

# Counter Fraud & Investigation



See it. Report it. Stop it.

## Annual Report 2018/19

## Foreword

***“The estimated annual loss to local government from fraud has increased considerably from £2.1bn in 2016 to £8bn a year in 2019.***

***In context of local government finance, the LGA reported on the 2018/19 finance settlement a £5.8bn funding gap by 2020.***

***Preventing fraud, disrupting those who seek to take public money, protecting the vulnerable and recovering losses is our priority.”***

**David Kleinberg,**  
Assistant Director for Counter Fraud & Investigations

This is the 5<sup>th</sup> year of the strategic alliance between Thurrock & Southend-on-Sea Borough Councils to fight fraud and economic crime. During that period the service has detected £30m of fraud repatriated 162 social housing properties to those in need as well as the safeguarding of 87 adults and children from harm.

The service has been recognised by government and other public bodies alike as a centre of excellence in reducing harm and detecting fraud in public finance. The government’s ‘Counter Fraud Fund Programme’ invested in our service to strengthen our capability and also to help others. Over 40 public bodies have been supported by us in their own crime fighting initiatives all over the UK.

In the last year a new specialised element of the department was created with the support of government. Known as NATIS – the National Investigation Service, it is a ring-fenced function removed from the ‘usual’ counter fraud activity of the department. As a partnered function with the police regional organised crime and counter terror network it supports local authorities suffering from the most serious criminality.

Having these specialist functions hosted in Southend and Thurrock mean that the knowledge, skills and capabilities to protect our councils, residents, visitors and businesses are prepared for the modern threats faced.

The function has detected more fraud than ever before following increased investment in the service, leading to large high value and complex crime being detected. The service has been working hard to harness the data gathered over the last 5 years to prevent more fraud and protect our frontline services better. This year we are increasing the collaboration with our Internal Audit Services to enhance controls and fraud-proof our systems.

# Performance and Partnerships

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



**£30m**  
Detected



**£4.6m**  
Recovered



**42**  
Public  
Bodies  
Supported



**109**  
Insider Threats  
Apprehended



**42**  
Adult &  
Children  
Safeguarding  
Cases



**6**  
Organised Crime  
Groups (OCGs)  
Disrupted



**98**  
Convictions



**8**  
Police  
Forces  
Supported

## 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, which continues to meet on a quarterly basis.

The board considers the work of CFI team 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 Inspectorate of Constabulary and Fire & Rescue Services**

- 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 investigative 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

## Governance & Accountability

### **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.

### **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**

- CFI has its own forensic laboratory to deal with digital media, recovering material from electronic devices for use in in criminal 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.

## Finances

The Counter Fraud & Investigation team 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 the team.

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.

