

### 1...Introduction

1.1 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.

1.2 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.

1.3 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.

1.4 This report documents the Council's response to fraud during 2018 / 2019, 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*'.

### 2...National Studies

2.1 At Audit Committee on 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).

2.2 An annual survey is issued by the CIPFA Counter Fraud Centre which is used to collate fraud data within local government. The latest survey was issued on 31 May 2019 with a completion date of 12 July 2019. Results from the previous year's survey<sup>1</sup> set out that:

- *CIPFA has estimated that for local authorities in the UK, the total value of fraud detected or prevented in 2017/18 is £302m, which is less than the £336m estimated in 2016/17.*
- The four main types of fraud (by volume) that affect local authorities (but not necessarily the main ones for Peterborough) are Council Tax, Housing, Disabled Parking (Blue Badge) and Business Rates.

2.3 **Annex 1** provide analysis of the various frauds which have been detected throughout the country together with an explanation to each category.

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<sup>1</sup> CIPFA Counter Fraud Centre: Fraud and Corruption Tracker Summary Report 2018

### 3...National Fraud Initiative

3.1 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.

3.2 The National Fraud Initiative (NFI) exercise 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. The Council provides a range of datasets 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 are fed into a national report at the end of each cycle. The Council submitted data in October 2018 and matches for review were received in early 2019. Distinct datasets are prescribed, for PCC these are:

TABLE 1: DATASETS SUBMITTED AS PART OF THE NATIONAL FRAUD INITIATIVE	
Blue Badge Parking Permit	Personal Alcohol Licences
Concessionary Travel Pass	Personal Budgets
Creditors	Residential Parking Permits
Housing Benefits (data provided by DWP)	Taxi Drivers
Market Licences	Waiting List
Payroll	

3.3 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.

3.4 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.

3.5 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. 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.

3.6 Throughout the year, additional matches are provided as data records are updated elsewhere. Each dataset is ranked based on risk / quality of the match i.e. more fields the same such as name, address etc. Initial results from the exercise are set out in **Tables 2, 3 and 4.**

<b>TABLE 2: SPECIFIC DATASET DATA MATCHES</b>				
	High	Medium	Low	Total
Blue Badge Parking Permit	64	69	1	134
Concessionary Travel Pass	310	279	0	589
Council Tax Reduction Scheme	25	72	501	598
Housing Benefit Claimants	75	18	480	573
Market Traders	0	0	0	0
Payroll	1	7	9	17
Personal Alcohol Licence	1	0	0	1
Personal Budgets	6	11	5	22
Private Residential Care Homes	14	10	0	24
Residential Parking Permit	8	0	3	11
Taxi Drivers	1	0	0	1
Waiting List	23	362	2	387
<b>TOTAL MATCHES</b>	520	828	1,001	2,349

3.7 Work is ongoing to verify the data in relation to these datasets. Key points to date are:

- Data quality remains an issue across the authority. A large number of matches highlighted forenames and surnames in opposite fields. As part of this exercise we will look at ways to assist the Council in improving the quality of its data records.
- Timeliness of records being updated e.g. DWP deceased. All the data is extracted on, or around October, inevitably there will be records which have not been amended for any circumstance changes.
- Referrals have been made to other agencies where there are identified links, for example, where matches have found for student loans. Responses are awaited

<b>TABLE 3: CREDITOR MATCHES</b>	
Payroll to Creditors	18
Duplicate Creditors by: Creditor Name	275
Duplicate Creditors by: Address Details	202
Duplicate Creditors by: Bank Account	139
Duplicate Records by: Reference, Amount and Creditor Reference	195
Duplicate Records by: Amount and Creditor Reference	2,485
VAT Overpaid	251
Duplicate Records by: Name, Invoice Number, Amount but different Creditor Reference	24
Duplicate Records by: Invoice Number, Amount but different Creditor Reference and Name	94
Duplicate Records by: Postcode, Invoice Date and Amount but different Creditor Reference	2
Duplicate Records by: Postcode, Invoice Amount but different Creditor Reference	21
Procurement: Payroll to Companies House (Director)	51
<b>TOTAL MATCHES</b>	<b>3,757</b>

