

# **DETERing the infiltration of Serious Organised Crime Groups (“SOCG”) into public contracts and supply chains**

Taster session

# Agenda

This session will cover:

- a. Scotland's Serious Organized Crime ("SOC") Strategy
- b. What is SOC and SOC Groups ("SOCG") and the current issues surrounding them for public sector bodies?
- c. What the Scottish public sector has already done to prevent and / or minimise SOCGs
- d. What SOC looks like in Scotland
- e. The damage that can be caused as a result of SOCG.
- f. How SOCG infiltrate public procurements, contracts and supply chains.
- g. Which public procurements, contracts and supply chains are most at risk of SOCG infiltration.
- h. Ways in which your staff / Council members (or equivalents) might be elicited, pressured or influenced to act by SOCGs.
- i. Initial 'audit'-type questions at the start of your SOCG-journey
- j. 'Deterring SOCG in Procurement' training course

## a. Scotland's SOC Strategy

- The **Scottish Government's strategic vision** is for a *'safer, fairer and more prosperous country free from the harm caused by serious organised crime.'*
- The Scottish Government has published
  - Serious Organised Crime Strategy 2022; and
  - *Scotland's Serious Organised Crime Strategy* in 2015 (building on the original 2009 one).
- The **aim** of the 2022 Strategy is to reduce SOC and the harm it causes.
- Thus, the Strategy is most about preventing SOC at source: cutting off the markets, the recruits and the opportunities on which SOC relies.
  - For the Scottish public sector, the Strategy is about the Scottish Government working with businesses, regulators, local authorities and public sector organisations to cut off the opportunities for SOCG to set up or facilitate quasi-legitimate businesses, get licences, win contracts and launder money.

## a. Scotland's SOC Strategy

- The Strategy is focussed on four **objectives**:
  - **DIVERT**: to divert people from becoming involved in SOC and using its products.
  - **DETER**: to deter SOCG by supporting public, private and third sector organisations to protect themselves and each other.
  - **DETECT**: to identify, detect and prosecute those involved in SOC.
  - **DISRUPT**: to disrupt SOCGs.

Understanding how to prevent / minimise / mitigate against the **infiltration of SOCG into public contracts and supply chains mainly** focuses on the DETER strand (with smaller parts of the others)

## **b. What is SOC and SOCG and the current issues surrounding them for public sector bodies?**

- **What is SOC and SOCG?**
- **SOC** is crime which:
  - involves more than one person;
  - is organised, meaning that it involves control, planning and potentially use of specialist resources;
  - causes, or has the potential to cause, significant harm; and
  - involves financial or other benefit to the individuals concerned.
- **SOCG**: professionals involved in SOC in businesses (not gangsters)

## b. What is SOC and SOCG and the current issues surrounding them for public sector bodies?

In the Public sector,

- We need to be aware of the internal and external SOCG related threats.
  - External: major crimes such as human trafficking, child criminal exploitation, violence, drugs etc
  - Internal: are our staff vulnerable to SOCG-corruption?
- So these link to DETER and DIVERT, where the public sector is mainly involved, with support given to DISRUPT activity.
- The focus should be on “**target hardening**” and promoting a **hostile operating environment for SOCG** (i.e. within our procurements, contract and supplier management and supply chains)
  - This should involve gaining / sharing intelligence on seemingly ‘legitimate’ businesses and having ‘hostility’ to such seemingly ‘legitimate’ businesses (of course, within the constraints imposed on us by the procurement rules.)

## c. What the Scottish public sector has already done to prevent and / or minimise SOCGs

- **DETER successes**
- **Scotland Excel framework agreements**
- £43 million is the estimated value of (1) Recyclable and Residual Waste and (2) Security contracts subject to greater scrutiny through Scotland Excel Frameworks
  - **Recyclable and Residual Waste Framework:** additional specific questions within the tender were included requiring bidders to declare any convictions, sanctions or recommendations made in relation to licence breaches. Should the tenderer lie and later be found out, Scotland Excel has the authority to remove a provider from the Framework if they have been found to have submitted inaccurate information.

## c. What the Scottish public sector has already done to prevent and / or minimise SOCGs

### – Security Framework:

- Developed in collaboration with Police Scotland and the Security Industry Authority.
  - All contractors to be registered on SIA's Approved Contractor Scheme.
  - SIA and Police Scotland screened potential bidders at pre-qualification stage.
  - All bidders were required to sign a 'Non-involvement declaration'.
- **DISRUPT successes** (example most linked to our DETER work)
    - Police Scotland sharing intelligence with local authorities (via Intelligence Assessment Disclosures) to support licencing boards / committees to ensure that SOCGs are no longer able to secure licences through which they can try to legitimise their criminal activity and so perpetuate their criminal activities.



