



National Audit Office

The Assets Recovery Agency

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EXECUTIVE SUMMARY

1 The Assets Recovery Agency (the Agency) was created in February 2003 under the Proceeds of Crime Act 2002 to take the profit out of crime. It aimed to put an end to the “champagne lifestyle” that many criminals were perceived to enjoy, as well as to reduce the seed money available for further criminal activity. It seeks to disrupt crime at all levels, where assets can be linked to crime, using its powers of criminal confiscation, taxation or, uniquely, civil recovery.¹ It is unable to instigate enquiries and is reliant on referrals from other agencies. The Agency also has a statutory duty to promote the use of financial investigation to recover assets, both within and outside the Agency, through training, accrediting and monitoring the performance of

Financial Investigators working within the Agency and in police forces, HM Revenue and Customs and other law enforcement and prosecuting authorities.

2 Since it was set up, the Agency has met its targets for training Financial Investigators and for disrupting criminality. It has not, however, met its targets for the recovery of assets, including that of becoming self-financing by 2005-06, a target that the Agency is now aiming to meet by 2009-10. This report examines the reasons for the Agency’s difficulties in meeting these targets, as well as its performance in training and monitoring Financial Investigators, and makes recommendations for developing its relationships with its key partner bodies and improving its internal processes.

¹ Criminal confiscation can be used to recover assets from a convicted criminal, up to the value of the benefit of the crime. Civil recovery allows the recovery of specific assets that are, or represent, the proceeds of crime, if the crime can be shown to have occurred on the balance of probabilities. Criminal income, gain or profit can be taxed if it cannot be shown to have come from legitimate sources.

Overall conclusions on value for money

3 The Agency was created to deal with a new and often complex area of activity but no feasibility study was carried out to assess its likely performance or devise appropriate targets. Since it became operational, it has devoted much of its efforts to recruiting staff, developing systems, building relationships with referring agencies and testing the law on civil recovery and taxation. During this period, the Agency has established important case law in respect of the Human Rights Act 1998, which should deter further challenges to its powers of civil recovery. In addition, it has been successful in freezing assets and issuing tax assessments and has effectively delivered training courses, for which it has received positive feedback from attendees, although it has not effectively monitored the Continuing Professional Development of Financial Investigators. In respect of the recovery of assets, the Agency has collected £23 million against cumulative costs of £65 million.

4 Problems in recovering assets have been due to poor quality referrals – particularly in the early days; defence representations, including a few cases relating to the Human Rights Act 1998; and weaknesses in the Agency's internal processes. The Agency needs to address these weaknesses, both in its assets recovery role and in its monitoring of Financial Investigators' Continuing Professional Development, if it is to achieve value for money:

- Despite efforts by the Agency to encourage bodies to refer cases, four police forces and most local authorities and Trading Standards Offices have yet to refer cases to the Agency. Relationships with referring bodies are largely based on personal contact and there is some confusion about the role of the Agency among the Councils and Trading Standards Offices that have not referred cases.
- The Agency's case management information is poor. It does not have a single central database of cases and staff refer to different databases that hold contradictory and incomplete information. We had great difficulty in compiling a comprehensive list of cases and tracking their value and progress.
- Since it was set up, the Agency has experienced a high turnover of staff. In the year to the end of September 2006 almost a quarter of the Agency's staff had left, including almost half the legal staff, and over 40 per cent of training and development personnel.



- Staff do not record their time and therefore the Agency cannot measure the resources deployed on each case. There is no effective case management and no consistent use of targets and deadlines to incentivise staff to progress cases.
- In some cases the Courts appoint receivers to manage restrained assets. Receivers' fees, which are paid by the Agency, are expected to total £16.4 million by the end of 2006-07. In twelve of the seventy nine cases managed by receivers, the value of the fees is expected to exceed the assets managed by the end of March 2008.
- In a significant proportion of cases, the training provided, and in the case of the police, funded by the Agency is not fully utilised by Financial Investigators' employing organisations; at least 30 per cent of Financial Investigators retired or moved on from financial investigation shortly after completing their training. Although the Agency requires trained Financial Investigators to complete formal Continuing Professional Development activities, it is not effectively monitoring their performance as required under the Proceeds of Crime Act 2002.
- The Agency's revised expectation that it will break even by 2009-10 cannot be supported by financial modelling given the relatively short period of operation and the irregular flow of receipts, which preclude the modelling of a reliable trend. On current performance, therefore, there is a risk that the Agency will not achieve self-financing by that date.

Recommendations

On 11 January 2007 the Home Secretary announced that the asset recovery functions of the Assets Recovery Agency would, subject to parliamentary approval, transfer to the Serious Organised Crime Agency, and the training functions would transfer to the new National Policing Improvement Agency, with effect from April 2008 at the earliest. Our recommendations will apply equally to the new bodies responsible for the Agency's current functions.

- a** All the Agency's Memoranda of Understanding with referral partners should name a single point of contact within both the Agency and the referral partner. This would help to develop and improve relationship management with referral partners, including providing a framework to allow formal feedback to improve the quality of referrals.
- b** The Agency should, as a matter of urgency, develop a Case Management System that contains all relevant management information and includes a time recording system to monitor the use of staff resources. Once this is established, the Agency should use the data collected to help inform case selection and prioritisation and to review its performance measurement regime so that it incorporates targets that are measurable, challenging and achievable, such as reducing the cost and time per case. This will also help with a smooth transfer of case work to the Serious Organised Crime Agency.
- c** The Agency should develop its formal management review of cases to incorporate a timetable for each stage in the progression of a case, to which Senior Financial Investigators, Financial Investigators and lawyers are held accountable.
- d** The Agency should compare regularly the standard rates charged by receivers to identify those that provide the best value for money and monitor the hours billed to determine the reasonableness of the claim.
- e** The Agency should provide an incentive to police forces, to send only those individuals on the Agency's training courses that are likely to continue to use their financial investigation skills, by putting into practice its intention to extend charging for courses to cover police forces, as well as other sponsoring bodies.
- f** In order to fulfil its statutory role of monitoring the accreditation of Financial Investigators, the Agency should update its database, follow up individuals who have not complied with professional development requirements and, if necessary, remove their accreditation. It should also include targets for monitoring accreditation in its performance measurement regime.