



devon**audit**partnership

Counter Fraud Services

Plymouth City Council

Devon Audit Partnership

Counter Fraud Annual Report & Update

Audit and Governance Committee July 2022

**CUSTOMER
SERVICE
EXCELLENCE**



Support, Assurance and Innovation

1. Executive Summary

1.1 The following is the [Devon Audit Partnership](#) (DAP) [Counter Fraud Services Team](#) Annual Report and Update for the financial year 2021/22. It outlines the counter fraud work undertaken in support of Plymouth City Council and its continued efforts to ensure that appropriate Governance processes are in place. This includes acknowledging the threats posed by fraud, prevent and pursue those who would look to commit fraud and provide assurance that the Council and the public are being protected from fraud.

1.2 In the past twelve months the Counter Fraud Services Team have –

- Received and processed 240 allegations of fraud and related offences against the Council and its citizens.
- Helped the Council generate calculated savings of £1.4m in all areas of Council business.
- Undertaken Blue Badge enforcement exercises with the Council's Parking Team in order to continue to highlight and discourage this high-profile area of offending.
- Supported the Council's commitment to the National Fraud Initiative, by checking matches and supporting the relevant departments accordingly.
- Checked COVID 19 Grant entitlement and providing recommendations where appropriate.
- Undertaken data analysis exercises to identify potential fraud and error.

1.3 We consider that this is another positive annual report which shows the genuine commitment from the Council to minimise the impact and losses of fraud.

2. Introduction

2.1 The Counter Fraud Services Team within Devon Audit Partnership (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability, which improves its resilience to fraud and related offences.

2.2 The ongoing work will assist all Council staff, management, and Members in identifying fraud and the risks associated with it. The aim is to ultimately provide the highest level of assurance possible utilising a joined-up service in association with our colleagues involved in Internal Audit, and the Council itself to minimise fraud loss to the lowest level possible.

2.3 Reporting Counter Fraud activity is part of good Governance, and regular updates on the Council's Counter Fraud activity improves accountability; this report aims to meet this requirement and the requirements for such reports in accordance with the Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and Response Plan.

2.4 It is always worth reiterating that fraud is by definition a crime and should not be tolerated. Any fraud against Plymouth City Council is a fraud against the public purse. 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. Collaboration across the public sector will continue and strengthen under the current working arrangements through DAP and its partners.

3 Embedding the new Policy, Strategy and Response Plan.

3.1 The relatively new [Anti-Fraud Bribery and Corruption Policy](#) and the accompanying [Anti-Fraud Bribery and Corruption Strategy and Response Plan](#) are available to view and represent the Council's commitment to fighting fraud and corruption and ensuring that it continues to build resilience in protecting the public purse.

3.2 These documents give clear guidance and ensure that all staff, Members and the public can report fraud and irregularity suspicions directly to counter fraud specialists retained within the assurance services provided by the Partnership. The team have direct contacts with the Police and other law and enforcement agencies, which in turn ensures that all allegations are taken seriously and dealt with appropriately.

