

2015/16 ANNUAL REPORT

Counter Fraud and Investigation Directorate



EXECUTIVE SUMMARY

Appendix 1: CFI&D Annual Report 2015/16

In October 2014, Southend-on-Sea Borough Council (SBC) signed a three year Service Level Agreement (SLA) with Thurrock Council to deliver a counter fraud and investigation service. The purpose of the agreement was to share resources and best practice to increase the level of fraud prevention and detection work across the council supported by a programme of deterrence.

The backdrop of this engagement with Thurrock Council was the Single Fraud Investigation Service programme, which sought to centralise all resources responsible for tackling welfare benefit fraud into one agency. The newly formed department of the Department for Work and Pensions (DWP) would see any HMRC, DWP or Local Authority staff “*who were solely or primarily responsible for investigating welfare benefit fraud*” being TUPE’d into the DWP.

Recognising the government’s own statistics that welfare benefit fraud represents £1bn per annum to the UK but all other fraud against local government represents £2.2bn, SBC retained its Counter Fraud Service to ensure it support its strategy to mitigate all fraud risk.

The SLA with Thurrock Council commenced with a ‘detection rate’ level for fraud at SBC being **a high of £388k in 2012** and the majority of fraud detections being focused on welfare benefit fraud matters.

After only 17 months of the SLA with Thurrock being signed, SBC has **detected £1.88m** in the 2015/16 financial year.

Overall the Counter Fraud and Investigation Directorate (the Directorate) has provided assistance to six other local authorities (outside of Thurrock Council and SBC) to achieve an overall detection rate of **£18,540,614** of economic crime since October 2014.

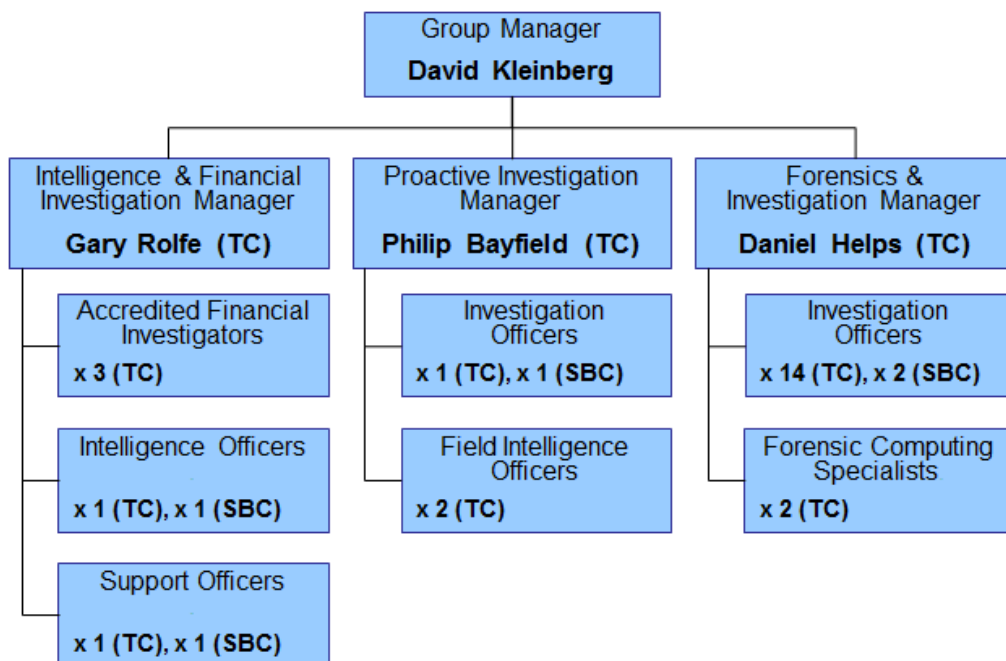
SERVICE STRUCTURE

Thurrock Council’s Counter Fraud and Investigation service was restructured in 2012 with the appointment of the new Group Manager – David Kleinberg. The purpose of the restructure was to ensure that the SBC had a robust strategy to prevent detect and deter fraud, bribery, corruption and money laundering committed against SBC.

The core of the new strategy was a service that was fit to tackle the current threat levels and ways in which criminals attack local authorities.

