



Counter Fraud & Investigation Directorate



2016/17 ANNUAL REPORT

EXECUTIVE SUMMARY

The Counter Fraud & Investigation Directorate has developed significantly since its inception 3 years ago. The purpose of the function was to increase the resilience in public authorities from fraud and other economic crime.

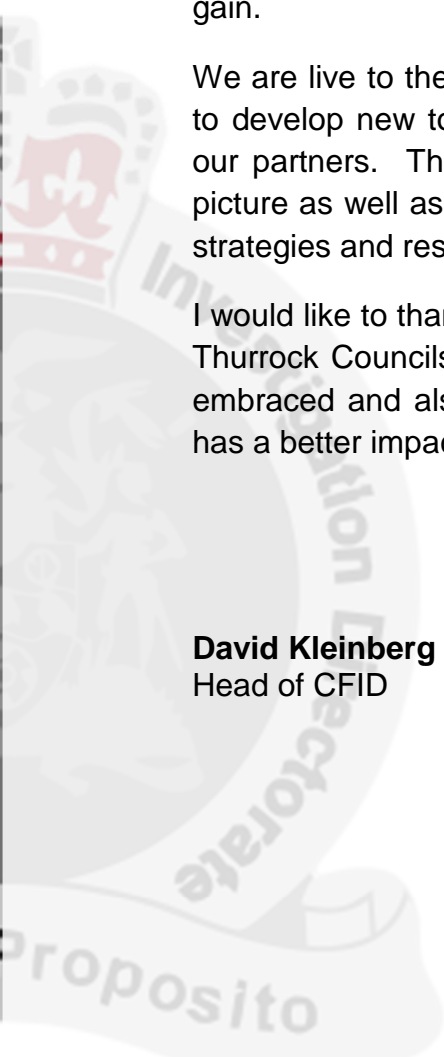
CFID has now supported central government bodies, local authorities and policing in protecting the public. We began a journey of what some thought would be difficult in changing the perceptions of many around what fraud is and how it affects public bodies. The perceived challenges came from the fact that each organisation is different, with different systems, processes, controls and service priorities. We were however greeted with professional staff willing to develop our counter-fraud culture embracing the changes that would protect their organisation from fraud.

Our service was created with the full support and backing of Thurrock and Southend-on-Sea Borough Councils who fully understood the significant risk local authorities face from economic crime. This common understanding is held between all our partners who have unfortunately seen how criminals have taken advantage of the frontline services provided, including in social care and social housing for their own gain.

We are live to the fact that the threat from fraud changes regularly and we continue to develop new tools in prevention and detection of crime to reduce the impact on our partners. The increase in our national partnerships bring a better intelligence picture as well as coordinated response to crime, which are now being built into our strategies and response plans.

I would like to thank the brilliant staff of CFID and with our sponsors in Southend and Thurrock Councils for their continued support with the culture of change they have embraced and also in supporting our vision to reduce fraud in the way we do that has a better impact on our communities.