4 Fraud Trend Analysis

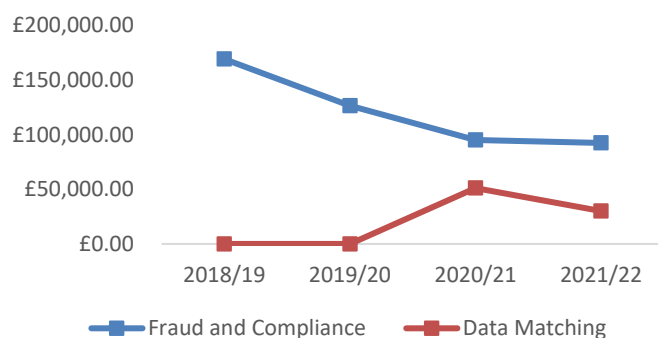
Flash Report for: CMT

Corporate Performance Indicators: Fraud Services

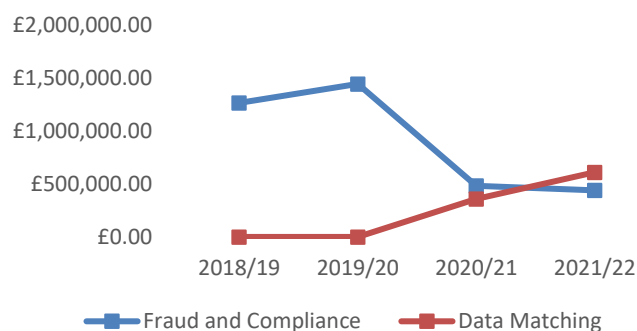
Performance Indicators

KPI	2018/19	2019/20	2020/21	2021/22	Direction
Fraud Investigation and Compliance					
Cashable savings identified	£169,312.67	£126,655.17	£95,289.73	£92,494.36	▼
Non Cashable savings identified	£1,267,425.62	£1,446,000.85	£482,296.53	£439,946.70	▼
Data Matching					
Cashable savings identified	-	-	£51,146.66	£30,227.93	▼
Non Cashable savings identified	-	-	£359,315.00	£610,598.06	▲

Cashable Savings



Non Cashable Savings



Flash Report for: CMT

Corporate Performance Indicators: Fraud Services

Performance Insights

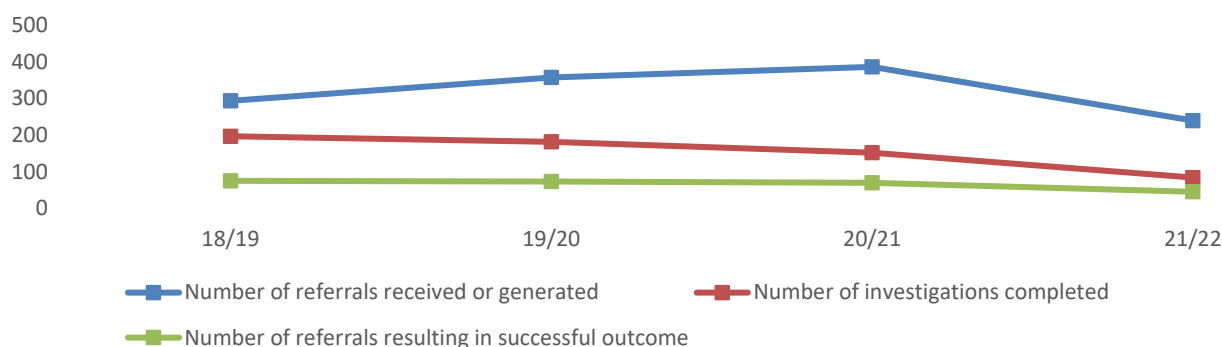
The graphs above show a gradual reduction in cashable and non-cashable savings uncovered by investigations within the Devon Audit Partnership (DAP) Counter Fraud Services Team (CFST). The trend is as a direct result of investigations being negatively impacted due to an inability to visit potential suspects at their home addresses (due to COVID) to obtain formal statements and / or call potential suspects in for an Interview Under Caution as would normally be the case. In an attempt to counteract this trend, the DAP CFST started undertaking a data analysis exercise in mid-2020 using data already supplied to the Cabinet Offices National Fraud Initiative, this resulted in an otherwise unobtainable improvement in both cashable and non-cashable savings and continues to do so.

Further savings will be realised by the after the end of the financial year 21/22 as final results of current investigations completed in year can be delayed due to workloads across the Council.

