



**Counter Fraud &  
Investigation Directorate**

# Safeguarding frontline services, protecting communities

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**Annual Report 2017/18**



# Introduction

The Counter Fraud & Investigation Directorate was launched as an internal service but also as a separate national function in 2014 following the award of government grant. The funded programme was to install advanced capabilities for crime fighting in order to protect not only Thurrock & Southend Councils but provide assistance to other public bodies around the UK.

Since we started that journey our work has led to over £24.5m of economic crime being detected and the recovery of £3.9m of public funds from criminals.

We have provided specialist support to twenty-five local authorities, three police forces and two government departments all over the UK from Essex to London, Lancashire, Manchester and Wales. Last year we were also called upon by the Foreign & Commonwealth Office to assist the government of Malawi suffering from a serious economic crime incident.

I am proud to say that our effectiveness in countering the most serious types of crime, now across the world speaks for itself. None of that success could have been achieved without the continuing commitment of the CFID officers working 24/7 to protect the public purse supporting frontline public services.

Our work is far from complete and the ensuing year will see us pursue further collaborations to make sure that public bodies continue to acknowledge and respond better to the ever changing threats from fraud and economic crime.

**David Kleinberg**

Assistant Director - Head of CFID

# Our Performance

Our key role is to protect Thurrock, Southend and Castle Point Councils from fraud and economic crime. We also have a national remit providing expertise to other public bodies to reduce economic crime.

This work is provided by the specialist capabilities not present in other public authorities, including:

- Criminal Intelligence – Strategic Assessment Programmes, helping organisations understand the threats they face and implementing plans to deal with them
- Digital Forensics – providing access to electronic evidence in investigations to international standards (ISO17025)
- Criminal Finances – providing officers, accredited by the National Crime Agency to investigate, restrain and confiscate criminal proceeds
- Cyber Resilience – providing advanced technology and expertise to protect public bodies from cyber crime



**£24.5m**  
Detected



**£3.9m**  
Recovered



**48**  
Convictions



**29**  
Insider Threats  
Apprehended



**81**  
Adults &  
Children  
Safeguarded



**3**  
Organised Crime  
Groups (OCGs)  
Disrupted



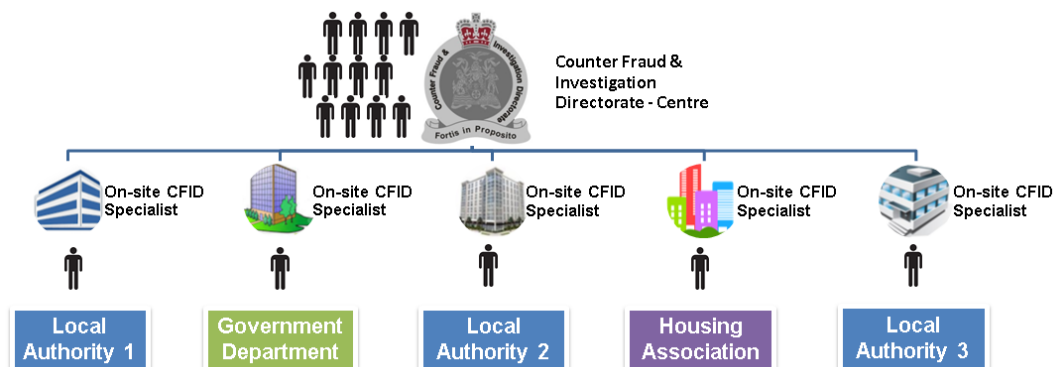
**3**  
Police  
Forces  
Supported



**27**  
Public  
Bodies  
Supported

## How we operate

In order to deliver this support to other public bodies CFID's officers will deliver specific investigative projects or will co-locate CFID officers to support ongoing operations:



# Collaboration

CFID continue to support these partners to fight economic crime:



Operational collaboration agreements are being developed with these partners:



# Governance & Accountability

A Shared Services Board was formed in May 2017 with senior executives from Thurrock Council, Southend-on-Sea Borough Council, South Essex Homes and Castle Point Borough Council.

The board considers the work of CFID across the partners as well as opportunities to develop more collaboration ensuring good quality, professional services are provided that meet each individual organisation's needs.

The provision of a national capability brings with it national responsibilities and oversight. Recognising our role and responsibilities, we sought assistance from national bodies to implement an appropriate inspection regime to provide assurance over our work.

