



devon**audit**partnership

Counter Fraud Services

Counter Fraud Services

Annual Report 2019-20

Plymouth City Council
Audit & Governance
Committee

Date July 2020

CUSTOMER
SERVICE
EXCELLENCE



Support, Assurance & Innovation

1.0 Introduction

- 1.1 Fraud is by definition a crime and should not be tolerated. Any fraud against Plymouth City Council is a fraud against the public purse and therefore we will continue to acknowledge the threat from fraud, build processes and policies that will prevent fraud and pursue those who would commit fraud to ensure that the public retain confidence in the Council.
- 1.2 Local authorities continue to face a significant and unprecedented fraud challenges. Official figures are dated, however the argument for protecting the public purse remains a renewed priority. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud a year in 2013. In fact, the [Annual Fraud Indicator](#) produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. [The Government's Economic Crime Plan](#) states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.
- 1.3 It remains clear that every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are an unnecessary drain on local authority resources and can lead to reputational damage and the repercussions can be far reaching.
- 1.4 Plymouth City Council continues to retain the [Counter Fraud Services Team](#) who were transferred to the [Devon Audit Partnership](#) in 2018. This team remains the only fully qualified and nationally recognised investigation team left in Local Authority in the Devon area.
- 1.5 Whilst the current COVID 19 crisis has and will mostly affect the 20/21 financial year and beyond, DAP's Counter Fraud Services Team are already involved with countering the fraud threat in relation to Grant Funding schemes and are highlighting other COVID related frauds across the council and will continue to support the Council and its residents in this area.

2.0 Background

- 2.1 Plymouth City Council's continues to be protected by the Counter Fraud Services Team (CFST) now based within the Devon Audit Partnership the staffing levels remain unchanged and the team consists of individuals who were previously the Corporate Fraud Team within Plymouth City Council. All members of the team are either Accredited Counter Fraud Specialists or Accredited Counter Fraud Technicians with many years of experience in countering the fraud threats posed to local government.
- 2.2 The CFST are supporting counter fraud work nationally on behalf of Plymouth City Council by assisting various professional bodies from Central Government, Local Government and Private Industry in the fight against fraud, partners such as the [Cabinet Office](#), the [National Anti-Fraud Network](#) (NAFN), [Credit Industry Fraud Avoidance System](#) (CIFAS) as well as colleagues in other LA investigation teams up and down the country.
- 2.3 Over the past financial year the Counter Fraud Services Team have dealt with 359 allegations of fraud from internal sources as well as the public, resulting in 11 prosecutions, 32 formal cautions and or other forms of sanctions against offenders. It should be noted here that many cases of offending are stopped by having the CFST involved, even if the evidential threshold for conviction cannot be reached, hence the statistics are for 'fraud and error'. (Error on occasion being fraud that cannot be proven 'beyond all reasonable doubt')
- 2.4 The team also have a compliance role where over 550 households were visited in this financial year to ensure correct ongoing entitlement to Council Tax Support, Single Person Discount, Tenancy Entitlement and other service entitlement checks, this role can also be used any area of counter fraud work where low grade intelligence is available and therefore an intensive and potentially expensive criminal investigation is not warranted. These visits uncovered 180 cases where incorrect entitlement was in payment and have resulted in Council Tax and other accounts such as insurance claims being corrected and further referrals being made to outside agencies, where appropriate.
- 2.5 They have generated and or assisted in generating much needed savings in several areas of the councils business in the form of proven savings to the tune of £1,572,656.02 (£126,655.17 Cashable savings and £1,446,655.17 Non Cashable) which is another significant achievement for such a small professionally trained group.
- 2.6 There are currently 149 live investigations into allegations of fraud being undertaken by the team. A further 15 are awaiting some form of sanction with 9 awaiting prosecution through the criminal justice system.