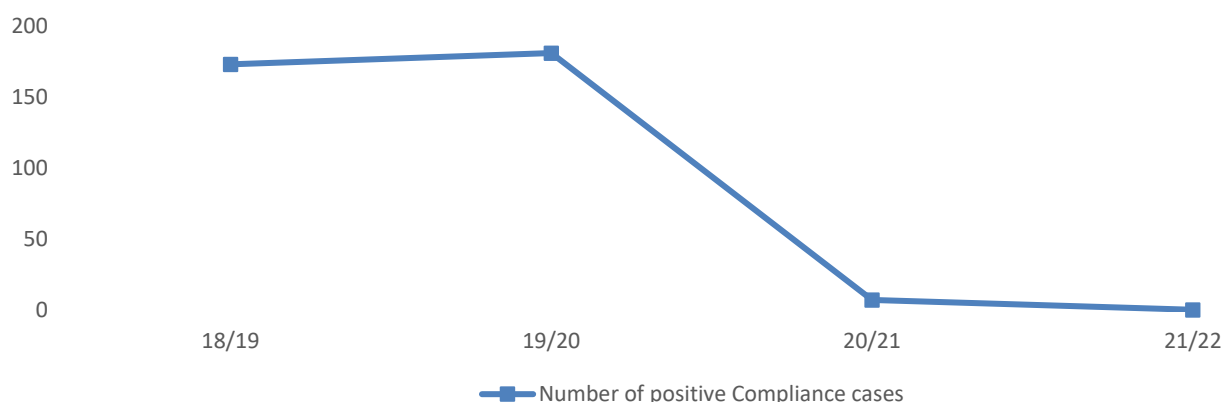
Performance Indicators

KPI	2018/19	2019/20	2020/21	2021/22	Direction
Number of referrals received or generated	294	358	387	240	▼
Number of investigations completed	197	182	152	84	▼
Number of referrals resulting in successful outcomes	75	73	70	45	▼
Number of positive Compliance cases	173	181	7	0	▼

Fraud Referrals and Investigations



Compliance



Performance Insights

Referral sources such as Local Housing providers, the Department for Work and Pensions have been redirected to supporting roles rather than formalised compliance check roles that would normally be the case.

Referrals from the public have also reduced, expected to be attributed to a more insular view of the local community and concerns over larger issues such as COVID and the health of loved ones. The second graph clearly shows that all 'compliance' visits to potential suspects homes stopped during the pandemic due to C19 restrictions and concerns over staff and potential suspect's health and safety. This is under review and expected to restart in the new financial year.

The CFST Manager is also in the process of acquiring fraud awareness campaign tools for the partnership in order to further raise awareness with the public, Members and staff across the region.

Referral trends for closed cases

KPI – Referral by Type of Allegation	2018/19	2019/20	2020/21	2021/22	Direction
Blue Badge	31	17	2	7	▲
Bus	9	19	11	9	▼
Council Tax and Council Tax Support	95	62	68	41	▼
Insurance	0	2	1	0	▼
Internal	0	8	4	1	▼
Permits	0	12	8	7	▼
Social Care	5	2	2	1	▼
Tenancy Fraud	57	60	49	36	▼
Other	0	0	0	19	▲

5 Integration of Counter Fraud, Risk Management, and Internal Audit.

Summary

It is clear from national statistics that the overall reporting of fraudulent activity has risen by 35% between July 2020 and June 2021 (*Office for National Statistics ONS*) during the Pandemic, however this has not translated into increased allegations of fraud against Local Authorities. Council fraud teams across the country have reported that referrals have dropped, whether this is connected with increased fraud in other areas remains unproven. The drop in referrals locally is to do with issues linked with COVID restrictions, mentioned above. To negate the reduction in referred fraud, the CFST at DAP have utilised internal data analytics (cross matching PCC Council Data) to prevent and detect fraud and error in the Councils own records. This will continue and along with the removal of restrictions, the risk management-based approach and an improved public awareness campaign it is anticipated that referrals will increase to pre COVID levels and ensure further increased savings to the public purse going forward.

We currently have 139 live fraud investigations for Plymouth in the following areas –

Blue Badge = 9	Social Housing = 39	Council Tax = 21
Council Tax Support = 30	Parking Permits = 2	Adult Social Care = 3
Insurance = 1	Concessionary Travel = 6	COVID19 Grants = 22
Internal = 1	Other = 3	

It should be noted that Plymouth as a result of the level of fraud investigations has a comparably high level of fraud resilience in comparison to many other neighbouring LA's, however the initiatives mentioned above will increase this further.

