

## PLYMOUTH CITY COUNCIL

<b>Subject:</b>	Corporate Fraud Team – Annual Report
<b>Committee:</b>	Audit and Governance Committee
<b>Date:</b>	26 June 2018
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Andrew Hardingham (Strategic Director for Transformation and Change)
<b>Author:</b>	Ken Johnson, Corporate Fraud Team Manager
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<b>Ref:</b>	AS/CFT
<b>Key Decision:</b>	No
<b>Part:</b>	I

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

This report summarises the work carried out during 2017/18 by the Corporate Fraud Team in order to counter fraudulent threats to the Council's budget and reputation.

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### **The Corporate Plan:**

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:**

[Local Government Counter Fraud and Corruption Strategy 2016 - 2019](#)

[National Fraud Initiative Report 2016](#)

[Annual Fraud Indicator 2017](#)

[Councillors Workbook on Bribery and Fraud Prevention](#)

**Background papers:**

[Transfer of Corporate Fraud Team to Devon Audit Partnership Cabinet Meeting 18<sup>th</sup> January 2018](#)

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

**Sign off:** Councillor Lowry

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

## **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 any persons outside as well as inside the Council.
- 1.2** Plymouth City Council's Corporate Fraud Team is the only fully qualified and operational investigation team left in Local Authority the Devon area.
- 1.3** Fraud in all its forms is now the most common criminal offence in the UK costing the UK economy £193 Billion a year. This equates to £3000 per head of population in the UK. It is estimated to cost Local Authorities £2.2 Billion annually, losses that council front line services can ill afford and which can contribute to council tax increasing year on year.
- 1.4** 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.

## **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.
- 2.3** Over the past 4 years the Corporate Fraud Team have dealt with over 1,500 allegations of fraud from internal sources as well as the public, resulting in 113 prosecutions, 298 formal cautions and 51 other forms of sanctions against offenders. They have generated and or assisted in generating much needed savings in several areas of the Councils business in the form of proven cashable and non-cashable savings to the tune of £6,555,158.93 which is an incredible achievement for such a small professionally trained group. There are currently 129 live investigations for fraud being undertaken by the team.

## **3.0 Areas of Current 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 / Single Person Discount
  - 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

- School Admissions 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 detection of fraud has saved the Authority, as many of the fraudulent activities listed above will have and would continue to have been perpetrated over a period of time, had there not been intervention.

**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 robustly.

**3.4** All allegations of fraud will be investigated appropriately irrespective of the area of the Councils business and irrespective of value

#### **4.0 Achievements**

**4.1** We have had some positive prosecution results over the year 17/18, 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, the final investigations resulting from this initiative were completed in the last financial year resulting in a total return on of £1,062,000.00 in non-cashable savings for the initial investment of £200k obtained from the Department for Communities and Local Government. A full table of results is available in Appendix B

**4.3** The Corporate Fraud Team as detailed in last year's report attempted to commercialise their service by offering their professional services to other Local Authorities and partners in an attempt to generate income for Plymouth City Council as well as achieving savings along the way. Whilst the offer remains a valid option for those who are looking to minimise the risks posed by fraudulent activity the uptake from LA's around Devon has been disappointing.

**4.4** In the summer of 2017, the Corporate Fraud Team Manager was published in 'public rm the journal of ALARM' a national local authority risk management magazine in a two page article entitled 'Local Authorities Face up to fraud' on how the PCC Corporate Fraud Team is an innovative team achieving anti-fraud success.

**4.5** The Corporate Fraud Team was nominated and has been successful in becoming a finalist for the 'Team of the year Award' at the ALARM Risk Awards (which is the national organisation for Risk Management in Local Authorities) on 25<sup>th</sup> June 2018 in Manchester.

**4.6** In January 2018 it was put to 'Cabinet' that the PCC, CFT would be transferred to the Devon Audit Partnership with effect from 1<sup>st</sup> May 2018, the benefits and risks associated with this transfer are outlined in the proposal document dated 18<sup>th</sup> January 2018 in Background Papers. The team has now transferred to Midland House and are working with their Devon Audit Partnership colleagues closely and effectively.

**4.7** A new ELearning package has been designed and implemented through the Plymouth City Council Learning Zone, which is a mandatory course for all new starters. The course has a 23% completion rate for all PCC staff and we are constantly reminding departments that the course is important to all areas of the councils business so that maximum savings through countering fraud can be achieved.

## **5.0 Focus for 2018/19**

**5.1** The following areas of work are to be the focus for the 18/19:

- Implementation of new Counter Fraud Policy and Strategy;
- Presentation to senior management and Councillors to maximise awareness of fraud issues and ensure commitment from the top of the organisation;
- Maximise generated income into the Devon Audit Partnership
- Ensure that 'Fraud' is part of the councils Risk Register, to establish high risk areas, areas of quick win and cost savings as part of the audit programme;
- Continue to maximise publicity both internally and externally in the fight against fraud.
- Promote and ensure compliance with all recommendations in the 'Fighting Fraud and Corruption Locally', the local government counter fraud and corruption strategy.

