

AUDIT COMMITTEE	AGENDA ITEM No. 6
21 FEBRUARY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Interim Chief Finance Officer and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

INVESTIGATING ALLEGATIONS OF FRAUD

RECOMMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receives, considers and endorses the attached report on the investigation of fraud; and 2. Approves the policies identified within the report. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee to provide awareness of some of the steps undertaken within the Council to tackle fraud and corruption together with progress in scrutinising data matches arising from participation in the National Fraud Initiative (NFI).

2. PURPOSE AND REASON FOR REPORT

2.1 The Council provides a raft of services to the public from its scarce resources. Every effort is made to ensure that resources are used for their intended purpose. However, there are occasions when this may not always be the case and the Council needs to have appropriate mechanisms to protect the public purse. This report sets out some of the approaches in place to tackle fraud and corruption together with the outcomes.

2.2 The Terms of Reference for the Audit Committee – latest update agreed at Full Council on 26 January 2022 – set out the key roles of the Committee including the following:

2.2.2.16: To monitor council policies on “raising concern at work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet	-
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4. BACKGROUND AND KEY ISSUES

4.1 Introduction

4.1.1 The Accounts and Audit Regulations 2015 state that the Council must have measures in place “*to enable the prevention and detection of inaccuracies and fraud*”. Fraud also refers to cases of bribery and corruption. The Councils Financial Regulations Section 4.4 “*Preventing Fraud and Corruption*” set out its position. It requires the Corporate Director of Resources to lead on the development of anti-fraud policies, with all Directors responsible for reporting and operating in accordance with those policies.

4.1.2 The Council’s approach to tackling fraud and corruption is underpinned by a range of policies and procedures which set out ways in which concerns can be raised, investigated and reported and appropriate action taken. This report sets out the details in relation to:

- Anti-Money Laundering Policy;
- Sanction and Prosecution Policy (Council Tax and Business Rates); and
- Sanction and Prosecution Policy (Blue Badge and Car Park Permits)

4.1.3 Similarly, external organisations provide support and evidence which can be used to target potential fraud against the Council. An example of this is the regular National Fraud Initiative which has been in place since 1994 and undertaken every 2 years. In addition, Business Grants paid out as part of the pandemic response have also been included in these checks to ensure that the public purse is protected.

4.2 Corporate Policies

4.2.1 It is important that the Council has policies and procedures in place which are fit for purpose and are effective in preventing, detecting and investigating fraud where it occurs. Staff, agency workers and Members need to be made aware of, be able to understand and comply with the policies and procedures which comprise the Council’s counter fraud framework. Staff agency workers, Members and citizens must have confidence in the reporting arrangements and subsequent investigation of concerns which can be reported via the various channels available.

4.2.2 A review of a number of the policies has been undertaken. Each of the policies listed above remain relevant, up to date and are included for reference in **Appendices A – C**.

4.2.3 A key aspect for fraud policies has been the ability to prosecute should the need arise. With the prolonged various lockdown arrangements over recent times, Courts have not been open to enable these to be prosecuted. For example, in the normal course of events for investigating Council Tax Reduction Scheme, once evidence is established that there has been a fraud committed, the claimant is interviewed under caution. This can lead to either an Administration Penalty levied (an additional 50% of the overpayment) or can proceed to prosecution. With lockdown, we have not had the ability to complete these interviews and over time these cases can become time barred in relation to prosecution.

4.3 Information, Analysis and the National Fraud Initiative

4.3.1 The Cabinet Office is responsible for organising and coordinating the NFI process to assist in the identification of public sector efficiency and reform. The NFI is a national data matching exercise that has enabled participating organisations across the United Kingdom, to prevent and detect instances of fraud and error totaling £245 million between 2018 and 2020. This brings cumulative outcomes of the initiative to a total value of more than £1.93 billion since its inception.