David Kleinberg
Head of CFID



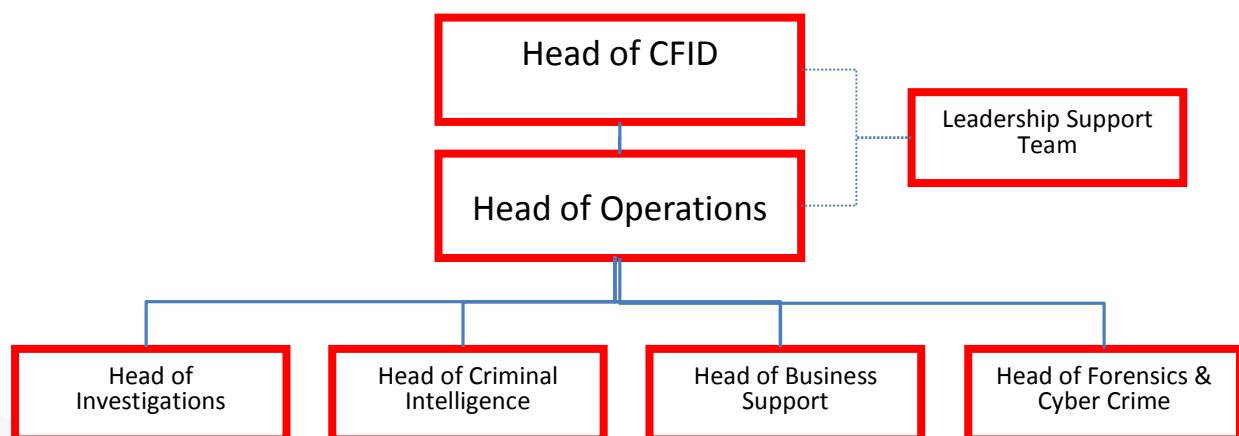
SERVICE STRUCUTRE

Over the last year we consulted with our partners and staff to ensure that the service we provide is fit for purpose in meeting the needs of our business to reduce fraud and economic crime.

We have strengthened our operational resilience, invested in technology and sought to improve how we allocate resources across all our counter fraud and investigation operations for all our partners.

Management & Leadership Team

A restructure which commenced in November 2016 sought to improve the segregation of the different disciplines that form the CFID. This approach met national best practice and delivers improved response to economic crime incidents.



Tactical Tasking & Coordination Process

We conducted a review of our tasking and coordination processes to ensure that our decision making for crimes affecting our partners can have the appropriate response.

This group meets weekly where the unit heads will discuss:

1. Progress for agreed action for reported fraud incidents
2. Progress for proactive work plans agreed by the control strategy
3. Agree the response to new incidents

PARTNERSHIPS

CFID continue to support these partners facing economic crime:



Operational collaboration agreements were made with these partners:



GOVERNANCE & ACCOUNTABILITY

The inaugural Shared Services Board took place in May 2017 with senior executives from Thurrock Council, Southend-on-Sea Borough Council, South Essex Homes and Castle Point Borough Council.

The new board is an opportunity to work effectively together to enable good quality, professional services to be provided that meet each individual organisation's needs.

Inspections

CFID was inspected by a number of bodies last year with good reports received on the work delivered by the service.

Her Majesty's Inspector of Constabulary

Thurrock Council (who hosts CFID) was the only local authority inspected by HMIC as we have a policing purpose which works closely with police forces, and other public bodies including the Ministry of Justice (the only council in the country that has this status).

The ten-page report ends by saying: *"Taking into account the purposes for which Thurrock Council needs PNC access, we conclude that the level of access specified in the Supply Agreement is appropriate for the Council's needs.*

"The satisfactory training records, the physical security arrangements, the signed undertakings by all PNC staff and the high level of internal audit lead us to conclude that the Council has been complying with the requirements of its Security Operating Procedures."

<https://www.thurrock.gov.uk/news/fraud-and-other-economic-crime/council-backed-by-police-inspectorate>

Office of Surveillance Commissioner

His Honour Brian Barker CBE QC inspected CFID's surveillance activity authorised under the Regulation of Investigatory Powers Act 2000, which includes covert directed surveillance and use of Covert Human Intelligence Sources.

Between April 2016 and March 2017 a total of 4 RIPA applications were authorised

Covert directed surveillance authorisation	3
Covert Human Intelligence Source (CHIS) authorisations	1
Total	4

His Honour Brian Barker commented on the *"successful and impressive innovation in both law enforcing and financial terms in the Counter Fraud & Investigation team"*

FINANCE

The CFID is hosted at Thurrock Council with staff seconded to the function from Southend-on-Sea Borough Council. Other partners contribute to the service financially or with the placement of staff within the function.

In some cases CFID will have an 'on-site' budget to maintain the counter fraud & investigation operations for that partner.

Overall CFID Budget 2016/17

	Contribution	Contributor
	£877,468	Thurrock Council
	£288,960	Southend Council
	£293,715	Other Partners
Total Budget	£1,460,143	

Detected Fraud 2016/17

	£4,562,032	Thurrock Council
	£375,302	Southend Council
	£621,474	Other Partners
Total Fraud	£5,558,808	

Money Recovered 2016/17

	£3,235,050	Thurrock Council
	£128,725	Southend Council
Total Recovery	£3,363,775	

These statistics show that for every £1.00 that CFID costs it detects £3.81 in fraud and other economic crime.



