptions and discounts have not been undertaken in 2022-23, as a rolling programme of work this is not viewed as critical and will form part of the new role within Revenues and Benefits.
- 2.4 In light of the above, the work of the team has focused on three main areas during 2022-23, namely:
 - Business Support Grants
 - 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 2022-23 to date is detailed below.

2.5 Business Support Grants - In response to Covid-19, the government announced there would be support for businesses in the form of grant funding schemes. As previously reported to the Audit and Procurement Committee, the internal Audit Service have led on the delivery of pre and post-payment assurance checks which have been required by the Department of Business, Energy, and Industrial Strategy (BEIS) to manage the risk of fraud and error in these schemes and are assisting in the administration of the debt recovery process in-conjunction with BEIS. In 2022-23 this work has included:

- Collating and submitting evidence in relation to a sample of grants to demonstrate that the grant was awarded correctly in line with the eligibility criteria for each grant scheme and that appropriate and proportional assurance checks were undertaken. In total, evidence in relation to 58 grants was provided to BEIS. BEIS have concluded that in relation to the cohort 1 schemes (covering the Small Business Grant Fund, the Retail, Hospitality and Leisure Grant Fund and the Local Authority Discretionary Grant Fund) the Council followed an appropriate and robust process in completing the minimum assurance checks when awarding and paying a grant. The results in relation to the other grant schemes are expected later this year and will be reported to the Audit and Procurement Committee.
- Assisting in the on-going monitoring of grants which are being recovered and referral of outstanding debts to BEIS in line with requirements. To date a sum of £367,070 has now been returned to BEIS from the debt recovery process. This work will continue throughout 2022-23 and a full end of year position will be provided in a future report to the Audit and Procurement Committee.

2.6 National Fraud Initiative (NFI) – The NFI exercise is led by the Cabinet Office. The main exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. Internal Audit work in 2022-23 has been focused on collating and submitting the datasets for the next exercise. This was completed in early October 2022. The first matches have just been released and will form part of the planned programme of work for 2023-24. Matches relating to council tax single person discounts are released annually and will be passed to the Revenues and Benefits Compliance Officer when the post has been recruited to.

2.7 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 two below indicates the number of referrals by source in 2022-23, along with figures for the previous three financial years.

Table Two - Fraud Referrals Received between 2018-19 and 2022-23

Source	Referrals 2019-20	Referrals 2020-21	Referrals 2021-22	Referrals 2022-23 April to September
Whistle blower	3	4	1	1
Manager	16	14	20	4
External	1	6	2	0
Total	20	24	23	5

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 it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. Notwithstanding this, the Internal Audit

Service are planning to undertake a programme of fraud awareness work in 2023-24. 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.

2.7.1 Of the five referrals received, three have led to a full investigation. 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.

In addition to the three investigations highlighted in 2.7.1 above, three further investigations were carried forward from 2021-22. All six investigations related to fraud / theft or other activities linked to obtaining a financial benefit. Five out of the six investigations are still on-going, whilst in the remaining case, the officer resigned from the Council's employment.

2.8 Significant frauds - Within the International Auditing Standards, there are clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This includes an expectation that appropriate detail is provided around significant fraud. We have applied the following principles when defining significant fraud:

- A financial impact in excess of £10,000.
- Frauds of under £10,000 can be included if the Chief Internal Auditor considers this justified by the nature of the fraud.
- In terms of establishing when a fraud has occurred, this is normally defined as occurring when the disciplinary process has been concluded, although in cases not involving employees, this will be linked to other management action, such as criminal prosecution.

In the period April 2022 to September 2022, no significant frauds have been concluded.

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 Acting Chief Executive / Chief Operating Officer and the Chief Legal Officer

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) Climate Change and the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

Karen Tyler
Chief Internal Auditor

Service:

Finance

Tel and email contact:

024 76972186
Karen.tyler@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Law and Governance	17/2/2023	1/3/2023
Paul Jennings	Finance Manager Corporate Finance	Finance	17/2/2023	21/2/2023
Names of approvers: (officers and members)				
Barry Hastie	Acting Chief Executive / Chief Operating Officer	-	17/2/2023	24/2/2023
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	17/2/2023	28/2/2023

This report is published on the council's website:
www.coventry.gov.uk/meetings