



HM Crown Prosecution
Service Inspectorate

Follow-up inspection of the Serious Fraud Office

November 2014

SFO

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Chief Inspector's foreword

I am very pleased to see that the SFO has made significant efforts to deal with the deep-rooted issues identified in my last report. There has been genuine commitment from managers and staff alike to review and update processes and structures and to improve every aspect of case handling, from intelligence gathering and analysis, to casework management and disclosure handling.

The on-site phase for this follow-up inspection was in November-December 2013 and I am aware that some considerable time has passed before the publication of this report. The reason is that this is the first time such a follow-up of the SFO has taken place. During the intervening period, extensive discussions took place to ensure the accuracy of our findings and judgements and to assist in our development of future inspections, as our powers have now increased to include routine inspection of the SFO, rather than inspection by invitation. This report therefore provides purely a snapshot of performance during the on-site period. I have no doubt that further considerable work has continued to be undertaken by the SFO in working towards achieving the recommendations.

To the credit of SFO managers, there has been no attempt to 'plaster over the cracks'. Remedial action has been well planned, but an unfortunate consequence of this approach is that the work takes time to have a clear, demonstrable, impact on outcomes.

Therefore, it is too soon after the previous inspection to expect the SFO to fully deliver on all the 'business impact' sought through their remedial work. However, their response to the recommendations during the period of inspection shows a positive 'direction of travel'. When the improvement in business processes begins to feed through demonstrably into outcomes, I would expect the organisation to become proficient in investigating and prosecuting the most serious and complex fraud and corruption cases.



Michael Fuller QPM BA MBA LLM LLD (Hon)
Her Majesty's Chief Inspector



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1 Introduction

Background

1.1 Her Majesty's Crown Prosecution Service Inspectorate (HMCPISI) first inspected the Serious Fraud Office (SFO) by invitation in the spring and early summer of 2012. The inspection was focussed on casework. Eight recommendations were issued, agreed by the SFO, and the report published in November 2012.

1.2 It is HMCPISI practice to carry out follow-up inspections in order to promote improvement. The aim of the process is to assess and report on progress against recommendations. In this sense, follow-up is about identifying the action taken to address recommendations and assessing its impact on the business.

Methodology

1.3 HMCPISI carried out a follow-up inspection in late 2013. The fieldwork, which included interviews with SFO managers, staff and some external stakeholders, as well as the examination of some case files, took place between 11 November-13 December 2013.

1.4 The fieldwork dates are critical because they are the parameters of the 'snapshot' which informs our findings and judgements. These are also informed by further clarification interviews and material supplied by the SFO up to 13 June 2014, but only insofar as it relates to the position at the time of the snapshot.

1.5 The inspection team comprised three legal, two business management and one casework inspectors and one investigator provided by City of London Police. In the latter stages, it has been led by the Chief Inspector.

1.6 HMCPISI has a set methodology for follow-up inspections of the Crown Prosecution Service (CPS). Given the complexity of SFO casework and the unique nature of the organisation, a bespoke methodology was devised for use on a one-off basis. It included the application of Inspectorate principles (annex B) to form sound judgements according to the bespoke framework set out in annex A, based on the following inspection activity:

- Inspectors examined the latest version of the SFO action plan and supporting documents along with other relevant material, much of which was selected in advance. Further material was supplied during (and after) the inspection process, on request or voluntarily (see paragraph 1.4)
- There was confidential consultation with 45 relevant SFO staff and managers and 15 external stakeholders. There was 'real time' observation of processes such as the Case Evaluation Board, case review panels and case conferences
- Inspectors examined the relevant parts of a representative sample of casework files which, because of our policy not to comment on individual cases, cannot be publicly identified by HMCPISI. This work primarily involved consideration of SFO generated case management documentation, with findings validated (according to the discretion of inspectors) by reference to other documentation and SFO casework staff, as appropriate.

Evaluation for follow-up inspections	
Achieved	The SFO has accomplished what was required
Substantial progress	The SFO has made real headway in taking forward its planned actions in relation to the recommendation
Limited progress	The SFO has done something to address the recommendation
No progress	The SFO cannot demonstrate any progress
No longer applicable	The SFO has experienced a change in circumstance which makes the issue no longer relevant

1.7 Findings were assessed against the performance described in the 2012 report, so that inspectors could identify the levels of progress against each recommendation.