OPERATIONAL ACTIVITY

CFID works to protect the public purse from economic crime with its main focus on protecting local government. This work ensures that the frontline services delivered by these public bodies can be sustained to ensure the most vulnerable of our society receive the housing, social care and other essential support they are entitled to.

Social Housing Fraud

The annual cost of social housing fraud in the UK stands at £1.8bn every year. Our collaborative approach ensures that those who seek to criminally deceive social landlords are sanctioned appropriately, recovering the affected properties for use by other deserved families taking redress against offenders where necessary.

Between April 2016 and May 2017, a total of 47 social housing properties have been recovered by CFID.

This figure represents a loss to the public purse by **£846,000**.¹

In one particular case in the Southend-on-Sea area a social housing tenant moved from her property in Southend to Cornwall, subletting her property. The property was recovered and put back into use for a family in need.

Another case detected by CFID in Poplar, East London, involved a male tenant subletting his property just after he moved in for a 7 year period. The male pleaded guilty at Basildon Crown Court where he received 12 months imprisonment, suspended for 24 months, for illegally sub-letting the home he rented from Poplar HARCA. He also has to carry 120 hours unpaid work; and rehabilitation to understand the impact his offending has had on the community. CFID are now finalising a confiscation investigation to recover the losses.

<http://www.24housing.co.uk/news/habusts-seven-year-sub-let-scam/>

Right to Buy Fraud

The Right to Buy Scheme provides social housing tenants the opportunity to buy their social housing property. After a qualifying period properties can be sold to the tenants at a maximum discount between £78,600 and £104,900.

CFID have detected 8 cases of Right to Buy fraud which ensured that the sales did not complete, saving the public purse **£623,200** and ensuring that properties remain available to those who are in need.

Blue Badge Fraud

The Blue Badge scheme is a national initiative to help disabled people to park close to their destination, either as a passenger or driver. While the badge is intended for on-street parking only, some off-street car parks, such as those provided by local authorities, hospitals or supermarkets, also offer benefits to Blue Badge Holders.

It is a criminal offence to misuse the badge, and doing so can lead to a £1,000 fine. If the badge holder is using the parking concessions as a passenger (as opposed to driving the car themselves), it is their responsibility to make sure that the driver is aware of the rules governing the scheme.

A total of 69 cases of blue badge fraud was detected by CFID valued at **£53,475**² of loss on the public purse.

In these cases 15 of the badges were recovered that belonged to the deceased

¹ Using national fraud authority figure of £18,000 per property recovered.

² Using the national fraud authority figure of £775 per badge

or had been fraudulently altered.

One CFID prosecution for blue badge fraud in Thurrock Council involved a female using her deceased mothers' blue badge to park near the train station for her daily commute. She was sentenced to 120 hours unpaid work and was ordered to pay the council's costs of £2,181 and a £60 victim surcharge.

Council Tax Fraud

Council tax fraud is when a person deliberately gives incorrect or misleading information in order to pay less or no council tax.

CFID detected 21 cases of Council Tax Fraud, working closely with the affected revenues departments to recover the losses and ensure an accurate liability is recorded for the properties.

One prosecution by CFID in Southend-on-Sea was where a female falsely claimed to be a student living alone to receive a 100% discount on her council tax. This fraud cost the council £5,438.81 over that period.

The female was sentenced to a 12 month community order, 150 unpaid work with full prosecution costs being awarded back to the council. The full £5k loss has also been repaid.

Staff Fraud & Corruption

The sad reality for any organisation is the small minority of individuals who seek to take advantage of the trust their employer places in them. It is of some comfort that these cases are extremely rare but where fraud or corruption does occur CFID has the expertise and experience to resolve any allegations swiftly and professionally reducing the potential impact on frontline service delivery. CFID works closely with business areas in each partner agency as well as its executive and Human Resources teams in collaboration.

In **Thurrock Council** Kathryn Adedeji its former Head of Housing was convicted of Fraud at the Old Bailey following a CFID investigation. Adedeji, along with her sister Blessing defrauded two social housing providers by subletting their social housing properties, one of which was an Islington house worth over £1m.

The Leader of Thurrock Council, Cllr Rob Gledhill spoke following the verdict. He said: *"I'm extremely proud of our fraud and legal teams who professionally led a large investigation which has ultimately resulted in successful criminal prosecutions.*

"It is disappointing that actions such as these can deprive deserving families of a social home.