The governance structure overseeing the directorate's work is now formed of several independent bodies:

- **Local & Central Government – Standards & Audit Committees**
  - Monitoring of Performance against each annual strategy for the bodies to provide assurance of crime risk and organisational governance
- **Her Majesty's Inspector of Constabulary**
  - Annual inspection to monitor use of police data by the Directorate and its use in investigative work
- **Investigatory Powers Commissioner's Office**
  - Inspections to monitor the use of investigatory tactics regulated by the Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2016 and Human Rights Act 1998
- **Home Office - National Police Information Risk Management Team**
  - Inspections to monitor the security of data used in the department
- **College of Policing**
  - Delivery of Accredited programmes for all the officers in the directorate, including Professionalising Investigation Practice (PIP) & Intelligence Professionalisation Programme (IPP) accreditations
- **United Kingdom Accreditation Service**
  - Inspections to monitor our forensics activity for criminal casework
- **UK Forensic Science Regulator**
  - The Regulator ensures that the provision of forensic science services by CFID across the criminal justice system is compliant to an appropriate regime of scientific quality standards.

## Inspections

CFID did not have any inspections over the last year but two inspections are planned for this year:

### **National Crime Agency – Proceeds of Crime Regulator**

CFID uses a number of powers afforded by Parts 2, 5 and 8 of the Proceeds of Crime Act 2002. The National Crime Agency is the regulator of these powers. An inspection in to CFID's use of the powers will take place in July 2018.

### **UK Accreditation Service**

CFID has its own forensic laboratory to deal with digital media recovering material from electronic devices for use in criminal justice or civil outcomes. All laboratories conducting this work in the UK must now be accredited to ISO17025 (International Standards). CFID has worked towards this accreditation for 2 years. This year the final inspection will take place to accredit CFID's laboratory to ISO17025 standards.

The CFID is hosted at Thurrock Council with staff seconded to the function from Southend-on-Sea Borough Council or other agencies. Other partners can join the service with a financial contribution or with the secondment of staff into CFID.

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

## Overall CFID Budget 2017/18

	<b>Contribution</b>	<b>Contributor</b>
	£898,502	Thurrock Council
	£288,960	Southend Council
	£349,467	Other Partners
<b>Total Budget</b>	<b>£1,536,929</b>	

## Detected Fraud 2017/18

	£1,499,894	Thurrock Council
	£687,742	Southend Council
	£263,400	Castle Point Council
	£238,900	South Essex Homes
	£448,900	Poplar HARCA
<b>Total Fraud</b>	<b>£3,138,836</b>	

**These statistics show that for every £1.00 that CFID costs it detects £2.04 in fraud and other economic crime.**

# Strategic Assessment

The Counter Fraud & Investigation Directorate's primary focus is the protection of Thurrock and its partners, around the UK, from economic crime.

Local authorities were provided with a framework in 2016 for countering fraud known as the Fighting Fraud and Corruption Locally Strategy. That strategy provided only limited assessment of the threats impacting on local government, without a national understanding of the problem or how to deal with the threat holistically. The loss figures used were also from 2013. The most notable gaps in that strategy were the understanding of fraud in Social Care, Cyber Crime and Money Laundering. All of these areas have seen an increase to CFID's casework detecting those crimes for councils around the UK.

CFID's commissioned its own assessments supported by the Cabinet Office which were concluded in April 2018. This assessment provided a better understanding of the full threat picture and its impact on local government.

CFID developed a new Fraud Loss Matrix<sup>1</sup> which provides partners a better understanding of the threats and what they should be doing about it.

## Fraud Loss Matrix - Top 10 risks for local government



## Economic Crime in Local Government



The Threats **£12.9bn**  
Cost local government *annually*

**Each of the partners now have an organisation-specific strategy based on these risk, which has been presented to their Audit Committees.**

<sup>1</sup> This was supported by publications from Crowe Clark Whitehall

<https://www.croweclarkwhitehill.co.uk/wp-content/uploads/sites/2/2017/11/Annual-fraud-indicator-2017.pdf>



## Social Housing Fraud

Last year 45 social housing properties were recovered by CFID with an additional five housing applications stopped due to fraud. Recovering properties lost due to fraud and preventing further housing stock being lost saves the public purse in terms of increased temporary accommodation costs as well as ensuring that those in real need of housing receive accommodation. Had these properties not been recovered then the potential loss to the public purse would have exceeded £1million.



