INTER-AGENCY WORK AND UK PUBLIC SECTOR INVESTIGATION OF FRAUD, 1996-2006: JOINED UP RHETORIC AND DISJOINTED REALITY

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Abstract
Most policing activity in the area of UK public sector fraud is undertaken not by the police but by departmental investigators. This article explores the shifting rhetoric and on-the-ground efforts to escape departmental silos in order to address ‘the problem of fraud’ and fraudsters more efficiently and effectively via ‘joined up working’. These public sector reforms have been promoted principally by the National Audit Office and government. It reveals that these efforts have generally been modest in practice, because they have gone against the grain of departmental objectives and cultures. In the context of these experiences, the prospects for change in public-public and public-private partnerships are explored in the light of the UK government Fraud Review and the National Fraud Strategic Authority.

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Introduction: The Joining-up of Institutions, Activities and Resources

‘Fraud’ is a deceptively simple term that covers a heterogeneous set of activities, involving very mixed sets of offenders (insiders and outsiders, majority and minority ethnicities) and sets of victims (powerful corporations and governments, recently retired and young people buying rock gig tickets). Fraud is economically and socially important (Levi and Burrows, 2008), yet many frauds are politically neglected (Doig, 2006). In addition to the international aspects of fraud and money-laundering that create the need for cross-jurisdictional legal frameworks and practical cooperation, fraudsters’ abilities to cross departmental public-public and public-private boundaries in every society – which goes way beyond ‘policing by the police’ – create complexities for a coordinated coherent control approach within the public sector, which we explore in this article, as well as elsewhere in the study of criminal networks (Levi, 2008). Although we focus here on evidence from the UK, where our empirical work has been principally done, there are parallels in other societies, though the form they take is a product of the administrative organisation of the state and of state-subsidised or encouraged private welfare. As always, crime levels are influenced by opportunities offered by the ways in which economies and societies are organised.

Let us start briefly with the socio-economic impact of fraud in the UK. In 2000 a Home Office-commissioned report estimated the cost of fraud at between £8 and £19 billion (NERA, 2000). In the 2003 UK Threat Assessment issued by the National Criminal Intelligence Service (NCIS, 2003), several types of fraud were listed as among the seven most significant crime threats facing the United Kingdom, alongside, *inter alia*, firearms and Class A drugs trafficking. In 2006 the Serious Organised Crime Agency (SOCA), which replaced NCIS and other bodies, reported that ‘fraud constitutes a major threat’ (SOCA, 2006, p10). It asserted that fraud was linked to organised crime, and to people and product smuggling, as well as being an integral part of the misuse of the financial services, tax and benefits systems. This was developed in greater detail in the 2008/9 Threat Assessment (SOCA, 2008). A research report for ACPO which critically assessed evidence on the cost of fraud noted that a minimum of £11.9 billion was lost in direct costs in 2005 – over half of it to the public sector – dwarfing the costs of household and street crime; and yet nationwide, the police staff specifically designated to fraud investigation is less than 5% of the total establishment (Levi et al., 2007; Levi and Burrows, 2008).

However, to focus only on the police is to miss the point that there are far greater numbers of fraud investigators in non-police governmental than in police agencies (Doig, 2006). Indeed the main responsibility for the prevention, detection, investigation and, in some cases, the criminal prosecution of fraud lies not so much with the general police but with more than fifteen units or organisations within the UK public sector.¹ Many of these are not

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¹ There are analogies in other countries, such as the US Inspectorates General, but these will not be discussed here.
police units in the conventional sense but are embedded in service provision agencies. This fact colours their resources and their approach to action against fraud.\(^2\) In 2006 a review of fraud on behalf of the government noted a number of organisational and operational issues relating to the apparent mismatch of resources and responsibilities, suggesting that government should develop a coordinating national strategy devised and delivered by a new National Fraud Strategic Authority (NFSA). The strategy and the Authority ‘would not take over any policy or operational responsibilities from existing organizations. It would ensure that their work was coordinated, duplication was eliminated, and gaps addressed’ (Fraud Review, 2006, p6). In 2008, the NFSA was created under the superintendence of the Attorney General.

The demand for coordination – the joining-up of institutions, activities and resources – is not new. Indeed it has been a significant theme in successive Labour governments’ approaches to addressing, as in the case of the Fraud Review, cross-cutting problems shared by a range of agencies but for which a more “holistic” approach is believed necessary. The need is to maximize value for money, to focus efforts and resources, to coordinate ongoing efforts and to set priorities. However, coordination without the power to direct is a challenging task, even when one has both committed and influential political patronage.

This article looks at the rhetoric surrounding joint or joined-up working, how this has applied to fraud in the public sector, and what have been the consequences up the point of these prospective changes. As far as possible the context – arguments for joint or joined-up working and the question of the cost or threat of fraud – has been confined to the first half of the present decade (in order to focus on the literature and reports that discussed or advocated joined-up working at that time). It assesses a number of institutions whose work in whole or in part relates to fraud; and also draws on material relating to three public sector departments which existed at that time: Work and Pensions (DWP), Customs and Excise (HMCE) and Inland Revenue (IR).\(^3\)

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\(^2\) For a recent illustration of differential approaches to ‘hidden economy’ prosecutions by HMC and DWP, see Public Accounts Committee (2008).

