



Inspection of Crown Prosecution Service internal fraud controls

November 2017

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1 Headlines

1.1 Preventing and detecting fraud are key to ensuring proper use of public funds, retaining reputational value and reducing loss. In 2013 the Cabinet Office found the biggest fraud risks to departments were payroll, recruitment, expenses, bribery and procurement.

1.2 In February 2017 the Cabinet Office launched its Counter Fraud Framework and its Functional Standards came into force in April 2017. These Standards are set by the Fraud, Error and Debt Function and are supported by the Counter Fraud Centre of Expertise in the Cabinet Office. The development of the Standards was supported by an advisory group, including the Crown Prosecution Service (CPS). Its aim is to work with public bodies to reduce fraud and error loss in the public sector, promote best use of data sharing and data analytics, and increase the public sector's capability in dealing effectively with fraud.

1.3 In line with the Standards, the CPS has already made good head way with clear roles and responsibilities at both strategic and operational levels. It has clearly defined its Accounting Officer and others with delegated responsibilities for action in reducing and detecting fraud. It has implemented a number of relevant policies and, although some staff and managers were unclear on where to find these, HMCPSI found all the policies to be reasonably accessible.

1.4 There are a number of mechanisms in place, such as the counter fraud strategy, fraud risk assessment and an annual action plan, however there are currently no systems in place to report on progress and identified loss to the Cabinet Office in line with the Standards.

1.5 Overall, 80% of managers and staff in our survey were aware of what to do if they suspected a fraud had occurred against the CPS, however a small number of staff, including some managers, stated they would not report suspicious behaviour which is contrary to the CPS Code of Conduct. There is a disparity of approach in which policy to use and the approach taken, and there is no requirement for Areas and Directorates to report instances to Headquarters where no further action is being taken. This means that Headquarters is not sighted on **all** suspicious activity being investigated and cannot report the full current position to the Cabinet Office in line with the response plan and how the organisation is reacting to potential instances of fraud. It is important that the CPS positions itself to being able to report any action it has taken and any subsequent losses. It is also essential to share this information with the Cabinet Office, as any staff dismissed for dishonesty or fraud are subject to a five year employment ban across the Civil Service.

1.6 The CPS operates a zero tolerance policy on fraud and there is a strategic level commitment to minimising fraud. There is a review of the effectiveness of controls and assurance undertaken at the highest levels to identify key risks to the organisation, yet at Area level awareness of fraud risk is more limited. Areas and Directorates have to submit a

quarterly assurance declaration form to Headquarters confirming the effectiveness of management and controls within their span of responsibility. Headquarters has recognised that both risk and assurance require improvement and is utilising the Area Performance Meetings to robustly challenge submissions and visiting Areas to deliver specific training.

1.7 There are some good systems in place, in particular around segregation of duties, and sound processes for delegation of payment authorisations and central procurement services – all of which help reduce the opportunities for fraud occurring. However, the systems for gifts and hospitality require improvement.

1.8 To provide further assurance the CPS has good operational mechanisms in place to check accuracy, quality and value for money. However these were, in the main, around finance rather than on checking for fraudulent activity, as outlined in the Standards. Checks are mainly risk based and randomly sampled, however there are a small number which need to be reviewed to determine whether they are adding value. Cross-checking was limited across the Areas and there was a lack of effective mechanisms for sharing of good practice around fraud; both aspects need to be improved.

1.9 The CPS relies upon the e-learning facilitated by Civil Service Learning (CSL) to deliver mandated and generic awareness training on anti-fraud, corruption and bribery. The training requires a score of 80% to pass. More than half (58.8%) of staff and managers were either not sure or were unaware of this training requirement. We were informed by Headquarters that over 90% of CPS staff have had the requisite training, however most Areas were unable to provide us with accurate figures, nor was the information accessible from the CSL website. Some Area induction packages do not contain the required fraud training, despite the requirement in the national induction package. Area Finance Managers undertake a critical role in identifying irregularities and potential fraudulent activity, however there is a lack of formal training for this role and a disparity across individuals' experience and skill sets. The CPS does, however, have access to trained independent investigators that can be called upon when an investigation needs to take place.

1.10 It is commendable that the CPS has been involved in work to help the Cabinet Office develop the Functional Standards, but it now needs to address a number of issues to fully align itself with the Standards.

Good practice

1 The Financial Risk and Assurance Team is visiting Areas to deliver training to senior managers and the Area Finance Manager on the Responsibilities Assurance Declaration and risk registers (paragraph 3.34).

2 We found evidence in one Area where a declaration had been made by a CPS employee's partner working at a chambers utilised by the CPS, that the Area undertook some checks to ensure that the chambers in question was not receiving a disproportionate amount of work as a result of the relationship (paragraph 4.18).

3 We found two Areas had undertaken some cross-checking between travel and subsistence, work rotas and flexi-time forms to ensure that the work had actually been undertaken and that start and end times correlated. Both of these cross-checks had highlighted issues which would not have been found under the separate checks (paragraph 4.22).

Strengths

1 The majority of checks in Areas visited were determined using random sampling methods (paragraph 4.4).

Issues to address

1 The CPS should raise awareness of how to access its gifts and hospitality registers among all staff and managers (paragraph 3.19).

2 The CPS should update its fraud policy to align it with the discipline policy, provide more clarity on the application of both policies and illustrate examples of what type of infringements the fraud policy covers (paragraph 3.21).

3 The CPS needs to update its fraud strategy reporting mechanisms and ensure these are followed in order for it to meet its reporting obligations to the Cabinet Office (paragraph 3.23).

4 There should be a mechanism in place so that CPS Headquarters is aware of **all** suspicious activity and actions taken. This will assist with ensuring consistency of approach and aid Headquarters in reporting its activities to the Cabinet Office (paragraph 3.27).

5 The Director of Finance should review the checks outlined in the CPS Guide to Finance to ensure that they are pragmatic, achievable and add a valuable control (paragraph 4.7).

6 Headquarters should ensure that all Areas and Directorates maintain a declaration and conflict of interest register which should be updated on any changes, including when the conflict no longer exists (paragraph 4.17).

7 Headquarters should mandate that line managers undertake an element of cross-checking as part of their standard checks (paragraph 4.23).

8 Headquarters should, as a matter of urgency, ensure that all staff complete the mandatory Civil Service Learning Counter Fraud, Bribery and Corruption e-learning and assessment. Areas must retain and maintain a list of staff that have satisfactorily completed the course and submit this to Headquarters. This will assist the CPS in meeting the Cabinet Office Functional Standards (paragraph 5.6).