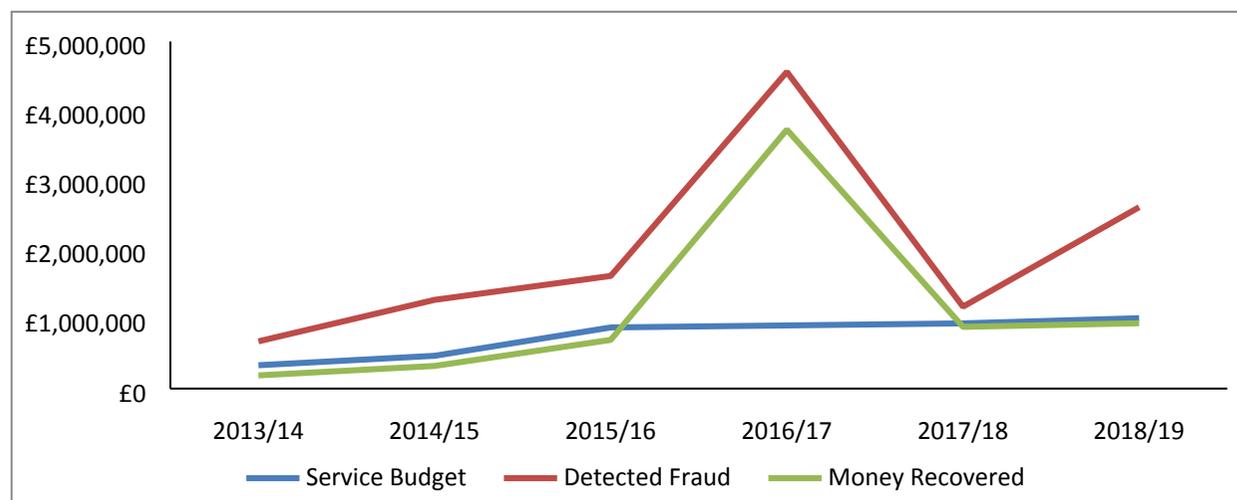
### Overall CF&I Budget 2018/19

|                     | <b>Contribution</b> | <b>Contributor</b> |
|---------------------|---------------------|--------------------|
|                     | £945,876            | Thurrock Council   |
|                     | £704,459            | Southend Council   |
|                     | £106,187            | Other Partners     |
| <b>Total Budget</b> | <b>£1,756,522</b>   |                    |

## Finances

### Return on Investment (2014-2019) Thurrock Council

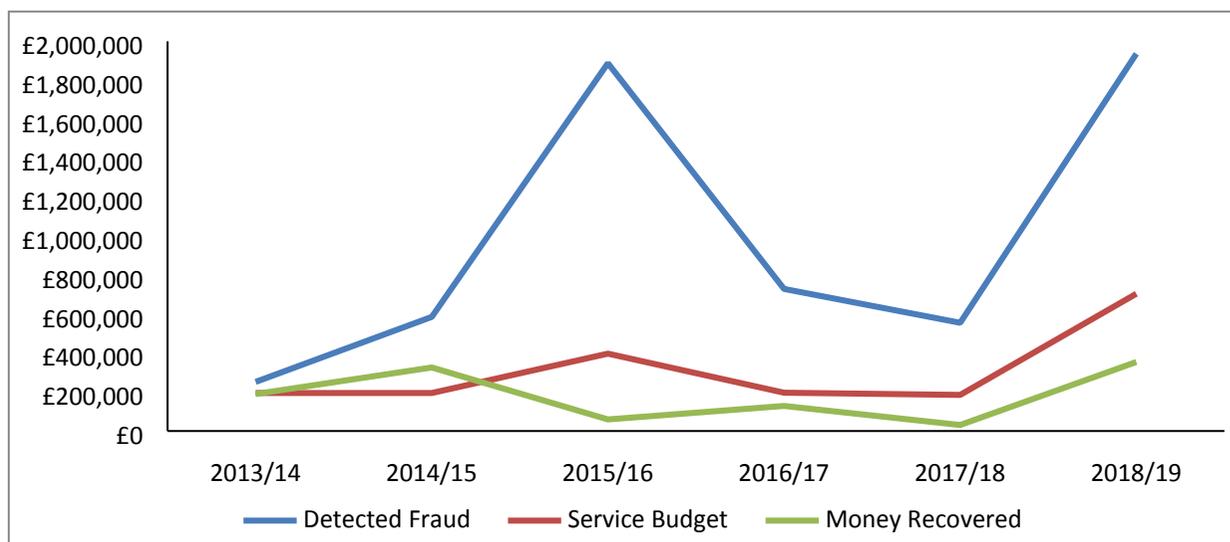
|                        | 2013/14    | 2014/15    | 2015/16    | 2016/17      | 2017/18    | 2018/19    |
|------------------------|------------|------------|------------|--------------|------------|------------|
| <b>Detected Fraud</b>  | £680,478   | £1,278,010 | £1,622,604 | £4,562,032   | £1,179,987 | £2,613,094 |
| <b>Service Budget</b>  | £336,302   | £472,327   | £880,637   | £909,556     | £939,313   | £945,876   |
| <b>Money Recovered</b> | (£190,000) | (£326,075) | (£701,418) | (£3,729,705) | (£889,097) | (£941,155) |