## d. What SOC looks like in Scotland

- As of 2015/16, there were over **150 SOCG** operating in Scotland
  - Other estimates said 196-230+, involving 3,700 individuals.
  - Informal sources suggest less than **100 SOCG** as at March 2022.
    - However, the threat from these groups is growing in scale and complexity
- **67%** of SOCGs are located in the **west** of Scotland, 22% in the east and 11% in the north. (Other estimates: 70%, 18%, 12%)
- Only **6%** of SOC nominals are foreign nationals.
- **Two thirds** (estimates between 65% and 70+%) of SOCGs are involved in the use of seemingly legitimate businesses, e.g. e.g. pubs / restaurants, construction firms.
- Over **650** such businesses have been identified.
  - **Top 5 business sectors** where SOCGs operate in Scotland:
    - Property, Vehicle / Transport, Service / Retail, Catering / Food, and Health / Beauty.

## d. What SOCG looks like in Scotland

- **Public sector bodies supply chains could involve both primary and secondary SOCG crimes** (e.g. human trafficking in lower tiers and extortion or corruption of council staff / top tier suppliers.)
- **Primary SOCG activities (i.e. those that generate SOCG profit directly)**
  - Drug supply and distribution, Human trafficking, Financial crimes like fraud, Organised acquisitive crime / theft, Illicit trade, Child sexual abuse / exploitation, Cyber-enabled crime, Extortion and Organised environmental and immigration crime
- **Secondary SOCG activities (to support SOCG's work to generate profits and need to maintain influence and profile)**, such as Money laundering, Violence and Corruption.

## e. The damage that can be caused as a result of SOCG

1. **Wider damage to Scotland that will continue unhindered if we do not prevent SOCG infiltrating our supply chains** : SOCG is all about generating wealth at the expense of law-abiding people, including the most vulnerable
  - a. **General economic harms**: Cost of SOCG to the Scottish economy: £2 bn annually.
  - b. SOCG has a disproportionate impact on Scotland's **poorer communities**.
  - c. **Young people** can be particularly at risk of exploitation and consequent exposure to harm.
  - d. **Legitimate businesses** lose out:
    - Lose out when consumers opt to purchase counterfeit goods, and because SOCG / SOCG-linked businesses can have an unfair advantage over legitimate businesses
    - may be **threatened**, forced to pay protection or forced to participate in or facilitate organised crime.
    - may be **forced to also adopt underhand tactics** just to compete with SOCG for survival.
- e. **Public services put at risk**

## e. The damage that can be caused as a result of SOCG

2. **Potential damage caused to your organisation from allowing SOCG to infiltrate your supply chains**
  - **Reputational damage** (or loss of confidence of the community we serve)
  - **Business continuity**
    - Damage to the sustainability of the affected supply chain since there is a potential increased risk of supplier failure / supply chain collapse
  - **Remediation / Replacement costs**
  - **Fines**
  - **Other costs** (internal and external), such as cost / diverted time in internal and external investigations, internal disciplinarys, reviews, process changes and training.

## f. How SOCG infiltrate public procurements, contracts and supply chains.

- *“Serious Organised Crime Groups will seek to exploit our organisations at this time of change. They will look to access our money, our assets, and our information, and they will be ruthless in exploiting any weakness to further their lust for power and profit”*  
Police Scotland, *Serious Organised Crime and Business Exploitation.*
- **SOCG use their seemingly legitimate businesses as a means of laundering the proceeds that they have gained from previous crimes / SOC and for further criminality.**
- **SOCG businesses, or those with strong links to SOCGs, may attempt to obtain contracts from:**
  - **Public sector bodies** (including local authorities); and
  - **Other established businesses** (e.g. in the lower tiers of their supply chains, and what may become our supply chains if we appoint these legitimate established businesses.)
- (Also, many of these businesses seek to infiltrate the public sector space through licences and permissions etc.. )

## f. How SOCG infiltrate public procurements, contracts and supply chains.

- The **public sector is vulnerable / tempting to SOCG infiltration** in its supply chain
  - We procure in several of the sectors identified as the sectors that SOCG may invest in and exploit, e.g. property, vehicle / transport, service / retail, environmental, security and care.
  - The requirement for transparency meaning external organisations are aware of our procurement processes
  - The requirement for competitions open to all allows SOCG organisations to bid.
  - Limited ability of contracting authorities to exclude organisations
  - High value contracts
  - We provide a steady, sustainable, secure and legitimate source of income
  - Potentially, contracting authorities may have weak governance
  - A tender focus on meeting budgets and delivery deadlines over wider ethical or political goals may allow in a “cheaper” SOCG organisation
  - Use of technology can increase SOCG infiltration risk.

