



Coventry City Council

Public report

Report to

Audit and Procurement Committee

29th January 2025

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:

Half Yearly Fraud and Error Report 2024-25

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 2024-25.

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 2024-25.

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 2024-25

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 2024-25 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 work of the team has focused on three main areas during 2024-25, namely:
- 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 2024-25 to date is detailed below.

- 2.2 National Fraud Initiative –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. Internal Audit work in 2024-25 has been mainly focused on collating and submitting the datasets for the next exercise. This was completed in early October 2024. The matches were released in January 2025 and form part of the planned programme of work for 2025/26. Matches relating to council tax single person discounts are released annually and now fall under the responsibility of the Revenues and Benefits Service.
- 2.3 Referrals and Investigations – From time to time, the Internal Audit Service receive referrals or are asked to assist with investigations relating to employee misconduct and other fraud against the Council involving external individuals. Table two overleaf indicates the number of referrals by source in 2024-25, along with figures for the previous three financial years.

Table Two - Fraud Reports Received between 2021-22 and 2024-25

Source	Reports 2021-22	Reports 2022-23	Reports 2023-24	Reports 2024-25 April to September
Whistle blower	1	1	4	0
Manager	20	10	18	8
External	2	2	1	1
Total	23	13	23	9

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.

2.3.1 Of the nine referrals received, four have led to a full investigation. The reasons for referrals not resulting in a full investigation include (a) 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 four investigations highlighted above, three further investigations were carried forward from 2023-24. Six investigations related to fraud / theft or other activities linked to obtaining a financial benefit and one related to a Code of Conduct matter. Three out of the seven investigations are still on-going, whilst of the remaining four:

- In one case involving a direct payment, administration of the payments was moved to a managed account and action has been taken to recover monies.
- In one case involving the provision of false information to support a claim for homelessness assistance, the Council ended its duty to provide temporary accommodation.
- In one case, a formal re-setting of standards took place.
- In one case, the concern was not substantiated.

2.4 Fraud Awareness – In 2024-25 to date, the Internal Audit Service have attended a number of 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 also delivered a fraud awareness session to colleagues from Human Resources as part of their away day.

2.5 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 2024 to September 2024, 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 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 / 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 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 / 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 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 and Resources

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	9/01/2025	17/1/2025
Tina Pinks	Finance Manager Corporate Finance	Finance and Resources	9/01/2025	17/1/2025
Names of approvers: (officers and members)				
Barrie Hastie	Director of Finance and Resources	-	9/01/2025	17/1/2025
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	9/01/2025	16/1/2025
Councillor R Lakha	Chair of Audit and Procurement Committee	-	9/01/2025	9/1/2025

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