9 Headquarters should ensure that all Areas are using the latest version of the induction checklist that confirms the requirement to complete the mandatory Civil Service Learning Counter Fraud, Bribery and Corruption e-learning and assessment (paragraph 5.7).

10 Headquarters should review its fraud awareness training and ensure it meets the requirements of the Cabinet Office Functional Standards (paragraph 5.7).

11 Headquarters should ensure that there is a comprehensive induction programme for all Area Finance Managers including what to check and how to identify potentially fraudulent or suspicious activity (paragraph 5.9).

12 Headquarters should ensure as part of their standard training programme for all managers that it includes some element for fraud and for checking suspicious and fraudulent activity (paragraph 5.9).

13 Headquarters should create a mechanism for sharing good practice for checks and other matters related to fraud and utilise the current infonet page effectively (paragraph 6.4).

2 Introduction and background

2.1 In general terms fraud is the deliberate use of deception or dishonesty to disadvantage or cause loss to another person or organisation. Criminal fraud is dealt with under the Fraud Act 2006¹ which includes the following offences:

- fraud by false representation
- fraud by failing to disclose information
- fraud by abuse of position.

2.2 Fraud can be committed against an organisation either internally by its staff, or externally by suppliers, contractors or individuals. Although the Cabinet Office is the central Government lead for the development of fraud policy the CPS, like all Civil Service departments, is responsible for managing its own fraud risk internally with its Accounting Officer being held to account.

2.3 A number of reviews and surveys have been carried out to determine the impact of fraud in the public sector, including more recently the National Audit Office's Fraud landscape review, February 2016,² which examined the Government's approach to tackling fraud in the public sector. Reviews have found the reporting of fraud to be low and that the quality of fraud data is variable amongst departments, resulting in an inability to ascertain the full scale of fraud committed against them.

2.4 In 2013 the Cabinet Office found the biggest fraud risks to departments were payroll, recruitment, expenses, bribery and procurement. The Cabinet Office aims to work with public bodies to reduce fraud and error loss in the public sector, promote best use of data sharing and data analytics, and increase the public sector's capability in dealing effectively with fraud. The Cabinet Office fraud policy team has since developed into a centre of expertise and in April 2017 the Counter Fraud Framework³ and set of Functional Standards came into force (see annex A). The Standards detail the basic components that should be in place within all central Government organisations that spend over £100m. They have been developed by a range of stakeholders, including counter fraud experts from across Government and other sectors. The overall aim of the Standards is to improve the consistency of what is in place across Government to manage counter fraud. It is intended that they will evolve to promote incremental improvements in counter fraud arrangements each year. The Cabinet Office is conducting a review of what standards are in place across all departments and it is expected that the CPS will be reviewed in due course.

¹ We use the generic term "fraud", but this can also encompass other offences of dishonesty, for example theft.

² *Fraud landscape review*; National Audit Office; February 2016.
www.nao.org.uk/wp-content/uploads/2016/02/Fraud-landscape-review.pdf

³ *Counter Fraud Framework*; Cabinet Office; 2017.
www.gov.uk/government/uploads/system/uploads/attachment_data/file/544118/counter_fraud_framework.jpg

2.5 Given that preventing and detecting fraud are key to ensuring proper use of public funds, retaining reputational value and reducing loss, an inspection of the CPS internal fraud controls provides a current stocktake on whether there is an effective preventative approach to managing internal fraud risks and whether CPS internal fraud policies and functions align with those set out by the Cabinet Office.

2.6 This inspection did not review any casework or cover external fraud controls, nor was it an audit of checks already undertaken by the CPS.

Methodology

2.7 The methodology we used is set out in detail at annex B. In brief we:

- reviewed performance against an inspection framework (annex C)
- interviewed relevant external stakeholders
- interviewed key staff in five CPS Areas
- interviewed key staff in CPS Headquarters
- invited operational staff and managers across the five Areas to complete a digital survey (annex D)
- reviewed various reviews and audits on fraud
- reviewed the online policy and guidance documents for reporting and dealing with fraud, whistleblowing and discipline
- reviewed other documentation provided by the CPS, including on risk, assurance and checking mechanisms.

3 Governance

3.1 All Civil Service departments need to have a clear strategy to manage fraud. In February 2017 the minister for the Cabinet Office spoke of reform,⁴ which included driving efficiency and tackling fraud, error and debt. The Cabinet Office around the same time published its Counter Fraud Framework and developed a number of Functional Standards which cover: developing an anti-fraud culture, deterrence, prevention, detection, investigation, sanctions, and redress. The Standards came into force in April 2017.

3.2 The CPS has already made good head way identifying clear roles and responsibilities at both strategic and operational levels across the organisation, implementing proportionate policies, systems, reporting mechanisms, checks, measures and controls, whilst taking a targeted risk based approach. There is still some work to be done to fully align with the Standards and further work required, particularly around reporting to the Cabinet Office against them.

Roles and responsibilities

3.3 The Cabinet Office Functional Standard 1 states that Civil Service departments should *“Have an **accountable individual** at Board level who is responsible for counter fraud”*. The Director of Public Prosecutions (DPP) is the overall CPS Accounting Officer and, as such, has responsibility for establishing and maintaining a system of internal controls, which includes the creation of departmental policy, controls for checks and assurance. These overarching policies and controls include those for fraud. Furthermore, the Director of Corporate Services has delegated responsibility for managing the risk of fraud for the organisation. Below him, at strategic level, the Finance Director has discrete responsibilities around the organisational risk register, the Human Resources Manager takes responsibility for an effective anti-fraud policy and response plan, and the Departmental Security Officer is involved particularly when potential fraud is reported to the police. Managers in Directorates and Areas have responsibilities for ensuring adequate internal controls and employees have expectations in line with the CPS Code of Conduct.⁵

Guidance and policies

3.4 We found national policy to be easily accessible and available on the CPS intranet (intranet). Senior managers were aware of the national policies, although in our survey of staff and managers a large number were unclear where to find the relevant policy. Most managers in the Areas visited did raise some concerns as to when they should use the fraud policy, or alternatively the discipline policy, or whether the two policies could be applied concurrently.