## Finances

### Return on Investment (2014-2019) Southend-on-Sea Borough Council

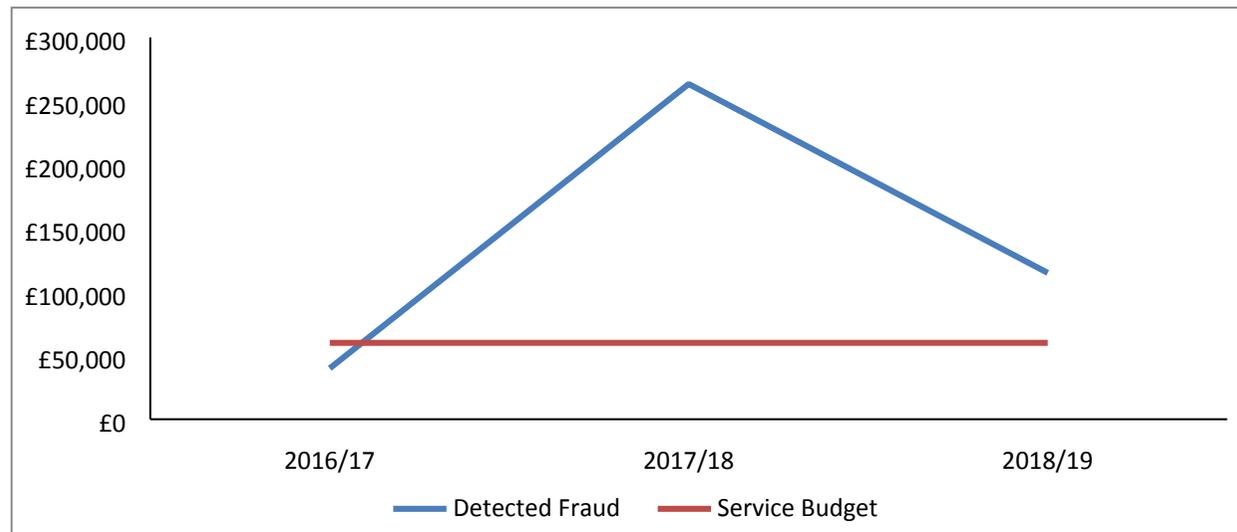
|                        | 2013/14    | 2014/15    | 2015/16    | 2016/17    | 2017/18   | 2018/19    |
|------------------------|------------|------------|------------|------------|-----------|------------|
| <b>Detected Fraud</b>  | £252,054   | £585,696   | £1,887,589 | £729,145   | £555,418  | £1,935,940 |
| <b>Service Budget</b>  | £195,075   | £195,075   | £397,075   | £196,610   | £185,301  | £704,459   |
| <b>Money Recovered</b> | (£190,000) | (£326,075) | (£59,478)  | (£128,725) | (£30,916) | (£354,300) |



## Finances

### Return on Investment (2016-2019) Castle Point Borough Council

|                       | 2016/17 | 2017/18  | 2018/19  |
|-----------------------|---------|----------|----------|
| <b>Detected Fraud</b> | £40,000 | £263,400 | £115,000 |
| <b>Service Budget</b> | £60,000 | £60,000  | £60,000  |