\(^3\) The latter two bodies subsequently merged to form Her Majesty’s Revenue and Customs (HMRC), though some HMCE staff joined the Serious and Organised Crime Agency (SOCA). The research for this article includes literature reviews, desk reviews and interviews. In addition, the authors advised the National Audit Office (NAO) on ‘the effectiveness of the three Departments’ involvement in joint action against fraud. They developed a set of questions on joint action for the study team to use, examined relevant information obtained by the National Audit Office and carried out interviews with the three Departments and a selection of other public and private sector organisations’ (NAO, 2003c, p55). None of the material from this work appears in this article, but it has informed the authors’ assessments of the published reports on the departments, and has set the context for the research for this article.
Joining Up Approaches: Rationale and Rhetoric

The post-1997 rationale for integrated or joined-up policy and practitioner approaches was seen as a means to balance the continuation of a decentralised or devolved framework for general policy delivery or implementation when there were an increasing number of issues (and institutions dealing with them) that required a cross-departmental or inter-agency approach - a ‘strategic response to both the weaknesses of “conventional” public administration and the fragmenting effects of the reforms of the 1980s’ (Ling, 2002, p639; see also Lee and Woodward, 2002; Flinders, 2002). The intention was to find a quicker and more effective way to deal with ‘those intractable problems that cut across the boundaries of this fragmented organisational landscape’ (Sullivan and Skelcher, 2002, p19), as emphasised in two government reports at that time.

The Cabinet Office’s Modernising Government White Paper (Cabinet Office, 1999) argued that, to ensure that government was both inclusive and integrated, modernising government had three aims. These included: ‘ensuring that policy making is more joined up and strategic’ (p6); and promoting policies and programmes, local and national, that tackled ‘the issues facing society – like crime, drugs, housing and the environment – in a joined up way, regardless of the organisational structure of government’ (p10). For this to be achieved, there would be funding (p31) and other incentives and facilitators – ‘initiatives to establish partnership delivery by all parts of government in ways that fit local circumstances; and establishing common targets, financial frameworks, IT links and so on that support such arrangements’ (p32). A Performance and Innovations Unit (2000a) report underlined that ‘simply removing barriers to cross-cutting working is not enough: more needs to be done if crosscutting policy initiatives are to hold their own against purely departmental objectives. There is no simple or standard answer’ (p5). Achieving this, noted the report, would require a number of problems to be addressed, including narrow departmental focus, the absence of incentives to encourage different ways of working, and the low priority given to cross-cutting working (see 2000a, pp92, 94).

Joined up working is intended to produce better public services by removing organisational silos. The driver was the government’s control of funds and over organisational structures: ‘for the government, modernisation is the key to improving public services delivery. Documentation on the Comprehensive Spending Review (Cm 4807) underlined that increased spending would be accompanied by “investment for reform” through new cross-departmental budgets to deliver joined-up policies...’ (Gary and Jenkins, 2001, p210). Governments saw partnerships and joined up working as integral to the more effective delivery of public services: ‘joining up public services is key, reshaping them across traditional departmental boundaries, and targeting the delivery of the outcomes that citizens seek’ (Prime Minister’s Office of Public Services Reform, 2002, p8; see also Cabinet Office, 1999).
The joined-up theme was increasingly reflected across institutions and activities. For example, within the NHS the approach was intended ‘to bring together disconnected external initiatives and internal requirements into one coherent, manageable approach’ (Iles and Sutherland, 2001, p25). The more obvious promotion of the theme was for cross-agency work. Thus ‘central government cites the Better Government for Older People (BGOP) programme as an example of the new joined-up, people-centred approach being encouraged as part of its modernisation agenda...consciously designed to develop and test the possibilities for an integrated, multi-level, inter-agency, citizen centred and strategic response to the cross-cutting needs of older people’ (Hayden and Benington, 2000, p28). In relation to specific activities such as urban policy, key governmental messages called for ‘developing systematic cross-agency strategies and encouraging better co-operation’ (Social Exclusion Unit, 1998, p76) while, for social policy and health, ‘substantial financial resources have been “earmarked” to support new local health and social service collaborations.

Structural barriers to integration have been removed, enabling local authorities and NHS organisations to pool budgets for a specified range of services, to delegate overlapping or contiguous commissioning responsibilities to one “lead” organisation’ (Glendinning et al, 2002, p191). In the criminal justice area, the 1998 Crime and Disorder Act ‘had at its core a statutory requirement for local authorities and police services to develop strategic partnerships to reduce crime and the public’s fear of crime’ (Newman, 2001, p110; see further, Hughes, 2006; Jones, 2007). The 1999 National Audit Office report on joined-up work in the criminal justice system noted that: ‘the Home Office, the Lord Chancellor’s Department and the Law Officers’ Departments (which include the Crown Prosecution Service) have taken steps to improve joint management of the criminal justice system, including a Ministerial Steering Group and a Strategic Planning Group of senior officials, the publication for the first time of a strategic plan containing aims, objectives and targets for the criminal justice system as a whole, and a commitment to report on performance annually’ (National Audit Office, 1999, p1).

