

ANNUAL FRAUD REPORT 2023 / 2024

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1...INTRODUCTION

- 1.1 This is an annual report produced by Internal Audit to show the work that has been undertaken across the Council in relation to Fraud and Investigations. This report is to “those charged with governance” which in the case of Peterborough City Council is the Audit Committee, to show the work that has been undertaken within Internal Audit and how these fit into the national picture.
- 1.2 The report sets out the outcomes from the work undertaken in 2023 / 2024 and highlights the work to be undertaken in 2024 / 2025. All of the policies relating to fraud and corruption are available to all staff on the intranet.
- 1.3 Fraud is a significant risk to the UK public sector. Local government due to fraud results in less funding for public services. To effectively combat fraud the council needs to have a counter fraud framework that helps it prevent, detect and deter fraud. Counter fraud work needs to develop at least as quickly as the techniques used by criminals seeking to defraud the council.
- 1.4 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.
- 1.5 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.
- 1.6 PCC has policies and procedures in place which provide a framework to counter fraud work, which are included in **Table 1**. PCC has a full suite of policies which provide adequate governance arrangements for the prevention, detection and prosecution of fraud against the Council. While legislation surrounding fraud has remained constant over the past year, the policies will be revisited this year as part of a refresh of the Fraud Framework and Strategy.

Table 1: Counter Fraud Policies / Lead Sections	
Legal and Governance	Employee Code of Conduct Members Code of Conduct Contract Standing Orders Regulation of Investigatory Powers Act (and procedures) Whistleblowing Policy
Internal Audit	Anti-Fraud and Corruption Policy Sanctions / Prosecution Policies
Finance	Financial Regulations
Human Resources	Disciplinary Policy

- 1.7 The reporting of suspected fraud to the Council takes numerous avenues. The Council has a dedicated fraud hotline within Investigations which receives calls from the public, predominantly in relation to welfare benefit fraud. The majority of cases are referred through to Department for Work and Pensions. Similarly, there is a fraud email (fraud@peterborough.gov.uk) which directs allegations through to Investigations.
- 1.8 Other allegations are received:
- Post. These tend to be anonymous referrals in relation to members of the public disclosing information on neighbours for welfare fraud;
 - Via Whistleblowing Policy. There are a number of nominated officers who can be contacted in relation to whistleblowing.
 - Referrals from external organisations. There are reciprocal arrangements in place with the Department for Work and Pensions.
 - Referrals from departments. These usually take two forms – staffing cases from Human Resources and Blue Badge misuse from Parking Enforcement.
- 1.9 Other services across the Council will have their own arrangements for handling misdemeanours, such as Trading Standards in relation to fireworks, tobacco or alcohol. Those are not subject to this report production.
- 1.10 This report documents the Council’s response to fraud during 2023/2024 and is presented to the Audit Committee in order to discharge its responsibility, as reflected in its terms of reference:

3.32: To review the assessment of fraud risk and potential harm to the Council from fraud and corruption.

4.3: To monitor council policies on “raising concern at work” and the anti-fraud and anti-corruption strategy and the Councils complaints process and review the assessment of fraud risk and potential harm from fraud and corruption.

2...LOCAL AND NATIONAL FACTORS IMPACTING ON FRAUD LEVELS

- 2.1 It has been well documented that the country is currently experiencing a “cost of living crisis” which has been determined from a number of financial factors. As a consequence, these can ultimately result in sharp increases in the number of attempted frauds against local government. Examples include false claims for discounts and benefits and bogus insurance claims.
- 2.2 Individuals are not safe themselves and there are also increases in more sophisticated methods targeting the public. For example, this could be through scam telephone calls / text messages purporting to be in relation to financial support such as previous government support in relation to energy bills.
- 2.3 To provide a response to tackling fraud a number of legislation and organisational changes have been put in place by the government. These include:
- Public Sector Fraud Authority. The new initiative was launched in August 2022 and has a mandate to modernise central governments response to counter fraud. While predominantly focussed on central government departments in the interim, there is a mandate that best practice and standards will be shared with local government.

- The Police, Crime, Sentencing and Courts Act 2022 impacts on how local authorities can offer sanctions in relation to various offences.

2.4 Within PCC, this report covers a number of key themes which have focussed on looking at potential fraud and in year activities have included:

- Bi-annual National Fraud Initiative (see Section 3);
- Raising awareness of the dangers of cyber-crime across all employees; and
- Targeted Blue Badge Action Days.

3...NATIONAL FRAUD INITIATIVE

3.1 Bi-Annual Exercise 2022

3.1.1 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 2022 and matches for review were received in February 2023. Further matches are received as other organisations submit their data. There is a similar exercise annually which involves electoral data.

3.2 Electors and Council Tax

3.2.1 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 in December 2023 as per **Table 2**.

3.2.2 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.

3.2.3 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.

Table 2: Breakdown of Matches Received by Dataset			
	Number of Matches	Closed	Open
Council Tax to Electoral Register	3,252	2,752	500
Council Tax rising 18s	37	29	8

3.2.4 Potential matches verification remain ongoing with Revenues and Benefits, including the use of Visiting Officers. Separate intelligence is also gathered through data checks through credit agencies etc. such as Experian. Once the exercise is completed, a full report can be provided of outcomes.

3.3 Local Government Key Datasets

3.3.1 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)

3.3.2 Throughout the year, the number of matches are refreshed as the Cabinet Office re-run reports as late submitting Councils data is received; changes at DWP (impacting on those matches relating to the Council Tax Reduction Scheme); or updates to deceased records etc. (Originally reported as **4,883** matches, the current level of matches are **5,100**). 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.