Several new specialist units were implemented into the service to ensure the new strategy could be delivered:

- **Financial Investigation Unit** which provides the tools to investigate, identify and take back assets gained by criminals who defraud local authorities
- **Forensic Computing Unit** that uses advanced methods and technology to recover evidence from electronic material such as mobile phones and computers
- **Criminal Intelligence Unit** that has unprecedented access to national systems including the Police National Computer – the only local authority in the UK
- **Proactive Investigation Unit** that is accredited by the College of Policing to develop and handle covert human intelligence and use specialist methods to detect crime
- **Core Investigation Unit** who’s staff are all accredited by the College of Policing as police detectives – undertaking the same national training to investigate the most serious crime – including organised crime groups.



THURROCK/SBC SERVICE LEVEL AGREEMENT

The 5.5 FTE of SBC's Fraud Service were seconded to Thurrock Council on 1st October 2014.

These roles were then aligned under the existing Thurrock Structure to continue the delivery of counter-fraud services to SBC.

Staff Training

The entire team were selected to participate in the training and accreditation programme the Directorate was aligned to with the College of Policing.

This training included a three week residential training course at Kent Police Training School. The training would mean that the Investigation Staff would be immediately up-skilled to work to the Core Investigative Doctrine in the same way Fraud Squad Detectives are trained in the police, enhancing detection abilities.

This approach recognises that the skills of an effective economic crime function must be able to keep up with modern criminality.

Systems

A new casework management system was acquired by Thurrock Council on the government's 'G-Cloud' system ensuring that users, including Southend staff, could use the system remotely whilst still meeting the government Public Services Network requirements.

A centralised reporting and recording workflow was installed to ensure that SBC cases can have access to the specialised tools in Thurrock Council, such as the Police National Computer.

Single Points of Contact

Recognising the key threats to a local authority, each staff member in the Directorate was given a specific department in SBC to liaise with including: Human Resources, Social Care, Schools, Housing, Revenues and Environment, to forge relationships with key staff and develop department-specific fraud awareness.

Additional Arrangements

An existing Thurrock Council Memorandum of Understanding (MOU) with Essex Police was amended to include SBC. This MOU creates an authorised sharing of information and intelligence concerning crime risks to SBC and outlines the work by the Directorate.

Reduction in three staff

Since October 2014, three SBC FTE have resigned with agency staff being used to cover the work of those staff. The plan will be to recruit to these permanent roles this year.

MULTI-AGENCY PARTNERSHIPS

In 2014, a successful grant bid was made to the Department for Communities and Local Government – Counter Fraud Fund. The bid was to enhance the national operations already being undertaken by Thurrock Council's fraud service, strengthening its operations and providing opportunities to work with more agencies to fight fraud.

The grant paid for the enhancement of the existing specialist functions, in particular its forensic and financial investigation function taking on staff to specifically service any additional partners to maintain the same level of service budgeted for at SBC and Thurrock Council.

The enhanced service created resilience across Thurrock and Southend boroughs for instances of large and major enquiries with additional resources being drawn down if and when required.

Six key outcomes were achieved:

1. The Directorate was formed, with national recognition by the National Police Chiefs Council and Cabinet Office as a law enforcement agency.
2. All staff in the new Directorate received specialist training in their respective areas being accredited by the College of Policing as:
 - a. Serious Crime Detectives;
 - b. Covert Surveillance Officers;
 - c. Forensic Computing Specialists;
 - d. Intelligence Analysts & Researchers;
 - e. Covert Source Handlers and Controllers.
3. An additional framework of governance and accountability was formed with:
 - a. Her Majesty's Inspector of Constabulary;
 - b. the College of Policing and;
 - c. the Home Office.

These were in addition to the regular reporting to each organisation's Audit Committee.

4. Detected fraud rates in Thurrock, Southend and two other government departments by the Directorate between November 2014 and March 2016 was: **£11,526,311**.
5. The Directorate supported 8 other local authorities and 5 Housing Associations in detecting a further **£7,014,303** in economic crime.
6. The creation of Operation Domus, a county-wide operation to target social housing fraud, hosted by the Directorate (commencing April 1st).

NATIONAL ARRANGEMENTS

Cabinet Office

David Kleinberg – Directorate 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 Professions Board with other members from law enforcement including the City of London police, National Crime Agency and government, as the only local government representative.

David is also leading on the impact of the *Investigatory Powers Bill* going through parliament for non-police agencies and;

Development of a national ‘*Local Government Counter Fraud Service*’ to tackle the £2.2bn fraud level in the wake of the reduction in local government fraud resource.

National Anti-Fraud Network (NAFN.gov)

Daniel Helps – Investigation 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 and covert policing*) to be the national body with the powers to acquire communications data for local government.

