

**Peterborough City Council**

**Fraud & Investigations Annual Report**

**2017 / 2018**

## Introduction

The council is committed to providing an effective counter fraud service which is supported by efficient policies and sanctions for those that offend. Combating 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.

On 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 and Stage 2 Corporate Complaints against the Council.

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;
- Contract Standing Orders and Financial Regulations;
- Regulation of Investigatory Powers Act and procedures;
- Whistleblowing Policy;
- Anti-Bribery Policy; and
- Various Sanctions and Prosecution Policies.

This report documents the Council's response to fraud during 2017 / 2018, and is presented to the Audit Committee in order to discharge its responsibility, as reflected in its terms of reference '*Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the council's complaints process*'.

The Internal Audit, Insurance and Investigations team is responsible for leading on the Council's response to the risk of fraud. The work of the team has focused on four main areas during the year, namely:

- National Fraud Initiative;
- Council Tax;
- Referrals and investigations through the Council's Fraud and Corruption Strategy; and
- Proactive work

The report sets out details of:

- The national position in relation to tackling fraud;
- Steps taken by Peterborough to reduce, identify and resolve fraud;
- The successes to date; and
- Proactive actions proposed to continue the fight against fraud.

## National Studies

At Audit Committee 26 March 2018, Members were provided with details of the national picture in relation to fraud across local government. (Audit Committee Agenda Item 11: Appendix G).

The annual survey is issued by the CIPFA Counter Fraud Centre which is used to collate fraud data within local government. The main types of fraud identified across the sector by the estimated value of investigations are listed in Table 1.

TABLE 1: MAIN TYPES OF FRAUD AREAS		
Council Tax	Single Person Discount	£ 19.5m
	Council Tax Reduction Support	£ 4.8m
	Other types of exemption	
Housing and tenancy Fraud	Right to buy	£ 111.6m
	Illegal sub-letting for profit	£ 78.5m
	Providing false information to gain a tenancy *	£ 73.3m *
	Wrongful tenancy assignment and succession *	
	Failing to use the property as the principal home *	
Disabled Parking (Blue Badge)	Misuse	£ 4.3m
Adult Social Care	Personal budgets	£ 2.8m
	Direct payments not used to pay for the care of vulnerable adult **	£ 2.8m **
	Care workers claiming monies for time not worked **	

While not an exhaustive list, a number of other areas were identified:

- Business rates (£7.0m);
- Insurance fraud (£5.1m);
- Procurement (£6.2m);
- Welfare assistance (£0.3m) and no recourse to public funds (£6.9m);
- Payroll (£1.0m), expenses (£0.1m), recruitment (£0.2m) and pensions (£0.8m);
- Economic and voluntary sector (grant fraud); and
- Manipulation of data (financial or non-financial) and mandate fraud.

## 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<sup>1</sup> 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 2016 and matches for review were received in early 2017. Distinct datasets are prescribed, for PCC these are set in Table 2:

TABLE 2: DATASETS SUBMITTED AS PART OF THE NATIONAL FRAUD INITIATIVE	
Payroll	Travel Permits
Insurance Claims (data provided by Zurich Municipal)	Blue Badges
Housing Benefits (data provided by DWP)	Taxi Licences
Creditors	Market Licences
Personal Budgets	Personal Alcohol Licences
Housing Waiting List (new for 2016)	

Similarly, Electoral Registration and Council Tax data is submitted annually for data matching of Council Tax Single Person Discount and electoral registration data following publication of the Council's new electoral register each December.

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.

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 or on the original data capture forms. Furthermore, a full download of all creditor records / payments made during the two year period was provided. Primarily matches were to ascertain any duplicate payments or absence of VAT.

The results highlighted various matches for each dataset. Throughout the year, additional matches are provided as data records are updated elsewhere. Each dataset is colour coding highlighting the quality of the match i.e. more fields the same such as name, address etc. **RED** being the best matches with the expectation that all these "recommended matches" are investigated. Other matches are sample tested.

The results have now been investigated. Table 3 below sets out details of all the **RED** matches which were received as part of the exercise:

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<sup>1</sup> Following abolition, this has been organised by the Cabinet Office

**TABLE 3: NUMBER OF RED MATCHES RECEIVED IN RELATION TO THE VARIOUS DATASETS**

	Student Loans	Payroll	Waiting List	Home Office	Housing Benefit	Housing Tenants	Market Traders Licences	Taxi Drivers Licences	DWP Deceased	Personal Alcohol Licences	Blue Badge	Creditors
Housing Benefits	11			11	2		1	2	35	1		
Payroll		1										23
Blue Badges									85		8	
Concessionary Travel Passes									643			
Residential Care Homes									21			
Taxi Drivers				1								
Personal Budgets									4			
Housing Waiting List			52	6	449	54			96			
Council Tax				3	10				21			

Our investigations found that:

