

Peterborough City Council

Fraud & Investigations Annual Report

2016 / 2017



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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:

- Steps taken by Peterborough to reduce, identify and resolve fraud;
- The successes to date; and
- Actions proposed to continue these.

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 Commission¹ 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 for the current year and matches for review were received in early 2017. Distinct datasets are prescribed, 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
- Blue Badges
- Personal budgets
- Housing Waiting list (new for 2016)

In January 2017 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 2016.

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

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

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 2016 data matching exercise were released on 31 January 2017. The results highlighted various matches for each dataset. 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 (Recommended)												
	S t u d e n t L o a n s	P a y r o l l	W a i t i n g L i s t	H o m e O f f i c e	H o u s i n g B e n e f i t	H o u s i n g T e n a n t s	M a r k e t T r a d e r s L i c e n c e s	T a x i D r i v e r s L i c e n c e s	D W P D e c e a s e d	P e r s o n a l A l c o h o l L i c e n c e s	B l u e B a d g e	Credi tors
Housing Benefits	10			11	2		1	2	35	1		
Payroll		1										23
Blue Badges									85		8	
Concession Travel Passes									643			

Private Residential Care Homes									21			
Taxi Drivers				1								
Personal Budgets									4			
Waiting List			52	6	449	54			96			
Council Tax				3	10				21			

Furthermore, Creditor records have been matches were there may be duplicate payments.

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. It is too early to form a judgement on the latest matches.

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.



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 2016 / 2017, 388 referrals were received (343 in 2015 / 2016). Following initial sift, 73 were referred through to visiting officers to verify information; 143 were rejected as there was no live claim. The remaining 172 cases were investigated, or are in the process of being reviewed.

Investigation types are set out in table 2 below.

TABLE 2: Types of Investigations
Benefit Fraud / Council Tax Support <ul style="list-style-type: none">- 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 be 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 2016 / 2017, 20 cases have been completed at the end of the year, a further 4 are in progress.

Disciplinary Cases

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

Blue Badge Misuse

Work continues to look into Blue Badge abuse. 36 cases were reviewed in 2016 / 2017. 2 cases were sent for prosecution. Regular blue badge “drives” are undertaken by the Enforcement Team.

Internal Audit Work

In 2016 / 2017 Internal Audit have been involved in a longstanding investigation of suspected theft, which was referred to the police and has now resulted in a successful prosecution. The perpetrator has been ordered to pay back £17,416 to the council. Advice regarding control weaknesses that lead to the theft was given during the course of the investigation and processes were changed in response.

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:

- Continue to 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 is set out in our audit plans for the year and links in with national studies into Serious Organised Crime. We will look to coordinate with the local constabulary to increase and share intelligence.

Steve Crabtree
Chief Internal Auditor
May 2017

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