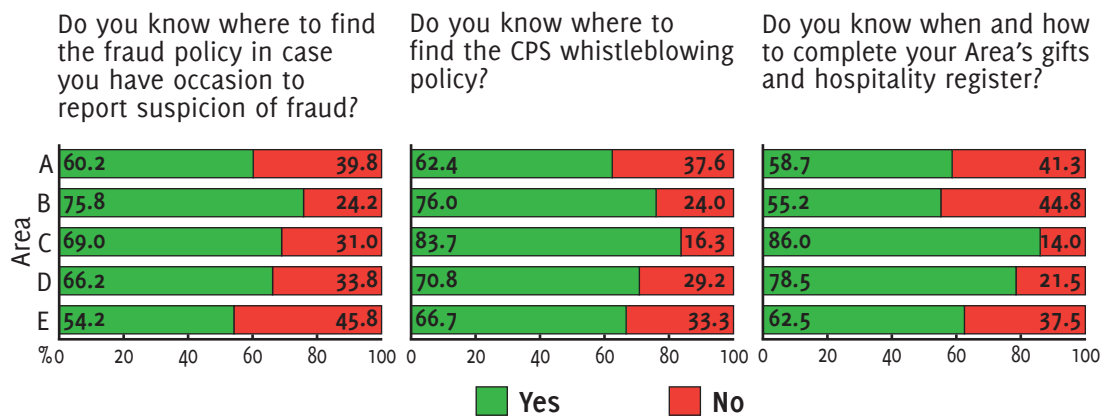
⁴ *To govern is to serve*: Chris Skidmore on countering fraud in government; February 2017. www.gov.uk/government/speeches/to-govern-is-to-serve-chris-skidmore-on-countering-fraud-in-government

⁵ *CPS Code of Conduct*; CPS; July 2015. www.cps.gov.uk/publications/docs/cps-code-of-conduct-2015.pdf

3.5 National policy and guidance are easily accessible, although some is out of date. As part of our inspection we undertook a search on the CPS systems for guidance and found specific policies which related to fraud. These included relevant policies and guidance documents for fraud, whistleblowing, gifts and hospitality, and the CPS Guide to Finance. We found it relatively easy to identify which was the most current guidance, although some policy has not been recently reviewed. As part of Cabinet Office Standard 4, the CPS should have a “**fraud policy and response plan** detailing where accountability for fraud lies within the organisation, its delivery chain and how the organisation reacts to potential instances of fraud”. We are satisfied that, for the most part, this Standard is covered by the current national policies in place.

3.6 During the inspection we were referred to the most current national policy and guidance documents by those Area staff interviewed on-site. Senior managers interviewed stated that, generally, national policy was fit for purpose and any development of local guidance was only in place around checking mechanisms (see chapter 4).

3.7 We surveyed all staff and managers across five of the 14 CPS Areas in relation to policy and these were our overall findings:



Fraud policy

3.8 The Director of Human Resources has responsibility for establishing an effective anti-fraud policy and response plan, ensuring all staff are aware of the fraud policy and their responsibilities. Furthermore, they must ensure efficient investigations in line with policy are carried out where fraud occurs or is suspected, take appropriate legal and/or disciplinary action, and consider proportionate action against managers and/or other involved staff.

3.9 The fraud policy is concise and with its own section on the infonet, broken down into sections outlining the:

- objective of the policy
- specific key roles and responsibilities
- key principles of fraud
- process for reporting of fraud
- investigation process
- evaluation, reporting and lessons learned.

3.10 There is also a printable document available containing all the relevant sections.

3.11 At the time of our inspection (August/September 2017) the policy had not been updated since October 2010. The CPS has started to update specific role titles and to align the policy and processes with the Cabinet Office's five year employment ban on staff involved in fraud, but further work will be required to bring the policy and processes in line with the requirements stipulated in the Functional Standards.

3.12 As part of our inspection we asked staff if they would know where to find the fraud policy and, despite finding the policies relatively easily ourselves, 41.4% of non-lawyers and 41.9% of lawyers stated that they would not know where to find it. Managers fared better, with 78.5% of administrative managers and all legal ones knowing where to find the policy.

Whistleblowing policy

3.13 The whistleblowing policy is available via the CPS infonet page. The policy is user friendly and easily accessible, with clear links to other appropriate policies, and outlines all that a member of staff would need to consider and how to progress any concerns. The policy page contains a number of links to sections on:

- policy principles
- roles and responsibilities
- what is a relevant concern and how to raise it
- how to take concerns direct to the Civil Service Commission
- information and procedures on dealing with concerns
- confidentially
- anonymous allegations
- protection
- changes made to policy as a result of whistleblowing.

3.14 There is also a useful flowchart and various alternate links provided to other items which may be more relevant to the aspect of concern being raised, such as the grievance policy. Additionally, there is a practicable frequently asked questions document and details of a whistleblowing hotline number where the user can obtain advice and additional help.

3.15 For managers there is a specific guidance document, which is effective and easy to understand, outlining their responsibilities for actioning concerns and ensuring adherence to the process.

3.16 As part of our inspection we asked staff if they would know where to find the whistleblowing policy. Again results were disappointing, with 35.4% of non-lawyers, 34.4% of lawyers and 16.7% of administrative managers stating they would not know where to find it and, as before, all legal managers saying they would know. As we state at paragraph 3.4, we found this and other policies easily obtainable on the CPS infonet. Centrally held information only indicates three cases of whistleblowing recorded, two in 2005 and one in 2012.

Gifts and hospitality

3.17 The CPS Code of Conduct states *“Employees must not accept gifts, hospitality or benefits from a third party which **might be seen to compromise** their personal judgment or integrity in the course of their employment.”*

3.18 The gifts and hospitality guidance identifies the guiding principles and poses questions for staff to consider when offered gifts or hospitality. There is requirement for all such offers to be disclosed within five days of being made. There is a list of what limited gifts can be accepted and what to consider when deciding if it is appropriate to accept the gift. Hospitality must be authorised in every case, again with a list of what should be considered. The registers held by CPS Areas and Directorate staff must be monitored by their Operational Business Managers. Registers for Chief Crown Prosecutors (CCPs) and Directors must be maintained and monitored within their own Area/Directorate and be audited for compliance annually by the Human Resources Director.

3.19 We found all Areas maintain a list of gifts and hospitality and that the entries made were in line with guidance. We asked staff and managers if they would know where to find the gifts and hospitality register, 46.9% of non-lawyers, 35.4% of lawyers, 20.0% of administrative managers and 3.8% of lawyer managers stated that they did not know where it was stored on the Area’s digital system.

Issue to address

The CPS should raise awareness of how to access its gifts and hospitality registers among all staff and managers.

3.20 There are other national guides used in the Areas which impact upon fraud prevention and detection, for example the CPS Guide to Finance which relates specifically to management checks and standard accountant controls, and we discuss further in chapter 4. There is also some local guidance, for example additional financial checks and the use of flexi-time in some Areas.