Overall, as the National Audit Office reported, ‘better communication between departments, their agencies and other partner organisations is needed so that there is a greater alignment of key targets, and greater consistency in investment strategies that are sufficiently long term to develop the capability of infrastructure, equipment and staff to deliver and sustain good quality services’ (National Audit Office, 2003a, p8). In practice such an approach seemed to be both relevant and achievable, so long as the appropriate contexts and arrangements were in place. In their review of networked organisations, Jackson and Stainsby (2000) recognised the role of networks ‘in enabling a sharing of information and knowledge bases’ which, ‘since networks...exist to solve problems, this expanded information and knowledge base increases the probability of successfully solving problems’ (p12). They also suggested that success lay in managers and organisations able to think in partnership terms and manage across professional and organisational backgrounds. Williams (2002) went into more detail about these prerequisites, including being able to manage the
continuing tension between ‘their role as an organisational representative and that of partner in a multi-agency environment’ (p120).

Sullivan and Skelcher (2002) identified both individual and organisational components to facilitate working across boundaries. These included committed management who were able to: understand collaborative and partner issues, overcome existing institutional cultures, establish the strategic vision, ensure available resources and capacity, formalise the relationships and criteria for working together, and develop appropriate communications and performance frameworks. As Flynn summarised: ‘in other words, the collaborators need to work on the processes required as well as the structural and formal arrangements for collaboration to work. That is not to say that systems are unimportant. At the least collaborative end of our spectrum, it is likely that there are few incentives or rewards for people to really collaborate, whereas if there are joint budgets, performance systems that measure and praise the achievements of joint targets and an accountability structure that makes it clear what is expected of the partnerships, success is more likely. The systems need to be congruent with the development of attitudes and behaviours that are needed to make collaboration work’ (Flynn, 2002, p167).

However, if joined up working was to be mainstreamed and effective in practice, context and current arrangements needed to address a number of problems. These included the key issue of departmentalism: ‘it is questionable to what extent joined-up government can be properly established when departments remain crucial holders of resources and continue to dominate policy making and policy delivery’ (Kavanagh and Richards, 2001, p17). Further, ‘although cross departmental working is clearly complex, the departmental structure has inhibited the civil service – as individually and as an organisation – from developing the necessary skills and capacity’ (Flinders, 2002, p56). Where joined up work was being considered, it was suggested that ‘initiatives seem to be framed within a managerial preoccupation that relies on inter-agency structures while neglecting other, vital, aspects, such as operating culture, central to the delivery of any joined-up policy’ (Clark, 2002, p115).

Further, ‘Little attention is paid to the impact of increased collaboration on mainstream, hierarchical organisations such as the professional bureaucracies...analysis of partnerships and joined-up government have tended to focus on the difficulties created by the boundaries between organisations, producing differences in language, culture and perceptions of strategic interests. But boundaries within organisations have also changed as a result of government policies’ (Newman, 2001, pp121, 121-122) The police and other bodies speak increasingly of partnership policing and, especially on local crime and family/sexual violence issues, there has been much transformation in practice as well as in rhetoric (Hughes and Edwards, 2002; Hughes and Rowe, 2007; Maguire and John, 2006; Robinson, 2006). The questions posed here are whether fraud was also suitable area for such an approach, who would be the drivers and how would such a joined-up approach be accomplished?
**Fraud: An Issue Suitable for a Joined-up Approach?**

The costs of crime have not been a key area of research generally, and to date, there have not been (and arguably cannot be) any definitive figures on the cost of fraud. Indeed, there was not even a common statutory definition of fraud until the Fraud Act 2007. Most offences were dealt with under the Theft Act, but were also encompassed by various corruption, Companies, Social Security and Taxation statutes (which still exist in parallel to the Fraud Act). In all there were some 50 or so categories of fraud or fraudulent conduct and a number of separate pieces of legislation under which fraud offences could be considered. A similar issue exists concerns the volume and costs of fraud. At the start of the 21st century, the issue of fraud had increasingly established itself on a number of agendas, although unclear definitional boundaries and poor available data made any assessment of the extent and scale problematic (see Fraud Advisory Panel, 1999). A report prepared for the Home Office and the Serious Fraud Office (SFO) by the National Economic Research Associates (NERA, 2000) suggested levels of fraud totalling within the range £5-9 billion. Though SFO costs were included, the NERA study did not include fraud policing costs or the cost of frauds that were dealt with by the police but not by the SFO. Surveys conducted by the authors on behalf of the National Working Group on Fraud in 1998 and 2000 assessed the value of cases handled by police fraud squads at £3-4 billion pounds (Doig and Levi, 2001). However these were frauds that had both been reported to the authorities and taken on by them as cases: clearly these were a sub-set of ‘actual’ frauds and even of reported frauds, since the police themselves privately admitted that due to shortage of resources, many reported cases were rejected by the police as ‘civil matters’ and never became recorded crimes.