**45**

**Properties Recovered**

In one particular case, in Southend-on-Sea, a sole social housing tenant died, and the housing provider served a notice to quit (NTQ) to recover the property. The deceased's estranged wife contested the NTQ, claiming that she had been continually living in the property. An investigation identified that this claim was untrue and took the matter to Court. The Court agreed with the findings of the investigation and the property was returned to the housing provider. The Defendant was also ordered to reimburse the housing provider for lost income during the false claim period.

In another case in Thurrock, it was alleged that a female tenant falsely claimed to be living in her council property but was in fact living with her partner in another property. An investigation confirmed what was suspected and the council property was recovered and put it back into circulation for a family in genuine need. CFID also identified that full council tax wasn't being paid by her partner at the property the female tenant resided in. The council recharged her partner for wrongfully claiming council tax single person discount for the period the female tenant resided at the property.

## 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 £77,900 and £103,900.

CFID reviews all right to buy applications for Thurrock Council and in the future intends to do this also for Castle Point and South Essex Homes.

Last year CFID detected 6 cases of Right to Buy fraud preventing the social housing properties from being lost. This intervention prevented a significant loss to the public purse ensuring that the properties remained available to those who are in genuine 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 39 blue badge warnings were issued for first offences, and 19 blue badges seized where criminality was detected. CFID prosecuted one resident of Thurrock for multiple use of a deceased person's blue badge. This person received a

sentence of 120hrs unpaid work and ordered to pay over £2000 in legal costs.

CFID are working closely with Civil Enforcement Officers in Southend-on-Sea to ensure body cameras are worn and activated when enforcing blue badge crime. Training has also been provided to CEOs to ensure they provide witness statements to a criminal standard. This approach provided better outcomes for the CEOs where one member of the public was prosecuted by CFID for a public order offence when they abused a CEO for doing their job.

## Council Tax Fraud

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

CFID works closely with the affected revenues departments and their inspectors to recover the losses and ensure an accurate liability is recorded for properties.



## Conviction

**A female who fraudulently claimed 100% council tax reduction worth £5,000**

One example in Southend-on-Sea related to a liable party who fraudulently claimed to be living alone as a full-time student to receive a 100% discount on their council tax.

CFID found that other adults were also living at the property and therefore a full charge should have been applied. The liable party was prosecuted for fraud amounting to more than £5,000. The woman was sentenced to 150 hours of unpaid work and was required to pay court costs.



**58**

**Fraud Incidents Detected**

## Insider Threats

The sad reality for any large 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 a collaborative approach.

### THURROCK Gazette

Thurrock Council worker spared jail after cheating system to provide her friends with council houses

Jonathan Pickles



In one case at Thurrock, CFID found that a staff member had been manipulating housing allocations records to provide housing to her friends and associates. The investigation culminated in several arrests leading to five prosecutions at Basildon Crown Court for various fraud offences. Two social housing properties were recovered, one housing application was stopped from progressing and one staff member resigned prior to her disciplinary hearing for gross misconduct.

In another case CFID found that a member of staff working at a Theatre had been stealing money from the refreshment kiosk. A CFID operation identified irrefutable video and physical evidence of the thefts taking place. The suspect was interviewed and fully admitted the offence when presented with the video evidence. They attended the Basildon Magistrates Court pleading guilty at the earliest opportunity. The staff member was also dismissed from their employment for gross misconduct.

## Social Care Fraud

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

In one Southend case, a Carer for a vulnerable adult continued to claim payments into their own bank accounts following the death of the vulnerable person. They then contacted the council claiming to be someone else stating that they had taken over the care of the vulnerable service user. CFID identified that the service user had died and that over £6,000 had been fraudulently claimed for his care since his death. The suspect was prosecuted and ordered to carry out 160 hours of unpaid work, a 12-month community order, legal costs of £4000 and ordered to pay compensation of £6,077.50.



### Conviction

Resulted in 160 hours unpaid work, £4k costs, £6k compensation

# Operational Activity

In another Southend case, CFID were asked to review a person's application for support after they claimed to be destitute. Council staff became suspicious when the person refused to answer questions surrounding their financial circumstances. CFID identified that they were not in fact destitute, with financial assets and debts with financial institutions going back a number of years. The application for support was refused resulting in a significant saving to the public purse.

## Joint Working

CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence is lawfully shared under statute, including the new Data Protection Act 2018 where crime is suspected.

CFID's Criminal Intelligence Unit works closely with law enforcement to develop intelligence that will assist in protection of the public. Over the last year **32 Alerts** and guidance notes were disseminated by CFID across all our local authority and public partner service areas.