## **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. 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.

**6.2** 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.

**6.3** 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.

**6.4** A full contact list for DAP Counter Fraud Services is available on Appendix C

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

### **1. Plymouth Crown Court 27.04.2017**

Plymouth Crown Court were told at the sentencing hearing on 27th April that Mrs Jones had supplied false information on 6 occasions in respect of the self-employment earnings of Mrs Jones and her husband over a four year period in support of Housing Benefit, Council Tax Benefit and Council Tax Support Claim.

The offences generated an overpayment of benefit in the region of £30,000 plus.

The defence did not dispute the overpayment figure but argued that there was no dishonesty by the defendant in this case.

The Judge (her honour, Recorder Rowley) commented that the offending was of a sophisticated nature and involved significant planning as it went on for a long period.

In response to references in the pre-sentence report to the fact that there was little doubt that Mrs Jones had gained financially, and spent money on luxuries such as a trip to Australia, the Judge commented: 'I find that there was lavish expenditure and that you were clearly spending beyond your means'.

Sentencing:

Mrs J was given a 10 week prison sentence, suspended for 12 months.

She was also ordered to undertake 180 hours of unpaid work in the community in the next 12 months and to pay £1000 towards the prosecution's costs.

(The same offender submitted an insurance claim against PCC which has recently been successfully defended by the council's Insurance Team, who with the Fraud Teams assistance proved 'fundamental dishonesty' in this case. Mrs J was ordered to further pay PCC costs of £30, 000. )

Further criminal charges may follow as a result.

### **2. Plymouth Magistrates Court 18.07.217**

Miss P, a carer used an elderly dementia patient's bus pass more than 1,100 times to obtain a years' worth of free bus travel. 55 year old Miss P pleaded guilty to Fraud Act Offences stating that she had found the pass and had intended to hand it in. She also admitted that she had altered the card by dishonestly putting her own photograph on the pass to make it appear legitimate.

Sentencing:

Miss P was fined a total of £735. The Magistrate stated on record that "this was quite serious and you used it a lot of times. We can't ignore that or the fact that it was done deliberately".

Mrs P also lost her job as in the care industry as a result of the conviction.

### **3. Plymouth Magistrates Court 23.08.17.**

Mr W admitted to 3 Fraud Act offences as he had used his deceased wife's Disable Blue Badge in order to obtain free disabled parking for his vehicle on the Barbican. He was reported to the Corporate Fraud Team by a member of the public who had taken photographs of the incidents and knew the offender.

Mr W's wife died in 2015 and the offences that he was convicted for were perpetrated in 2016 nearly a full year after the death of his wife. Mr W is also a well-known local business person who should have known better.

Sentencing:

Mr W handed up a means form and was then fined £160 for the first offence, reduced from £240 due to his early guilty plea. He was ordered to pay £250 towards PCC's prosecution costs and a £30 victim surcharge. (£440 in total).

#### **4. Plymouth Magistrates Court 17.04.18.**

Mr K sublet his Social Housing Property for nearly 2 years and made £5,985 profit from his illegal actions. He let the property to a friend of his mother's whilst living and working in Hampshire with his girlfriend. He lied to PCC investigators and attempted to influence a witness in the case. But eventually admitted the offence contrary to the Prevention of Social Housing Fraud Act 2013.

Sentencing:

Mr K admitted the offence and was sentenced to a fine of £350, and ordered to pay PCC £450 costs. PCC were successful in obtaining an Unlawful Profit Order (UPO) for the £5,985 which Mr K was ordered to pay back to the Landlord (who was in this case Exeter City Council). The UPO is the first such successful order in the SW peninsula and as such is another first for PCC.

**Devon Social Housing Fraud Group Financial Outcome by Local Authority**

Local Authority	Number of Referrals	Outcome							Financial Benefit (Based on Audit Figures of £18000 per property)
		NFA	Caution	Prosecution	Keys returned	Landlord Gained Possession	Ongoing Investigation	Pending Action	
East Devon	12	11	0	0	1	0	0	0	£18,000.00
Exeter	25	20	1	3	2	0	0	0	£108,000.00
Mid Devon	9	7	0	0	2	0	0	0	£36,000.00
North Devon	3	2	0	0	0	1	0	0	£18,000.00
Plymouth	213	172	11	7	19	2	0	0	£702,000.00
South Hams	25	24	0	0	1	0	0	0	£18,000.00
Teignbridge	20	14	1	2	2	1	0	0	£108,000.00
Torbay	12	11	0	0	1	0	0	0	£18,000.00
Torridge	9	9	0	0	0	0	0	0	£0.00
West Devon	3	3	0	0	0	0	0	0	£0.00
<b>Total Savings</b>	<b>331</b>	<b>273</b>	<b>13</b>	<b>11</b>	<b>28</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>£1,062,000.00</b>

The figure of £18k saving per property returned to social housing use is based on Audit Commission figures in 2013 in connection with costs for the emergency accommodation for homeless individuals and families that could have been housed had the property not be being illegally occupied by an offender. This is an average figure and each LA's figure will vary.



**Devon Counter Fraud Services Contacts**

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<b>Tenancy Fraud referral email address</b>			<a href="mailto:socialhousingfraud@plymouth.gov.uk"><u>socialhousingfraud@plymouth.gov.uk</u></a>
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