



Counter Fraud Services

Annual Report 2018-19

Plymouth City Council  
Audit & Governance  
Committee

July 2019

Auditing for Achievement

## 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 With effect from 1<sup>st</sup> May 2018 Plymouth City Council transferred its Corporate Fraud Team to the Devon Audit Partnership as the Counter Fraud Services Team. This team remains the only fully qualified and operational investigation team left in Local Authority in the Devon area.
- 1.3 Fraud in all its forms remains the most common criminal offence in the UK costing the UK economy £193 Billion a year. This equates to £7000 per household 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 continues to be protected by the Counter Fraud Services Team 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.
- 2.2 The transition of employees from Plymouth City Council to (DAP) Devon County Council has been a success, with minimum disruption being caused to the service provided.
- 2.3 Over the past financial year the Counter Fraud Services Team have dealt with 262 allegations of fraud from internal sources as well as the public, resulting in 15 prosecutions, 44 formal cautions and or other forms of sanctions against offenders.
- 2.4 The team also have a compliance role where over 600 households were visited in this financial year to ensure correct ongoing entitlement to Council Tax Support and Single Person Discount, this role can also be used for other areas 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 173 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 cashable and non-cashable savings to the tune of £1,436,738.29 which is an incredible achievement for such a small professionally trained group.
- 2.6 There are currently 141 live investigations into allegations of 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 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
- 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 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** In October 2018, joint working was re-instigated with the Department for Work and Pensions (DWP). This will effectively mean 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.

**3.5** 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** We have had some positive prosecution results over the year 18/19, some of which are detailed in **Appendix A** of this report.

**4.2** In June 2018 the Corporate Fraud Team (PCC) were recognised nationally as 'Team of the Year' 2018 by the 'The Association of Local Authority Risk Managers' (ALARM). The award was in recognition of the team's reactive and proactive work around combatting the risks of fraud for Plymouth City Council. It also recognised the successes that have been achieved throughout a difficult period of austerity. **See Appendix B**

**4.3** In January 2019 the Counter Fraud Services Team (PCC) - (DAP) received more recognition nationally for their hard work in the field of counter fraud at the Government Counter Fraud Awards held in London. The Chartered Institute of Public Finance and Accountancy who were the main sponsors of the event decided that although the team didn't win the final award that they were to be 'highly commended' for their work in the field. **See Appendix C**

**4.4** In March 2019 the team received yet more national recognition from the Board of 'Fighting Fraud and Corruption Locally'. The Board is made up of senior local authority representatives and is supported by many Local Authority, Central Government and Private Industry organisations sponsored by Cifas and Grant Thornton.

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 Team won the 'Prevent' category fighting off strong representation from across the UK. **See Appendix D** (It should be noted that although the award is to Devon County Council, as that is where the team now officially sits, the majority of all counter fraud work undertaken is still for Plymouth City Council)

**4.5** 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 all PCC staff who have completed the course:-

- June 2018 23%
- March 2019 59%
- June 2019 66%

**4.6** Since February 2019, Ashley Varley an investigator with the team has been 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.

- 4.7 The Counter Fraud Service Manager has presented twice at a national level. Once in North London at an Oscar Krane Excellence in Local Government event in September 2018, where he gave a 45 minute presentation on the 'Plymouth Story' covering the ground-breaking work that we do here and once in Central London at Grant Thornton's head offices in March 2019 giving another 45 minute presentation on 'Being Honest About Fraud' which also covered the work that we do here in Plymouth and the importance of continuing to be flexible in the fight against fraud.
- 4.8 Due to the national recognition and continued high profile work that the team undertakes, they have again been approached several times by television companies with enquiries about taking part in 'daytime television series' about counter fraud work, at this time it not felt appropriate to take part in such programmes.

#### 5.0 Focus for 2018/19 taken from last year's annual report

- Implementation of new Counter Fraud Policy and Strategy – *Achieved*
- Presentation to senior management and Councillors to maximise awareness of fraud issues and ensure commitment from the top of the organisation – *Not yet achieved*
- Maximise generated income into the Devon Audit Partnership – *Targets achieved and further income secured*
- 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 - *Achieved*
- Continue to maximise publicity both internally and externally in the fight against fraud - *Achieved*
- Promote and ensure compliance with all recommendations in the 'Fighting Fraud and Corruption Locally', the local government counter fraud and corruption strategy. *Ongoing*

#### 6.0 Focus for 2019/20

- 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
- Ensure that identified areas of fraud risk are followed up and minimised
- 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
- 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)
- 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.

