

## PLYMOUTH CITY COUNCIL

**Subject:** Corporate Fraud Team – Annual Report  
**Committee:** Audit Committee  
**Date:** 29 June 2017  
**Cabinet Member:** Councillor Darcy  
**CMT Member:** Andrew Hardingham (Interim Joint Strategic Director for Transformation & Change)  
**Author:** Ken Johnson, Corporate Fraud Team Manager  
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**Ref:** AS/CFT  
**Key Decision:** No  
**Part:** I

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### **Purpose of the report:**

This report summarises the work carried out since 2015 of the Corporate Fraud Team in order to counter fraudulent threats to the Council's budget and reputation.

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### **The Corporate Plan 2016 - 19:**

Maintaining sound systems of internal control and protecting the public purse ensures that those who legitimately need the support and services of the Council get it and therefore benefits achievement of corporate and service objectives.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

None arising specifically from this report.

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### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

The Corporate Fraud Team specifically support the council's overall governance arrangements

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### **Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

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### **Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to note the Annual Report.

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**Alternative options considered and rejected:**

Effective counter fraud processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

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**Published work / information:**

Protecting the English Public Purse 2016 published by The European Institute for Combatting Corruption and Fraud (TEICCF).

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

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**Sign off:** Councillor Darcy

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Originating SMT Member , Interim Joint Strategic Director for Transformation & Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

- 1.1** Fraud encompasses an array of irregularities and illegal acts characterised by intentional deception with intent to make a gain or cause a loss, or to expose another to a risk of loss. It can be perpetrated for the benefit of an individual or to the detriment of Plymouth City Council and by persons outside as well as inside the Council.
- 1.2** Plymouth City Council's Corporate Fraud Team is the only fully qualified investigation team left in the Devon area.

## **2.0 Background**

- 2.1** Plymouth City Council's Corporate Fraud Team was established in June 2014 and consisted of individuals who were previously the Benefit Fraud Team situated within Revenues and Benefits in the Customer Services Department.
- 2.2** It was felt by senior managers that the Corporate Fraud function was of value in protecting other areas of the Council's business and this decision was made easier as the Benefit Fraud Team had already started diversifying into other areas such as Blue Badge and Social Housing fraud.

## **3.0 Areas of Fraud Investigation**

- 3.1** As part of its ongoing commitment to countering fraud in the Plymouth and surrounding area, the Corporate Fraud Team has undertaken investigations in the following areas:
- Council Tax Support
  - Blue Badge misuse
  - Social Housing Fraud (involving our partner Registered Social Landlords)
  - Insurance fraud
  - Bus pass misuse
  - Parking Permit selling
  - Direct Payment Scheme in Adult Social Care
  - Non-domestic rates
  - Internal cases

- 3.2** Counter fraud work is notoriously difficult to effectively and accurately quantify due to the nature of the offences. We may never know exactly how much money the detection of fraud has saved the Authority as many of the fraudulent activities listed above could have continued over a period of time.

- 3.3** The Corporate Fraud Team will continue to work closely with all departments to ensure that fraud risks are minimised and wherever possible those found committing offences are dealt with.

## **4.0 Achievements**

- 4.1** We have had some positive prosecution results which are detailed in Appendix A of this report.
- 4.2** The Team organised and ran a very successful Devon Social Housing Fraud project from start to finish in December 2015, quadrupling the initial investment of £200k obtained from the Department for Communities and Local Government in non-cashable savings.

