

<b>11 July 2024</b>		<b>ITEM: 9</b>
<b>Audit Committee</b>		
<b>National Investigation Service - NATIS</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-Key Decision	
<b>Report of:</b> Cheryl Wells, Head of Service Delivery Programme - NATIS		
<b>Accountable Assistant Director:</b> Mark Wheeler – Assistant Director - NATIS		
<b>Accountable Director:</b> Daniel Fenwick – Executive Director of Corporate Services		
<b>This report is</b> Public		

## **Executive Summary**

The National Investigation Service (NATIS) is a department within the Council which has a range of investigative capabilities predominantly focussed on serious financial crime in the public sector. NATIS performs the investigatory work only and NATIS investigation cases are submitted to the Crown Prosecution Service (CPS) or the Council's legal team for decisions regarding prosecution.

NATIS provides the Council with investigation expertise and can generate income from external opportunities.

There have been several concerns and challenges raised regarding the establishment and governance of NATIS and in particular the misconceived view that NATIS was a separate entity to Thurrock Council. As a result, NATIS has recently undergone an independent review commissioned by the Council. Recommendations arising from the review have either already been addressed or actions are being taken to address them, to ensure that going forward the governance of NATIS is performed as part of the Council function and is robust.

The purpose of this report is: to explain the current position of NATIS to the committee to detail the actions that have been taken by NATIS against the recommendations of independent reviews; and to set out the next steps for the service, which will include a Business Plan to be presented to Cabinet later this year.

### **1. Recommendation(s)**

Audit Committee is requested to note the following:

## **1.1 The progress made against the recommendations of Mazars in March 2024.**

## **2. Introduction and Background**

- 2.1 The National Investigation Services (or NATIS) is a Council service that grew out of the Counter Fraud team and was formed in 2018. It now has around one hundred staff across capabilities including investigation, intelligence handling, digital forensics and criminal financial recovery, and has been designed to provide fraud investigation services to local authorities and government departments. Attached as Appendix 1 is a structure chart of the service, and detail regarding the nature of the work undertaken.
- 2.2 Since its establishment, the Council has entered into contracts and agreements for NATIS to deliver these services on behalf of the government or other authorities.
- 2.3 In 2020 NATIS commenced carrying out investigations into covid incentivisation scheme fraud on behalf of the Department of Business and Trade (previously BEIS). Since 2020 the work of NATIS has been almost exclusively into fraud against the bounce back loan scheme (BBL) and the Business support grant scheme (BSG). The service has been exclusively funded by central government during this period.
- 2.4 In February 2023, BEIS was dissolved as a government department with the relevant work and powers and arrangements transferring to the Department of Business and Trade (DBT). The Council has worked with central Government to update aspects of the contract and the legal framework for the Council's employees to undertake this work. The current contract with DBT is due to end in March 2025, but negotiations are ongoing regarding the continuation of this work and other opportunities. This will be explored in more detail in the Business Case to be presented to cabinet in September 2024.
- 2.5 As a result of the concerns regarding the governance of NATIS, in the autumn of 2023, the Council commissioned a review of the service by Mazars, a London based independent audit firm.
- 2.6 The Mazars review was completed in March 2024. All recommendations have been accepted and either now resolved or being actively progressed under the NATIS service plan progress against these at Appendix 2. It should be noted that by the time of the report, because of internal measures implemented by the Council, that several of the recommendations that arose had already been addressed.
- 2.7 Recommendations from the review were broadly in these areas:
- Governance
  - Contract and financial management
  - Integration with the council
  - Regularisation of arrangements
  - Operations beyond March 2025

2.8 The report from Mazar was commissioned to look at the relationship between the council and the service. The report also references the contractual arrangements with the Department for Business and Trade (DBT). Before disclosure of the report to Audit Committee takes place it is necessary to consult with DBT. It is proposed to bring the full Mazars report to a future audit committee following the DBT consultation.