5.1 The integration between these assurance arms continues to evolve and strengthen. Regular meetings between the relevant managers and staff ensure that cross collaboration is growing and improving so that auditors are aware of fraud and risk issues (*See Appendix 2*).

5.2 Regular communication between Devon Audit Partnership and the Service Director for Finance (Section 151 Officer) ensures that direction, clarity and flexibility take place and continue to improve.

5.3 The creation of, and appointment to, a Senior Counter Fraud Officer (Assurance) role within the Partnership has assisted further integration, enabling Audit and Risk Management as well as counter fraud access to a higher level of data analysis capability.

5.4 The Partnership is also recruiting a Trainee Assurance Practitioner (Apprentice) which covers all aspects of assurance (Counter Fraud, Risk Management and Audit skills), alongside the



opportunity to obtain the [Level 4 Counter Fraud Investigator](#) qualification. This will further support the partnerships ability to provide Integrated Assurance to PCC.

6 National Fraud Initiative

6.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#); it matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.



Cabinet Office

6.2 Devon Audit Partnership acts as the point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative, this being a mandatory Biannual exercise in fraud prevention and detection.

6.3 The Concessionary Travel Team have completed their matches and have realised a Cabinet Office estimated savings figure of **£13k**.

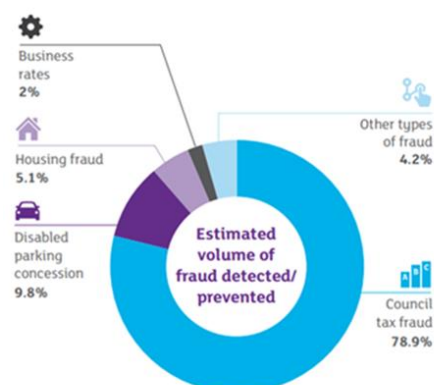
6.4 The Blue Badge have completed most of their matches and have realised a Cabinet Office estimated a savings figure of **£47k**.

6.5 In the Chartered Institute of [Public Finance and Accountancy \(CIPFA\) survey in 2019](#), the most common types of fraud faced by all Councils in England and Wales were identified as per the graphic below, it remains imperative that the Council continues to maximise counter fraud activity in these areas to ensure the minimisation of any loss to fraud.

6.6 This effectively means that the NFI has assisted the Council to identify changes in entitlement which have resulted in an (estimated) total of £60k in potential savings.

6.7 The Departments concerned have also shown that they are actively involved in making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

- **Data minimisation** by ensuring that PCC only holds data that is required.
- **Accuracy** by ensuring that the data held is as accurate as it can reasonably be expected to be.
- **Data retention periods**, showing that data is not being held longer than is necessary for its intended use.



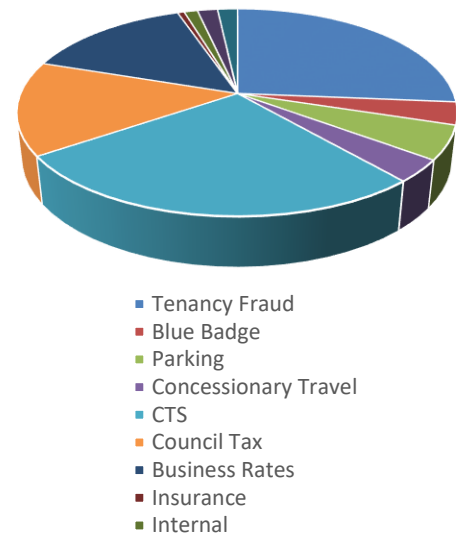
6.8 The next cycle of the NFI Exercise will start this year, with data being sent to the Cabinet Office by December 2022 and the identified matches being returned in Jan / Feb 2023. Devon Audit Partnership will support and encourage completion of the NFI returns and results will be reported to the Audit and Governance Committee in the regular Counter Fraud Updates in future.