3.0 Areas of Current Fraud Investigation

- 3.1 As part of its ongoing commitment to countering fraud in Plymouth, the Counter Fraud Services Team has undertaken investigations in the following areas:
- Council Tax Support / Single Person Discount
 - Blue Badge misuse
 - Social Housing Fraud (involving our partner Registered Social Landlords)
 - Client Financial Fraud (Special guardianship)
 - Insurance fraud
 - Bus pass misuse
 - Parking Permit selling
 - Non-domestic rates
 - Internal cases
 - COVID related Grant fraud
- 3.2 Counter fraud work is notoriously difficult to effectively and accurately quantify due to the nature of the offences. It is by nature a hidden criminal offence. We may never know exactly how much money the prevention and detection of fraud has saved the Authority, as many of the fraudulent activities listed above would have continued to have been perpetrated over a period of time, had there not been an intervention. Where a nominal value has been used to quantify the value of a fraud, Cabinet Office figures have been used.
- 3.3 The Counter Fraud Services Team will continue to work closely with all PCC departments to ensure that fraud risks are minimised and wherever possible, those found committing offences are dealt with robustly and in line with PCC's Anti-Fraud, Bribery and Corruption Policy and its linked Strategy and Response Plan.
- 3.4 Joint working Investigations have now been in place with the Department for Work and Pensions (DWP) for 12 months. This effectively means that wherever an investigation into Council Tax Support is jointly investigated with DWP when Housing Benefit or some other primary benefit is involved, that the DWP will completely fund the prosecution, should this be the chosen sanction for the offence. The CFST currently have 20 ongoing joint investigations with the DWP.
- 3.5 The team also continue to work closely with all internal Departments as well as external partners such as Registered Social Landlords, the Police and Cabinet Office amongst others.
- 3.6 All allegations of fraud will continue to be investigated appropriately irrespective of the area of the Councils' business and irrespective of value.
- 4.0 **Achievements**
- 4.1 Some case studies of investigations occurring over the year 19/20, are detailed in **Appendix A** of this report.
- 4.2 Ashley Varley an investigator within the team remains the elected 'Chair' of the Devon Tenancy Fraud Forum which is instrumental in attempting to ensure a consistent response across the whole of Devon in respect of Social Housing Fraud. This particular type of fraud is estimated to cost the public purse in excess of £900 million per year and negatively affects some of the most vulnerable in our society. Ashley along with the support of the team is raising the profile of these frauds so that all Housing Associations and Local Authorities across Devon and beyond can work together to ensure that a zero tolerance approach is applied. Ashley was recently asked and has now accepted the offer to become a member of the Executive Board for the 'National Tenancy Fraud Forum'.
- 4.3 Over the past twelve months the DAP Counter Fraud Services Team have provided 'Fraud Awareness Training' sessions to Social Housing Sector Landlords in the Plymouth City Council catchment area. This enables (RSL's) to confidently look for and refer fraud concerns to us, so that more cases can be investigated and dealt with in the future and therefore increase fraud savings for the Council year on year.
- 4.4 In March 2020 the team received national recognition from CIFAS for their contribution in producing and support for the new '[Fighting Fraud and Corruption Locally Strategy 2020](#)'. (FFCL) CIFAS is a not-for-profit fraud prevention membership organisation. They are the UK's leading fraud prevention service, managing the largest database of instances of fraudulent conduct in the country. The Counter Fraud Services Team at DAP have assisted CIFAS to produce this strategy for the 2020's. The document is already considered the 'go to' document for counter fraud professionals within Local Government.
- "Local councils are the subject of fraud and the guardians of the most vulnerable in our community from fraud. I think that in this strategy – Local Government has taken the harder road - to acknowledge and then to pursue, prevent and protect its communities and its resources from widespread fraud. Not for the first time is local government leading the way and choosing the right path. Let's hope others follow."
- (Mike Haley, Chair of the Joint Fraud Taskforce and CEO of Cifas)*