- Of the 11 matches identified in relation to Housing Benefits to Student Loans, 3 cases were identified as being fraudulent i.e. claiming benefits but whose student loans eligibility results in them ineligible for those benefits. Overpayments totalling **£8,955-26** were established and steps put in place to recover.
- In relation to the 643 concessionary Travel Passes, 617 were matched to deceased records. It was identified at an early stage that our records were not up to date. All passes were cancelled and a notional value of **£617-00** set aside for the error. Steps have been taken to speed up data input.
- Housing Waiting list records produced a large level of matches to other datasets. Similarly, it was identified that as this was a new dataset it had not been regularly checked and updated. All the errors identified related to data quality issues and were referred back to the data controller for corrective action.
- The download of creditor payments identified potential duplicate payments and VAT overpayment discrepancies. The duplicate payment had already been identified and collected while there were no issues with the VAT.

Overall, the levels of fraud identified from this exercise has been on the low side. It suggests that there are appropriate checks already in place to reduce the risk of fraud at source. Therefore, we could provide reasonable assurance that the data matches did not reveal a high level of fraudulent activity.

## Council Tax

### Single Person Discount (SPD) exemptions

In order to look at an appropriate response to the inherent risk of fraud / error in this area, various initiatives are undertaken. The Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. Council taxpayers are under a duty to report within 21 days if they think they should no longer qualify for a discount. Approximately 26,400 households within Peterborough currently receive the 25% discount.

While most residents are claiming the discount appropriately, there are a likely to be a minority who are attempting to defraud the system. All residents claiming the discount, as part of the annual billing process in March 2018, also received a separate form in relation to the SPD. Residents were requested to complete the form if their circumstance had changed.

While it is too early to confirm whether the exercise has been fruitful to date, or that the information was provided as a result of this drive, a total of approximately **£30,000** additional Council Tax has been subsequently billed.

Ongoing proactive searches will continue to verify data held to look to cancel identified errors or fraudulent claims.

### 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. 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.

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.

TABLE 4: COUNCIL TAX INVESTIGATION TYPES		
Contrived Tenancy	Undeclared Income	Living Together
Non-Residency	Working and Claiming	Undeclared Non Dependency
Undeclared Capital		

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. During 2017 / 2018, **£16,047.64** was identified for recovery.

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 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 table below.

TABLE 5: AREAS COVERED		
Disciplinary (Gross Misconduct)	Council Tax Support	Corporate Complaints
Council Tax Discounts	Blue Badge misuse	Internal fraud

### 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 and issued. If there is still dissatisfaction then the complaint is referred through to the Chief Internal Auditor / Compliance Officers to undertake an independent review. This assessment will then determine, based on all the information available, if the process has been completed in full. If it has they will be informed of this and unless further mediation is undertaken, they can take the decision to refer through to the Local Government Ombudsman if necessary. However, if as part of the initial assessment gaps are identified, then a full review will be commissioned.

TABLE 6: STAGE 2 CORPORATE COMPLAINT REFERRALS			
	2015 / 2016	2016 / 2017	2017 / 2018
Referrals received	8 *	20	17
(* Complaint process was changed to make more robust)			

### Disciplinary Cases

12 cases of alleged disciplinary breaches were investigated (2016 / 2017: 11 Cases). All cases are different in their nature, complexity and time needed for these to be completed. Results of these can include dismissals, final written warnings, verbal warnings and resignations. Following a disciplinary hearing, there may be a requirement for additional works and presentations at professional bodies.

### Blue Badge Misuse

Work continues to look into Blue Badge abuse. 36 cases were reviewed in 2017 / 2018. 2 cases were sent for prosecution. Following successful conviction, appropriate publicity is issued internally and externally to raise the profile and to act as a deterrent.

## 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.

Our conclusion is that the Council has measures in place during 2017 / 2018 to enable the prevention and detection of inaccuracies and fraud.

During 2018 / 2019, works planned to acknowledge and understand fraud risks and to further develop and embed effective measures include:

- **National Fraud Initiative:** Coordination of the data matching exercise. We have asked to be included in a pilot exercise into business rates. This will include receipt and distribution of data matches and collation and reporting of investigations into matches. We will have produced a separate NFI Strategy to increase the understanding and promote responsibilities across the Council;
- **Fraud Awareness:** Promote the various policies in place and raise the awareness across the Council;
- **Undertake risk assessments** of specific areas potentially susceptible to fraud led by Internal Audit involving individual service managers. An emerging risk relates to the increased risk of fraud and error arising from the reduced funding available to the Council. This manifests itself in lower staffing levels, increased management spans of control, out of date procedures and a reduction in investigative capacity. These risks can be mitigated by more effective joint working (both within the Council and with other authorities), targeted support to sections most at risk and the development of corporate operational procedures to encourage effective financial management and control; and
- **Development of joint working** with DWP. There is an emerging focus for greater levels of joint working and sharing of intelligence to protect public monies.

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