3.21 There is a lack of clarity around which policy to apply and at what stage to apply it. The fraud policy states that anyone proven to have committed fraud will be dealt with as under the disciplinary policy. This has caused confusion in Areas as to which policy should be applied, whether fraud or discipline, and at what point either of these should be invoked. Most Areas confirmed that they would be more likely to use the discipline policy for any infringements, than to consult the fraud one. Most said they would only refer to the fraud policy if they thought the matter would involve informing the police, whilst some thought that it only related to financial matters. The majority of staff we spoke to thought that the fraud policy needed more clarity.

Issue to address

The CPS should update its fraud policy to align it with the discipline policy, provide more clarity on the application of both policies and illustrate examples of what type of infringements the fraud policy covers.

Reporting mechanisms

Reporting to the Cabinet Office

3.22 The CPS has an obligation to report to the Cabinet Office against a number of the Functional Standards. These are specifically:

- Standard 2, its **counter fraud strategy**
- Standard 3, its **fraud risk assessment**
- Standard 5, an **annual action plan** that summarises key actions to improve capability, activity and resilience in that year
- Standard 8, to **report identified loss** from fraud and error, and associated recoveries, in line with agreed Government definitions.

3.23 Whilst the majority of the standard mechanisms and detailed counter fraud strategy are already in place, none of the above Standards are yet being reported on to the Cabinet Office.

Issue to address

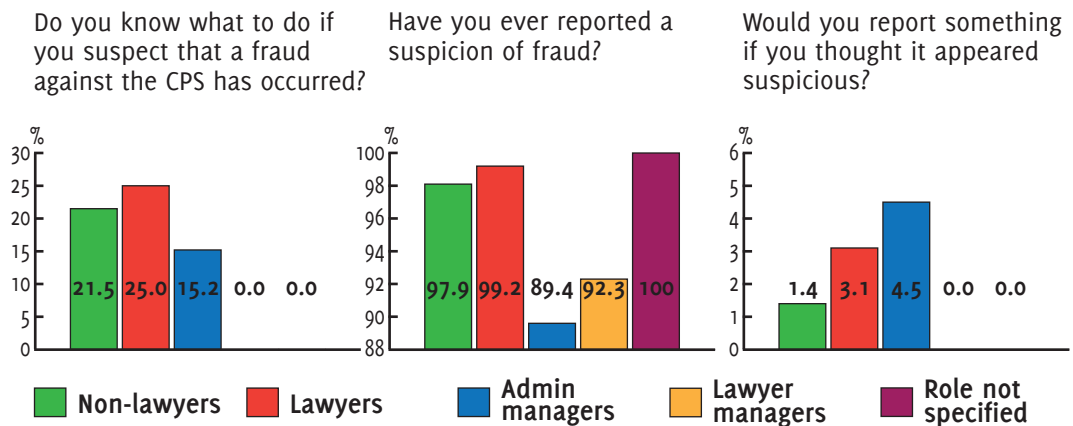
The CPS needs to update its fraud strategy reporting mechanisms and ensure these are followed in order for it to meet its reporting obligations to the Cabinet Office.

Internal reporting of fraud

3.24 To align with Cabinet Office Standard 7, the CPS should have well established and documented **reporting routes for staff, contractors and members of the public** to report fraud suspicions and a mechanism for recording these referrals and allegations. We were informed that the CPS is currently meeting with the Cabinet Office to clarify the requirements and timing for reporting.

3.25 During this inspection we only looked at internal reporting. Our survey asked Area staff and managers whether they had ever had occasion to report any suspicious activity or fraud. Of 370 respondents, only 13 (3.5%) ever had. Overall, a fifth said they would not know what to do if they suspected that a fraud against the CPS had occurred and, more worryingly, nine people (2.4%) said they would not report something even if they thought it suspicious; three of these were managers.

Percentages of staff who answered “no”



3.26 Despite the CPS stating that it has a zero tolerance approach to fraud, we found some suspicious activity is not automatically reported to the Corporate Services Director. There is currently no requirement for senior managers to report to Headquarters instances of suspicious activity which are written off as no further action or dealt with informally. This has led to an inconsistent approach across the organisation which would not be picked up centrally. It also means that Headquarters is not made aware of **all** instances of suspicious activity being investigated and how the organisation as a whole has reacted to potential instances of fraud, or identified vulnerable aspects of concern.

3.27 The Cabinet Office has confirmed that the CPS is not yet signed up to the staff dismissal database managed by them. It is important that the CPS positions itself to being able to report any action taken and any losses to the organisation to the Cabinet Office, as any staff dismissed for dishonesty or fraud are subject to a five year employment ban across the Civil Service.

Issue to address

There should be a mechanism in place so that CPS Headquarters is aware of **all** suspicious activity and actions taken. This will assist with ensuring consistency of approach and aid Headquarters in reporting its activities to the Cabinet Office.

Risk and strategic assurance

Risk

3.28 The Cabinet Office has determined that all Civil Service departments should have a specific risk assessment and expects departments to report to them against Standard 3, its **fraud risk assessment**. There is an expectation to identify the ways that the organisation could potentially be defrauded, plus access to trained investigators, fraud prevention and detection activity on a risk basis, encouraging staff to report and be actively looking at payments. The Cabinet Office does not consider fraud to be an audit function and so believes that they are not part of the skill set of audit. It expects that the Functional Standards should be considered by all organisations to be the starting point for assessing fraud risk.

3.29 The CPS has a strategic level commitment to minimising its risk of fraud and has an Audit and Risk Committee, which reviewed the level and effectiveness of controls and assurances in the organisation in 2014 and 2016. As part of this work it identified the key risks to the organisation and mitigation around bribery and corruption. It considered matters such as:

- staff influencing charging decisions and outcomes, quality of casework and the Victims' Right to Review scheme providing independent assessment (casework was not part of this inspection)
- use of internal audit and HMCPSI to provide internal and external assessment of its work, systems, processes and controls
- use of an independent procurement team which complies with Crown Commercial Service policy, advice and best practice
- impropriety in awarding contracts, using Government networks and tendering processes

-
- operating strict financial controls with segregation of duties, cascading from the Accounting Officer
 - robust operational controls to monitor, review and approve third party payments which are subject to review by internal audit
 - basic security checks carried out on new staff and enhanced checks for those involved in more serious work with higher risks attached
 - appointing in line with Civil Service guidance, through use of approved panels
 - remuneration structures are centrally managed. Individual bonus awards at Area level are managed in line with Cabinet Office guidance.