Responsibility for addressing fraud was equally dispersed. In addition to nearly all police forces having a fraud squad – over 50 in the UK in the late 1990s - there were more than 15 units or organisations within the UK public sector dealing with fraud. Most of these worked within specific legislation and the departmental context. A review of the concept of the ‘Fraud Commission’ - mooted by Lord Roskill (1986) to monitor the overall performance of the criminal justice system against fraud - concluded that the objectives of different bodies were so diverse and their accountability mechanisms were so fragmented that it was difficult to see how overall supervision could occur (Levi, 2003). Although there was no systematic research that was capable of testing the extent to which fraudsters were generalist (i.e., committing fraud across public and private sector organisational boundaries) or specialist (targeting specific departments), it was reasonably assumed that some degree of cross-pollination was occurring. This led to the view that more cost-effective fraud work might be achieved through some form of joined-up approach.

Thus, in 1996, proposals from an internal study of benefits fraud initiated by the previous Conservative government were taken up by the Labour government to find an institutional
means to encourage better and more integrated performance, including an independent Inspectorate, and for ‘a new relationship...with incentives to cooperate’ between local authorities and the Benefits Agency [BA]. In 2000 a report reviewed the cash or shadow or informal economy and recommended joint working where departments - notably the Benefits Agency, Inland Revenue and HMCE - had common interests (Grabiner 2000). In relation to joint investigations, Grabiner noted: ‘the key is to make it happen effectively. Beyond the obvious obstacles, such as different organizations being based in different locations, there are several barriers to overcome. Incompatible IT systems, different departmental cultures and working methods, and any possible lack of resources and funding...all need to be addressed. It is important that the commitment to joint working must come from the entire organisation, not just from the top or from investigators at the front line’ [Grabiner, 2000, para 6.1]. In 2000 the Scampion report (Scampion, 2000), the first systematic analysis of how the Benefits Agency and relevant agencies were dealing with fraud threats, made a number of recommendations, including joint working between organisations involved in social security counter fraud work as a fundamental principle of an anti-fraud regime. Scampion proposed both organisational and strategic changes, including Regional Boards, promoting joint working initiatives, information sharing and the role of intelligence-led investigation.

For existing institutions, joined-up work has always taken place between public sector agencies, if only at a case or operational rather than strategic level: data on the same individual or organisation may be held by multiple bodies. In their surveys of police fraud squads in 1998 and 2000, the present authors noted that, for example, the police worked and shared information with over 50 agencies – their most regular work was with the Serious Fraud Office, DWP, Inland Revenue, HMCE, Trading Standards, DTI (now BERR – Business Enterprise and Regulatory Reform), and the Office for the Supervision of Solicitors (now the Solicitors Regulatory Authority). This is confirmed by earlier Home Office findings which suggested that fraud is more likely than any offence other than drugs trafficking to involve investigative work outside the force area and was most likely to involve joint working with other agencies (Porter, 1996). Similarly, the Serious Fraud Office [SFO] had (and still has) a set of criteria by which individual police forces report possible cases to the Office which, if accepted, are investigated jointly with the force concerned, using SFO powers which are greater than those of the police. The SFO also ‘participates in wider networks of public and private sector organisations that have joint interests in tackling frauds - it is increasingly common that in individual fraud cases, more than one organisation will have an interest. Such networks help ensure members are aware as soon as possible of any changes in the number or size of cases that may be referred to it, and that each case is dealt with by the most appropriate organisation’ (NAO, 2003b, p23).

In addition to cases, a Joint Vetting Committee was set up after the 1994 Graham Report on the handling of serious fraud to improve inter-agency contact between the SFO and the CPS; it also includes BERR, the FSA, the City of London police and SOCA. The Committee examines
cases referred to each of them in case of mutual interest. A number of agencies also participate in the Financial Crime Information Network (FIN-NET, previously FFIN) meetings chaired by the Financial Services Authority, which discuss individuals and firms as well as generic threats. For those institutions specifically encouraged to undertake joined-up working, a 2003 NAO report (2003c) noted that DWP had set up a Unit to facilitate joint working with other agencies and was establishing teams in cooperation with HMCE and IR on shadow economy activity. In the same year, the NAO (2003d) noted that the IR was also involved in ‘promising’ joint work on the shadow economy and that its Serious Compliance Office was also involved with other agencies.

Where there was a cross-cutting issue without an existing institutional framework, proposals were sometimes made for such an agency to lead on the issue and to foster inter-agency working. One significant illustration of this was in the Cabinet Office’s Performance and Innovation Unit (2000b) report on recovering the proceeds of crime, which argued that ‘the current lack of strategic direction creates an impression that asset recovery is of low priority. It also means that the collaborative efforts of the various agencies involved suffer from a lack of co-ordination at a strategic level...a major weakness in the system caused by the lack of overarching strategy is the absence of streamlined and mutually supportive organisational objectives...’. Thus the solution was a lead agency ‘to ratchet up the performance of the UK’s system for identifying and recovering criminal assets by introducing a coherent cross-governmental national Asset Confiscation Strategy to co-ordinate the various arms of the criminal justice system involved...The Director would be accountable to the Home Secretary and ensure that the Asset Confiscation Strategy fed into and supported the aims of the cross-cutting public service agreement for the criminal justice system...’ (Performance and Innovation Unit, 2000b, paras 6.11-6.13, p.45).

