Peterborough City Council

Fraud & Investigations Annual Report

2015 / 2016

Growing the right way for
a bigger, better Peterborough

CITY COUNCIL

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Introduction

The council is committed to providing an effective counter fraud service which is supported by efficient policies and sanctions for those that offend. Counter fraud is the responsibility of everyone in the council and by ensuring that effective measures are in place to prevent, detect, investigate and report fraud we can ensure that public money is spent where it should be, on services for the community.

Failure to investigate fraud will see money leaving the council by way of fraud or error and failure to tackle this effectively could lead to qualified subsidy claims and loss of revenue for the Council. It is therefore important to demonstrate that resources are focussed on fraud reduction and to identify, investigate and rectify administrative weaknesses in order to assure Members and the general public of the quality and integrity of investigations.

From 1 December 2014, 2 officers from the Compliance Team within the Governance Department transferred to Internal Audit. This brought together knowledge to investigate fraudulent activity and was a response to the separate transfer of officers to the Department for Works and Pensions (DWP) as part of its establishment of a Single Fraud Investigation Service (SFIS) to cover benefit fraud. The new team's remit also includes the investigations of disciplinary matters, blue badge misuse, Stage 2 corporate complaints against the Council and Member standards.

Peterborough City Council has policies and procedures in place which provide a framework to counter fraud work, which include:

- Employee code of conduct;
- Disciplinary Policy;
- Member's code of conduct;
- Standing Orders and Financial Regulations;
- Accounting procedures and records;
- Service specific requirements;
- Effective internal audit;
- Regulation of Investigatory Powers Act and procedures;
- Whistleblowing Policy;
- Anti-Bribery Policy; and
- Procurement rules which are all supported by the
- Data Protection Act 1998; and
- Fraud Act 2006.

This report sets out details of:

- The potential levels of fraud occurring in the public sector;
- Steps taken by Peterborough to reduce, identify and resolve these;
- The successes to date; and
- Actions proposed to continue these.

National Studies

Protecting the Public Purse

In October 2014 the Audit Commission issued its annual "Protecting the Public Purse" report. This highlighted emerging fraud risks and fraud trends based on information submitted to the Commission from local authorities across the country in its annual Fraud Survey. Key messages include:

- Local government bodies detected fewer cases of fraud in 2013 / 2014 compared with 2012 / 2013 but their value increased by six per cent to over £188 million;
- The value of detected cases of housing benefit and council tax benefit fraud rose by seven per cent to nearly £129 million;
- The value of detected cases of non-benefit fraud rose by two per cent to £59 million;
- Councils will need to focus on the non-benefit frauds that present the highest risk of losses; and
- Councils are detecting more housing tenancy fraud.

Key recommendations include:

- Local government bodies should assess themselves against the framework in CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption and engage fully with the new CIPFA Counter Fraud Centre;
- Councils should be alert to the risks from fraud particularly in growing risk areas;
- Councils should focus on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public resources;
- Councils should focus more on recovering losses from fraud, using legislation such as the Proceeds of Crime Act.

Internal Audit undertook a review of the Council against the above Code of Practice on Managing the Risk of Fraud and Corruption and has established a number of areas to improve. This will be developed during 2016.

Fighting Fraud and Corruption Locally

This is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. The strategy 2016 – 2019 was issued in March 2016, analysis now highlighted that:

- Local government estimated fraud losses totalled £2.1 bn. This covered frauds in order of magnitude: Procurement; Housing Tenancy; Payroll; Council Tax; Blue Badge Scheme misuse; Grants and Pensions.

The European Institute for Combatting Corruption and Fraud (TEICCAF)

Each year the Council participates in an annual survey operated last year by TEICCAF (replacing the Fraud Survey from the Audit Commission – see above). They gather data about fraud from the public sector and charity organisations and then provide analysis of this data which is then shared with participating organisations. The latest submission was completed in April 2016 and the results are awaited. A separate briefing will be provided to Audit Committee when they are released.

National Fraud Initiative

Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled. Fraud does not recognise organisational or geographic boundaries. Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and therefore can limit gaps available to fraudsters to manipulate and help identify those that have. It also helps bodies to identify process improvements that can reduce future errors and the costs of correcting these errors.

The National Fraud Initiative (NFI) is an exercise which brings together datasets from across the public and private sectors. The provision of data for the purposes of NFI is a requirement of the Audit Commission Act 1998 and the output to date has been used by the Audit Commission to help them assess the arrangements that the Council has in place to prevent and detect fraud in accordance with the Code of Audit Practice.