4.5 The Counter Fraud Services Team manager is now a member of the FFCL Board, which is looking at all aspects of fraud and where and how LA 's can counter fraud in the future, as well as looking at lobbying for funding / investment and new areas of work. The 'Board' has been described as "a coalition of the willing" by CLLR Richard Watts, (*Chair Resources Board, Local Government Association and Leader Islington Council.*)

4.6 More recently the Team have also been recognised by the Ministry for Homes Communities and Local Government (MHCLG) for their contributions to the [Review into the risks of fraud and corruption in local government procurement](#). A commitment from the UK Anti-Corruption Strategy 2017-2022. This document is an in depth review of the procurement processes within LA's and is a definitive document in the how, where, why, when and who of fraud on this topic and how to prevent it. Procurement fraud is a growing area of concern within LA's due in part to the increase in arm's length management issues that are prevalent now more than ever within this sector.

4.7 The "Fraud Awareness @ the Council" ELearning package has proven effective over the past twelve months with figures for completion showing a continuous increase. This ensures that all members, staff and partners are aware of what fraud looks like and how to report it.

Percentage of PCC staff who have access to a computer who have completed the course -

- June 2018 23%
- June 2019 66%
- June 2020 73%

4.8 The Counter Fraud Services Team's Intelligence Officer provides a close link with Devon and Cornwall Police and the Devon Audit Partnership. Last year she was required as an evidential witness (providing information from our confidential records) in support of a high profile drugs and organised crime trial. (Details cannot divulged in this report) The prosecution resulted in 4 defendants being sentenced to a total of 41.5 years in prison between them and Sue Roach was thanked for providing a statement and was informed that her help was very important to the criminal justice process and was greatly appreciated.

5.0 Focus for 2019/20 taken from last year's annual report

- Presentation to senior management and Councillors to maximise awareness of fraud issues and ensure commitment from the top of the organisation so that the Anti – Fraud Bribery and Corruption Policy and its accompanying Strategy and Response Plan are adhered to appropriately (Still outstanding)
- Ensure that identified areas of fraud risk are followed up and minimised (Reports prepared for managers and legal team for areas of concern)
- Continue to provide a consistent level of service to PCC whilst also maximising external income generation possibilities for Devon Audit Partnership and therefore PCC as the major stakeholder (Achieved)
- Take an active role in shaping the new national document 'Fighting Fraud & Corruption Locally' 'The local government counter fraud and corruption strategy' (usually a 3-4 year plan) (Achieved as per 4.4 and 4.5 above))
- Generate closer professional links with Devon and Cornwall Police and the National Crime Agency to ensure that serious and organised crime is addressed and considered going forward. All fraud crimes should be reported to 'Action Fraud' going forward. (Whilst working links have improved, (see 4.8) this will remain an area for improvement in the coming year.)

6.0 Focus for 2020/21

- Review and update PCC's Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and response Plan to ensure compliance with the new Fighting Fraud and Corruption Locally 2020.
- Liaise and support the Internal Audit programme to provide better all round 'assurance'.
- Generate closer professional links with Devon and Cornwall Police and the National Crime Agency to ensure that serious and organised crime is addressed and considered going forward.
- Create and deliver a Counter Fraud awareness training package for non PC users that equates to that undertaken in the ELearning package already available.
- Assist the Council to 'Risk Assess' its business in relation to fraud threats.
- Continue to lead and direct the response to fraud at a local and national level.
- Scan the horizon for new threats and address appropriately.
- Ensure all COVID related frauds are addressed in the most robust and effective way by liaising nationally and locally with LA's, Central Government and Private Industry.