#### 7.0 Conclusion.

- 7.1 Plymouth City Council continues to lead the field in the South West Peninsula in the counter fraud arena. National recognition shows that Plymouth City Council remains committed to its moral and legal commitments to the public and that it effectively acts in line with its own 'Plan, Mission, Value and Priorities'.
- 7.2 The problem of fraud is an ever growing one, which is constantly changing and evolving. The Counter Fraud Services Team remains committed to the challenge and will endeavour to ensure that Plymouth City Council's services are given only to those who genuinely entitled to them.
- 7.3 The Counter Fraud Services Team will continue to adapt flexibly to any and all future fraudulent threats and look to lead the agenda locally and nationally in combatting fraud. The work that continues to be done by the team is regularly raising Plymouth City Council's profile in a very positive way and the national recognition is in no small part down to the continued support from Plymouth that shows that it actively 'protects the public purse'.
- 7.4 A full contact list for DAP Counter Fraud Services is available on **Appendix E**



## COUNTER FRAUD SERVICES TEAM PROSECUTION CASE STUDIES

### 1. Plymouth Magistrates Court 28.08.18.

#### Mrs B - Council Tax Fraud Case.

The suspect had failed to report changes in the household income over a period of years which resulted in over £2.5k of Council Tax Support being deducted wrongly from the account. The individual failed to attend the courts first hearing and was subsequently arrested in accordance with the courts own processes.

There was a further overpayment of Housing Benefit in excess of £10k.

Upon admitting guilt the Magistrate made the following statement in sentencing –

“I have given you full credit for the fact that this claim didn’t start dishonestly and that you are ashamed of what you have done.

I balance this against the fact that this offence took place over a long time.

I do want to impose a curfew, but will make it as short as possible to take account of this.

Curfew ordered: 8 weeks from 9.30pm to 7am.

You will have an electronic tag fitted and will need to stay indoors between these times.

(Warning given re breach)

Costs £450 + VS £85 = £535”

*(This is an ‘A’ typical Council Tax fraud case and could describe nearly all of the Council Tax related cases.)*

### 2. Plymouth Magistrates Court 17.04.18.

#### Mr H – Social Housing Fraud and Council Tax Fraud

The Suspect sublet his Social Housing Property to a friend for an extended period of time. Despite having moved out into private rented accommodation, he continued to mislead his social landlord into believing that he was still living there (making a positive statement to this effect when he visited their offices on 5/9/17).

Although at interview he said that he had informed the landlord as soon as the trial 6 month period of his private sector tenancy had ended, the evidence obtained by our fraud investigator actually indicates that in reality he only provided this information a further 6 months later and this was only when the sublet allegation was put to him by a housing officer following his conversation about having difficulty accessing the property with his keys.

It appears that Mr H would have been unlikely to voluntarily terminate his tenancy at the point that the did if the allegation of subletting had not been put to him by the investigation in September 2017, and that, without this, both this and the Council Tax Support offence would have been likely to continue on for longer.

He was charged with 2 offences, 1 of illegal subletting and one of fraud in respect of the Council Tax Support worth £500.

Upon admitting guilt the Magistrate made the following statement in sentencing –

“We sentence you to a community order as we feel these offences are so serious as to warrant a community order for a period of 12 months.

We require you to undertake unpaid work and the number of hours had to reflect the seriousness of offending, particularly the deprivation of this property from another family who needed it in Plymouth.

You must complete 160 hours (reduced from 240 hours to reflect your early guilty plea) + victim surcharge of £85.

We make no fine and no unlawful profit order but order costs of £450.

This makes £535 in total (offer to pay at a rate of £100pcm accepted, with first payment within 14 days)”

### 3. Plymouth Crown Court 03.06.19.

#### Mr P – Social Housing Fraud and Right to Buy Fraud

The suspect had initially handed in his notice to a social housing property, a very short time later he withdrew his notice and applied under the ‘Right to Buy Scheme’ to purchase the property. He would have benefitted in the form of a discount of £39,600 on the purchase price.