## Strategic Assessment

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

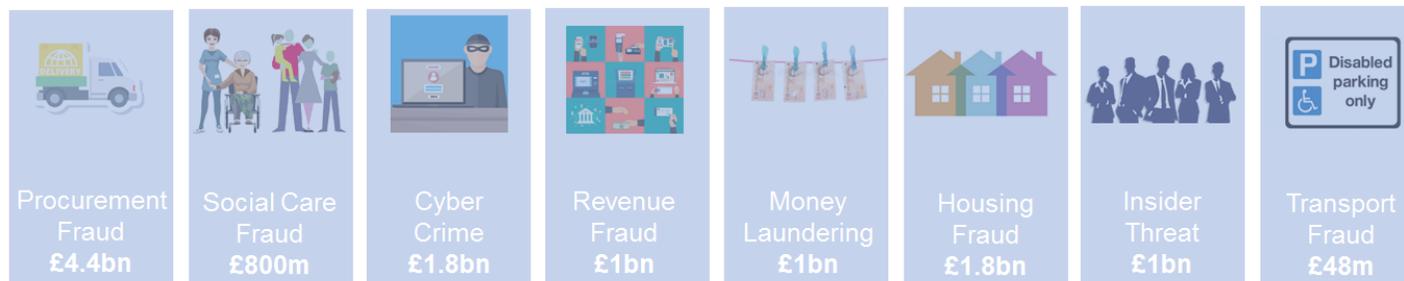
Local authorities were provided with a framework in 2016 for countering fraud known as the Fighting Fraud and Corruption Locally strategy. That strategy provided a limited assessment of the threats impacting on local government, without a national understanding of the problem or how to deal with the threat holistically.

The loss figures used in that strategy were also from 2013 as the data in the sector is poor. The most notable gaps in that strategy were the understanding of fraud in Social Care, Cyber Crime or Money Laundering. All of these areas have seen an increase to team's casework detecting offences 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.

## Strategic Assessment



# Economic Crime in Local Government



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

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>

## Operational Activity

### Social Housing Fraud

Last year 40 social housing properties were recovered by the team in 2018/19. Recovering properties lost due to fraud and preventing further housing stock being lost ensures the use of temporary accommodation for those in need is reduced. Had these properties not been recovered then the potential loss to the public purse would have exceeded £1million.



Social  
Properties

#### Case Example

A married couple were granted a three bed social housing property in 1998 which they then applied to buy, being offered a £104,900 discount under the Right to Buy Scheme. However following investigation by CFID it was found the couple were sub-letting this property.

They tenants employed letting agents, turned the property into a House of Multiple Occupancy and were receiving between £1600 - £1800 rental income a month from students who believed they had found a legitimate property to rent. Meanwhile both were not paying the required £140 rent per week and were living in a privately rented five bed house. Following an execution of a Magistrates warrant and interviews of the suspects, an unlawful profit order was made for £6990 at a County Court and the property was recovered. The couple were sentenced at Crown Court, with the judge handing out an eight month immediate custodial sentence.

## Operational Activity

### 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.

#### **His Honour Judge Owen-Jones said:**

*'It's extremely sad and disheartening to see someone with your background in court charged with these crimes. It's the hard working residents of Southend who suffer – they are the council taxpayers.'*

#### **Case Example**

A report from Southend-on-Sea Borough Council's Finance Team identified an insider, employed as a Private Sector Housing Manager, who was undertaking suspicious activity. Between 2016 and 2017 the staff member defrauded the authority of £307,401 through an abuse of their position. They did this through the creation of false suppliers to the council, forged quotes, invoices and letters of application to steal the council's finances.

They were able to prolong their activities by relying on the good will and trust of their colleagues and the negligence of their manager. Suspicions were raised when an Accounts Payable officer identified two suppliers with the same bank details. When challenged, the staff member became evasive and approached a Procurement Officer to delete material they had submitted.

This was referred to CFID through Internal Audit and the staff member was suspended from duty and interviewed under caution. During this interview they lied and attempted to present themselves as a victim of fraud. The investigation was lengthy and complex and involved three arrests, the execution of two search warrants, joint working with Essex Police, digital forensic analysis of computers and phones, the examination of thousands of documents, the analysis of over 50 forged documents, over 100 witness statements and over 500 items of evidence. Due to the excellent work of the investigating team the former-staff member entered guilty pleas to four counts of fraud by abuse of position and was sentenced to 18 months' immediate imprisonment.