7.0 Conclusion.

OFFICIAL

- 7.1** It is clear that Plymouth City Council remains committed to fighting fraud robustly and wherever it occurs. It remains the guiding light in the South West Peninsula in this area of work and is as a result encouraging others to follow its lead due to the national recognition and standing that it holds.
- 7.2** The problem of fraud is an ever growing one, which is constantly changing and evolving. Research shows that detected or reported examples of fraud do not represent the total cost of fraud, as much remains undetected and or hidden. Investing as Plymouth City Council has in the appropriate strategies means that they continue to increase their resilience to fraud this is recognised as one of the most effective ways to reduce the risk of fraud. The Counter Fraud Services Team remains committed to the challenge and will endeavour to ensure that wherever possible Plymouth City Council's services are not abused by those who would defraud the already overstretched public purse.
- 7.3** The economic impact as a result Covid-19 is far reaching, extreme, and it is likely to be quite some time before the economy recovers. Many people will suffer financial hardship which will increase the risk of fraud. People of previous good character can be driven to commit fraud and related offences when they or their families are suffering financial hardship and the opportunity presents. Therefore extra vigilance, awareness and checks will be required in the current and following years.
- 7.4** A full contact list for DAP Counter Fraud Services is available on **Appendix B**

COUNTER FRAUD SERVICES TEAM PROSECUTION CASE STUDIES**Mrs H Social Housing Fraud**

It was clear from the evidence in this case that MH vacated her Social Housing property to live with her boyfriend in Cornwall sometime in 2011/2012. It was also clear that her friend moved into her Social Housing property with her consent shortly after she vacated the address and that he has resided there up until shortly after she was interviewed under caution (IUC), by the Counter Fraud Services Team.

It was clear that she never sought nor obtained authorisation from her Social Landlord and it is clear that her Tenancy does not allow her to part with possession in whole or in part without the express permission of the Landlord. Had she sought such permission it would have been refused.

MH further admitted in her IUC that she even moved for a second time to a new address in Devon in July 2018 whilst still renting her Social Housing property illegally to her friend.

- MH stated that the reason she never informed her landlord of the sub-let was that initially it was because her relationship in Cornwall may fail, but 6 years later she again moved house with her boyfriend but didn't inform her landlord as she didn't want to make her friend homeless.
- She confirmed that she maintained the Council Tax in her own name, even when everything else had been changed into the name of her sub-let to cover herself.
- She gave the rental payment card that had been issued to her for her use to her sub-let to make rental payments so that it would appear that she still resided the address.

This type of offence is exactly what the Prevention of Social Housing Fraud Act 2013 (POSHFA) was brought into being to combat. MH's offending predates the introduction of POSHFA. Social Housing Fraud is estimated to cost our public services around £900 million per year and the estimated cost of her actions to the Local Authority alone in this scenario is £93k. Based upon the cost of accommodating someone else who is genuine need in emergency accommodation.

MH has had no need of social housing for years but has maintained control of a property that her Tenancy clearly states is for the housing needs of a maximum of 3 people. She has therefore potentially stopped 3 people or a family being housed legitimately for the past 6 years.

Awaiting Court date.

Mrs W Social Housing Fraud

It was clear from the evidence in this case that MW has owned a property in Plymouth, since 2006 and continues to own the property to this day. It was also clear that in September 2017 MW completed an application for Social Housing on the Devon Homes Choice Register, without declaring that she was the joint owner of her privately owned address. From that point she made a further bids failing to declare her ownership of the same address. It was also clear that she made numerous false statements in order to convince officers and even members of the Council that she was being treated unfairly by not being offered a property.

She made a total of 43 bids for social housing when she was clearly aware that had she told the truth about her ownership of the owned property that she would not have been eligible for a social housing property at all.

- When initially questioned about the false bids and statements she had made since September 2017, she continued to lie. As and when it became clear that the investigators had uncovered the truth about her ownership and the fact that she actually rented out her owned property her attitude went from one of innocent denial to one of robust confrontation "so yeah I've got another house, just do me for fraud, do it".
- She then went on to admit all offences put to her and admits her dishonesty and that the application was false from the outset, that it was premeditated and that she had included and sought advice from others, namely her mum and dad in the planning of the attempted fraud.