4.3.2 Over 1,200 participating organisations from both the public and private sectors provide data for the NFI, which currently takes place every two years (excluding single person discount matches which are annual). The data matching process involves comparison of

data sets, including payroll and benefits records, against other data held by the same or another body to establish a match. Where such matches arise, these instances are investigated to identify potential fraudulent or erroneous claims or payments.

4.3.3 Biennial Data Matching Exercise

The full list of datasets provided are:

- Blue Badge Parking Permits (data provided by a national software provider)
- Concessionary Travel Passes
- Creditors (Payment data and Supplier references)
- Council Tax Reduction Scheme recipients
- Council Tax Single Person Discounts
- Housing Benefits (data provided by DWP)
- Payroll
- Resident Parking Permits
- Single Person Discount
- Taxi Drivers
- Waiting List

Due to an update to the NHS Act 2006 legislation, personal budgets, residential care homes and social care data now falls into the definition of patient data and therefore cannot be matched, however NHI are consulting with the relevant government departments and legal teams (Department of Health and Social Care and Cabinet Office lawyers) to change legislation to enable this data to be matched in future.

4.3.4 Internal Audit is the Council's coordinator for the data matches received from the Cabinet Office and ensures matches are investigated. Due to changes in personnel and responsibilities across the Council, Internal Audit continue to undertake the majority of the investigations. The web-application provided by the Cabinet Office is updated to track progress on reported matches.

4.3.5 The number of matches received was 6,184. The Cabinet Office does not expect all of these to be checked and provide guidance on which they recommend are investigated. Whilst the matches may be an indicator of fraud and error, in most cases, the match can be attributed to outdated or incorrect data, but nevertheless still needs to be checked and if necessary, records put right. Furthermore, regular refreshes are undertaken by Cabinet Office as and when new data is provided.

4.3.6 Key outcomes from the works to date show that:

- As the country was in the middle of the pandemic around the time of the data download (October 2020) – it has been identified that timely updates to our data records were not maintained due to the level of matches relating to deceased individuals. Verification has been undertaken that passes or permits have been cancelled and returned.
- A number of matches relate to links with Housing Benefits, for example, Council Tax Reduction Scheme recipients. The Department for Work and Pensions (DWP) lead on Housing Benefit investigations and these have been referred through to them.
- 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. No issues have been 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 works undertaken, £2,755 of duplicate payments were identified but had been already recovered.

4.3.7 Annual single person discount matches.

Separate results are received in relation to Council Tax Single Person Discounts which is a separate exercise undertaken around December each year (following publication of the latest Electoral Roll). 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 who currently receive the 25% discount.

4.3.8 While most residents are claiming the discount appropriately, there are likely to be a minority who are attempting to defraud the system. From the records submitted, PCC has 143,596 entries on the Electoral Roll and 87,344 on Council Tax. The potential anomalies for investigation to verify data held to look to cancel identified errors or fraudulent claims are shown below.

4.3.9 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.

4.3.10 Key outcomes from the works to date show that:

- A number of SPD have been cancelled and reinstated at the full Council Tax level. This has produced an additional £59,795 to be recovered.
- Similar to other datasets, there are a number of records which need updating to improve the quality of reports.

4.3.11 Business Grants

Due to the national pandemic, numerous grants have been paid to local authorities for distribution across their areas. One such grant relates to businesses. To date, 3 separate schemes have been in place. This data is not part of the mandatory bi-annual NFI exercise, however an opportunity was made available to all authorities to use that tool to assist in verification of payments made.

4.3.12 Grant payments made to businesses have been coordinated through Revenues and Benefits. The basis of the payments are based upon records held within Business Rates and a number of additional checks were undertaken prior to payments being made. Data matching has focused on two keys areas, namely verification of the bank account and also an active company check. There is also a combined check. NFI has similarly risk assessed the matches so as to enable PCC to focus on the higher risks. Further submissions have been made as and when additional grants have been awarded by Central Government.