(A full report of statistics comparing the results of the last exercise with the previous national exercise is available in Appendix 1.)

7 Investigations and other ongoing work

7.1 In the past twelve months the Counter Fraud Services (CFS) Team have received 240 referrals covering the following areas of Council Business.

- Tenancy Fraud (involving our partner Registered Social Landlords)
- Blue Badge Fraud
- Parking Permits
- Concessionary Travel
- Council Tax Support / Single Person Discount
- Business Rates
- Insurance
- Internal



7.2 The CFS team have 139 live investigations (*details of individual investigations cannot be disclosed due to the sensitive nature of the information*), and we continue to support service areas that require data analysis and monitoring.

7.3 Work will continue in all areas of Council business to ensure that all referrals are dealt with in line with the Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and Response Plan.

7.4 We will actively drive the risk assessment for fraud within the Council, to establish where the highest-level threats are and to ensure that wherever possible the Council is able to formally;

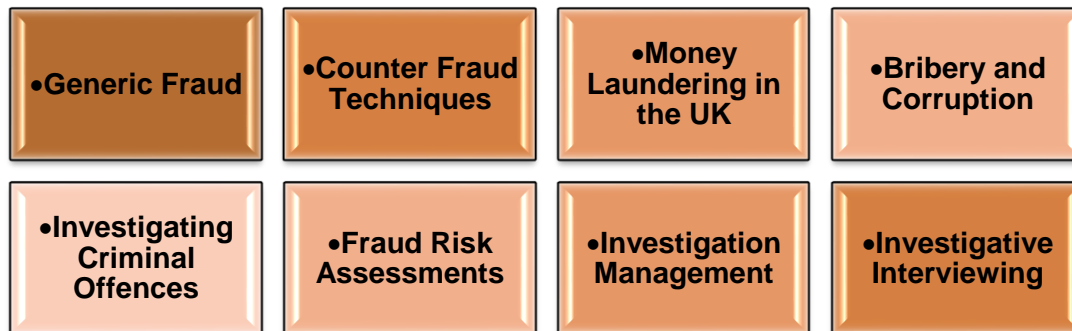
- Acknowledge the threat from fraud.
- Identify the risks.
- Develop a strategy of pro-active and responsive counter fraud work that fits with the Council's wider objectives and goals.
- Assist in assuring correct resources are applied to issues identified.
- Once the Fraud Risk Management process is embedded, information will be included in the Annual Counter Fraud Report.

7.5 The team is constantly developing and refining data matching techniques to highlight potential fraud and error within the areas detailed above. The team will be looking to expand areas of matching to areas highlighted by any risk assessment findings

7.6 The Counter Fraud Team are looking to develop a publicity campaign to increase general awareness and encourage all residents, staff and Members to report fraud and also to understand the impacts on the Council and the wider community within the next six months.

8 Raising Fraud Awareness

8.1 The Counter Fraud Services Manager has provided training / awareness sessions on the following topics to staff, management and Members; further training will be provided as and when required.



8.2 The team are seeking access to an award-winning counter fraud publicity campaign which can be used by the Council to continue to raise awareness and encourage reporting of offenders via multiple channels. The Audit Committee will be made aware of any future developments.

8.3 The team will continue to investigate all and any allegations of fraud affecting the Council and will also continue to highlight emerging fraud trends and areas of concern in order to prevent loss occurring in the first place.

9 Recordable savings

9.1 In this financial year (21/22) the CFST have identified £1.4m of savings (as calculated using national indicators) across the Council and it is anticipated that further comparable savings will be realised in the coming 12 months.

9.2 In the seven years that the Council has been recording 'Cashable and Non Cashable' savings related to fraud it has achieved £8.2m in savings across all areas of business. This is a significant sum and justifies the Council's robust approach to countering fraud and re-assures the general public that Plymouth City Council is serious about protecting the public purse and its assets.

9.3 Fraud is by its very nature a hidden offence and therefore it must be assumed that the savings made and shown here are potentially the 'tip of the iceberg' and that further savings are obtainable. The more assets that are available to address this issue, the higher the potential savings figures will be in the future.