## g. Which public procurements, contracts and supply chains are most at risk of SOCG infiltration.

- First if your procurement concerns the **business sectors that are attractive and vulnerable to SOC**, your procurements are at risk of SOCG infiltration.
- Second, which are more at risk: **regulated or unregulated procurements?**
  - **Each can be at risk for different reasons.**
    - **Regulated procurements**
      - Attractive since Higher value and longer term providing steady income
      - Forced to open competition to all and difficulty excluding suspected SOCG-linked firms
    - **Unregulated procurements**
      - Less attractive since lower value and less certainty of steady income
      - But SOCG risk may not be considered pre-procurement and less ‘business probity’ checks may be carried out, so a SOCG-linked firm may find it easier to access this level.

## **h. Ways in which your staff / Council members (or equivalents) might be elicited, pressured or influenced to act by SOCGs.**

- Generally, staff can be elicited, pressured, influenced to act by SOCGs for a number of reasons:
  - They are linked to a specific supplier, either directly as a director or via family or friend,
  - They are receiving a bribe in exchange for a contract, money or other benefit,
  - They are being coerced or forced into giving the supplier work, or
  - They have independently spotted a means to profit from the pre-tendering, tendering or post-tendering stages.

N.B. The training provided by Scotland Excel will discuss measures you can take to combat such behaviour.



## **i. Initial ‘audit’-type questions at the start of your SOCG-journey**

- How confident are you that your organisation is not at risk of purchasing goods / services from organisations with links to SOC? How have you reached this conclusion?
- Are your procurement, contract management and due diligence procedures robust, fully implemented and being properly followed?
  - Are they regularly reviewed and when did you last review your procurement processes?
  - Do they specifically cover SOCG-infiltration risk?
- Are you confident that your staff with purchasing responsibilities are aware of the risks of transacting with an organisation linked to SOC, and know how to raise any potential concerns about organisations with which you organisation transacts?
- How does the procurement process protect procurement staff from getting undue pressure applied to them? Is there adequate segregation of duties?

## **i. Initial ‘audit’-type questions at the start of your SOCG-journey**

- **Questions when considering a specific supplier / potential supplier:**
  - Is this individual / company linked to SOCG?
  - Who else is linked to the business I am looking to engage with and are they linked to SOCG?
  - Is there information available via open source, or other sources (such as paid for databases) that I should consider?
  - Is the individual / company failing to comply with regulations and legislation?
  - Is there a risk of being involved with this individual / company?
  - Are the public at risk from this individual company?
  - Is there any reputational risk associated with this individual / company?

# How to answer these questions and more?

## Scotland Excel Academy training sessions

- **DETERing the infiltration of Serious Organised Crime Groups (“SOCG”) into public contracts and supply chains**
  - Part 1: Raising awareness of SOCG and the risks of SOCG infiltration into public sector contracts and supply chains
  - Part 2: Technical Skills - DETERing infiltration via the contract procurement and contract and supplier management cycles
- Wednesday 2, Thurs 3 November 2022
- Thursday 26, Tuesday 31 January 2023
- Thursday 16, Tuesday 21 March 2023
  - Eventbrite

# References / Further Reading

- Dillon, 2020, *CIPS Advanced Practitioner Project on SOCG supply chain risk management*
- Police Scotland, 2014. *Serious Organised Crime – A Real and Present Danger* [Presentation]
- Police Scotland, 2019, *Serious Organised Crime and Business Exploitation*
- Scottish Government. *SOC Strategy 2015*;
- Scottish Government, 2016, *SOC Strategy Annual Report*
- Scottish Government, 2017, *The role of communications*
- Scottish Government, 2020, *Collation of 2017-18 Research Outcomes*
- Scottish Government, *SOC Strategy 2022*
- UK Government (Ministry of Housing, Communities and Local Government), 2020, *Review into the risks of fraud and corruption in local government procurement, Annex 7*
- UK Government (Home Office), 2021, *Local authority serious and organised crime checklist*
- Steenson. 2021. *Scotland's Serious Organised Crime Strategy* [presentation].
- UK Government (Home Office), 2021, *Local authority serious organised crime internal audit*.

ANY  
QUESTIONS  
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