OFFICIAL

- It is clear that she intended to obtain a valuable social housing property by dishonest means when she had absolutely no entitlement to one. She directly asked for the support of an elected Council Member in an attempt to force her way into a social housing property.

The potential loss to the Plymouth public purse to emergency accommodate someone that she could have stopped getting a property is stated by the Cabinet Office to be £93k. This is without the personal cost to someone in genuine need.

This was a blatant and planned attack on the social housing system at a time when it is widely publicised that Social Housing is at an absolute premium and not even everyone who has a genuine need is able to be accommodated. She has deliberately attempted to defraud the public purse and her fellow citizens with this cynical and self-centred attitude and she has shown no remorse for her actions.

Awaiting Court date.

Mrs J Benefits and Insurance Claim Fraud

An anonymous allegation was received that Mr and Mrs J, were committing Benefit Fraud by wrongly declaring their self-employed income.

A short time later a 2nd allegation was received from the same person, that Mrs J had also made a fraudulent insurance claim regarding a personal injury claim against the Council when she hit a pothole in a Plymouth City Council carpark.

• The Benefit Case

Investigations were carried out on their income, and evidence received showed they were receiving substantially higher income than they had previously declared.

Mrs J was subsequently interviewed under caution, she provided a prepared statement, then answered "No Comment" to all questions. Mr J was interviewed and he informed investigators that his wife dealt with the claim for them both, and that she also prepared all of his accounts for his self-employed business. Following the interview, information was passed to an assessor, based on the evidence overpayment were raised for £25,580.45 Housing Benefit and £4,995.14 Council Tax Benefit/Support

On 19.08.16 the case was heard in the magistrate's court. Mr and Mrs Jones both entered no plea and elected for a trial at crown court. Later Mrs Jones plead guilty to 6 offences under the Social Security Administrations Act 1992 Section 112. She was sentenced to 10 weeks imprisonment suspended for 1 year, 180 hours of community service and to pay £1000 costs.

• The Insurance Case

Evidence gathered for the insurance case, showed that not only had Mrs J exaggerated her injuries from the accident, but that she had also produced forged invoices of work she claimed to have missed out on to try and inflate the pay-out she could receive from Plymouth City Council.

Just before the case was due to be heard at the Plymouth County Court, Mrs J signed a statement agreeing that she had been fundamentally dishonest, and agreed to pay costs of £30k. She did not enter the court room after doing this, the information was provided by her solicitor.

Plymouth City Council took Mrs Jones back to court on the charge of Contempt of Court. This was heard at Exeter County Court. Mrs Jones was found guilty and was sentenced to 3 months in prison, suspended for 2 years, and to pay costs of £4028.

This was the first finding of this type in the South West.

• Financial Value of the Frauds in this case.

Type	Value
Housing Benefit Overpayment	£25,580.45
Council Tax Benefit/Support	£4,995.14
Crown Court Costs	£1,000
Fundamental Dishonest Costs	£30,000
Contempt of Court Costs	£4,028
Total	£65,603.59

Mr E Blue Badge Fraud

It was clear from the evidence in this case that ME parked his vehicle in Courtenay Street Car Park, which at the time of the offence was designated as 'disabled only' parking. It was also clear that he displayed a disabled parking blue badge in order to justify obtaining the concession available to legitimate blue badge users in this car park. However he used the blue badge issued to his deceased uncle, who died 2015. When questioned under caution by the Counter Fraud Services Team he made a full admission of an offence contrary to the Fraud Act.

- The aggravating factors in this case are substantial as he used a deceased person BB, he parked in a clearly designated 'disabled only parking' car park, knowing that it was designated as such. He further admitted that he was well aware of what he was doing and that it was wrong, but that he thought he would 'take a chance'
- He lied to the officers present at the time of the offence by saying that he had picked the wrong BB up and that he thought it was his wife's. His wife was not a BB holder at the time of the offence.
- He displayed no remorse for his actions at his IUC, in fact he clearly states that he found it "highly amusing" that the officer was attempting to contact the BB holder on the day of the offence as he knew that the BB holder was buried in Plympton. He also confirmed that he thought at the time "best of luck with that one".
- Mr E confirmed that the only reason he committed the offence was because he had no change to pay for parking.