10 Conclusion

10.1 The threat from fraud is ever present and constantly changing. We will continue to assist the Council in anticipating these threats and adapting an appropriate response to them.

10.2 Plymouth City Council's Counter Fraud resilience continues to improve, moving towards an ever-stronger assurance position. The continued effort and hard work by those within the Council to protect the public purse is to be commended. The increase in the use of data analysis and a risk management based approach to fraud threats will improve this resilience still further.

10.3 It is important that the Council's ongoing support and commitment is recognised at a time where every penny counts, and fraud losses must be viewed as unacceptable and an unnecessary drain on the public purse.



Robert Hutchins
Head of Devon Audit Partnership

Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Torridge, South Hams and West Devon councils. We aim to be recognised as a high-quality assurance service provider in the public sector.

We work with our partners by providing a professional assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devon.gov.uk.

Confidentiality and Disclosure Clause - This report is protectively marked in accordance with the Government Security Classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

(Fighting Fraud and Corruption Locally 2020)



Appendix 1

Comparison of NFI outcomes in England by risk area 2018 to 2020

Dataset	Example activity area	2020 £ million	2018 £ million
Pensions	Individuals obtaining the pension payments of a dead person	55.5	136.9 ²⁹
Council Tax	Individuals who did not qualify for the council tax single person discount because they were living with other countable adults	43.9	32.6
Housing benefits	Individuals claiming housing benefit who failed to declare an income or change of circumstances	35.0	24.9
Blue badges	Potential misuse of blue badge parking passes belonging to someone who has died	26.9	18.0
Housing waiting lists	Social housing waiting list applicants who were not entitled to social housing	20.1	25.5
Council tax reduction scheme	Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances	6.5	2.8
Housing tenancy	Social housing tenants who were subletting or had multiple tenancies unlawfully	5.6	5.5
Private residential care homes	Payments to private care homes by a council for the care of a resident where the resident had died	5.1	4.4

Dataset	Example activity area	2020 £ million	2018 £ million
Trade creditors	Traders who intentionally or unintentionally submitted duplicate invoices for payment	5.1	4.3
Pilots	Various (excludes HMRC information sharing)	3.5	-
Concessionary travel	Potential misuse of concessionary travel passes belonging to someone who has died	3.4	5.6
Personal budgets	Individuals claiming a personal budget who failed to declare an income or change of circumstances or were deceased	2.1	0.5
Right to Buy	Social housing tenants who were not entitled to right to buy because they had multiple tenancies unlawfully	1.8	1.0
Other	Other miscellaneous outcomes not linked specifically to the above categories	0.8	0.3
Payroll	Employees working for one organisation while being on long-term sick leave at another	0.6	4.0
State benefit	Individuals claiming state benefits who failed to declare an income or change of circumstances	-	0.9
Total		215.8³⁰	267.4

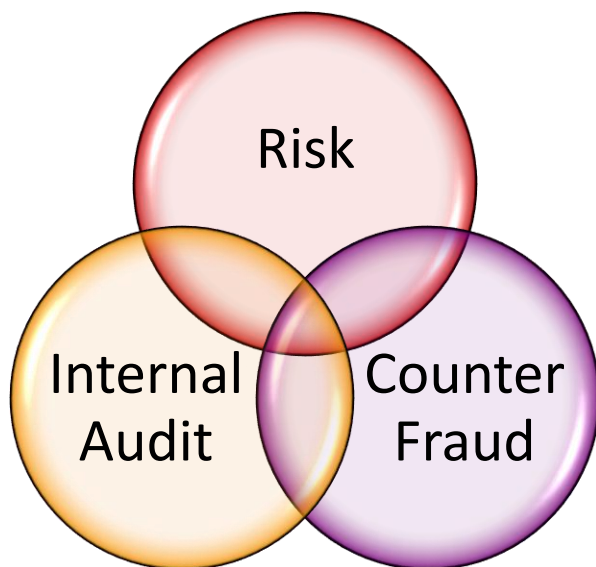
National Fraud Initiative Report July 2020