"Although this case was complex, it is clear that we do not hide from difficult cases but will prosecute to the full extent of the law. It should also send the positive message out that we do listen and act when people blow the whistle."
<https://www.thurrock.gov.uk/news/fraud-and-other-economic-crime/thurrocks-fraud-and-legal-team-successful-prosecution>

At **Southend-on-Sea Borough Council** a former Parking Services Team Member was investigated by CFID who fraudulently issued parking permits to herself and others as well as corruptly cancelling penalty charge notices.

On the second day of the Trial at Southend Crown Court, the female changed her plea to guilty. Sentencing is due to take place in June 2017.

http://www.echo-news.co.uk/news/local_news/15248407

Social Care Fraud

Social care fraud occurs where a person fraudulently presents their status or condition, financial status or does not use their awarded funding correctly. Fraud in this area also takes place where a third party financially abuses the adult or child receiving social care support.

In one case detected by CFID a carer for a vulnerable adult fraudulently claimed that she was supporting the adult when she was no longer doing so. A total of **£1,365** was fraudulently claimed by the woman. She was prosecuted but absconded prior to sentence. CFID tracked down the individual who was arrested and again put before the court for sentence.

Disruption Operations

In some cases the most effective way to prevent fraud and other economic crime affecting the public purse is through disruption tactics employed by CFID.

In one case, criminals sought to use public bodies as a way to launder the proceeds of crime with stolen credit cards. CFID worked with the business areas to change business processes preventing this crime occurring. As an accredited organisation CFID worked with the financial institutions to share intelligence and protect their customers.

Another case concerned a fake service being offered to vulnerable adults who needed a blue badge. This website sought to charge a fee to members of the public to obtain a blue badge where no fee was required or payable. CFID worked with the press and communications team to publicise the correct way to obtain a blue badge as well as with partners to protect residents.

Collaborations

CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence packages have been continually disseminated to law enforcement bodies by CFID where suspected crime is identified.

CFID's Criminal Intelligence Unit works closely with law enforcement to develop intelligence that will assist in protection of our public body partners. Over the last year **45 Alerts** and guidance notes have been shared by CFID across all our local authority and social housing providers.

CFID's specialist expertise has been used with other local authority services in protecting frontline services, ranging from other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.

CFID has also supported other professional bodies including local authorities and police forces in delivering their strategic priorities in digital forensics, cyber crime, intelligence, financial investigation and prosecution support.

BENCHMARKING

A number of county metropolitan, unitary and district councils were researched to establish comparative results on CFID's performance over the last year.

The data produced by councils varies with some not publically reporting any fraud.

1. London Borough of Hammersmith & Fulham³
2. Kent County Council⁴
3. Basildon Borough Council⁵
4. Braintree Council⁶

	1	2	3	4	CFID
Detected Fraud Value ⁷	1,594,383	152,352	576,000	Unk	5,558,808
Annual Budget (£)	494,000	903,500	Unk.	73,035	1,460,143
Money Recovered	409,284	112,310	Unk.	Unk	3,363,775

5. Harlow Council
6. Maldon Council
7. Colchester Council
8. Tendring Council

	5	6	7	8	CFID
Detected Fraud Value ⁸	Unk	Unk	Unk	Unk.	5,558,808
Annual Budget (£)	Unk	Unk	165,000	Unk.	1,460,143
Money Recovered	Unk	Unk	Unk.	Unk.	3,363,775

³ <http://democracy.lbhf.gov.uk/documents/s80183/Corporate%20Anti-Fraud%20End%20of%20Year%20Report.pdf>

⁴ <https://www.kent.gov.uk/about-the-council/finance-and-budget/spending/fraud-prevention>

⁵ <http://www.basildonmeetings.info/documents/s81372/Internal%20Audit%20and%20Consultancy%20Service%20enc1%20290616.pdf>

⁶ https://www.braintree.gov.uk/info/200136/access_to_information/762/transparency_code

⁷ This calculation has been made using the same figures CFID use from the National Fraud Authority.

⁸ This calculation has been made using the same figures CFID use from the National Fraud Authority.