This did lead to quite major changes in legislative powers (the Proceeds of Crime Act 2002), more modest but still significant increases in financial investigation resources (driven by financial incentives in terms of proceeds retention by the police and, latterly, by prosecutors and the courts), and Cabinet-level interdepartmental committees. However, this was aimed more at crime generally than fraud in particular, and it is difficult to assess what the impact was on fraud joint working. There is some anecdotal evidence that as a result of incentivisation, financial investigation expertise that formerly resided within Fraud Squads was re-directed toward more general criminal investigations in pursuit of asset recovery work. This could be viewed as an example of incentives working in the way intended, but whether the cost to other investigations was really risk-assessed remains an open question.
Joining-up a Response to Fraud: The Reality

It may not surprise many readers that the development of joined-up working as a core institutional activity, whether in relation to shared interests or shared involvement in the same area, never appeared to match the political or policy rhetoric. This was for a number of reasons, of which the most significant appeared to be the strength of the departmental culture. There were few examples of agencies proactively seeking partners for joined-up working at an organisational level (other than the signing of protocols agreeing to cooperate in general terms). It would appear that the compartmentalised nature of many departments’ activities focused the need to address fraud within the overall activities and resources of an organisation and within that institution’s own organisational development. Indeed, how fraud as an organisational issue is approached is very much a consequence of how the department views its core business. The DWP, for example, did not fully implement the Scampion report. The organisational changes led to a hybridisation of line responsibility. The Head of Profession (the Chief Investigation Officer) became directly responsible for the area of organised fraud, professional standards and intelligence at a national level - but had no direct responsibility for fraud strategy, nor line management responsibility for the area of client/claimant fraud and the operational intelligence units. In any event, its approach to dealing with fraud has to be seen within the wider organisation process the DWP has undergone, and which has taken up most of its attention:

“The DWP has had to manage the effects of major organisational change, arising from the introduction of Jobcentre Plus and The Pension Service, with new regional structures and new processes for interacting with customers. The complexity of benefit regulations and inadequate computer systems will also continue to be important constraints on the Department’s capacity to reduce fraud and error. The Department are working to update their information systems and information technology strategy. They aim to draw on previous experience of implementing major information technology projects and wider experience of other organisations. But successful implementation would depend on the Department overcoming the difficulties inherent in implementing computer systems on such a large scale” (NAO, 2003c, p.3).

Such restructuring has taken place to ensure joined up working within organisations. For example, a 2003 NAO report on the Inland Revenue noted that the Special Compliance Office was having problems receiving referrals from within the organisation and, as a consequence, ‘identified working relations between itself and local tax office teams as a key area for improvement. The steps taken to address this issue include regular liaison meetings with local teams, joint working of enquiry cases, mentoring exercises and involvement in training events for local tax offices’ (NAO, 2003d, p33).
The second major area of concern has been the volume of fraud and number of cases solely or primarily relating to departmental core business. These made it difficult to free up resources for joined-up working. Within DWP, the Department’s 5,000 plus investigators and support staff ‘receive around 16 per cent more referrals than they can investigate with current resources’ (NAO, 2003c, p4). In the same period, IR reported that existing staff shortages in other areas had led, for example, to a backlog in processing over 3,500 post-1998 ‘suspicious transaction reports’ (made by banks, building societies and lawyers) which had been identified from joined up working as being ‘of interest’ but had not yet been reviewed. Later cutbacks meant very little use would ever have been made of these reports, however diligently and expensively compiled. Given such internal pressures, areas proposed for joined-up working, like the informal economy, were unlikely to be afforded priority. Given the low levels of additional resources for joined-up working, the investment in dedicated staff was not financially significant, nor did they provide substantially different financial returns over purely intra-departmental own-activity returns. It is not certain that the departments have fully accepted the Grabiner analysis (discussed above) of the extent of the problem and the cost-benefit analysis of joined up fraud as the appropriate response: the 2003 NAO report on the IR noted both the relatively ‘low’ level of referrals to the Grabiner Report teams from within all three Departments and that the ‘expected number of referrals’ had not yet materialised.