The Council is required by law to participate in the NFI by providing a range of datasets to the Audit Commission[1] for matching, on receipt of the results the Council then has the responsibility to follow up and investigate the matches, and identify fraud, overpayment and error. The main NFI data matching is undertaken every 2 years, the results of these matches is fed into a national report at the end of each cycle.

The Council submitted data in October 2014 for the current year and matches for review were received in early 2015. Distinct datasets are prescribed by the Audit Commission, for PCC these are:

- Payroll
- Insurance claims (third party provision – Zurich Municipal)
- Housing benefits (third party provision – Department for Work and Pensions)
- Creditors
- Taxi licences
- Market licences
- Personal alcohol licences
- Travel permits
- Personal budgets

In February 2015 Electoral Registration and Council Tax data was submitted for data matching of Council Tax Single Person Discount and electoral registration data following publication of the Council's new electoral register on 1 December 2014.

Each dataset has specific fields which should be extracted from the various systems. The majority of these should be standard references which the Council is maintaining. Each data matching exercise usually has a number of additional fields requested so as to increase the potential quality of any subsequent match. The detection of errors can help to identify areas for improvement (e.g. data quality) and will increase the efficiency of the organisation (e.g. minimising financial risk). Any identified are reported back to departments to improve the data quality going forward.

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[1] Following abolition, this has been organised by the Cabinet Office

Where personal data was included in the submission, and in order to be compliant with the Data Protection Act, notices were sent to individuals to inform them that their personal data was being submitted as part of the NFI exercise e.g. information within payslips.

The initial results of the 2014 data matching exercise were released on 30 January 2015. The results highlighted various matches for each dataset (See table below). Each dataset is colour coding highlighting the quality of the match i.e. more fields the same such as name, address etc.

The 2014 results have now been investigated which may involve working with other bodies to ascertain the required information. In addition to clearing PCC matches, we will also be responding to information requests from other bodies in order to help with their matches.

TABLE 1: Matches Received to Various Datasets

	Student Loans	Payroll	Pensions	Home Office	Housing Benefit	Housing Tenants	Market Traders Licences	Taxi Drivers Licences	DWP Deceased	Personal Alcohol Licences	Insurance Claims	Creditors
Housing Benefits	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-	-
Pensions	-	-	Yes	-	-	-	-	-	Yes	-	-	-
Payroll	-	Yes	-	Yes	-	-	-	-	-	Yes	-	Yes
Blue Badges	-	-	-	-	-	-	-	-	Yes	-	-	-
Concession Travel Passes	-	-	-	-	-	-	-	-	Yes	-	-	-
Residential Parking Permits	-	-	-	-	-	-	-	-	Yes	-	-	-
Private Residential Care Homes	-	-	-	-	-	-	-	-	Yes	-	-	-
Insurance Claims	-	-	-	-	-	-	-	-	-	-	Yes	-
Taxi Drivers	-	-	-	Yes	-	-	-	-	-	-	-	-
Personal Budgets	-	-	Yes	-	Yes	-	-	-	Yes	-	-	-

Matches are colour coded, with red being the best matches with the expectation that all these "recommended matches" are investigated. Other matches are to be sample tested. The key outcomes from this are outlined below:

Housing Benefits
- Matches were in place for each dataset. High quality matches have been reviewed and either highlighted that there was no live application in place (the data submitted from other sources may not correspond with our data downloads due to time differences in producing the data) or were there was suspicion of fraud these were referred through appropriate channels to the SFIS.

Payroll
- A number of records were matched with other authorities. Similarly, these were timing issues were current (or ex) employees were on the payroll at other organisations. Each were appropriate as employees moved employers.

Blue Badge and Concessionary Fares
- A number of matches were received against DWP Deceased records. It was determined that the updating of our records was behind schedule, causing a data match. Steps have been taken to speed up data input.

Creditors
- A full download of all creditor payments made during the 2 year period was provided. From all the potential fraudulent matches (263), one duplicate payment was identified - £2,301.30 – and steps have been taken to recover.
- Separate VAT overpayment discrepancies (169) were investigated and again all were found to be correct.

The next NFI exercise is planned for October 2016 and plans are in train to obtain the appropriate datasets for submission.

