Rt Hon Meg Hillier MP  
Chair  
Public Accounts Committee  
7 Millbank  
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Dear Meg  

PUBLIC ACCOUNTS COMMITTEE REPORT ON CONFISCATION ORDERS  

Further to my letter of 19 July, I am writing to provide you with an update on progress against the recommendations made in the Committee’s 2016-17 report on confiscation orders.  

Financial Investigation  

The Committee expressed concern that the fall in the number of financial investigators (FIs) risks weakening operational effectiveness on asset recovery. As a consequence, the Committee recommended that the Criminal Finances Board report back to the Committee on what action would be taken to ensure sufficient numbers of FIs are recruited and retained. The Government agreed with the Committee’s recommendation and committed to report back by September 2017.  

The Home Office and law enforcement partners formed a multi-agency working group in early 2016 to examine factors which impact on the capacity and capability of financial investigation across law enforcement. This has given a wide range of agencies – including policing, the SFO, HMRC and the NCA - the opportunity to identify these factors and to share ideas and best practice. The work of the group has been overseen by the Criminal Finances Board. Following the Committee’s interest, it agreed to focus its attention on recruitment and retention.  

Law enforcement agencies have long recognised that they cannot compete with the financial incentives offered to FIs by the private sector. This is a consistent factor in the retention of FIs - its effects being felt throughout law enforcement and across regions - and I think we have to accept that there is little scope for the public sector to compete directly on pay. But this should not stop our law enforcement agencies from seeking to maximise opportunities for the recruitment of high calibre candidates, career development, and innovative ways of drawing on the skills of those experienced FIs who have moved into the private sector.
Many agencies use FIs, and their levels of recruitment and retention differ, and we should recognise that the agencies have different recruitment policies and pay structures. There is no single solution to the issues identified by the NAO. However, three agencies who contributed to the working group – the National Police Chiefs’ Council (NPCC), HMRC and NCA – have shared examples of good practice that are both highly relevant and potentially capable of wider application.

The NPCC has identified a small number of forces where the use of fixed term interns in financial intelligence roles has proved to be very successful. For example, Nottinghamshire Police used recovered criminal assets to fund two interns from local universities. This exploited a well-developed working relationship between Nottinghamshire Police and higher education establishments, helping to fulfil a requirement for increased use of financial intelligence within the force. These posts attracted an unusually high number of applicants, which demonstrates the potential for wider application of similar schemes. The NPCC has undertaken a small internal snapshot of FI capability and capacity across a number of police forces in England and Wales. The conclusions of that work are being finalised, although emerging findings indicate a mixed picture of FI retention across the country, with some forces facing few problems, but with others, particularly those in areas where the financial services industry has a significant presence, facing challenges. The findings of the NPCC snapshot will be used to identify which forces could benefit from adopting the best practice identified by the NPCC.

HMRC is also developing relationships with higher education establishments to develop and recruit qualified staff. HMRC is developing a two-year training module which gives new entrants a solid grounding in the core skills required by officers such as bookkeeping and accounts analysis, insolvency and proceeds of crime awareness and courtroom skills. In developing this module, HMRC has taken FI attrition to the private sector into account. HMRC has discovered that one of the main reasons for FI attrition is the placement of unsuitable people in investigation units; some will be better suited to the tax professional route whereas others may demonstrate an aptitude for, and interest in, FI work. The training module provides a more defined career pathway in that trainees will not be committed to a specialism until the second year of the programme. By identifying aptitude and interest at an early stage, HMRC aim to keep their qualified FIs in post for longer, with obvious benefits to the organisation as a whole.