- 4.3** The Corporate Fraud Team are in the process of commercialisation and are offering their professional services to other Local Authorities and partners in an attempt to generate income for the Council as well as achieving savings along the way.
- 4.4** In order to market our services and showcase our capability a fraud awareness event “Being Honest About Fraud” took place on 18 July 2016. This event was organised to highlight the following:
- Size and the potential fraud issues in the Public Sector in the South West;
  - Progress the proposal of setting up a “South West Peninsula Fraud Hub”, by involving all interested parties from around the region;
  - Showcase our capability in being able to deal with Devon’s issues around combatting fraud;
  - Highlight the lack of counter fraud capability in the rest of Devon;
  - Offer our commercial services for a complete “Anti-Fraud Service” to our fellow Local; Authorities and their partners in Devon at a cheaper rate than they can do it for themselves.
- 4.5** Delegates were present from Cornwall Council, East Devon District Council, Devon Audit Partnership, NHS Fraud Team SW, Torbay Council, Exeter City Council, Teignbridge District Council, South Hams and West Devon District Council, Devon and Cornwall Police, Plymouth Community Homes, Westward Housing Association, Teign Housing Association and Devon and Cornwall Housing Association.
- 4.6** The formal feedback response was very encouraging with the overwhelming majority of delegates marking the event as ‘good or ‘very good’. Most have also declared that they would like to be involved in setting up the ‘South West Peninsula Fraud Hub’ with us and would be interested in finding out more about the services that we can offer.
- 5.0 Focus for 2017/18**
- 5.1** The following areas of work will be the focus for the coming year:
- Creation of a compulsory eLearning package to raise fraud awareness throughout the Council to be included in the induction process for new staff;
  - Implementation of new Counter Fraud Policy and Strategy;
  - Presentation for Team Plymouth to maximise awareness of fraud issues to senior management;
  - Pursue commercial opportunities to sell fraud investigation services to other public bodies;
  - Work towards formal accreditation of the Corporate Fraud Team (ISO9002);
  - Undertake formal risk assessment of all Council business to establish high risk areas and areas of quick win, cost savings in conjunction with Devon Audit Partnership;
  - Maximise ongoing publicity.
- 6.0 Conclusion**
- 6.1** Organisational reputational damage should not be overlooked nor the effect on public confidence when attempting to measure the effectiveness of a counter fraud capability.

- 6.2** Plymouth City Council can take pride in the fact that the majority of its citizens fully support the use of a Corporate Fraud Team, this has been evident in all contact that the team have had with the public, even with the majority of those being investigated.
- 6.3** The problem of fraud is a large one, which is constantly changing and evolving. The Corporate Fraud Team is committed to the challenge and will endeavour to ensure that Plymouth City Council's services are given to those who genuinely need them.
- 6.4** The Corporate Fraud Team will continue to adapt flexibly to any and all future fraudulent threats and look to lead the South West Peninsula in combatting fraud.
- 6.5** A full report will be presented to the next meeting of this Committee giving more detailed information on the type and costs of fraud investigated, including information on the scale and cost of fraud nationally.
- 7. Recommendation**
- 7.1** It is recommended that the Audit Committee note the Annual Report.

## **PLYMOUTH CORPORATE FRAUD TEAM PROSECUTION CASE STUDIES**

### **1. Taunton Crown Court 06.07.15**

Our part in this case was for over £4k Council Tax Support overpayment and was a small part in a very large picture of dishonesty and crime. Due to the Council's and DWP's co-operation with Devon and Cornwall Police, the individuals concerned have criminal offences on their record. The lead investigators in this case all showed great cross working ability between stakeholders.

Sentencing:

Mr M was sentenced to 22 months imprisonment (to run concurrently with a drugs conviction of 18 years);

Ms B was sentenced to 12 months imprisonment (suspended for 18 months) and home curfew on tag for 4 months.

### **2. Plymouth Magistrates Court 28.08.15**

This case involved the Social Housing Fraud Team who forms part of the Corporate Fraud Team in Plymouth. On this occasion Plymouth brought the prosecution as part of its work with the Devon Social Housing Fraud Forum which is made up of other local authorities and social landlords in Devon to tackle tenancy fraud. Although this particular case involves a defendant and offences in Exeter who illegally sublet his local authority council flat when he was living elsewhere, Plymouth takes the lead in prosecuting housing fraud in Devon.

Sentencing:

Mr R was fined £100 per offence, a victim surcharge of £20 and prosecution costs of £450, making £610 in total.

### **3. Plymouth Magistrates Court 18.09.15**

Miss N committed an offence on 01.10.14 by using a disabled persons blue badge to obtain free parking in Tavistock Place. The blue badge belonged to her father in law who had died 12 months previously.

