

Peterborough City Council

Fraud & Investigations Annual Report

2014 / 2015

**Growing the right way for
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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 specialist 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 to cover benefit fraud. The new team's remit also includes the investigations of disciplinary matters, Stage 3 complaints against the Council and Member standards.

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

- 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;
- Fraud Response Plan;
- Whistleblowing Policy;
- Anti-Bribery Policy;
- Data Protection Act 1998;
- Fraud Act 2006; and
- Procurement rules

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.

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 for 2013 / 2014 based on information submitted to the Commission from local authorities across the country in May 2014 for 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.

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 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. It should be noted that the NFI will continue following the abolition of the Audit Commission.

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.

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).

The 2014 results are now be investigated which may involve working with other bodies to ascertain the required information. Progress of their investigations into the matches will be reported to CMT and at future Audit Committee meetings. 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	-	-	-

The expectation is that all “recommended matches” are investigated.

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 below Table 2 show the types of investigations undertaken during the last three years.

TABLE 2: Types of Investigations			
	2012 / 2013	2013 / 2014	2014 / 2015
Benefit Fraud	245	203	139
Complaints	13	10	10
Corporate	3	6	3
Disciplinary	15	7	17
External Standards	1	0	0
Standards	8	2	0
Blue Badges	7	12	8
Other	1	2	1

Benefit Fraud

As of 1 April 2013, Council Tax Benefit ceased to exist and was replaced by Council Tax Support schemes. As many of the investigations carried out by the team involved both and therefore have not been separated. 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.

Table 3 below highlights the success of the team up to the transfer.

Table 3: Benefit Fraud Achievements			
	2012 / 2013	2013 / 2014	2014 / 2015
Referrals received	736	617	339
Investigated	245	203	100
Positive Outcomes	137	44	48
Prosecutions	14	19	6
Sanctions	26	18	3

While this highlights 239 cases as not being investigated by the team, this is either due the cases being transferred to SFIS or that the referrals were risk assessed and that was no action required.

The risk assessment takes into account various factors, such as, household composition, intelligence evaluation, previous allegations, type of allegation etc. It is important to note that any referrals that do not qualify for investigation after the risk assessment process are not ignored; these cases are either referred to our colleagues at the DWP or referred internally for a visit to be undertaken by officers within the Benefits Service.

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. 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.

Table 4 shows the value of incorrect benefit paid uncovered by the team.

Table 4: Value of Overpayments (£)			
	2012 / 2013	2013 / 2014	2014 / 2015
Housing Benefit / Council Tax Benefit	207,272	318,372	150,228
DWP Benefits	218,300	116,439	178,581

Complaints

Complaints received against the Council are initially investigated internally, and these cover Stage 3 Complaints and Stage 2 Children's Services Investigations. While 10 have been completed at the end of the year, a further 8 are in progress.

These can be time consuming and a new two stage process has been piloted to look to speed up responses. This has been successful and comes into operation in July 2015.

Disciplinary Cases

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

Blue Badges

Work is undertaken to look into Blue Badge abuse. While 8 cases were investigated in 2014 / 2015, further cases have been identified through the NFI process.

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 2015 / 2016, works planned to acknowledge and understand fraud risks include:

- Reviewing the Councils anti-fraud and corruption strategy to take account of the requirements of CIPFA's proposed voluntary counter fraud code and the transferred responsibility for housing benefit fraud investigation to the DWP
- Undertake a self-assessment against the counter fraud code
- Update the Council's fraud response plan
- Promote the Councils whistleblowing, anti-bribery policy and anti-money laundering policy; 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.

Steve Crabtree
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June 2015