Mr E's actions show a clear disregard for those genuine BB holders that legitimately require concessionary parking and the BB system as a whole.

This type of offending is estimated to cost the public purse £46Million per year. It clearly impacts those with a genuine need for concessionary parking and undermines the very fabric of our society.

Fined £40 for the offence (reduced from £60 due to his limited means), plus £130 contribution towards costs, plus a victim surcharge of £30. Total effective fine = £200.

Mr M Concessionary Bus Pass misuse

It was clear from the video evidence in this case that MM used his disabled mothers concessionary travel pass at least 6 separate occasions over 3 days. It was clear from the evidence that MM has acted in a less than honest manner, as when given the opportunity to tell the truth about the number of times that he had used his mother's pass in this manner he lied each time until confronted with video stills of himself using the pass on the bus on the days in question.

- MM's use of his disabled mother's concessionary pass was clearly dishonest as per his own admission at the Interview under caution. It is clear that although he has admitted that he has used this pass this way on the 6 occasions, this is only due to the fact that CCTV evidence was available.
- It is clear that he would have continued to use the pass had he not been stopped by the bus driver.

Plymouth City Council spends around £4.8 million per year to support the Concessionary Travel Scheme which is used by 55,000 genuine bus pass holders in Plymouth. An attack of this nature undermines the future investment in this scheme and the future mobility and social movement of some of the most vulnerable in our society who genuinely need this type of scheme.

Awaiting Court Date.

Mr and Mrs A Council Tax Support Fraud

It was clear from the evidence in this case that neither party had informed PCC of a change in income from employment. Income had increased steadily since 2013. It was also clear from the evidence that the changes in their income from employment affected the couples entitlement to CTS which has resulted in a substantial overpayment of Council Tax Support at £5k plus.

- There was some other evidence that one partner dealt with the bills and benefits for both parties and had come into the Council (albeit a few years ago) to question their entitlement and how much they have to pay for Council Tax and therefore had some knowledge of how things work in relation to Council Tax Support.
- Both parties were asked to attend an IUC and when they attended the offices they both refused to be interviewed and gave written non-committal statements, which were effectively mitigation statements, put together with the assistance of their legal representation.
- It was felt that having both parties arrested in order to question them and for them to then be forced to give a 'no comment' interview or answer questions directly would not have been proportionate with the Councils case in this matter. However this was considered.
- The overpayment in this case is well above the normal sanction level of £2k and there was a further overpayment of Housing Benefit which will be dealt by the DWP of £18.9k

This type of offending is a drain on valuable and scarce Council resources, every pound lost through fraud causes unnecessary pressure on already overstretched front line services. Fraud losses are unsustainable and directly affect those in our society that legitimately require the most help.

Sentence to a fine of £80 (reduced from £120 due for an Early Guilty Plea), plus a victim surcharge £30 and a contribution towards costs of £100, making an effective total fine of £210.

Devon Audit Partnership Counter Fraud Services Contacts

Name	Position	Telephone	Email
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Dina Williams	Fraud Investigator	01752 307619	Dina.williams@plymouth.gcsx.gov.uk
Ashley Varley	Fraud Investigator	01752 304182	Ashley.varley@plymouth.gcsx.gov.uk
Sue Roach	Intelligence Officer	01752 307618	Susan.roach@plymouth.gcsx.gov.uk
Rob Rogers	Compliance Officer	01752 398556	Robert.rogers@plymouth.gov.uk
Fraud referral email address			Corporate.fraud@plymouth.gov.uk
Tenancy Fraud referral email address			socialhousingfraud@plymouth.gov.uk
Fraud Telephone referrals		01752 304450	