

ANNUAL FRAUD REPORT 2020 / 2021

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 2020 / 2021, 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 FRAUD INITIATIVE

2.1 Bi-Annual Exercise 2020

- 2.1.1 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 2020 and matches for review were received in spring 2021. Further matches are received as other organisations submit their data. Distinct datasets are prescribed, for PCC these are:
- Blue Badge Parking Permits (data provided by national software provider);
 - Concessionary Travel Passes;

- Creditors (payment data and supplier references);
- Council Tax Reduction Scheme recipients;
- Housing Benefits (data provided by DWP);
- Payroll;
- Residential Parking Permits;
- Taxi Drivers Licences: and
- Waiting List (Housing)

2.1.2 The following datasets were withdrawn from the National Exercise due to limited matches / success in previous years. They remain discretionary and Peterborough took the decision to not include:

- Market Trader Licences; and
- Personal Alcohol Licences

2.1.3 Similarly, the following datasets are normally collected but it was decided nationally to defer collection until later in 2021. To date we have not received a request for:

- Personal Budgets; and
- Private Residential Care Homes

2.1.4 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. This was submitted and matches received.

2.1.5 Key outcomes established from the exercise which have impacted on the success of the initiative have been:

- Data quality;
- Timeliness of records being updated; and
- Referrals to other agencies

OUTPUTS FROM DATASETS			
	Original Matches	New Matches	Total
Blue Badge Parking Permit	423	-	423
Concessionary Travel Pass	1,153	-	1,153
Council Tax Reduction Scheme	433	1	434
Housing Benefits	91	2	93
Payroll	36	1	37
Residential Parking Permits	3	-	3
Taxi Drivers	1	-	1
Waiting List	474	4	478
	2,614	8	2,622

2.1.6 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.

2.1.7 Trade Creditors submitted as part of the exercise cover the 3 year period 1 October 2017 – 30 September 2020. The number of records submitted were 179,144 individual payments made during the period against 3,790 suppliers. This resulted in the following matches:

OUTPUTS FROM DATASETS			
	Original Matches	New Matches	Total
Payroll to Creditors	176	41	217
Duplicate Creditors	2,823	-	2,823
VAT Overpaid	330	-	330
	3,329	41	3,370

2.1.8 While the outputs continue to be reviewed, previous exercises have noted the following observations:

- 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.
- 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.

2.2 Council Tax Single Person Discount and Rising To 18

2.2.1 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. 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 (January 2021 download), the following results have been obtained:

OUTPUTS FROM DATASETS	
	Matches
Council Tax to Electoral Register	3,251
Council Tax to Rising 18s	103

2.2.2 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.

2.3 Business Grants

2.3.1 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.

2.3.2 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.

OUTPUTS FROM DATASETS		
	Submission 1	Submission 2
Bank Account Verification	880	151
Active Company Check	93	
Combined	1,380	262
	2,353	413

2.3.3 An additional matching exercise was undertaken following the initial trawl of the data through NFI with a focus on multiple claims in areas or cross boundary submissions.

OUTPUTS FROM DATASETS	
Small Business Grants Fund (Duplicates)	47
Small Business Grant Fund and Retail Hospitality Leisure Grant	13

2.3.4 Each of these match types are being investigated. Following on from this initial exercise, which was focusing on the legitimacy of the businesses being operational in each authority area this dataset is now to be mandatory for future matching against other authorities.

2.4 Overall

2.4.1 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.

2.4.2 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.

3...COUNCIL TAX SUPPORT

3.1 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 four 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. There has been a reduced level of referrals received – possibly as a result of the pandemic, various lockdowns, furlough etc. – but these are now starting to increase.

3.2 Council Tax investigation types include – contrived tenancy; undeclared income; living together; non-residency; working and claiming; undeclared non-dependency; or undeclared capital.

3.3 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. .

3.4 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. However, we have been unable to pursue this route due to Courts being closed during lockdown. We continue to apply the appropriate evidential and public interest tests to matter before deciding to prosecute.

4...JOINT WORKING WITH DEPARTMENT FOR WORK AND PENSIONS

- 4.1 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.
- 4.2 With the pandemic, officers at DWP have been reassigned to other activities and the joint working has not been in place during the year. While officers are now returning to their substantive posts, there remains a backlog of cases which require investigation.

5...OTHER INVESTIGATIONS

5.1 The works of the Investigations team also covers activities in relation to:

- Corporate Complaints (Stage 2)
- Disciplinary (gross misconduct)
- Blue badge misuse
- Internal fraud

5.2 Stage 2 Corporate Complaints

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. 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.

STAGE 2 CORPORATE COMPLAINT REFERRALS					
	2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020	2020 / 2021
Referrals received	20	17	23	16	18

18 cases were received during the year to 31 March 2021 which were all reviewed with the majority requiring full investigated by the Team. Outcomes include making recommendations to rectify the complaint, or finding that the Council had done everything it could possibly do.

5.3 Disciplinary Cases

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. Results of these 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.

5.4 Blue Badge Misuse

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.

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

Chief Internal Auditor
June 2021

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