4.3.13 Key outcomes to date are:

- A number of checks were undertaken prior to payment which has reduced the potential for fraud and error.
- At this point in time there are no issues identified for further investigation, however ongoing works continue.

4.3.14 NFI continues to be an important exercise for detecting fraud across the public sector. With more and more datasets being requested and the increasing numbers of organisations matched against, there is a risk that this could become unmanageable to

keep track of and do justice to the wealth of data and matches received.

- 4.3.15 Works are coordinated and investigated through Internal Audit currently but going forward greater ownership is required by the organisation to manage and regularly update its own records – enhancing the data quality so as to reduce the number of matches to those of highest fraud risk only.

4.4 Whistleblowing and Raising Awareness

- 4.4.1 The Council has a Whistleblowing Policy which was issued and approved in January 2017. The lead officer for whistleblowing is the Director of Law and Governance & Monitoring Officer. It is timely for the Policy to now be reviewed to ensure that it remains concise, accessible and easy to understand for potential whistleblowers.

- 4.4.2 The Council has received a low level of whistleblowing allegations in recent years, whether to Internal Audit or each of the named officers who can receive them. During the summer 2021, as part of leadership training provided to all Managers across the Council in relation to how governance is delivered, various presentations were provided which included how whistleblowing operates and the safeguards in place for protection for whistleblowers. While this has not generated many more initial allegations to be investigated, it has raised the profile that the Council will not tolerate wrong doings.

- 4.4.3 In terms of allegations raised, to date Internal Audit in 2021 / 22 has received:

		Open	Closed
Theft	Undertaking private works	0	1
Governance	–	0	0
Safeguarding	–	0	0
Fraud	–	0	0
		0	1

The case identified related to allegations of private works being undertaken in a department. Closer inspection of the details identified that this did not relate to Peterborough City Council.

5. CONSULTATION

- 5.1 This report has been issued for consideration as part of normal committee reporting protocols.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 That the Audit Committee is informed of the measures taken across the organisation to tackle and prevent fraudulent activity. Furthermore, this will assist in the development of future policies and procedures and allow the Committee to support this important function.

7. REASON FOR THE RECOMMENDATION

- 7.1 To enable the Audit Committee to continue to monitor the Council's approach to the areas dealt with by the team

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 As the Council has a legal duty to provide data to support the NFI process and investigate the resultant matches, there is no alternative options to consider.

The option is not to present a report into fraud and the activities undertaken. This could result in a lack of awareness.

9. IMPLICATIONS

Financial Implications

- 9.1 The NFI exercise is a significant contribution to the Council's responsibility for the prevention and detection of fraud. The cost to the Council of participation in the bi-annual exercise is £3,900. Further costs have been incurred for business grants based on the number of grants paid.

The Council will become more fraud aware and will continue to consider the risks and consequences. Fraud is unacceptable and requires a well thought thorough approach. The presumption must be about preventing fraud by designing systems to stop it happening in the first place but where it occurs, there should be an equal presumption that its perpetrators will face tough action. This can only serve to increase the standards of conduct across the Council.

Legal Implications

- 9.2 The NFI is conducted using the data matching powers conferred on the Minister for the Cabinet Officer by Part 6 and Schedule 9 to the Local Audit and Accountability Act 2014. As a relevant authority, the Council is required to provide data for the purposes of conducting data matching exercises.

The legal basis for processing personal data in connection with the NFI process, is under Article 6 (1)(e) processing is necessary for the performance of a task carried out in the public interest.

The Council will also ensure that the principles of Data Protection Act are observed in providing the data for this exercise and will take all reasonable steps to ensure the data submitted is accurate.

The NFI does not require the consent of the individuals concerned under current data protection legislation.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 None

11. APPENDICES

- 11.1 A: Anti-Money Laundering Policy
B: Sanction and Prosecution Policy (Council Tax and Business Rates)
C: Sanction and Prosecution Policy (Blue Badge and Car Park Permits)