## Operational Activity

### 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 case a non-EU national was receiving care from Social Care but was not entitled to any public funds. This was referred to CFID as it was thought that this person was also working 'cash in hand'. It was identified that the person was in fact working more a multi-national company and had in fact used false documents and a 'friends' bank account to launder the illegally gained salary. A search took place at the suspects address and evidence of the offending was identified. This also highlighted a second suspect who was also arrested and interviewed. This has resulted in the matter being passed to prosecutors to ensure the perpetrators face justice.



### Transport Fraud

In one case someone was found to be using their dead fathers blue badge when not entitled to. They were interviewed by CFID officers and they explained that they had used the badge as they were late for prayers and could not find anywhere else to park. This type of crime, although to some may seem minor, is a very emotive offence and residents within the local authority area regard this crime type as one of the most important issues to combat.

The suspect in this case had to pay over £250 and now has a criminal record.

## Operational Activity

### Joint Working

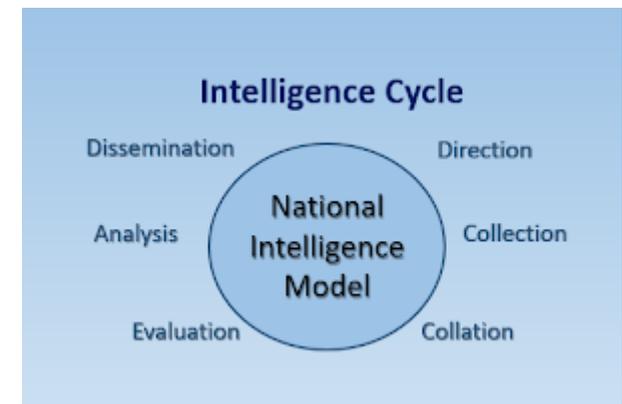
CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence is lawfully shared under statute, including the new Data Protection Act 2018 where crime is suspected.

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 has also disseminated **295 Intelligence Reports** to other agencies to assist with their criminal investigations.

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.

In one case CFID received information from an anonymous source alleging that a Thurrock woman employed as a nurse in the NHS was working under a false identity. This information was reviewed and assessed by CFID intelligence. It was treated as urgent and sent to NHS Counter Fraud where it was allocated to an investigator as a priority. NHS Counter Fraud worked with CFID to develop areas of intelligence that the NHS Counter Fraud team were unable to develop due to the unprecedented access CFID has to intelligence tools.



## Results

The Counter Fraud & Investigation team presents all of its cases to Legal Services across the different partners, or in some cases the Crown Prosecution Service where serious criminality is identified. A framework of different sanctions, redress and punishment outcomes are then considered by a Lawyer independently of the investigation team.

This process includes the use of the Code for Crown Prosecutors in consideration of any criminal litigation.

In 2018/19 the number of fraud cases identified by the team increased, as did the number of sanctions delivered.

The overall fraud detected figure for **2018/19** is **£5,497,805**

This figure has increased from the **2017/18** figure of **£3,138,836**.

The following tables detail the investigations, sanctions and compliance activities completed by the team across partner for 2018/19. The tables 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:

## Results

### Comparison to Previous Years (Concluded Investigations)

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   |
| 2018/19 | 314              | 162              | 22                   | 57           | 26             | 576   |

## Comparison to Previous Years (detected fraud)

The table below shows the detected fraud value year on year since the inception of the Counter Fraud & Investigation team.

| 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>2018/19</b> | <b>£2,613,094</b> | <b>£1,935,940</b> | <b>£115,000</b>      | <b>£833,771</b> | <b>£0.00</b>   | <b>£5,497,805</b> |

The total value of fraud detected during April 2014 to June 2019 is **£30,004,333**

## Delivery of the Proactive Work Programme

The work programme implemented across Southend-on-Sea, Castle Point & Thurrock Councils was delivered fully last year. The purpose of the programme is to ensure that there is an enterprise-wide acknowledgement of the risks from fraud and economic crime and the areas most at risk have mechanisms to both prevent and detect suspicious activity.

