

# Birmingham City Council

## Report to Audit Committee

18<sup>th</sup> September 2024



<b>Title:</b>	<b>ANNUAL COUNTER FRAUD REPORT 2023/24</b>
<b>Lead Cabinet Portfolio:</b>	Councillor Rob Pocock, Cabinet Member for Transformation, Governance and HR
<b>Relevant Overview and Scrutiny Committee:</b>	Corporate and Finance Overview and Scrutiny Committee
<b>Report Author:</b>	John Preston, Group Auditor – Counter Fraud Finance and Governance john.preston@birmingham.gov.uk
<b>Authorised by:</b>	Fiona Greenway, Interim Director of Finance (Section 151 Officer) Finance and Governance
<b>Is this a Key Decision?</b>	Not Applicable
<b>If this is a Key Decision, is this decision listed on the Forward Plan?</b>	Not Applicable
<b>Reason(s) why not included on the Forward Plan:</b>	Not Applicable
<b>Is this a Late Report?</b>	No
<b>Reason(s) why Late:</b>	Not Applicable
<b>Is this decision eligible for ‘call in?’</b>	Not Applicable
<b>If not eligible, please provide reason(s):</b>	Not Applicable
<b>Wards:</b>	All
<b>Does this report contain exempt or confidential information?</b>	No

## **1 EXECUTIVE SUMMARY**

- 1.1 The attached report, Appendix A, provides an update to Audit Committee on counter fraud activities for 2023/24. It summarises the work undertaken during the financial year to raise awareness of, detect, and investigate potential fraud.

## **2 COMMISSIONERS' REVIEW**

- 2.1 Commissioners note that evidence from other interventions indicate that where there has been a breakdown in corporate governance arrangements an increase in fraud relating to employee activity can be documented. This often relates to failure to declare interests resulting in inappropriate contract awards and additional employment undertaken during council contracted hours or without authority. This can be countered to some extent by effective use of the data matching facilities referred to in the report. The Committee may want to seek specific assurance on activity in this area.

## **3 RECOMMENDATIONS**

### **That the Committee:**

- 3.1 Note the report and update.

## **4 KEY INFORMATION**

### **Context**

- 4.1 It is difficult to measure the level of fraud against the Council. At a national level Fraud is estimated to account for 40% of all crime committed across the UK and is a long-standing threat to public services. The Public Sector Fraud Authority estimates that a minimum of £33bn per year is currently lost to fraud and error across the public sector.
- 4.2 The Council operates a zero-tolerance approach to fraud and Birmingham Audit is tasked with the investigation of suspected fraud and error.
- 4.3 The Council's overall stance on fraud is based around the three key pillars of 'Prevent', 'Pursue' and 'Protect' and is set within the Anti-Fraud and Corruption Policy, Fraud and Corruption Response Plan and the Whistleblowing and Serious Misconduct Policy.
- 4.4 Whilst it is difficult to place a monetary value on our anti-fraud activity during 2023/24, particularly in terms of our work in relation to prevention and deterrence. Some quantifiable losses that are identified through investigation may be recovered. During 2023/24, the level of fraud/error investigated by CFT contained a notional value totalling just over £213,000 (excluding application-based fraud e.g. Social Housing and Council Tax).
- 4.5 Social Housing and Council Tax are both regarded nationally as being high risk areas for fraud within local government. Our primary objectives have always been to prevent fraud and error entering the Council's systems and to detect and

investigate instances of fraud and error. During 2023/24 we recovered 42 Council properties with a combined indicative value of £3,906,000 and stopped 247 housing applications prior to letting with a combined indicative value of £800,280 (based on indicative costs identified by the Cabinet Office). We also identified a total of £399,266 worth of adjustments in Council Tax liabilities.

- 4.6 During the year, we received an increased number of referrals relating to salary overpayments. The circumstances surrounding each overpayment have been investigated to verify that the payments were not fraudulent, and that appropriate management action has been considered.
- 4.7 Our Data Warehouse continues to be an essential tool across the Council and key partners in our fight against fraud and error. As it enables a simultaneous view across datasets highlighting discrepancies.
- 4.8 We continue to work on reinforcing the message of 'zero tolerance' through prevention, detection and deterrence. Where fraud is identified, we will implement appropriate sanctions, including financial penalties and/or criminal prosecution.
- 4.9 Our anti-fraud approach is being reviewed as part of the Finance Recovery and Improvement Programme Internal Audit Workstream to help ensure our processes remain relevant and appropriate.

## **5 RISK MANAGEMENT**

- 5.1 Risk Management is an important part of the internal control framework which are key to preventing fraud and error.
- 5.2 The programme of work to rebuild risk management will be key in developing and maintaining a greater visibility and a more in depth understanding of risks including those relating to fraud.

## **6 IMPACT AND IMPLICATIONS**

### **Finance**

- 6.1 There are no direct financial implications arising from the recommendation in this report.

### **Legal**

- 6.2 Under the Accounts and Audit Regulations 2015 a relevant authority must:
  - 6.2.1 Undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards and guidance.
  - 6.2.2 Maintain appropriate systems and measures to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records.

### **Equalities**

6.3 There are no equality implications from the subject of this report.

**Procurement**

6.4 Not applicable.

**People Services**

6.5 There are no staffing implications arising from the recommendation in this report.

**Corporate Parenting**

6.6 There are no implications or opportunities in relation to the Corporate Parenting responsibility arising from the recommendation in this report.

**Other**

6.7 There are no other implications arising from the recommendations in this report.

**7 APPENDICES**

7.1 Appendix A – ANNUAL COUNTER FRAUD REPORT 2023/24.

**8 BACKGROUND PAPERS**

8.1 None.