National Tenancy Fraud Forum

Daniel Helps – Investigation 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.

National Crime Agency – Proceeds of Crime Centre

Gary Rolfe – Intelligence and Financial Investigation Manager, was selected to sit on the national board for financial investigation with the NCA, Crown Prosecution Service, Regional Organised Crime Units and police services, to set and lead on national policy for confiscation and investigation. This national board feeds the development of new legislation, powers and best practice to tackle crime at the most serious levels.

CASE STUDIES

HOUSING TENANCY FRAUD

So far 48 properties have been recovered from offenders by the Directorate in Southend-on-Sea where fraud has been proven.

These include instances of subletting, key selling and abandonment. Given the notional cost of tenancy fraud as £18,000 per year per property (National Fraud Authority) this equates to a saving of **£864,000**

***What is a saving?** A saving is where a property is recovered from a criminal, meaning that SBC no longer has to fund the temporary accommodation for a family in Southend, costing SBC £18k per annum.*

The majority of these recoveries have been without the need for costly legal process but the utilisation of new legislation. Less than 5% have required civil court action. This is due to the levels of experience and expertise within the service and the evidential standards that the Directorate applies to its investigation. As a result of this, most fraudsters have returned the property once challenged instead of SBC having to obtain court orders.

Case Study – in year 2015

The tenant had received a tenancy with South Essex Homes many years prior to a suspicion of fraud being raised. The housing officer became suspicious as they were unable to contact the tenant for some time.

The officer had recently attended the Directorate's fraud awareness session and was able to record their visits to the property correctly, in an evidential format.

Enquiries by the Directorate found that the tenant was linked to an address in Cornwall and had unknown cash deposits being made into their bank account. Investigators gathered evidence to show that the tenant was in fact living in Cornwall which included bank records, details from the Local Authority in Cornwall, utility subscriptions and other linking evidence.

Investigators visited both properties simultaneously and found the tenant at the Cornwall property. The tenant was cautioned and questioned, they admitted to subletting and gaining profit from the sublet. This matter is now with Legal Services for consideration of prosecution and unlawful profit order actions.

INSURANCE FRAUD

The Directorate has formed a great working relationship with the Insurance section where the insurance service refers any suspicion in relation to an insurance claim to the Directorate. There are currently three claims under investigation and one claim is awaiting trial at criminal court. The total figure of these cases is in excess of £200k.

SOCIAL CARE

Social Care fraud is an emerging risk to Local Authorities around the UK. The Directorate has successfully concluded an investigation elsewhere into one service user who defrauded five local authorities out of **£439,168** by claiming direct payments from them all at the same time. Whilst SBC did not fall victim to this fraud, the learning from investigating this matter has been shared with its partners to ensure the same offending does not happen at SBC.

There are currently five cases under investigation, including misuse of personal budget direct payments by adults in Southend-on-Sea. These allegations include where Personal Assistants have defrauded the Adult by submitting false invoices and others who financially abuse the adult or Child.

SCHOOLS

Nationally schools are specifically targeted by criminals who seek to take advantage of their localised contracts and suppliers. There have been a number of attempts to commit mandate fraud against schools. This is where an organised crime group send a false invoice or letter claiming to be a legitimate supplier and that they have changed their bank account details. The criminals then submit inflated invoices for payment as that supplier, receiving the fraudulent money. All of these instances have all been intercepted at source and fraud prevented.

The Directorate publish monthly (or more frequent when urgent) 'fraud alerts' giving details of known fraud scams to schools and other payment areas within SBC. This intelligence comes into the Directorate from other accredited agencies including Police, National Crime Agency and other local authorities.

Case Study – in year 2015

The Directorate was contacted by a Southend school who advised that a number of newly delivered pedal cycles (valued at over £10,000) had been stolen from school premises over a weekend. The school advised that they had reported this theft to Essex Police. Essex Police, with resources deployed elsewhere in the borough investigating a murder, were unable to progress the enquiry as there were "no leads and no likelihood of identifying an offender."

Nevertheless, the Directorate's criminal intelligence unit found the stolen bikes being advertised for sale on the internet. From enquiries made, they managed to locate details of the seller and, using authorised covert techniques, met with and identified the seller.

As no police officers were available, specially trained Investigators from the Directorate arrested the male and took him to Southend Police Station where he was accepted into police custody.