Sentencing:

Miss N pleaded guilty to the Fraud Act offence and was given a 12 month conditional discharge and ordered to pay £200 towards costs.

### **4. Plymouth Magistrates Court 11.12.15**

Ms H received an overpayment of housing benefit totalling £18,704.93 by dishonestly failing to report a change in her household which she knew affected her benefit entitlement over 10 years.

Sentencing:

Ms H admitted the offences and was sentenced to 16 weeks imprisonment, suspended for 12 months, a £80 victim surcharge and the Council were awarded £450 costs.

## **5. Plymouth Magistrates Court 22.01.16**

As part of our ongoing casework for the Devon Social Housing Fraud Group, we received an allegation that Mrs A was subletting her home in connection with the boyfriend's bed and breakfast business in the Teign area of Devon.

Sentencing:

Mrs A pleaded guilty and was prosecuted for 2 charges contrary to the Housing Act Section 171 and sentenced to a fine of £800, Council court costs of £450 and victim surcharge of £40 totalling a fine of £1,290. The property has been returned to Teign Housing and will be re-let.

## **6. Plymouth Magistrates Court 12.02.16**

Mr S lied by stating that he had no recent criminal convictions in order to obtain a Social Housing property when, amongst others, he had a string of recent criminal convictions for possession of drugs

Sentencing:

Mr S pleaded guilty and was sentenced to 120 hours unpaid work to be completed within 12 months, £450 costs and £60 victim surcharge.

## **7. Plymouth Magistrates Court 10.06.16.**

Mr T, Concessionary Bus Travel misuse.

This person used a vulnerable elderly ladies concessionary bus pass to obtain free bus travel on at least 5 occasions. Although the cost to PCC was not large, the nature of the offence required serious action. PCC spends millions of pounds every year to enable some of the most vulnerable in our society to be able to maintain their independence and mobility and this was a flagrant attack on this initiative. This case has also resulted in many more cases being highlighted and actioned. This sort of prosecution is a first outside of London to our knowledge.

Sentencing:

Fine £40, costs: £50 and victim surcharge £20.

## **8. Plymouth Magistrates Court 29.11.16.**

Mr R, Blue Badge Fraud

The offender in this case used his father Blue Badge in order to park in the centre of Plymouth to go to when his father had died 12 months prior. He admitted to misusing his late father's Blue Badge in this way on previous occasions. He admitted that he had acted dishonestly and knew that what he was doing was wrong.

Sentencing:

£80 fine, £20 victim surcharge and prosecution costs of £450 for PCC making a total of £550. It was also confirmed in the court that Mr R would be dismissed from his employment in a professional firm in Plymouth and that he would also have to stand down as a Scout Leader in Dartmouth where he lived.

## **9. Plymouth Magistrates Court 04.01.17**

Mr K, Social Housing Fraud – Illegal sublet.

Lived and worked in Manchester for 3 years whilst subletting a local social housing property to more than one acquaintance during that time.

Mr K had even applied for 'Right to Buy' which was stopped as a result of the investigation. He stood to get a £50k plus discount in line with his application.

He had been dishonest in his multiple approaches to PCC and Manchester CC and had stated that he didn't understand, however, the inaccuracies only occurred when the situation benefited him and not at any other time.

Sentencing:

A fine of £440 a victim surcharge of £44 and prosecution costs of £100 for PCC, making £584 in total.

## **10. Plymouth Magistrates Court 20.02.17.**

Miss S, Social Housing Fraud – Withholding information and making false statements in order to obtain a property when she was not entitled.

She failed to declare to Plymouth City Council when making a homeless application that she was being evicted for rent arrears in excess of £500 at her previous address, she was given emergency accommodation when she knew that she was clearly not entitled to this assistance which eventually cost PCC around £7,500. She also stopped someone else with a legitimate entitlement being housed. Miss S maintained until the court date that it was everyone else fault, however pleaded guilty on the day and was sentenced.

The magistrate stated "You have defrauded PCC a significant amount of money- clearly with this intention from the start."

Sentencing:

Fine of £255 a victim surcharge of £25 and prosecution costs for PCC of £450, making £730 in total.