|  |                                                                                                          | <b>Counter Fraud &amp; Investigation</b><br>Counter Fraud Work Plan |                                                                                                                                                                                                                                                                                                             |                          |                                                                                                                                                                |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk area                                                                         | Tasks                                                                                                    | Planned for                                                         | Current status                                                                                                                                                                                                                                                                                              | Responsible CFID Officer | Completed Activity Date                                                                                                                                        |
| Council-wide                                                                      | Revised policies for Counter Fraud, Bribery & Corruption and;<br>Counter-Money Laundering to be produced | January 2019                                                        | Draft policies were distributed to the statutory officers, which take account of the enhanced strategies in place. The draft documents were also distributed to the council's leadership group for comment and consideration.<br><br>The final draft are now submitted to the Audit Committee for approval. | David Kleinberg          | Completed January 2019                                                                                                                                         |
| Council-wide                                                                      | Fraud risk matrix assessment to be delivered to all service areas                                        | Dec 2018 – March 2019                                               | These have been presented to corporate directors, directors and senior departmental management teams. It has now been agreed that service managers will be meeting with the CFID Investigation Manager to discuss the matrix. This will be during the remainder of 2018/19.                                 | Michael Dineen           | Initial phase completed in November 2018.<br><br>On-going meetings with service managers now taking place.<br><br>Planned dates to be concluded in March 2019. |

## Delivery of the Proactive Work Programme

|  |                                                                                                                              | <b>Counter Fraud &amp; Investigation</b><br>Counter Fraud Work Plan |                                                                                                                                                                        |                          |                                                                                                                        |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------|
| Risk area                                                                         | Tasks                                                                                                                        | Planned for                                                         | Current status                                                                                                                                                         | Responsible CFID Officer | Completed Activity Date                                                                                                |
| Council-wide                                                                      | UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.      | November 2018                                                       | The questionnaire was submitted to the council's managers for completion. That data is now being analysed for consideration of further actions for compliance.         | Michael Dineen           | Completed January 2019                                                                                                 |
| Council-wide                                                                      | Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance. | November 2018                                                       | The questionnaire was submitted to the council's managers for completion. That data is now being analysed for consideration of further actions for compliance.         | Michael Dineen           | Completed January 2019                                                                                                 |
| Proactive Fraud Drives                                                            | Conduct proactive activity to disrupt and detect fraud affecting the council.                                                | Throughout 2018/19                                                  | Proactive work continues to be undertaken across the high-risk areas. Monthly meetings are taking place with housing and council tax to conduct pro-active operations. | Michael Dineen           | Completed. Detected Council Tax Fraud reported in Corporate Matrix. These results are being fed into next year's plan. |

# Delivery of the Proactive Work Programme

|  |                                                                                                                                                                                                                   | <b>Counter Fraud &amp; Investigation</b><br>Counter Fraud Work Plan |                                                                                                             |                                 |                          |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------|
| Risk area                                                                         | Tasks                                                                                                                                                                                                             | Planned for                                                         | Current status                                                                                              | Responsible CFID Officer        | Completed Activity Date  |
| Investigation Review                                                              | Review of insider threat investigations with Human Resources to reviews action and learning points                                                                                                                | Throughout 2018/19                                                  | Meetings took place with Heads of Service & HR to evaluate insider threat cases.                            | Michael Dineen                  | Completed.               |
| Fraud Awareness Training                                                          | Training to be delivered to high risk areas – housing officers, housing allocations, temporary accommodation and right to buy                                                                                     | Ongoing to March 2019                                               | Training has been delivered to Revenues, Procurement, Childcare, Essential Living Fund, Finance (Payments). | Michael Dineen / Nicola Spencer | Completed                |
| Fraud Awareness Training                                                          | CFID to present a Fraud awareness presentation to all new employees during their 'Induction Day'. Highlighting the pathway of reporting fraud/crime and also highlighting their obligations under council policy. | Throughout 2018/19                                                  | Training sessions are conducted with all new employees attending the Induction Sessions.                    | Michael Dineen                  | Ongoing, until year-end. |