The NCA provide a range of development opportunities to maintain the commitment shown to public service and law enforcement by financial investigators. These include developmental opportunities, secondments and exposure to a range of complex casework, and NCA continues to develop its FI cadre to ensure that the agency delivers at the high end of risk. For example, in March 2017, the agency delivered a number of events focussing on the more complex elements of money laundering. These events, which were delivered to more than 500 people from a number of different organisations dealing with financial crime, were designed to commence the increase in capability within the financial investigation community.
The NCA is also looking to develop its recruitment strategy to identify young people who may be attracted to a career in law enforcement. This strategy bears similarities to those undertaken and proposed by HMRC and NPCC insofar as they envisage a partnership with the educational sector. The target audience would be those who seek to progress to university; the course they take would provide them with a degree in law enforcement leading to a speciality such as intelligence or financial investigation. This could provide a source of recruitment providing trained, competent and specialist officers at a much earlier point in their careers.

As the April 2016 Action Plan for anti-money laundering and counter-terrorist financing made clear, the Government has put public-private partnership at the heart of its approach to tackling money laundering. The Joint Money Laundering Intelligence Taskforce (JMLIT) was launched on a pilot basis in February 2015 and put on a permanent footing following the publication of the Action Plan. The JMLIT is led by the NCA and brings together law enforcement agencies, the Financial Conduct Authority and financial institutions to share information and intelligence in order to prevent, detect and disrupt money laundering and wider economic crime threats against the UK. During its pilot phase, the JMLIT contributed to 88 arrests and the restraint of approximately £12 million, and led to the identification of over 2,500 bank accounts previously unknown to law enforcement.

Many of the vetted bank staff in the JMLIT operations group are ex-law enforcement FIs. JMLIT provides an innovative approach to drawing on the expertise of these FIs whose career paths have taken them into private sector employment to the mutual benefit of both the public and their employers. The Government is committed to strengthening public-private partnership, and is exploring further opportunities for operational collaboration that could draw upon the skills and experience of former FIs now in private sector employment.

The NCA Specials scheme is also used to draw in expertise and skills held outside law enforcement to tackle some of the most complex economic crime investigations. The NCA currently employs experienced forensic accountants, insolvency practitioners, investment bankers and former law enforcement financial investigators amongst its cadre of Specials who have proven to be invaluable in supporting tactical operations as well as providing advice and support to NCA officers on how criminals can exploit global money markets.

Drawing agencies together has proved to be beneficial in identifying examples of good practice; however the challenge is to drive initiatives like these forward and to ensure that they are developed and shared as much as possible. The Home Office will incorporate the development of this work in the Asset Recovery Action Plan which will be published later this year. This will set out how the initiatives I have highlighted in this letter will be supported, expanded and monitored.
Asset Recovery Incentivisation Scheme

We also undertook to provide the Committee with an update on exploring whether incentive funding could be used for longer term investment, which we have also discussed with HM Treasury. As the Committee knows, we have reformed the Asset Recovery Incentivisation Scheme to return a greater percentage of recovered funds to policing from this financial year. We do recognise the difficulties that annual incentive funding causes for some agencies. We will continue to keep funding under review, working with our operational partners to consider further options to ensure that ARIS works effectively. This may include consideration of the expansion of the existing top slice arrangements under the collaborative framework of a revised - and more operationally focussed - Criminal Finances Working Group.

Other commitments

I am pleased to confirm that our annual statistics on the monies recovered under the Proceeds of Crime Act 2002 were published on 12 September. These statistics show a 19% increase on criminal proceeds being confiscated, from 2011/12 to 2016/17, and since 2011/12, £174m has been paid in confiscation to victims from proceeds of confiscation. We will continue to work with our partners to revise the statistics that are included going forward into the reporting year. We have also formally commissioned the Law Commission to look at the provisions of the Proceeds of Crime Act over the next 18 months, to ensure that the legislative framework on the recovery of criminal assets remains as strong as it could be. Our guidance to operational partners has been issued to them this month, outlining the Home Office’s objectives for confiscation orders, as confirmed to you in my previous letter of 19 July.

I hope the Committee finds this update useful. Please do let me know if you need anything further.

Yours sincerely,

Philip Rutnam
Permanent Secretary