The Criminal Intelligence Unit have also disseminated **117 Intelligence Reports** to other agencies to assist with the apprehension of criminals.

CFID's specialist expertise has been used by other local authority services to protect the public including tactical support to other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.



CFID has also delivered an enhanced national assessment of the economic crime risks faced by local government using data from its national work as well as reports by professional bodies like CroweClarkWhitehall. This new **Fraud Loss Matrix** is being adopted by councils around the UK and government.

## Disruption Operations

In some cases, the most effective way to deal with fraud and other economic crime affecting the public purse is through disruption tactics.

CFID were asked by Environmental Services at Thurrock Council to investigate reports of trade waste being illegally dumped at a local refuse site. CFID deployed tactics to identify prolific offenders. This information was collated and a day of action took place whereby nine fixed penalty notices, with a value of more than £3,000 were issued, two vehicles were seized and six requirements to produce certificates were issued.

# Operational Activity

The information obtained by CFID was used to support the recent decision to implement a permit system for vans and commercial vehicles at the site.

Another case concerned NNDR in Castle Point, where a resident business attempted to claim that the landlord was actually operating at the premises, and they were due to pay the NNDR. They provided what was suspected to be false documents. CFID took action to disrupt this criminality and the business quickly moved from the address. The property was seen as an easy target as the landlord was out of the country. NNDR records were updated accordingly to prevent this from occurring at this property again.





# Results

CFID presents all of its cases to Legal Services across the different partners, or in some cases the Crown Prosecution Service where fraud or other criminality is identified. A framework of different sanctions, redress and punishment outcomes are then considered by a Lawyer independently. This process includes the use of the Code for Crown Prosecutors in consideration of criminal litigation.

In 2017/18 the number of fraud cases identified by CFID increased, as did the number of sanctions delivered.

The overall fraud detected figure for 2017/18 is £3,138,836.

This figure is reduced from the 2016/17 figure of £5,558,808. This change has been attributed to the inclusion of one case last year that was valued at £3.2m alone. The increased disruption activity, where controls are changed, and deterrence factors are included will also have had an impact.

The table below details the sanctions, investigations and compliance activities completed by CFID across each partner for 2017/18. The table has been developed to show details of all sanction types as opposed to previous reports which only showed prosecutions, value and 'other'. This table enables a clearly understanding of the work conducted by CFID as it relates to solely CFID investigations:

Sanctions Applied – Fraud Proven	Thurrock Council	Southend Council	Castle Point Council	South Essex Homes	Poplar HARCA	TOTAL
Blue Badge Seizure	4	15	0	N/A	N/A	19
Blue Badge Warning	3	33	0	N/A	N/A	36
Civil Action	0	1	1	N/A	N/A	2
Disruption Activity	10	7	1	N/A	N/A	18
Dismissal (Staff)	7	2	0	N/A	N/A	9
Financial Penalty	1	2	0	N/A	N/A	3
Fixed Penalty Notice	9	0	0	N/A	N/A	9
Formal Caution	1	1	0	N/A	N/A	2
Goods Recovered	1	0	0	N/A	N/A	1
Housing App Stopped	3	2	0	0	0	5
Overpayment Recovery	2	11	0	N/A	N/A	13
Parking App Stopped	0	1	0	N/A	N/A	1
Parking Permit Seized	1	2	0	N/A	N/A	3
Property Recovered	26	2	1	6	10	45
Prosecution (Criminal)	10	5	0	0	0	15
Prosecution (Joint)	2	0	0	N/A	N/A	2
Referral to HR	8	3	2	N/A	N/A	13
Repayment of Monies	2	2	1	N/A	N/A	5
Resignation (Staff)	3	2	0	N/A	N/A	5
Right to Buy Stopped	3	0	2	0	1	6
Tenancy Sanction	2	0	0	0	0	2
Vehicle Seized	2	0	0	N/A	N/A	2
<b>TOTAL SANCTIONS</b>	<b>100</b>	<b>91</b>	<b>8</b>	<b>6</b>	<b>11</b>	<b>216</b>
VALUE	£1,499,894	£687,742	£263,400	£238,900	£448,900	£3,138,836
<b>Investigations Completed with No Further Action 2017-18</b>	42	45	4	7	10	108
<b>All Investigations Completed 2017-18 (Sanction + NFA)</b>	142	136	12	13	21	324