## 2.9 Risks

2.9.1 NATIS as a service that generates income and can provide specialist services to the council and external stakeholders requires strong oversight and control, to ensure it is delivering against any contracts and is operating in line with regulations and legislation. There is a risk therefore in not having that appropriate governance and oversight in place.

2.9.2 There would be a risk if there was a failure to implement the Mazars recommendations and accompanying oversight of the service plan. This would indicate that the council had not rectified the issues as recommended.

## 2.10 Opportunities

2.10.1 NATIS has an excellent network, due in part to the breadth of backgrounds and experience of officers in the team. NATIS is a unique service in terms of scale and capabilities within the public sector fraud landscape, with no other comparable enforcement set up elsewhere. The opportunities for the service require assessment and prioritisation as well as a business development plan and market development plan which will be contained within the paper to be presented later this year.

## 3. Reasons for Recommendation

3.1 Elected Members have previously had limited exposure to NATIS, it's capabilities and progress. It is acknowledged that transparency with members is essential and is one of the areas where improvement is required.

## 4. Consultation (including Overview and Scrutiny, if applicable)

4.1 The Senior Leadership Team have been consulted about this report.

## 5. Impact on corporate policies, priorities, performance and community impact

5.1 NATIS investigates fraud in respect of public funds and generates income for the Council.

## 6. Implications

### 6.1 Financial

Implications verified by: **Laura Last – Senior Management Accountant**  
**Rosie Hurst – Management Accountant**

There are no financial implications as this paper is for noting and information only.

## 6.2 Legal

Implications verified by: **Helen Nicol**  
**Assistant Director Legal and Governance**

There are no legal implications as this paper is for noting and information only.

## 6.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**  
**Community Engagement and Project  
Monitoring Officer**

There are no direct diversity and/or equality implications in relation to this report.

## 6.4 Other implications (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

None

## 7. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Mazars Report March 2024

## 8. Appendices to the report

- Appendix 1 – Structure and overview of current capabilities
- Appendix 2 – Table of recommendations arising from the Mazars Report and progress against these