Third, departmental differences of approach existed in terms of (a) the range of specific departmental offences, and (b) civil and/or prosecution procedures that govern each Department’s activities. A 2003 NAO report (2003c) noted that ‘there were some practical differences in the respective departmental approaches to investigation, which arise from the fact that they have different powers and different policies such as in the use of surveillance activities and differences between the departments in the most appropriate timing for an investigation’ (NAO, 2003c, p37). The DWP was substantially more prosecution-oriented than the IR which, except for a few strategic prosecutions (such as accountants, and entertainment/sports stars) saw prosecution as a last resort when restitution and civil penalties had failed. Similarly, cycles of case processing and sanctions varied, affecting the preferences of the individual agencies in terms of when they wished to invoke their powers in relation to offences under their legislation. Normal (and organisationally optimal) time frames differed markedly between DWP, whose norm is rapid prosecution after sufficient evidence was deemed to have been collected, at one extreme, to HMCE and IR, whose time scales (especially for IR prosecution decisions) were much longer – some two years from evasion to a requirement to make tax returns and then further delays for appropriate action. In a joint case, neither for political reasons nor for official target-hitting, DWP could not allow benefits to be paid fraudulently for two years simply in order to enable IR to reach a decision about whether or not to prosecute. The different internal decision-making cycles or revenue-driven targets or informant protection expectations of the HMCE and the IR
normally precluded (a) a shared prosecution, or (b) the use of information from one agency in support of prosecution by another of them.

Fourth, the relationships between departments ranged from mutual mistrust, a reluctance to adapt to other departments’ requirements, and - partly as a consequence of the primacy of institutional autonomy (and consequential variations in perceived political or performance priorities and targets) – an unwillingness to commit resources to support the core business of other institutions.. A judicial review in 2003 that followed a disastrous set of HMCE prosecutions for excise fraud noted of the police and the then HMCE that ‘each thought the other inferior; there have been instances of blatant and deliberate lack of co-operation between them in the course of operations and it has from time to time led to considerable difficulties when the two agencies were jointly involved in an enquiry. As with any two organizations whose activities touch at a significant interface it is likely that there will always be some tensions between the two’ (Butterfield, 2003, para. 10.8). In the same year the Benefits Fraud Inspectorate noted a continuing lack of reciprocity in its follow-up inspection of the relations between the DWP and LAs, stating that:

‘In 2001 we reported that the poor quality and general lack of joint working between Counter-Fraud Investigation Service and local authority investigators caused us considerable concern. By 2003 there had been a number of changes to counter-fraud organisation and support, designed to have a positive impact on joint working activity...However, in the offices we visited we found limited evidence of these changes having a positive effect on performance. Joint working was not undertaken routinely as part of core business...In 2001 working with local authorities had a very low profile in the Benefits Agency, with no reference to it in planning documents. In 2003 our on-site work was completed when offices were in the process of finalising their business plans. We saw examples of completed and draft plans and there was little or no reference to joint working’ (Benefits Fraud Inspectorate, 2003).

The then head of the Serious Fraud Office, Ros Wright, wrote to the Attorney-General in her letter accompanying the 1999-2000 SFO Annual Report that ‘it is essential in every SFO case that we are able to rely on the active involvement of the police, working closely with and as part of the SFO case team. My fear then was that this involvement was diminishing. In the past year, the situation has, if anything, deteriorated further. In addition, it is no secret that there is a body of fraud being committed that is outside our criteria which is not being investigated or prosecuted by any agency’. Between then and 2006, attempts to set up a national fraud squad had been blocked by Chief Constables unwilling to have their budgets top-sliced to pay for it, although the Corporation of London and Home Office had funded a substantial increase in the number of staff in the City of London Police Economic Crime Unit to take on regional responsibilities. It was not surprising that, in 2006, Robert Wardle, Wright’s successor at the SFO, should reiterate that ‘declining police resourcing has been a feature of the annual reports...there remains a gap (and one which is uncomfortably wide)
between the incidence of fraud and the number of investigations, let alone prosecutions. Some way needs to be found to ensure that there is adequate resourcing for the investigation of crimes which unjustly enrich some whilst impoverishing others. I am not suggesting the justice gap can be closed – merely narrowed’.

Finally, departments were reluctant to take on additional anti-fraud responsibilities that were not on any existing departmental agenda. In 1999 the issue of an organised approach to investigating ‘gangmasters’ – persons and companies that acted as middlemen supplying labour for often seasonal activities like fruit and vegetable or cockle picking - was addressed by DEFRA. Research into a limited experiment - Operation Gangmaster - noted that the work was based on ‘the co-operative efforts of a number of largely-independent (at least from each other) Government agencies, each with their own agendas and priorities. While each agency is concerned to eliminate fraud and exploitation among casual workers in agriculture, they differ in the type of illegal activity that concerns them and the importance that tackling agricultural fraud plays in their enforcement activities as a whole’ (Produce Studies, 1999, para 10.1). The report noted that, while the cooperation had been successful and helped improve how individual departments carried out their own departmental responsibilities, the Operation was reactive, and had been undertaken on the basis of little funding, having ‘more of the characteristics of a campaign mounted by a trade association than with one generated by a single organisation with one management bearing responsibility for it. Indeed, no single body bears executive responsibility for Operation Gangmaster’ (Produce Studies, 1999, para 10.2.1). In 2000, in response to continuing concerns over a growing informal or shadow economic sector, the Grabiner Report recommended joint DWP, HMCE and IR teams in order to address this specific area. In April 2005 the Gangmasters Licensing Authority came into being, which can refuse licences to or take them away from people suspected of defrauding workers or the government.

