



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

22<sup>nd</sup> July 2024

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Director of Finance and Resources

**Ward(s) affected:**

City Wide

**Title:**

Annual Fraud and Error Report 2023/24

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**Is this a key decision?**

No – this is a monitoring report.

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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 and error activity undertaken by the Internal Audit Service for the financial year 2023-24.

**Recommendation:**

The Audit and Procurement Committee is recommended to note and consider the anti-fraud and error activity undertaken in the financial year 2023/24.

**List of Appendices included:**

None

**Background papers:**

None

**Other useful documents:**

Half Yearly Fraud and Error report 2023-24

[Agenda for Audit and Procurement Committee on Monday, 11th December, 2023, 2.30 pm - Coventry City Council](#)

**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:**

Annual Fraud and Error Report 2023-24

**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 levels of identified / reported fraud against the Council remain at relatively low levels, both in terms of numbers and value.
- 1.2 This report documents the Council's response to fraud and error during 2023-24 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 2023-24, namely:

- Business Support Grants
- National Fraud Initiative
- Referrals and investigations considered through the Council's Fraud and Corruption Strategy
- Fraud awareness

A summary of the key activity that has taken place during 2023-24 is detailed below.

- 2.2 Business Support Grants – Work to assist in the administration of the debt recovery process of grants paid fraudulently or in error has continued during 2023-24. This has included:

- Ongoing meetings with colleagues from the Revenues Service to monitor the status of debts which are still undergoing recovery action, including monitoring of on-going payment plans to ensure they are still being adhered to. There are currently six cases which are still undergoing recovery, with the total amount currently outstanding amounting to approximately £38k.
- Where a decision is reached that recovery options have been exhausted, administration of the process to refer the debt to the Department for Business and Trade (DBT.) Grants in relation to six businesses amounting to £48k have been referred to DBT during the year. In one case, the Department have accepted assignment of the debt (£25k), whilst in the other cases, the Council is awaiting a decision.

- Assisting in the process to return recovered grant funding to DBT. In 23-24, £63k was returned to DBT.

2.3 **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. The follow up of matches can also provide assurance that the Council’s own arrangements for preventing and detecting fraud / error are effective. The results of the last exercise were released in March 2023. As from April 2023, the Revenues and Benefits Service have become responsible for matches relating to Housing Benefit / Council Tax Support, whilst the Internal Audit Service are responsible for other match types. (The Internal Audit Service have continued to support Revenues and Benefits during this transitional period.)

2.3.1 Given the number of matches released, a risk-based approach is used in following up the matches. To date, around 2000 matches have been processed. Table one below provides a breakdown of those areas where overpayments / forward savings have been identified to date (where overpayments are identified, these are subject to standard recovery arrangements.) The estimate of forward savings is calculated by the Cabinet Office. It helps to demonstrate the financial advantage of anti-fraud work and underlines the importance of taking appropriate action.

**Table One – Breakdown of National Fraud Initiative results April to March 2024**

<b>Match Type</b>	<b>Purpose of Match</b>	<b>Number of errors / discrepancies</b>	<b>Overpayments</b>	<b>Cabinet Office Estimate of Forward savings</b>
Pensions to DWP deceased data	To identify instances where an occupational pensioner has died but the pension is still being paid.	8	£1,418	£13,722
Blue badges to DWP deceased data	To identify cases where a blue badge holder has died but the local authority has not been notified.	160	-	£104,000
VAT overpaid	To identify instances where VAT has been overpaid to a supplier	1	£2,285	

Duplicate invoices by invoice number and amount	To identify duplicate payments for the same goods and services	1	£4,700	
Waiting list to housing tenants	To identify inaccurate / fraudulent applications for social housing.	3	-	£12,849
Waiting list to waiting list	To identify inaccurate / fraudulent applications for social housing.	6	-	£25,698
Waiting list to DWP deceased	To identify instances where a waiting list applicant has died but the local authority has not been notified.	3	-	£12,849
<b>Total</b>		<b>182</b>	<b>£8,403</b>	<b>£169,118</b>

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 two below indicates the number of referrals by source in 2023-24, along with figures for the previous three financial years.

**Table Two - Fraud Reports Received between 2020-21 and 2023-24**

Source	Reports 2020-21	Reports 2021-22	Reports 2022-23	Reports 2023-24
Whistleblower	4	1	1	4
Manager	14	20	10	18
External	6	2	2	1
<b>Total</b>	<b>24</b>	<b>23</b>	<b>13</b>	<b>23</b>

It is important to note that there is no mechanism for determining the number of reports the Council should receive on an annual basis and 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 24 referrals received in 2023-24, eight 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, e.g. the fraud has been prevented, and (c) the nature of the event means it is impractical to pursue further.

In addition to the eight investigations highlighted in 2.4.1 above, three investigations were carried forward from 2022-23. All eleven investigations related to fraud / theft or other activities linked to obtaining a financial benefit. Three out of the total eleven investigations are still on-going, whilst of the remaining eight:

- In one case relating to an agency member of staff, their engagement was terminated.
- In two cases, standards were re-set / informal management action was taken.
- In four cases, the concern was not substantiated, although other appropriate actions were identified and implemented.
- In one case involving the provision of false information to support a claim for homelessness assistance, the Council withdrew the application for assistance and rescinded its duty to provide temporary accommodation.

2.5 Fraud Awareness - In 2023-24, the Internal Audit Service attended five training sessions with employees from Adult Social Care to raise awareness of the types of fraud that can occur within the social care environment, and particularly within direct payments. The Service have also updated the Council's intranet pages in respect of fraud and corruption and attended an event hosted by a local charity who support immigrants to explain the consequences of benefit fraud.

2.6 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 2023 to March 2024, no significant frauds have been concluded.

2.7 The local government transparency code requires local authorities to publish information in relation to fraud on an annual basis. This information is detailed in table three below.

**Table Three – Counter Fraud Transparency Data**

<b>Requirement</b>	<b>Response</b>
Number of occasions powers under the Prevention of Social Housing Fraud Regulations 2014 (or similar) have been used	0 – the Council does not own its own housing stock.
Total number of employees undertaking investigations and prosecutions of fraud	2 (estimated FTE 0.25)
Total number of professionally accredited counter fraud specialists	1 member of the Internal Audit Service holds the CIPFA Certificate in Investigatory Practice
Total amount spent by the authority on the investigation and prosecution of fraud	£1,650 (direct costs only, does not include salary costs)
Total number of fraud cases investigated	8 (note this only includes corporate fraud investigations, not investigations linked to the NFI or business grants)

**3. Results of consultation undertaken**

None

**4. Timetable for implementing this decision**

There is no implementation timetable as this is a monitoring report.

**5. Comments from the Director of Finance and Resources and the Director of Law and Governance**

**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 S151 of the Local Government Act 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 One Coventry Plan?**

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-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 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 involved in the collation of evidence and 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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Barry Hastie	Director of Finance and Resources	-	3/7/2024	10/7/2024
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	3/7/2024	8/7/2024
Councillor R Lakha	Chair of Audit and Procurement Committee	-	3/7/2024	4/7/2024

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