### Report Author:

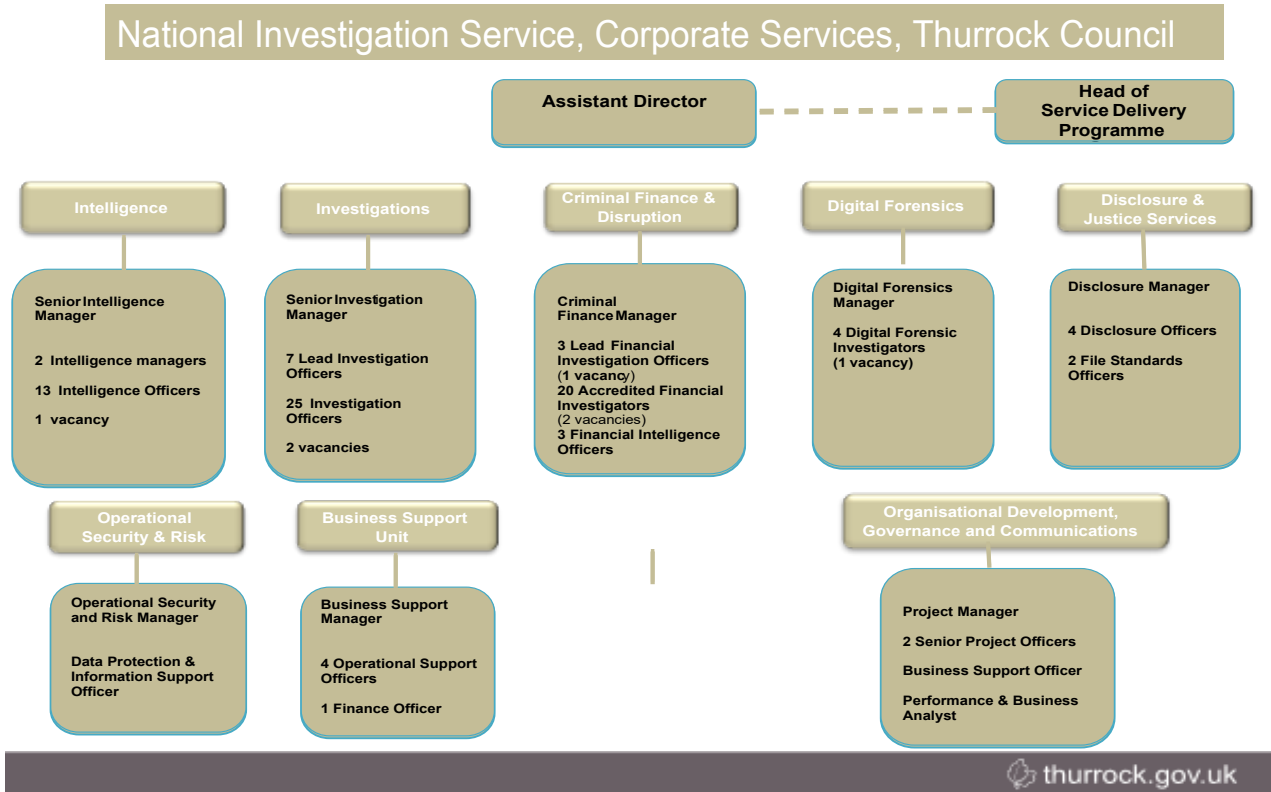
Cheryl Wells

Head of Service Delivery Programme

National Investigation Service - NATIS



## Appendix 1



### Intelligence

- Triage and assessment of initial referrals
- Research, development, and analysis of information received using a range of law enforcement tools including PNC and PND
- ALTIA (a leading LE supplier) SmartCase used as intelligence handling application
- Experienced and qualified intelligence professionals
- Compliant with the National Intelligence model the standard for law enforcement
- Share and receive information and intelligence across the public sector and law enforcement agencies.

### Investigations

The teams of investigators deal with both Serious and organised cases (SOC) as well as the higher volume less complex disruption cases. They are all PIP2 and GCFP accredited with significant experience from policing, HMRC, private sector, SFO and the NCA. NATIS can coordinate with other agencies and execute operational activity across the UK supported by other Law enforcement agencies.

### **Criminal Finance and Civil Disruption Unit**

The teams consist of Accredited financial investigators and are engaged at an early point in the criminal investigations and manage civil cases resulting from referrals from the NCA financial intelligence unit. They obtain the financial information and evidence to support the investigators and support the prosecutions using the Proceeds of Crime Act powers. They identify and exploit opportunities to recover public finance criminal property through account freezing, freezing of Listed Assets, cash detention, restraint, and confiscation.

### **Digital Forensics**

The team of dedicated Digital and Cyber examiners and investigators are hold expertise and significant experience in digital and cyber related investigations; They identify, preserve analyse, and document evidence from digital devices and on-line sources. This includes the analysis of computers, digital media, and mobile phones (including locked and encrypted devices) and providing forensic reports and evidence at court. NATIS offers a fully secure digital laboratory.

The completion of their ISO accreditation is expected in the next 6 months.

### **Disclosure and Justice**

The Disclosure function manages dedicated disclosure reviews across the serious organised crime (SOC) cases and supports disclosure reviews across the disruption investigations with Subject matter expert advice to case teams. They manage the relationship with the Crown Prosecution Service (CPS) as the prosecuting body and have specialist knowledge and experience of management of sensitive material, including intelligence sources, critical issues of legal contention and court process including public interest immunity (PII) applications.