NATIONAL ARRANGEMENTS

Cabinet Office

David Kleinberg – CFID head, was seconded to the Cabinet Office – Fraud Error and Debt Taskforce as the Head of Counter Fraud Standards (Punishment, Sanction and Redress) in January 2016. This role is to create and set national standards across government to create a ‘Counter Fraud Profession’.

David also sits on the Cabinet Office Cross-Sector Group with other members from law enforcement including the City of London police, National Crime Agency, government and private sector.

National Anti-Fraud Network (NAFN.gov)

Daniel Helps – Head of Operations, was elected to the national executive board for NAFN.gov. This organisation was selected by David Anderson QC (*the government’s independent reviewer of RIPA & covert policing*) to be the national body with the powers to acquire communications data for local government.

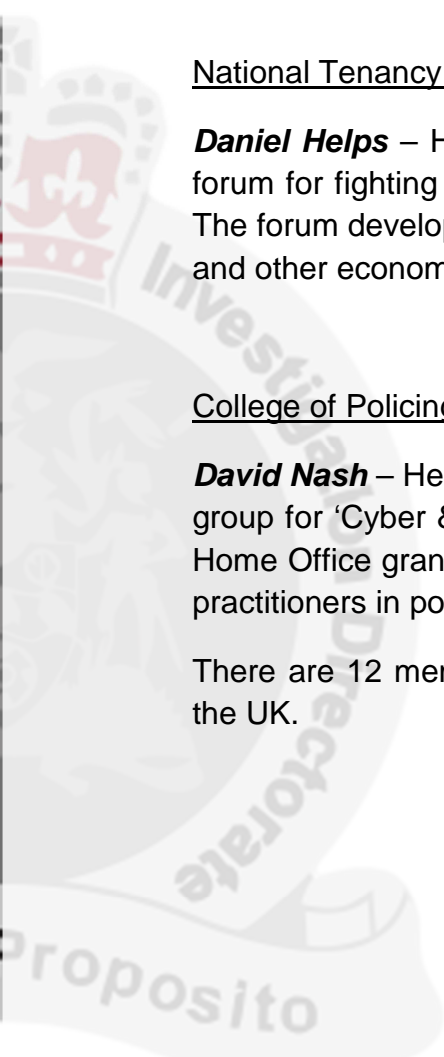
National Tenancy Fraud Forum

Daniel Helps – Head of Operations, is an executive board member of the national forum for fighting tenancy fraud, formed of every social housing provider in the UK. The forum develops national practice and strategic assessment for response to fraud and other economic crime against social housing.

College of Policing

David Nash – Head of Digital Forensics & Cyber Crime for CFID, sits on the national group for ‘Cyber & Digital Careers Pathway in Policing’. This board is sponsored by Home Office grant to improve the training for all cyber crime and digital investigation practitioners in policing bodies (including CFID).

There are 12 members of the group (including CFID) out of the 43 police forces in the UK.



FUTURE PROGRAMME OF WORK

International Conference Speaking

David Kleinberg – Head of CFID, will be the keynote address at the Australian National Public Sector Fraud & Corruption Congress in July 2017. Appearing via Skype, David will be speaking alongside the United States Government Director of Audit and the Head of Risk and Advisory Services for the New Zealand Government to public sector attendees from around Australia.

Fraud Risk Assessment Workshops

CFID will be conducting service-specific workshops with all departments of our partners to assess the fraud and other economic crime risks. These workshops will ensure that the individual business processes can be understood as well as the threats faced from fraud and other economic crime. This will ensure that our partners have a full understanding of the risk as well as a strategy to mitigate those risks with a corporate-wide level of monitoring and reporting.

Policy Review

Once the fraud risk assessment process concludes all policies supporting the overall counter-fraud strategy will be reviewed for legislative and best practice changes. These policies include:

- Anti-Fraud, Bribery, Corruption & Money Laundering
- Whistleblowing
- Information Governance & Data Protection
- Regulation of Investigatory Powers Act

National Conference – Cyber Crime in Local Government

CFID will be hosting a 'closed group' national conference in September 2017 with all local authority staff invited. The purpose of the conference is to increase awareness of cyber security as well as the work that CFID does to assist authorities where cyber crime incidents occur.

A number of speakers will be there including:

- National Cyber Security Centre
- National Technical Assistance Centre
- National Crime Agency
- Action Fraud – City of London Police