The Directorate's Investigators searched the male's home address, supported by police who then had an interest in this prolific burglar, recovering stolen property.

The Directorate's Investigators then interviewed and processed the suspect who was charged by the Crown Prosecution Service with handling stolen goods.

The offender was sentenced to 15 months imprisonment and a three month night time curfew, awarding £250 costs and £100 victim surcharge. The pedal cycles were also ordered by the Judge to be restored to SBC.

Other Fraud and Economic Crime

The Directorate is one of the only agencies in the country that has officers accredited by the National Crime Agency to receive Suspicious Activity Reports for suspected money laundering. These alerts identify where persons or business may be attempting to misuse SBC services to 'launder' the proceeds of crime. This engagement ensures that potential illegal activity is stopped at the outset.

Case Study – in year 2015

A report was made to the Directorate that a member of staff had requested refunds of unused social care direct monies to different bank accounts. The refunds were described as being 'urgent interim payments to ensure a service user received urgent case and support.' Due to the unusual nature of these requests, the account number was checked and revealed not to be the service user described with the 'urgent needs.' Social care immediately raised the concerns with the Directorate.

The Directorate, using its specialist powers, identified that the bank account was found to be the personal account of a SBC employee.

The Directorate apprehended the employee within 17 hours of the matter being reported to them, searched the employee's home (recovering vital evidence) and interviewed them under caution. The employee admitted the fraud by abusing their position and was immediately suspended from duty after consulting with Human Resources.

Using the Directorate's unique powers, the employee's bank statements were obtained and a total of £39,854.33 in additional fraudulent payments was identified. It was also identified that the employee had laundered the proceeds of the fraud by buying a property and purchasing holidays and designer goods.

The employee was prosecuted and pleaded guilty to all counts receiving an immediate custodial sentence of 20 months imprisonment. All of the monies stolen by the employee were recovered by the Directorate as well as all the investigation and prosecution costs (£44, 923)

NB: it was noted by the National Crime Agency that this was the quickest detection, confiscation and payment against an offender for any fraud and money laundering case in the UK.

Future Programme of Work

Fraud Awareness Training

A 'service-specific' package of fraud awareness training will be undertaken for all services at SBC. All staff will be invited to attend the training to update staff on the threat level, how to spot fraud, how to report it and some case studies showing the great collaborations by the Directorate and teams across SBC to fight fraud.

In Thurrock Council, the Chief Executive made this fraud awareness training compulsory for all staff as part of Thurrock Council's overall anti-fraud strategy.

Policy Review

SBC's policies supporting the overall anti-fraud strategy will be reviewed for legislative and best practice changes. These policies include:

- Anti-Fraud, Bribery, Corruption and Money Laundering
- Whistle-blowing
- Information Governance and Data Protection
- Regulation of Investigatory Powers Act

Operation Domus

The county-wide operation will be launched with all local authorities and social housing providers in Essex (62 of them) to work together to tackle fraud. The project has three elements:

- Centralised data sharing against each participating council / housing provider
- Production of intelligence-led tenancy verification programme
- Training for all providers by the Directorate on fraud prevention and investigation under the **HoTFA** (Housing Tenancy Fraud Accreditation) scheme that was developed by the Directorate.

The operation is led by the Directorate but will have police officers and other bodies seconded to it under the direction of the Directorate. There is also a programme seeking to align **Operation Raptor** (gang crime reduction) undertaken by Essex Police with **Operation Domus** as its objectives target criminal gangs taking over social housing across Essex.

Blue Badge – Operation Core

An operation will be undertaken collaboratively between Thurrock and SBC Fraud Services, Civil Enforcement Officers and Parking Departments to combat criminal misuse of disabled parking and residents' visitor dispensation schemes. This operation is just targeting criminality and does not seek to replicate the civil contravention of those schemes.

Work Programme Delivery Plan

	2016								2017			
	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
NFI	Commence		CONCLUDE									
Fraud Training	Commence		CONCLUDE									
Anti-Fraud Marketing	Consult	PUBLISH			Performance Report			Performance Report			Performance Report	
Policy Review	REVIEW		DRAFT	CONSULT	REVISE	PUBLISH						
Op Domus	Launch		Data Match		Matches to Partner		Performance Report			Performance Report		
Op Core		Commence			Performance Report		CONCLUDE					
RTB Review			REVIEW		DRAFT	CONSULT	REVISE	PUBLISH				
NNDR		REVIEW		DRAFT	CONSULT	REVISE	PUBLISH					