Neither gangmasters nor illegal migration workers, however, were a new issue: a number of government departments intermittently had had units dealing with this area until there was no political interest to sustain the allocation of resources. Despite the Morecambe Bay disaster, when a number of illegal Chinese migrant workers drowned while picking cockles, a House of Commons review remained unconvinced that anyone wanted to ‘own’ the issues or undertake joined-up work on a systematic and longer-term basis. It reported that the Government was unable to ‘develop an appropriate policy response to a problem, or allocate appropriate resources’ because it had taken no steps to ‘make even a rough estimate of the scale of that problem’. Further it argued that what it had already described as “perfunctory and uncoordinated” enforcement continued, with ‘insufficiently resourced agencies...held back to an extent by a lack of resources and an absence of coordination’ (Environment, Food and Rural Affairs Committee, 2004, p8).
Joined Up or Welding Together?

So there would appear no real evidence of substantive joined-up working in part because of an inability to ensure an equality of priority and funding to joined-up work and because of the over-arching influence of a departmental culture – but there remains a policy imperative to achieve this in relation to a number of issues, including fraud. What has been noticeable is a ‘post-joined up’ tendency to seek to focus responsibility within a single agency or to amalgamate those agencies where their role in joined up working is seen as crucial and where existing inter-institutional relations are considered dysfunctional. Thus within law enforcement, institutional amalgamation has been seen as the only way of dealing with more specialist crime, since inter-institutional collaboration appears inherently unsuccessful. A 2005 HMIC report asserted that ‘under current policing structures collaboration does not offer an effective or efficient model for gaps in Level 2 services, the local territorial imperatives are simply too strong. Where they exist, collaborative ventures generally affect only a very limited part of business. Although the adoption of formalised processes is being considered by the Association of Police Authorities, the experience to date is that management costs are high, the functionality of operational support systems is low and governance problematic... The position is best summarised by one of the contributors to this element of the review who simply stated "any success we have cannot be compared to how much better we would have done if managed by one organisation" (HMIC, 2005, p72; see also Maguire and John, 2006).

A 2004 Home Office Review of organised crime had already underlined the argument for organizational amalgamation to more effectively confront a defined issue: ‘the dividing line between institutional responsibilities remains unclear in several areas, putting a high premium on good relations between agencies. The review of our institutional structures found a general consensus that if we were starting again, we would not design the institutions in the way they have developed over time. In particular, the review noted the areas of overlap between some of the key players, notably the fact that both HMCE and NCS have roles to play in combating top level drug traffickers, and the unclear lines of accountability on both drugs and fraud against business. Coupled with what appears to be duplication in some areas, the current fragmented effort against organised crime can make co-ordination difficult, and lead to a lack of critical mass in some less traditional but

\[\text{footnote}{4}{A categorisation of the National Intelligence Model for criminals that cross police force borders, short of ‘Level 3’ international or very serious crimes for gain that are supposed to be the preserve of the Serious Organised Crime Agency.}\]
important skill areas. This has proved a particular problem in tackling financial crime’ (Home Office, 2004, p21-22)\(^5\).

After the review, a Home Office minister announced that the agencies concerned ‘have gone as far as they can in partnership working...they need to recognise that there are too many overlaps between what different organisations do and that their cultures sometimes prevent them from working together effectively’ (Harfield, 2006, p745). The Labour government then decided to merge a number of agencies in 2006. This included NCIS (itself blamed for failing to share effectively with law enforcement agencies intelligence from possible money laundering alerts submitted to it by financial institutions), the National Crime Squad and a large part of the National Investigation Service of HMCE (which had been the subject of the critical 2003 review noted above), to create the Serious and Organised Crime Agency (SOCA). An NAO report (NAO, 2007a) noted that only some 20% of agencies able to refer cases to the Asset Recovery Agency (ARA) did so, many did not know of or understand the role of the Agency, and those that did refer cases relied on personal contact: ‘personal networks seem to play a significant role in determining whether organisations are willing to refer cases to the Agency, or know about the Agency’s work: 45 per cent of referrers interviewed made initial contact with someone in the Agency whom they had known as a former colleague – the same number that used the Agency’s central point’ (p14). In 2008, the Assets Recovery Agency was also merged into SOCA.

The Fraud Review also argued that ‘a complementary policing resource must be maintained for frauds which, although not perpetrated by organized criminal networks, nevertheless cause serious damage to the economy and society’. In terms of the recommendation, the review noted that ‘the case for major additional investment in fraud investigations will depend on measuring it better and reassessing its place amongst overall policing priorities. Pending the outcome of this work, there are ways of getting better value for money from existing resources’ (Fraud Review, 2006, p9). This included a National Lead Force, which would also manage a National Fraud Reporting Centre with its own intelligence and analytical capability, able to act as a centre of excellence for other fraud squads, disseminating best practice, giving advice on complex enquiries in other regions, and assisting with or even directing the most complex of such investigations. As a consequence the government (and the Corporation of London) gave responsibility and funding to the City of London Police Economic Crime Department, and considered but ultimately rejected the possibility of regionalising existing fraud squads.