3.8 Having reviewed the creditor matches, the following observations can be made:

- Payroll matches identify instances where an employee and creditor are linked by the same bank account or the same address which could indicate employees with interests in companies with which Peterborough is trading. This could indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to. All matches have been reviewed and no issues identified.
- Duplicate creditors have been identified through a number of matches. Overwhelming, the majority of the matches can be linked to data quality. For example, the company name may have been misspelt or moved address but are linked by the same bank account. Similarly, a number of recurring quarterly payments have been identified, for example, energy payments. From the exercise, two duplicate payments have been identified totally **£1,989-90** which is being recovered.
- 251 instances where VAT may have been overpaid were identified. This was based on the information provided within the NFI invoice history data submission and the output includes the level and scale of overpaid VAT. The VAT amount is compared to a calculated maximum VAT of 20%, the maximum VAT rate in the payment period covered by the NFI exercise. No such errors were established.

- Finally, Payroll to Companies House (Director) matches identify potential undeclared interests that have given a pecuniary advantage. The matches identified employees who appear to be registered directors of companies that Peterborough has traded with and those where the employees address appears to have links to the company directors or the company. All interests have been declared.

3.9 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.

## 4...Council Tax

### 4.1 Single Person Discount (SPD) exemptions

4.1.1 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. The Council has in excess of 26,000 households within Peterborough currently receive the 25% discount.

4.1.2 While most residents are claiming the discount appropriately, there are likely to be a minority who are attempting to defraud the system. From the National Fraud Initiative, **Table 4** highlights potential anomalies for investigation to verify data held to look to cancel identified errors or fraudulent claims.

TABLE 4: COUNCIL TAX MATCHES	
Council Tax to Electoral Register	1,784
Council Tax to rising 18s	105

4.1.3 Matches identify addresses where the householder is claiming a SPD on the basis that they live alone yet the electoral register suggests that there is more than one person in the household aged 18 or over. The electoral register also includes details of individuals who are approaching their 18th birthday. Unless there is an exemption, for example, a student, then the single person discount would need to be revoked from the date of their birthday.

4.1.4 There is ongoing dialogue / works with Revenues and Benefits to ensure that all cases are verified for accuracy, errors cancelled or fraudulent claims investigated. Where there are data quality issues, for example forename and surname transposed, similar discussions are being held with Electoral Services.

### 4.2 Council Tax Support

4.2.1 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. Of the referrals received, following review 148 cases were rejected for investigation or referred for visit.

TABLE 5: COUNCIL TAX INVESTIGATION TYPES		
Contrived Tenancy	Undeclared Income	Living Together
Non-Residency	Working and Claiming	Undeclared Non Dependency
Undeclared Capital		

4.2.2 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 2018 / 2019, **£6,998-19** was identified for recovery.

4.2.3 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.

#### 4.3 Joint Working with Department for Works and Pensions

4.3.1 From December 2018, a separate initiative has been set up with the DWP whereby intelligence is shared in relation to fraud cases. If there is scope for joint prosecutions for both Council Tax and Housing Benefit fraud then a joint interview is conducted to avoid duplication, only one prosecution or sanction etc. and this is led by the DWP.

4.3.2 While in its infancy, 9 cases have been identified up to 31 March 2019 for joint interview, with a further 4 cases being closed without the need for an investigation.

## 5...Other Investigations

5.1 The works of the Investigations 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

## 5.2 Stage 2 Corporate Complaints

5.2.1 Complaints received against the Council are recorded centrally. Each complaint is expected to be followed up by a Head of Service and the outcomes reported on and issued to the complainant. This could also include a mediation meeting.

5.2.2 If there is still dissatisfaction then the complaint is referred through to the Chief Internal Auditor to undertake an independent review within 5 working days. This assessment will then determine, based on all the information provided, 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 which is undertaken by the Investigations Team.

<b>TABLE 6: STAGE 2 CORPORATE COMPLAINT REFERRALS</b>			
	2016 / 2017	2017 / 2018	2018 / 2019
Referrals received	20	17	23

5.2.3 23 cases were received during the year to 31 March 2019 which were all reviewed with 11 cases leading to full investigated by the Team.

## 5.3 Disciplinary Cases

5.3.1 Cases of alleged disciplinary breaches are conducted by the Investigations Team. All cases are different in their nature, complexity and time needed for these to be completed. 9 such cases were undertaken during the year. Results of these include dismissals, final written warnings, verbal warnings and resignations.