# Results

Compliance Activity	Thurrock Council	Southend Council	Castle Point Council	South Essex Homes	Poplar HARCA	TOTAL
<b>NNDR Reviews</b>	0	0	22	N/A	N/A	22
<b>Tenancy Audits</b>	221	0	0	0	0	221
<b>Right to Buy Review</b>	65	0	0	0	0	65
<b>Council Tax Review</b>	23	0	0	0	0	23
<b>Referral to DWP</b>	48	4	0	0	0	52
<b>TOTAL</b>	<b>357</b>	<b>4</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>383</b>

## Comparison to Previous Years

The table below shows the detected fraud value year on year since the inception of CFID, for investigations solely conducted by CFID

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	£1,823,300	£585,697	N/A	N/A	1,230,930	£3,639,927
2015/16	£1,312,038	£1,887,589	N/A	N/A	£5,569,330	£8,768,957
2016/17	£4,562,031	£375,302	£40,000	£191,000	£1,790,475	£6,958,808
2017/18	£1,499,894	£687,742	£263,400	£448,900	£2,238,900	£5,138,836
						<b>£24,506,528</b>

The total value of fraud detected during **April 2014 to March 2018 is £24,506,528.**

The table below shows the number of investigations completed year on year, since the inception of CFID,

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	205	339	N/A	N/A	0	544
2015/16	256	225	N/A	15	18	514
2016/17	110	112	15	27	38	302
2017/18	142	136	12	21	13	324

# Joint Working & Assistance

In addition to CFID's own investigations, support and expertise has been provided to other law enforcement agencies such as the Police and Local Authorities.

This assistance has been to agencies that have their investigation capability but require specialist tools and resources that exist within CFID to conclude casework.

One such example was an organised welfare fraud committed against the London Borough of Redbridge. CFID provided digital forensic support to the investigation team from Redbridge and identified key pieces of evidence from seized devices which ultimately led to guilty verdicts for a **fraud valued at £1,124,000**

## Assistance to other council service areas

CFID have provided support to other service areas within the partner agencies requiring assistance.

## Private Sector Housing Enforcement

CFID have worked with the private sector housing team to provide guidance on interviewing suspects under conditions in-line with the Police & Criminal Evidence Act, known as 'interviews under caution'. CFID officers have mentored these officers and conducted interviews under caution to pursue prosecution for offences under the various Housing Acts.

This has been a successful project and has greatly up-skilled the Environmental Health Officers enabling them to more effectively deal with offences, including unlicensed Houses in Multiple Occupation, unlawful eviction & harassment and breaches of notices.

Additionally CFID have provided support to the officers in using different tactics to obtain intelligence and evidence to support prosecutions, this includes the use of the Data Protection Act 1998 (now DPA 2018) to obtain evidence.

## Trading Standards

CFID's Financial Investigation Unit has assisted Thurrock Council's Trading Standards during several investigations. CFID are the only unit with Thurrock Council that are accredited by the National Crime Agency to use powers under the Proceeds of Crime Act 2002.

One example relates to an investigation by Trading Standards into the sale of counterfeit cigarettes. CFID assisted with a premises search and used powers under the Proceeds of Crime Act to seize more than £20,000 in cash from the suspect's home address.



## Cabinet Office

**David Kleinberg** – Assistant Director and Head of CFID, was seconded to HM Government – Fraud, Error and Debt Taskforce as the Head of Standards (Punishment, Sanction and Redress) in January 2016. David's role is to assist government in the creation of a 'Counter Fraud Profession'.

David also sits on the HM Government, Cross-Sector Group and the College of Policing' Cyber Crime Careers Pathway, Programme Board with other senior members from law enforcement including from the City of London Police, National Crime Agency, government and private sector.

## National Anti-Fraud Network (NAFN.gov)

**Daniel Helps** – Senior Manager, 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** – Senior Manager, 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** – who heads our digital forensics & cyber crime units 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.

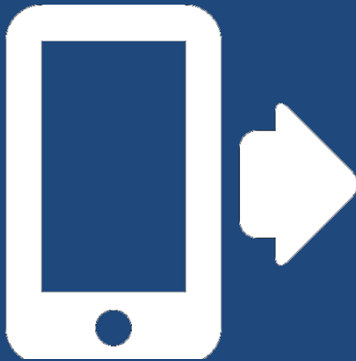
# How to Report Fraud



**See it**



**Report it - Email**  
[reportfraud@cfid.uk](mailto:reportfraud@cfid.uk)



**Report it - Call**  
**03000 999111**

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