3.30 The Committee assessed the risk of fraud as low to the organisation, in the main due to the established management practices, awareness and continuous testing of procedures, for example invoices are processed at one location but payment is made through another. We have assessed some of the key controls and measures in place in chapter 4.

3.31 The Director of Corporate Services has delegated responsibility for managing the risk of fraud. The Director of Finance, who reports to the Director of Corporate Services, has responsibility for: maintaining a fraud risk register, with regular review and update; designing effective controls commensurate with the risk of fraud; establishing reporting mechanisms; and taking appropriate action to minimise the risk of fraud.

3.32 Areas review and update their risk registers each quarter. Only one Area visited had a specific fraud risk on its register. There was some awareness of the risk of fraud but this tended to be more around the payment of counsel fees, for example with checks and segregation of payment, rather than for pay, recruitment, other welfare controls, expenses, bribery and procurement. Headquarters staff are attending Area Performance Meetings to discuss expectations and improve the standard of the risk management regime.

Responsibilities Assurance Declaration

3.33 Area CCPs have to complete a Responsibilities Assurance Declaration (RAD) to confirm the effectiveness of management and control within their span of responsibility. This must be submitted quarterly to the Directors of Corporate Services, Business Services and Legal Services. The RAD covers a number of key corporate matters, including adherence to corporate policies and, where appropriate, compliance with the Casework Standard Operating Procedure. It provides the opportunity for the Area to set out its current position, including any difficulties, so that problems can be addressed in good time and progress recognised. The Area self-marks itself against a red, amber, green rating (known as the “traffic light system”) for each of its business functions and provides a commentary in support of the marking.

3.34 The CPS recognises that there is an inconsistency of approach by Areas in completion of the RAD and room for improvement in the quality of the document. In some cases the RADs we reviewed had changed little from the previous quarter. In response to issues raised about the RAD process, Headquarters is taking steps to address this. We were told that Area submissions are now being challenged more robustly by Headquarters and feedback is given. In addition to this, the Financial Risk and Assurance Team is visiting Areas to deliver training to senior managers and the Area Finance Manager on the RAD and risk registers. We consider this to be **good practice**. One of the Areas we visited had requested that Headquarters staff meet with them to discuss their RAD and this has already led to some improvement in quality.



4 Area assurance

Activity to detect and prevent fraud

4.1 Functional Standard 10 states Civil Service organisations should “*Undertake **activity to try and detect fraud** in high risk areas where little or nothing is known of fraud levels, including using loss measurement activity where suitable (i.e. using the Random Sampling programme).*”

Managers’ responsibilities

4.2 Managers have responsibility for ensuring an adequate system of internal controls exists in their span of responsibility aimed at preventing and detecting fraud. They must assess the risk; review and test regularly their control systems; ensure compliance; investigate potential fraud in accordance with policy; and, where fraud has taken place, implement new controls to reduce the risk of similar fraud occurring.

Employees’ responsibilities

4.3 All employees are expected to conduct themselves in accordance with the CPS Code of Conduct. They are expected to act with propriety in the use of official resources and the handing of public funds; comply with systems for internal control; be alert to fraud; and report immediately, through the appropriate channels, any suspicious activity.

Checks

4.4 Overall the Areas had a good standard of checks, although often the emphasis was on checking for errors and reviewing quality and value for money. Most notably, checks were around financial aspects rather than fraud identification. The majority were determined using random sampling methods, which we see as a **strength**. We looked at the most common checks carried out in the Areas we visited.

Financial checks

4.5 The majority of systems used by the CPS have clear audit trails, which makes it easy to establish who has authorised work and financial payment.

4.6 There are standard financial controls and management checks in place and the CPS Guide to Finance contains a specific section on assurance and controls, with a sub section relating to fraud. The guide provides a link to the fraud policy. The guide is specific, with mandated checks collated in a useful annex on financial management and assurance checks indicating when checks should be carried out, namely monthly, bi-monthly, quarterly, bi-annually and annually. We were referred to the guide in all Areas we visited.

4.7 The financial management and assurance list of checks details responsibilities for the CCP, Area Business Manager (ABM) and Area Finance Manager (AFM). Whilst almost all the checks are relevant, pragmatic and, where appropriate, determined using a random sampling method, there are some which we were told are not being undertaken. An example was the CCP 'walking through of one financial process every month', an additional check to those carried out by the ABM and AFM. A review of such checks would be sensible to ascertain whether they are actually adding further value.

Issue to address

The Director of Finance should review the checks outlined in the CPS Guide to Finance to ensure that they are pragmatic, achievable and add a valuable control.

4.8 There are financial delegation levels in place for managers and staff who are required to authorise payment on behalf of the CPS. These are largely dependent on grade and role. There were some differences in the Areas we visited, but we found that generally most Areas were clear about the authorities given and we were told that these were reviewed regularly in line with the guide and when any individual changes role.

4.9 The CPS has moved, for the most part, to central procurement services, which reduces the opportunity for fraudulent activity. Where payment still requires authorisation in Areas, there was a segregation of duties to ensure that authorisation for the work or service was carried out by one individual and payment was checked and authorised by another.

Travel and subsistence

4.10 Most Areas, in a bid to reduce bureaucracy and costs, have moved to a self-certifying system for travel and subsistence for specific roles. It is accepted by the CPS that there is an element of risk to this move. The system means that some staff can self-certify their own claims up to £100. We found an inconsistency of approach, with authorised staff in some Areas being able to self-certify up to £100, others £30 and one Area having no self-certifying amongst any of its staff.

4.11 As part of their checks, all Areas require line managers to undertake a regular dip sample of staff claims. We were told that, generally, managers check the figures for accuracy against the receipts and in accordance with policy. AFMs in most Areas also undertook a random sampling of a minimum 10% check per month on travel and subsistence claims. A 10% check of the figures' accuracy is also undertaken by the central finance team.

4.12 As part of our survey we asked managers and staff whether they think that intentionally making an incorrect claim for travel and subsistence was fraudulent; it was reassuring that all those surveyed recognised that it was.

Flexi checks

4.13 Flexible working is standard practice across the CPS and, as part of this, the majority of staff have the ability to work flexi-time.⁶ Although flexi-time is prevalent across the organisation, there is no national policy or guidance for Areas and Directorates. Some Areas have developed their own local policy and flexi recording forms, however this has led to variations in the processes being applied.