5.3.2 Following a disciplinary hearing, there may be a requirement for additional works and presentations at professional bodies.

## 5.4 Blue Badge Misuse

5.4.1 Work continues to look into Blue Badge abuse. The majority of referrals are as a result of Enforcement Officers confiscating Badges which they see as being misused. All cases are reviewed which could lead to warning letters being issued or sent for prosecution. Following successful conviction, appropriate publicity is issued internally and externally to raise the profile and to act as a deterrent.

5.4.2 Changes in eligibility criteria for the Blue Badge scheme comes into effect on 30 August 2019 to include individuals with "hidden disabilities" which could lead to an increase in potential allegations of abuse.

## **6...Future Proactive Work**

6.1 Fraud is a strain on public finances. The Council will continue to investigate and look to recover monies in all instances. To assist in this, work will continue:

- To map out fraud risks across the Council,
- Publicise all prosecutions to look to act as a deterrent;
- Work with Human Resources in relation to managers remaining vigilant; and
- Further data quality initiatives to reduce anomalies.



## ANNEX 1: NATIONAL FRAUD SURVEY ANALYSIS 2018

	2016 / 2017		2017 / 2018	
	Volume	Value (£)	Volume	Value (£)
Council Tax (1)				
• Single Person Discount	50,136	19.5m	46,278	15.8m
• Council Tax Reduction Support	6,326	4.8m	8,759	6.1m
• Other	674	1.1m	2,857	4.5m
Housing (2)				
• Right To Buy	1,284	111.6m	1,518	92.0m
• Illegal Sublet	1,829	78.5m	1,051	55.8m
• Other	2,825	73.3m	2,164	68.3m
Disabled Parking (Blue Badge) (3)	5,751	4.3m	14,714	7.3m
Business Rates (4)	661	7.0m	1,373	10.4m
Adult Social Care (5)				
• Personal Budgets	264	2.7m	334	3.2m
• Other	182	2.8m	403	3.5m
Insurance (6)	371	5.1m	281	3.5m
Procurement (7)	197	6.2m	142	5.2m
No recourse to public funds (8)	342	6.9m	378	4.3m
Welfare Assistance (9)	103	0.3m	109	£0.0m
Payroll	248	1.0m	167	1.0m
Expenses	75	0.1m	34	0.1m
Recruitment	46	0.2m	52	0.5m
Pensions	228	0.8m	164	0.6m
Economic / Voluntary sector support (10)	39	1.5m	57	0.8m
Mandate fraud (11)	325	1.7m	257	6.6m
Manipulation of data (12)	57	n/a	23	n/a
Debt (13)	142	0.3m	91	0.4m

1	<b>Council Tax fraud.</b> Council tax fraud is split into three sections. <b>Council tax single person discount (SPD)</b> – where a person claims to live in a single-person household when more than one person lives there. <b>Council tax reduction (CTR) support</b> – where the council tax payer claims incorrectly against household income. <b>Other types of council tax fraud</b> – e.g. claims for exemptions or discounts to which the council tax payer has no entitlement.
2	<b>Housing and Tenancy Fraud.</b> Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, or right to buy. Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount.
3	<b>Disabled Parking (Blue Badge).</b> The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to those with disabilities in order that they can park nearer to their destination. Blue Badge fraud covers abuse of the scheme, including the use of someone else's Blue Badge, or continuing to use or apply for a Blue Badge after a person's death.
4	<b>Business rates fraud.</b> Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate between evasion and avoidance. Business rates fraud covers any fraud associated with the evasion of paying business rates including, but not limited to, falsely claiming relief and exemptions where not entitled.
5	<b>Adult Social Care fraud.</b> Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity. Investigations cover cases where direct payments were not being used to pay for the care of the vulnerable adult or care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.
6	<b>Insurance fraud.</b> This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.
7	<b>Procurement fraud.</b> This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.
8	<b>No recourse to public funds fraud.</b> No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.
9	<b>Welfare Assistance.</b> Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.
10	<b>Economic and voluntary sector (grant fraud).</b> This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.
11	<b>Mandate fraud.</b> Mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier.
12	<b>Manipulation of data fraud.</b> The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.
13	<b>Debt fraud.</b> Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.