

ANNUAL FRAUD REPORT 2021 / 2022

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 2021 / 2022, 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*'. (Terms of Reference 2.2.2.16)

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)

2.1.3 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.

2.1.4 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

2.1.5 A report to Audit Committee in February 2022 set out the results. 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.

2.1.6 This exercise is in essence closed, although we still receive requests for information from others and a number of records still await replies from other agencies (e.g. Department for Works and Pensions).

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.

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.

2.2.3 Potential matches verification remain ongoing with Revenues and Benefits.

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. 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.

2.3.2 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.

2.3.3 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.

2.4.3 Elsewhere on the agenda there is a report setting out how the Council will be gearing up for the next round of the National Fraud Initiative.

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 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 as well as being unable to interview claimants. These conditions have now been lifted.

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 Similarly, 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) and grievance investigations
- Blue badge misuse

- 5.2 Stage 2 Corporate Complaints

- 5.2.2 A total of 26 cases were received during the year to 31 March 2022 (up from 18 in the previous year) 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.

- 5.3 Disciplinary Cases and Grievances

- 5.3.1 Cases of alleged disciplinary breaches are conducted by the Investigations Team. During the pandemic and with working from home the disciplinary referrals have dropped

considerably. The majority of referrals have been in respect of people who have not been working from home. 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.

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

5.3.3 Grievances follow the same rigorous level of investigation and are provided to the Investigations Team by Human Resources. A number of these arise from disciplinary cases which delay the outcome of the latter as they need to be resolved first.

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.

Chief Internal Auditor
July 2022

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