Appendix 2 - Assurance Integration Plan

Support, Assurance and Innovation

Our Vision

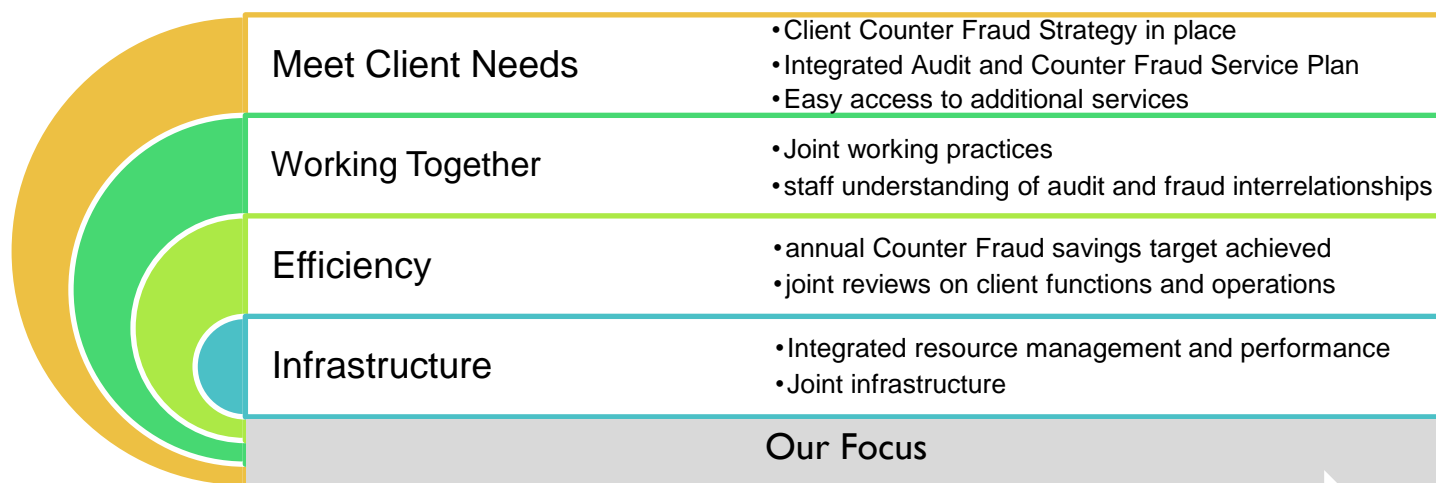
To be a leading provider of internal audit, counter fraud, risk management and other assurance services to public and not-for-profit organisations in the South West and beyond.



Operational delivery

- CFT to co-ordinate / undertake irregularities work coming through the audit plan
- Potential irregularities are triaged to fraud or audit for review
- Proactive fraud work e.g. NFI, developing delivery plan at client level
- Investigation work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks
- Audit scoping to include counter fraud input
- Three-way liaison confirming risk and control
- Integrated reporting to be delivered on a case basis

Our Goals



Client Services

- Counter Fraud Strategy with each client
- Regular client liaison Mtgs.
- POC access to additional integrated services
- CF Service plan with each client for both pro-active and re-active services
- Joint Partner CF work e.g. SPD
- Client training on Fraud Awareness

IA, Risk & CF Working Together

- Joint Working Practices
- Joint scoping of audit and Irregs
- CF Risk Assessment Review - CIFAS
- Joint IA & CF plan
- Pro-active **Prevention** work
- Pro-active **Detection** work
- Effective **Investigation**
- NFI work co-ordinated by CFT

Efficiency

- Savings Plan £55k by year three
- Restructure of PCC Team work plan (releasing resources)
- Joint working practices
- Single Point of Contact for Fraud and Irregs

Infrastrucure

- Budget - Costcentre focused
- Laptops for CFT
- ICT Platform & common network access
- Data Sharing Agreements updated
- Terms and Conditions review

Integration