The landlord referred the case to PCC investigators and they uncovered the fact that Mr P had unlawfully sublet his social housing property to a friend whilst he lived a short distance away.



Mr P repeatedly lied to investigators and only admitted the offences when there was no other option as the evidence obtained was overwhelming. The Community Connections Department stated that there was a further cost to PCC calculated at £20k plus. This is as a result of the cost of housing a homeless family in emergency accommodation when they could have been housed in Mr P's property as he had moved out.

Upon admitting guilt the Judge in this case made the following comments whilst sentencing -

"The right to buy scheme is set up to allow people in very particular circumstances to purchase the property they rent and you did not qualify for a variety of reasons. That was fraud and you knew that.

The decision of the council to prosecute in these circumstances is to be applauded and the message has to go out that this is how the courts will deal with this sort of behaviour.

For a variety of reasons I am able to visit the offending as a community order, I give weight to your employer's reference. I sentence you to -

12 month community order. 10 rehabilitation activity requirement days

160 hrs unpaid work; concurrent for each count.

£750 costs 12 months to pay."

Cllr Haydon stated that -

"Fraud will not be tolerated in Plymouth, especially when it attempts to deny innocent people of something they really need."

"Social housing is an essential community asset and with waiting lists at an all-time high, I'm glad that the court took a similarly dim view as we do."







**Alarm 2018 Risk Award winners announced – Team of the Year**

The 2018 Alarm Risk Award winners were announced at the Awards dinner held at The Principal Manchester on Monday 25 June, during the 2018 Alarm Conference hosted by Paul Sinha. Alarm Chair, Jane O’Leary commented *“With this year’s Conference focusing on empowering risk professionals to become Stronger and Louder, it is reassuring to see this reflected in so many of the Risk Awards submissions. The standard and variety of submissions represent the inspiring and diverse work undertaken each and every day in the profession.”*

The Team of the Year Award seeks entrants that demonstrate that successful risk management is not always the responsibility of any one individual and by working collectively as a team, have achieved noticeable results within their organisation. Focusing on risk mitigation as a result of effective teamwork, ideas and efforts of individual team members which have contributed towards the overall management of risk are acknowledged.





**Government Counter Fraud Awards 2019 – Highly Commended**

“Congratulations, your 2019 Government Counter Fraud Awards entry for Counter Fraud Services Team at Plymouth City Council in the Government Counter Fraud Team of the Year category has been shortlisted.

“Given the significant number and high quality of applications we received this year, this is a great achievement and cause for celebration.”

“The following entries were highly commended by the judges:

**Government Counter Fraud Team of the Year – Counter Fraud Services Team at Devon Audit  
The Counter Fraud Services Team at DAP were beaten to the title of Government Counter Fraud Team of the Year by – NHS Scotland Counter Fraud Services Fraud Prevention Team**

Excellence in Raising Fraud Awareness – Merseyside Police (Southport & Formby) and Home Instead Senior Care’s scam awareness campaign

Outstanding Contribution to the Government Counter Fraud Profession (GCFP) – HMRC Fraud Investigation Service (FIS) GCFP teamPartnership





### Fighting Fraud and Corruption Locally Awards 2019 Winners in the Prevent category

“This nomination demonstrated an impressive ability to prevent exposure to fraud risk across a range of services and councils, generating significant savings at a time of austerity. The Counter Fraud Services Team lead the field in their locality by raising profile and awareness, ensuring the public purse is protected in a way that ensures confidence and trust.

Introduction of an E-Learning package ensures that all staff, members and contractors are aware of fraud indicators and how to report them, generating new fraud referrals. They also have a good working relationship with the local press, which improves awareness and discourages would-be fraudsters.

This cohesive approach of involving everyone in the fight against fraud, with a ‘zero tolerance’ approach, has meant not only substantial savings, but also improved staff morale - making the team worthy of the ‘Prevent’ award.

Congratulations and well done to Ken Johnson and his team.”



## Devon Counter Fraud Services Contacts

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