### **Business Support / Business Unit**

The business support function provides operational support across all the department areas including logistics, financial administration, procurement, fleet management, commercial third party engagement and supports the HR function

### **Security, Information and Risk**

The department is responsible for the oversight and management of the risk, security management, data protection and Information management of the service. It provides security advice and guidance to departments and staff and leads on NATIS own personnel security and threat leadership with NCA, policing and other agencies. NATIS is represented on regional and national operational security boards. The department is the strategic lead for ICT infrastructure and Information security and works in close partnership with Corporate ICT. The Operational Security Manager (OpSy) is qualified through College of Policing and Certified Information Security Manager (CISM)

### **Organisational Development and Governance**

- NATIS have a Project support and change team including three certified Prince 2 Practitioners, to undertake Project and Programme leadership and change management.
- They are supported by a Performance and Business analyst and Operational support officer and work across all the teams to support the Service Plan, Governance and communications.



## Appendix 2

	Recommendation	Response/Action Taken
1	Develop a contract and appropriate governance arrangements between NATIS / TC and DBT as soon as practicable to formalise the current working relationship up until March 2025;	An interim agreement is in place and formal contract being finalised. New governance arrangements in place with DBT and Thurrock Council.
2	Ensure that all secondments are formalised and remain so, in line with the 17 January 2024 letter from DBT to NATIS.	All secondments formalised
3	Additionally, TC should review the mechanisms in place for ensuring NATIS-focused TC staff members are compliant with their Continuous Professional Development ("CPD") requirements.	Under review and due to be completed by end of June 24
4	Conduct a full review into formalising the structure of NATIS within TC, particularly with regards to governance arrangements, establishing performance monitoring arrangements and the remit of NATIS operations, as well as considering whether it would be appropriate to bring NATIS-focused TC support function staff (finance, business support, HR, business support, marketing, etc) into the established corporate TC business support teams	NATIS is now formalised in the TC structure as part of the Corporate Services directorate. It has council governance and oversight, with all NATIS focussed support functions now aligned with Thurrock Council.
5	Consider the future of the NATIS service, particularly with regards to the lack of future workstreams and a possible redundancy liability around March 2025	Business case is being developed to address risks and future workstreams.
6	TC should assign a trusted senior individual to oversee NATIS operations for the foreseeable future. The job descriptions for key NATIS-focused TC staff members should be updated to accurately reflect the responsibilities and expectations that the current TC Senior Leadership Team ("SLT") expect the jobholders to perform	Assistant Director appointed.
7	As a matter of priority, TC staff should review secondment agreements in place and update where necessary. TC should urgently undertake the "next steps" outlined in one of the legal opinions in order to regularise the situation	All secondments formalised
8	TC SLT consider the best positioning of the TC finance function in relation to the NATIS department, considering how best to both support the NATIS department and to monitor compliance with TC policies and procedures, as well as considering the reorganisation of any NATIS-focused finance staff into the central TC team	NATIS financial governance and oversight is lead by TC
9	TC SLT consider a training programme for relevant NATIS-focused TC staff on procurement procedures and purchasing, if any remain after any centralisation;	NATIS is now fully engaged in all relevant service training. The AD has access to financial applications and received budget management training.
10	TC finance team works alongside the NATIS-focused TC staff to produce detailed and regular financial performance and contractual performance information in relation to NATIS, its current work for DBT, and any other workstreams that emerge for review by TC's elected members;	NATIS leadership is working closely with finance accountants. The majority of elected members have not previously been exposed to NATIS. NATIS will be better engaged with elected members going forward.
11	Improvement of the accounting for Asset Recovery Incentivisation Scheme ("ARIS") monies, with more detailed and formalised evidence kept on file, as well as the creation and upkeep of a forecasting document detailing monies seized, and monies expected to be received;	Close liaison with finance has resolved this. This will be monitored on a monthly basis to ensure appropriate management of ARIS funds.
12	All outstanding payments for NATIS items over 60 days are reviewed and reasons for non-payment are investigated in detail.	No outstanding debt in excess of 60 days
13	Documents provided to Mazars suggest that TC are owed just over £500,000 by Southend-on-Sea Council ("SSC") in relation to work performed by the Counter Fraud and Investigations Department ("CFID"), a precursor to NATIS. TC should explore the recoverability of this debt	Officers are reviewing the information to make a decision on how to proceed.