4.14 We found that line managers are required to check their staff flexi records for accuracy, but few did any cross-checking of other processes to check for fraudulent activity. Additionally, AFMs in the majority of the Areas we visited carried out a minimum of 10% random sampling checks across their Area, and most confirmed that they often found differences in approach by line managers on what they check and challenge with staff, for example an inconsistent approach on medical appointments.

4.15 As part of our survey we asked managers and staff whether they think that completing an incorrect record of hours worked under the CPS flexi system is fraudulent. It was disappointing to note that two members (1.4%) of non-lawyer staff, 11 lawyers (8.5%) and two managers (2.2%) were either unsure or didn't think this was potentially fraudulent. A claim made for work not undertaken would be fraudulent activity.

Declarations and conflicts of interest

4.16 The CPS has a Code of Conduct which provides all employees with an understanding of what is expected of them whilst working for the Service and highlights their key responsibilities as a CPS employee and civil servant. It states that "*employees must not misuse their official position or information acquired in the course of their official duties to further their private interests or those of others.*" The Code also states that any conflicts of interest must be declared immediately to the Area/Headquarters Business Manager and failure to comply may result in action being taken under the disciplinary procedure.

⁶ Flexi-time is a system that allows employees to vary the **time** that they start or finish work within agreed parameters and provided that an agreed total number of hours are spent at work.

4.17 We were informed by some managers interviewed that the Code of Conduct does not indicate a formal requirement for maintaining a register of declarations and conflicts of interest. However, the CPS Guide to Finance stipulates that a statutory assurance check must be carried out bi-annually to check that people know when and how to report interests and that the register is maintained, which implies that one ought to be kept. Most ABMs we asked stated that they regularly asked for declarations of interests from staff, particularly from those newly appointed, and did keep a list of declarations made. We also found evidence in some Areas that checks on the register had been carried out. There was some concern about whether the registers were fully up to date and we were told of occasions where managers had picked up declarations from overhearing conversations with other staff. It is a stated requirement in the Code that staff should declare any conflict of interest, for example a partner working in a barristers' chambers used by the CPS, however there is no requirement under the Code for staff to advise when the conflict no longer exists.

Issue to address

Headquarters should ensure that all Areas and Directorates maintain a declaration and conflict of interest register which should be updated on any changes, including when the conflict no longer exists.

4.18 We did find some evidence of checks being made in one Area where a declaration had been made by a CPS employee's partner working at a chambers utilised by the CPS, to check that the chambers in question was not receiving a disproportionate amount of work as a result of the relationship. We considered this to be **good practice**.

Gifts and hospitality

4.19 All Areas visited had their own gifts and hospitality registers which were in line with the national policy (see paragraphs 3.17-19) and these are submitted to Headquarters every six months. They are all in a standard format, including who offered the gift/hospitality, whether it was accepted and the value. The gifts and hospitality registers are also reviewed every six months by the Audit and Risk Committee.

4.20 We examined the composite Headquarters register of Area returns for 2016-17. We noted that out of 160 substantive entries, only ten indicated the gift or hospitality had been declined. A further nine did not indicate either way. We are surprised at the low level of entries on the register of gifts declined. Headquarters will wish to satisfy itself that staff are aware that gifts or hospitality declined must also be entered on the register.

Cross-checking of data

4.21 Cabinet Office Standard 6 states that Civil Service departments should have an “*outcome based metrics*” document summarising what outcomes they are seeking to achieve that year. For organisations with “*significant investment*” in counter fraud or “*significant estimated*” fraud loss, these will include metrics with a financial impact. The Cabinet Office expects that a Civil Service department should be able to identify if it expects the number of fraud referrals to go up or down as a result of counter fraud activity and the levels of fraud detected.

4.22 We considered the use of cross-checking across processes and data as part of the CPS outcome based metrics to highlight errors and suspicious activity and found this to be limited across the Areas visited. In particular, we were concerned that a lack of cross-checking would not give the CPS the required links to identify suspicious activity and could leave the current systems vulnerable to abuse. We found two Areas had undertaken some cross-checking between travel and subsistence, work rotas and flexi-time forms, to ensure that the work had actually been undertaken and that start and end times correlated. Both of these cross-checks had highlighted issues which would not have been found under the separate checks. We consider the use of cross-checking to be **good practice**.

4.23 In some Areas AFMs were clear that part of their checks included looking for suspicious activity, as well as for accuracy and identifying and correcting errors, however it was less clear that line managers understood why they were required to undertake checks on their staff. When errors were found by the AFMs, these were fed back to line managers, but it was rare that prolific instances had led to line managers being held to account against their expectations in the process.

Issue to address

Headquarters should mandate that line managers undertake an element of cross-checking as part of their standard checks.