\(^5\) ‘Financial crime’ includes not just fraud but also generic money laundering and proceeds of crime recovery.
Within the public sector, a variant on the same theme has also taken place. The DWP, for example, became absorbed in the implications of the internal reorganizations to achieve internal joined-up working but, in circumstances not dissimilar to those formerly facing IR noted earlier, it was criticised (NAO, 2007b) for ‘a lack of a consistent measure of effectiveness across its counter-fraud activities to enable quick comparisons or to determine the real effectiveness of its activities’ (p9), where ‘no single part of the Department has effective oversight or control of all counter-fraud work’ (p24), resulting in ‘a lack of consistent delivery across the country and of limited coordination’ (p25). It had already dropped its joined-up working unit for external liaison and is considering its own version of amalgamation by proposing the merger of staff responsible for investigation of DWP and LA administered benefits in a specific urban area, the “One City One Team” (OCOT) approach. Local Authorities have shown interest in the approach and in taking part in an extended pilot. In areas where joined-up working was promoted, as in the case of the shadow economy, the merger of the tax component parts of the IR and HMCE into HMRC has meant that, on the one hand, it continues, through the Interdepartmental Informal Economy Steering Group, to share information and ‘encourage joint working between departments’. It still conducts joint operations with the DWP but, since 2006, its Local Compliance section taken on internally the functions of the Right Track Teams originally set up by the former Inland Revenue to detect ghosts and moonlighters (those working for cash payments), the Joint Shadow Economy Teams set up with DWP and the Shadow Economy Teams set up with HMCE.

**Conclusion**

Joined up working became a mantra for reformers trying to get departments to think and act ‘outside the silo’ in the interests of ‘the public as a whole’. This mantra is much broader than the fraud arena: child protection, adult family violence, juvenile crime and ‘the national security agenda’ have all been areas where ‘departmentalitis’ has been seen as a chronic obstacle to social harm reduction. Efforts at joined-up working against fraud have been diluted or negated by the dominance of ‘the department’ and the need to meet intra-departmental objectives and targets. Joined up working has further been constrained by the absence of significant funding, by cycles of organisational change or directional shift, often superseding or displacing reforms at the point of implementation. Organisational disaggregation and decentralisation has fragmented delivery, and in some cases has led to intra-institutional as well as inter-institutional difficulties for joined-up measures against fraud. It may be that rather than joining-up agencies further, the government may be more likely to consider amalgamating functions to address a specific policy objective, e.g. those cross-cutting issues that joined-up working appears not to be addressing successfully. As may be seen in Homeland Security departments, administrative reorganization may have reduced the need for *inter-departmental* ‘joint working’ but it has not reduced the need for
internal joint working or even internal amalgamations. The question is whether these cultural lessons from governmental reform will be taken on board or whether the focus will continue to be on the form of government, which generates a faster image of change and is more amenable to consultants’ ‘road maps’.

The ongoing policy promotion of improvements in anti-fraud work, with increased policy attention in the past five years to shared information and joint working that has been reflected in the work of the 2006 Fraud Review, will need to be considered against this background. The Review reported that ‘a multi-agency approach encompassing both public and private sector organisations is required to establish an effective approach to counter fraud. This would also provide a strong deterrent message to potential fraudsters that fraud is being taken seriously and that a united stand is being taken to combat its existence’ (Fraud Review, 2006, p292). Indeed, under the Serious Crime Act 2007, private sector bodies were encouraged to apply for formal recognition for information-sharing with the police and other public sector bodies, extending the opportunities for not-for-profit bodies such as CIFAS and ‘for profit’ business intelligence bodies such as Experian to generate improved fraud intelligence, alongside analysts in the National Fraud Reporting Centre, which will receive and process centrally all fraud cases reported to the authorities.

However it remains uncertain whether this sharing of information will enhance the ability of individual departments to address their fraud problems alone or whether it will form the basis for genuine joined-up working, which requires ongoing investment in ‘relationship management’. Aside from its proposals for the NFSA to take the lead in promoting the collaboration, the Fraud Review (2006, p. 150) also noted that ‘amongst the public sector, joint investigative units had not been widely considered but were viewed as having some potential’ – a sombre summary of the achievements of the past decade. Whether the next decade will tell a different story remains to be seen. The Fraud Review (2006, p.87) stated that the allocation of allegations received through the Reporting Centre ‘would not remove the capacity of forces or partners to prioritise their own work’ [emphasis in original]. It is questionable whether there will be increased fraud policing and prosecution resources to act on such intelligence within the criminal justice system: more rapid disruption and prevention is the more likely result. There is room for debate on where lies the optimal social benefit in the tension between situational opportunity reduction and retribution for past crimes: but there is a significant disparity between criminal justice action against fraud and action against ‘mainstream’ (i.e. older-established) crimes, which raises significant issues of social justice as well as of utilitarian efficiency. Even if a more universal, cross-governmental metric of harm could be developed, the alignment of this with the formal targets of government departments, Non-Departmental Public Bodies (like SOCA), and the police – let alone their private sector partners - remains an ambitious objective indeed.
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