3.4 Outcomes and Way Forward

3.4.1 Key issues identified include:

- There may be time delays in records being updated so that a large amount of matches received are erroneous. For example, blue badge parking permit matches identified a large amount to DWP deceased lists. From sample checks of a large number of high-risk matches, badges had been returned and Council records updated after the original download.
- Duplicate payments have been identified and recovered **£14,420**.
- Data quality remains an issue.

3.4.2 Overall, 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.

3.4.3 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.

- 3.4.4 The next exercise is scheduled for October 2024. Guidance is being rolled out at present and new datasets are to be requested in relation to Private Supported Care Homes and Personal Budgets.

4...COUNCIL TAX SUPPORT AND JOINT WORKING WITH DEPARTMENT FOR WORK AND PENSIONS

- 4.1 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.
- 4.2 Council Tax investigation types include contrived tenancy; undeclared income; living together; non-residency; working and claiming; or undeclared non-dependency.
- 4.3 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.
- 4.4 Following the appointment of a Corporate Investigator in June 2023, there has been the opportunity to develop further links with DWP. Joint cases continue – **11 cases** have been linked during the year. 11 cases Key outcomes in year are set out in table 3 below.

Table 3: Joint Working Initiative (11 Cases)	
Financial Penalty in lieu of prosecution	1
Prepared for prosecution as at 31/3/2024	3
Under Investigation	4
Closed (fraud proven but no further action taken)	2
Closed (no fraud proven)	1

- 4.5 So far from the joint working, CTS overpayments have been identified to the value of **£25,274-60**, with financial penalties claimed to the value of **£1,000-00**.
- 4.6 Other investigations include:

	Cases	Under Investigation	Fraud	No Fraud Found
Council Tax Reduction Scheme only	7	5	-	2

	Cases	Under Investigation	SPD Accounts Removed	No Fraud Found
Single Person Discount	17	4	5	8

- 4.7 Case levels referrals fluctuate throughout the year whether received anonymously from the public (**86**) or directly to Benefits (**15**). Of those 101 cases, there are currently 34 referrals to be processed.
- 4.8 Experian is used as a first point of investigation on all single person discount, living together, undeclared non dep cases and non-residency cases. We have direct access which allows results to be made immediately saving time. Although there is a cost involved we can start with an initial search which is cheaper and only expand on those where there is a footprint of the subject at the address.

5...BLUE BADGES

- 5.1 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. The option to offer a warning has enabled a more cost-effective penalty which stays on record and can be used as evidence should the offender misuse a Blue Badge in the future and a prosecution pursued. However, this is regularly reviewed.
- 5.2 In 2023/2024, while no prosecutions took place – 13 cases were warning letters issued. The service continues to enforce restrictions in a suitable manner, and they will be looking to impose the appropriate sanctions where these are required going forward.
- 5.3 Nationally the estimated average value per Blue Badge fraud cases is £687m. It should however be noted that the cost is per case and is likely to be lower in Peterborough, as we do not currently have a congestion charge (Clean Air Zone charges do not apply to private motor vehicles) or the scale of parking fees seen in London, where Blue Badge fraud would cost the authority considerably more.

6...BANK MANDATE FRAUD

- 6.1 Bank mandate fraud continues to be a significant issue. Although PCC has robust controls in place to detect and prevent this, the Council is still targeted by organised criminal gangs who undertake phishing exercises. Methods are becoming more sophisticated, but our knowledge of this threat continues to develop. Alerts from neighbouring Local Authorities as well as the National Anti-Fraud Network (NAFN) and the police are regularly circulated to the relevant service areas.

7...WHISTLEBLOWING

- 7.1 The number of whistleblowing issues reported remains low. These have been considered within Internal Audit Opinion. The current policy is being updated BY Democratic Services and will be rolled out shortly.

8...FRAUD E-LEARNING

- 8.1 Following reviews of Council corporate systems to deliver E-learning new arrangements are to be introduced. A Fraud E-Learning package will be developed to give support to officers and members in understanding fraud risks and putting in place measures to prevent / reduce the prevalence of fraud. Cyber awareness training has already been developed.
- 8.2 This Fraud E-Learning package will support the implementation of the Councils Antifraud policies.

9...FRAUD RISK ASSESSMENTS

- 9.1 The Chief Internal Auditor completes an Annual Fraud Risk Assessment which is designed to identify areas of fraud that present the greatest risk to the Council. The risk assessment is informed by national and regional reports of fraud affecting local authorities, together with any changes in processes or cases investigated.
- 9.2 The risk assessment reflects on inherent and residual risk from the specified fraud threats.
- Inherent = Risk to Council if no controls in place to prevent fraud
 - Residual = Potential risk level after current controls are taken into account.
- 9.3 The assessment is set out in **Appendix B** and **Appendix C**.

10...DEVELOPMENTS 2024 / 2025

10.1 The investigation of fraud is a continuous and ever-changing work programme. Developments planned for 2024 / 2025 cover:

Area	Activity
Counter Fraud	Regular reviews of policies / processes together with reassessing the counter fraud risks
	Detailed assessment on the impact of Business Rates
	Project implementation of fraud database system (move to Cloud solution)
	Project review in relation to SPD software tools with Revenues and Benefits
	Further development / refinement of processes with Revenues and Benefits Teams
Proactive Work	Liaising with ICT in relation to cyber risk and Insurance for claims
	Production of various awareness guides for managers
	Consider social housing fraud and investigate links with other providers
Reactive Work	Ongoing investigations for the Council and in conjunction with DWP
National Fraud Initiative	Ongoing coordination and reporting on findings

Chief Internal Auditor
July 2024

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