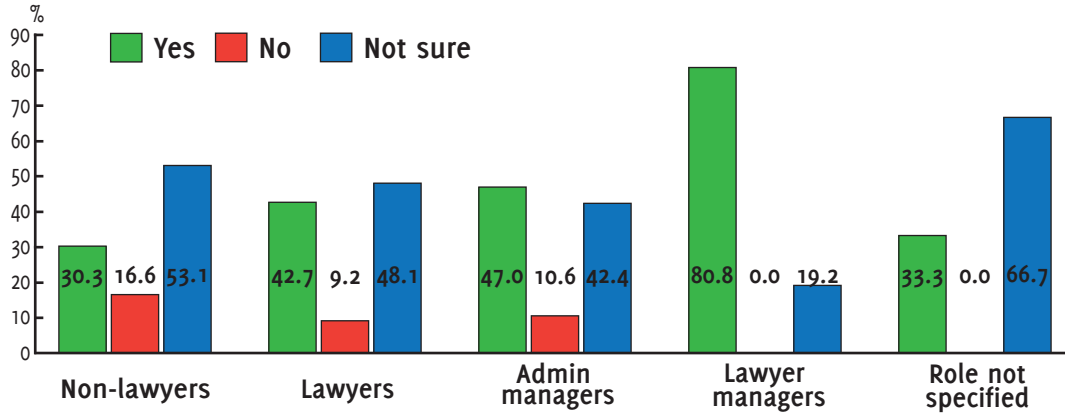


5 Training

Fraud awareness training

- 5.1 Cabinet Office Standard 11 states that Civil Service organisations should “*ensure all staff have access to fraud awareness training*”.
- 5.2 The Cabinet Office expects all Civil Service departments to have their own fraud awareness training in place and not just utilise Civil Service e-learning. Any investigators should be trained to the Government standard for investigators. Under the investigation model, fraud investigations can either be conducted internally by trained staff, or be passed to the police.
- 5.3 The CPS relies upon the e-learning facilitated by Civil Service Learning (CSL) to deliver generic awareness training on anti-fraud, corruption and bribery. The CPS mandated the completion of the training for all staff and managers from 2012 onwards, in response to a fraudulent incident in the organisation.
- 5.4 The e-learning concludes with an assessment and staff must achieve a score of 80% or more to successfully complete the learning. The aim is to “*raise awareness, knowledge and understanding of the importance of tackling fraud, and of the risks and issues relating to bribery and corruption*”. Designed for all civil servants, the training highlights the role and responsibilities everyone has in fighting fraud and promoting an effective anti-fraud culture across Government. Additionally, the CPS has mandated another e-learning module on Responsibility for Information. A notification to all staff was sent out in August 2017 that this training should be completed by November 2017.
- 5.5 As part of our inspection we asked managers and staff if there was a requirement to complete any fraud, corruption or bribery training. Feedback from our survey indicated that 58.8% of staff and managers were either not sure or were unaware of the requirement. The manager responses were of particular concern. Most Areas were unable to provide us with accurate figures of staff trained in their Areas, nor was the information accessible from the CSL website. However we are informed by CPS Headquarters that approximately 90% of CPS staff have completed the e-learning training for fraud, corruption and bribery.

As an employee of the CPS are you required to complete any fraud, bribery and corruption learning, for example the Civil Service Learning Counter Fraud, Bribery and Corruption e-learning module?



5.6 Only 12.8% of staff indicated that they had undertaken any additional training around fraud. In addition to the Counter Fraud, Bribery and Corruption training, every member of staff is required to complete the Responsible for Information e-learning on an annual basis. Although not the main aim of the learning, completion of this training touches upon the impact of fraud, how to spot it and how to report it. Further analysis of the feedback from our survey indicated that almost a quarter of respondents who confirmed they had met the requirement were referring to completion of the Responsible for Information e-learning and not the Counter Fraud, Bribery and Corruption course.

Issue to address

Headquarters should, as a matter of urgency, ensure that all staff complete the mandatory Civil Service Learning Counter Fraud, Bribery and Corruption e-learning and assessment. Areas must retain and maintain a list of staff that have satisfactorily completed the course and submit this to Headquarters. This will assist the CPS in meeting the Cabinet Office Functional Standards.

5.7 There is an expectation that staff new to the CPS and, in some Areas, staff new to a role will complete the Counter Fraud, Bribery and Corruption training as part of the induction process and this was mandated in the national induction pack at the beginning of 2017. This was not evidenced consistently across the Areas inspected and we were informed by some managers that it was not a formal requirement of the induction process in their Area and did not feature in their induction checklists. We were given evidenced lists of new staff and new managers who have completed fraud training, but the numbers provided are much lower than the numbers of new staff recruited to the CPS. Areas keep their own lists of staff who have undertaken induction and training, but many of these

were out of date or incomplete. The CPS needs to ensure that fraud awareness forms part of the induction training and consider whether any additional training is required to bring it in line with the Cabinet Office Standards.

Issue to address

Headquarters should ensure that all Areas are using the latest version of the induction checklist that confirms the requirement to complete the mandatory Civil Service Learning Counter Fraud, Bribery and Corruption e-learning and assessment.

Issue to address

Headquarters should review its fraud awareness training and ensure it meets the requirements of the Cabinet Office Functional Standards.

Management training

5.8 We established that AFMs have a critical role in identifying financial irregularities and potential fraudulent activity as part of their monthly management and assurance checks. We found a disparity in their backgrounds, experience, skill sets and qualifications, and differing expectations of the role and individuals across the AFM cadre. Whilst almost all senior and experienced managers recognised the monthly checks as an opportunity to identify fraudulent or suspicious activity, this was less clear amongst the AFMs.

5.9 In general, whilst guidance is available there is a lack of formal training and direction as to what to look for around fraud when conducting the monthly checks and it was evident that Areas had taken a different approach to upskilling managers undertaking that role. In almost all Areas it was the responsibility of the AFM to deliver training on budget management and financial control to local managers, despite their level of experience.

Issue to address

Headquarters should ensure that there is a comprehensive induction programme for all Area Finance Managers including what to check and how to identify potentially fraudulent or suspicious activity.

Issue to address

Headquarters should ensure as part of their standard training programme for all managers that it includes some element for fraud and for checking suspicious and fraudulent activity.

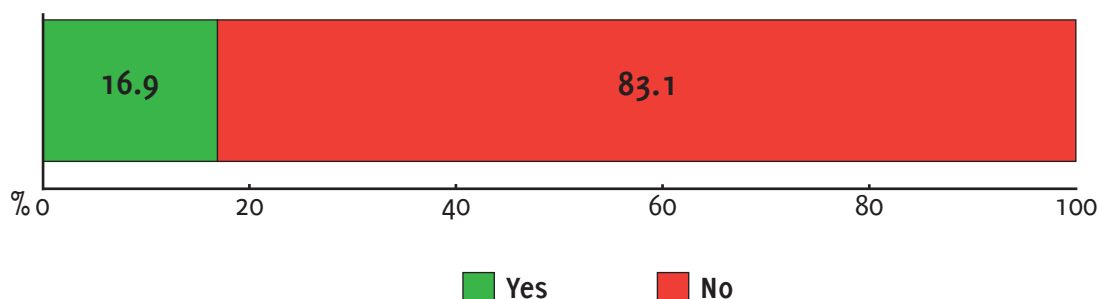
Trained investigators

5.10 Standard 9 states that Civil Service departments will have agreed **access to trained investigators** that meet the agreed public sector skills standards. The CPS has a trained cadre of investigators who are able to examine disciplinary investigations and has access to an independent audit firm to conduct investigations if necessary. Investigators are trained in competencies such as interviewing, how to build a case and establishing a sound basis of evidence.

6 Lessons learned

6.1 As part of our inspection we asked managers and staff if they were aware of any lessons learned or best practice as a result of an incident of fraud. The majority of staff (83.1%) provided a negative response and confirmed that changes to policy would be a matter for Headquarters. This was unsurprising, as the emphasis of checks was on accuracy and correction rather than identifying any suspicious activity. However we found a lack of practical methods in place to exchange information, such as a forum on the KIM site⁷ for finance managers to share common issues, solutions and good practice.

Are you aware of any lessons learned or best practice being produced by the CPS as a result of an incident of fraud?



6.2 Further analysis indicated that just under a third of respondents acknowledged any lessons learnt were as a result of a significant incident of fraud some five years previously.