Investigations

Investigations have been delivered through the Compliance Team within the Governance Department. As referred to within the introduction, the resources were reduced within the team following the transfer of officers to the SFIS in December 2014 and two officers have been transferred to Internal Audit. Electoral integrity work has remained within the Governance department however the investigators remain involved in that work. Any potential matters arising from the electoral integrity work such as Council Tax discount are referred to the team.

The works of the team have covered the areas identified in the chart below.

The diagram shows "Investigations" at the centre with arrows pointing outward to: Disciplinary (Gross Misconduct), Council Tax Support, Children Services Stage 2 Complaints, Stage 2 Corporate Complaints, Council Tax discounts, Payment Fraud, Blue Badge misuse, Data Matching including NFI, Internal fraud.

Benefit Fraud / Council Tax Support

As of 1 April 2013, Council Tax Benefit ceased to exist and was replaced by Council Tax Support schemes. Benefit fraud will always be a risk faced by local authorities owing to the high volumes of payments and complexities of legislation. As mentioned in the introduction, Housing Benefit fraud and historical Council Tax Benefit investigations reverted to DWP from 1 December 2014.

There has been a steady decline in the number of investigations over the last three years, due to a number of factors such as better intelligence to stop claims before they are even set up, and this has mirrored a reduction in the size of the team over the same time period. In 2012 / 2013 the team had 3.0 FTE investigating benefit fraud which by the time of transfer had reduced to 1.5 FTE.

The Council has a dedicated "fraud" hotline. Information is received, recorded and initial sifting takes place. Some information may be malicious and cases are closed while others may have substance and these are referred to the appropriate organisations to investigate. In 2015 / 2016, 343 referrals were received – 88 following initial sift were referred through to visiting officers to verify information; 82 were rejected as there was no live claim; and a further 18 sent to DWP as

housing benefit related only. The remaining 155 cases were investigated, or are in the process of being reviewed.

A separate exercise into single person discounts has been commissioned which could produce additional successes.

Investigation types are set out in table 2 below.

TABLE 2: Types of Investigations
Benefit Fraud / Council Tax Support   -   Contrived Tenancy; Living Together; Non-Residency; Undeclared Capital; Undeclared Income; Undeclared Non Dependency; Working and Claiming

In accordance with legislation, we are able to offer a financial penalty arising from the offence as an alternative to prosecution and in addition to the overpayment. This equates to 50% of the overpayment. If this is not accepted, the matter will be referred for prosecution. In some cases, it may be appropriate to offer a caution to the individual as an alternative to prosecution. Again, should this not be accepted, the matter will be referred for prosecution.

A prosecution is the most visible of all the sanctions available to the team and each prosecution will be publicised. This approach sends out a strong message of assurance to the residents of Peterborough and encourages reports of alleged abuse to be made to the council's fraud hotline and dedicated fraud email address. We continue to apply the appropriate evidential and public interest tests to matter before deciding to prosecute.

Corporate Complaints

Complaints received against the Council are initially investigated internally, and these cover Stage 2 Complaints.

Each complaint is followed up by a Head of Service and outcomes produced. If there is still dissatisfaction then it is referred through to the Chief Internal Auditor. This assessment will then determine, based on all the information available, if the process has been completed in full. If it has the complainant will informed of this and unless further mediation is undertaken, can then be referred through to Local Government Ombudsman. If gaps are identified, then a full review will be commissioned.

During 2015 / 2016, 8 cases have been completed at the end of the year, a further 5 are in progress.

Disciplinary Cases

13 cases of alleged disciplinary breaches were investigated. The results of these include dismissals, final written warnings, verbal warnings and resignations.

<u>Blue Badge Misuse</u>

Work is undertaken to look into Blue Badge abuse. 15 cases were reviewed in 2015 / 2016. Regular blue badge "drives" are undertaken by the Enforcement Team and a further 12 cases have been identified in the first 2 months of 2016 / 2017.

Conclusions / Going Forward

No local authority is immune from fraud. Acknowledging this fact is the most important part in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses.

During 2016 / 2017, works planned to acknowledge and understand fraud risks include:

- Promote the Councils whistleblowing, anti-bribery policy and anti-money laundering policy, raising the awareness across the Council; and

- Undertake risk assessments of specific areas potentially susceptible to fraud led by Internal Audit involving individual service managers – this will form the basis of prioritising the Council's anti-fraud response in future years. This will incorporate a separate fraud risk register.

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June 2016