6.3 Almost all Areas said that the governance structure provides a network for feedback to staff and managers within their Area. Most referred us to findings from the results of the monthly management and assurance checks. These were generally common or reoccurring errors, rather than suspicious or fraudulent activity being shared with managers. We saw little evidence of messages shared with staff in the last 12 months where lessons had been learnt that have then informed procedural or process change.

6.4 Area managers told us that they used to be provided with examples of cases and lessons learned from across the CPS, but this has not happened for some time. Although we found a link to a lessons learned page on the infonet, there were no examples on the page. It is important for consistency, as we mentioned in the policy section earlier, that the CPS analyses actions and outcomes and shares the examples and lessons learned with Areas and Directorates.

Issue to address

Headquarters should create a mechanism for sharing good practice for checks and other matters related to fraud and utilise the current infonet page effectively.



Annexes

A Cabinet Office Counter Fraud Functional Standards

Functional Standards

Government Standards for Counter Fraud – produced by the Cabinet Office

We aim to reduce fraud and error loss through innovative policies and setting ambitious standards, here we spotlight Functional Standards:

- Functional Standards detail the basic components that should be in place within central Government organisations that spend over £100m.
- Developed by a range of stakeholders including counter fraud experts from across Government and other sectors.
- The overall aim of the Functional Standards is to improve the consistency of what is in place across Government to manage Counter Fraud.
- They will evolve to promote incremental improvements in counter fraud arrangements each year.

All organisations that spend over £100m will:

- 1 Have an **accountable individual** at Board level who is responsible for counter fraud.
- 2 Have a **counter fraud strategy** that is submitted to the centre.
- 3 Have a **fraud risk assessment** that is submitted to the centre.
- 4 Have a **fraud policy and response plan** detailing where accountability for fraud lies within the organisation, its delivery chain and how the organisation reacts to potential instances of fraud.
- 5 Have an **annual action plan** that summarises key actions to improve capability, activity and resilience in that year.
- 6 Have an **outcome based metrics** summarising what outcomes they are seeking to achieve that year. For organisations with ‘significant investment’ in counter fraud or ‘significant estimated’ fraud loss, these will include metrics with a financial impact.
- 7 Have well established and documented **reporting routes for staff, contractors and members of the public** to report fraud suspicions, and a mechanism for recording these referrals and allegations.
- 8 Will **report identified loss** from fraud and error, and associated recoveries, to the centre in line with agreed Government definitions.
- 9 Have agreed **access to trained investigators** that meet the agreed public sector skills standards.

-
- 10 Undertake **activity to try and detect fraud** in high risk areas where little or nothing is known of fraud levels, including using loss measurement activity where suitable (i.e. using the Random Sampling programme).
 - 11 Ensure all **staff have access to fraud awareness training**.

B Methodology

The team

The HMCPSI team comprised three business management inspectors. To inform the inspection we used the framework at annex C.

Analysis

The inspection team reviewed published external reports on fraud, in particular the Cabinet Office Counter Fraud Framework and Functional Standards and reports undertaken by the National Audit Office in relation to fraud in the public sector.

HMCPSI also reviewed the CPS policies for fraud, whistleblowing, and gifts and hospitality. Additionally, we reviewed a number of systems for risk and assurance; and for financial/budget checks, travel and subsistence, declarations and conflicts of interest, gifts and hospitality recording, training documents and relevant audits on these systems and processes.

External stakeholders

We interviewed relevant stakeholders at the Cabinet Office and attended the Civil Service Conference session on Counter Fraud.

Survey

We conducted a digital survey via Survey Monkey on the awareness of fraud, which was made available to all managers and staff in the five Areas selected. The key results can be found at annex D.

Fieldwork

The inspection team visited the five selected Areas and spoke with:

- Area Business Managers
- Area Finance Managers
- Area Human Resources Advisors.

The team also interviewed a number of Headquarters staff including:

- Director of Corporate Services
- Finance Director
- Head of Employment Design
- IT Departmental Security Officer
- Former Head of Financial Analysis and Risk
- Human Resources Business Partners.



C Inspection framework

Governance

- appropriate national policy is in place to provide guidance to Areas on recognising, dealing with and reporting of fraud
- that appropriate national policy is aligned with the Cabinet Office Standards and policy
- that appropriate individuals have been identified at Board level nationally and at Area level with responsibility for fraud
- that a risk assessment of fraud has been undertaken by the CPS
- that an effective annual action plan for fraud is in place in line with the Cabinet Office Standards
- that appropriate training on fraud awareness is available and that a process is in place to ensure that any mandated training is completed by all staff
- lessons learned inform procedural changes and policy across the CPS.

Assurance and accountability

- that effective systems, mechanisms and management tools are in place and maintained for recording allegations of fraud
- that the CPS has identified how it will measure its success against its annual outcomes in relation to fraud
- that the CPS can demonstrate that fraud prevention policies have been applied in the Areas
- measures are in place to assist in determining whether activities to minimise risk are effective
- that analysis of fraud risks and measures takes place nationally and locally
- that Areas can demonstrate that fraud controls are in place to regulate regular compliance checks
- that any lessons learned and best practice are produced and disseminated across the CPS.



D Staff survey results

	Yes	No	Not sure	Total responses
Do you know what to do if you suspect that a fraud against the CPS has occurred	80.1% (293)	19.9% (73)	N/A	366
Have you ever reported a suspicion of fraud	3.5% (13)	96.5% (357)	N/A	370
Would you report something if you thought it appeared suspicious	97.6% (361)	2.4% (9)	N/A	370
Do you know where to find the fraud policy in case you have occasion to report suspicion of fraud	64.9% (239)	35.1% (129)	N/A	368
Do you know where to find the CPS whistleblowing policy	70.5% (261)	29.5% (109)	N/A	370
Do you know when and how to complete your Area's gifts and hospitality register	65.0% (240)	35.0% (129)	N/A	369
As an employee of the CPS are you required to complete any fraud, bribery and corruption learning, for example the Civil Service Learning Counter Fraud, Bribery and Corruption e-learning module	41.2% (153)	11.6% (43)	47.2% (175)	371
Have you completed any other fraud prevention training	12.8% (46)	87.2% (314)	N/A	360
Are you aware of any lessons learned or best practice being produced by the CPS as a result of an incident of fraud	16.9% (62)	83.1% (304)	N/A	366
Do you think completing an incorrect record of hours worked under the CPS flexi system is fraudulent	95.9% (354)	1.1% (4)	3.0% (11)	369
Do you think intentionally making an incorrect claim for travel and subsistence is fraudulent	99.7% (370)	0% (0)	0.3% (1)	371

N/A Not applicable



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