1.8 In accordance with HMCPSI standard practice the SFO were informed, in advance of the inspection, how we would rate the response to each recommendation made in 2012. The relevant ratings are above.

1.9 Rating of progress against each recommendation includes assessment of the response to the recommendation and also the level of business impact. This accords with HMCPSI's principles of inspection, which include the need to be outcome focussed and to take the user perspective (annex B).

1.10 The assessment is made by reference to the framework set out in annex A, which was agreed between HMCPSI and the SFO in September 2013. The framework divides each recommendation into a series of aspects to enable precise assessment of progress. These generally feature the need for review and action by the SFO and the need for it to demonstrate business impact, which is inherent in the principles of inspection.

1.11 Progress against each recommendation (the rating) is assessed in its own context and on its own merits. HMCPSI cannot set detailed expectations on each recommendation as it is up to the inspected body to devise its own response. It is, however, possible to make the general point that 'limited progress' will be gained by effective review and subsequent action and that 'substantial progress' involves demonstrable positive business impact. 'Achieved' involves resolution of the issue.

1.12 The framework also includes reference to matters included by the SFO in its action plan to meet the recommendations, such as witness care and integration of the Digital Forensics Unit. In the framework they are called suggestions and observations. Findings on these subjects are included in the text, but do not affect ratings unless they also fall within the framework relating to the corresponding recommendation.

This report

1.13 The findings and judgements in this report are founded on evidence relating to progress against recommendations, as at 13 December 2013. The recommendations are addressed in detail in chapter 3.

1.14 In summary, the ratings are as follows:

Recommendation	Rating as at 13 December 2013
1 The SFO needs to review and update its intelligence function to ensure that it has effective means of capturing, collating, and analysing the intelligence it receives. It should adopt the National Intelligence Model.	Limited progress
2 The SFO should review its case acceptance process, and look into whether there is a continuing need for acceptance criteria, to ensure that the right cases are accepted to reflect the Corporate Strategy.	Substantial progress
3 The SFO needs to improve the methods by which it assesses the skills, specialism and level of staff commitment required for individual cases, so that it can ensure case investigation and prosecution teams are properly resourced.	Limited progress
4 The SFO needs to standardise, streamline, and mandate its casework management processes, including records management structures/ templates, and quality assurance.	Substantial progress
5 The SFO needs to improve the quality of its investigation work by training staff better in basic investigative technique, and providing better resource levels at the investigation stage.	Limited progress
6 The SFO should review and update its disclosure guidance, design and mandate updated schedule templates, and ensure that all casework staff are trained accordingly.	Limited progress
7 The SFO needs to design and document a transparent process for deciding to pursue civil recovery, and negotiating/agreeing any consent order.	Substantial progress
8 The SFO should finalise and implement existing plans for intensive training programmes for casework staff.	No longer applicable

1.15 In relation to each recommendation there is a context section at the beginning which briefly explains the original reasons for the recommendation. Then follows a findings section setting out the factual context as at 13 December 2013.

1.16 All findings are founded on an evidential basis from material which is contained in HMCPsi files. As far as possible the evidence base is explained in the report text, but only alluded to where more direct reference would cause operational difficulties for the SFO.

1.17 These are followed by the judgements, which assess progress against recommendations by applying the factual findings to the agreed framework. These judgements inform the rating given for each recommendation.

1.18 The significance of each rating cannot be truly understood without recognition of the relevant over-arching context which is outlined below.

Essential context

1.19 In order to place our findings and judgements in proper context, it is essential to recognise that:

- The SFO is unique in its role and structure and cannot be directly compared to the CPS, although there are clearly parallels in some aspects of work
- It has recently faced very substantial challenges arising out of historical problems which pre-date the arrival of the current Director
- The recommendations in our last report arose out of deep-rooted structural problems, requiring very substantial remedial work
- This follow-up inspection started less than one year after the original report was published.

1.20 The SFO is very small by comparison with the CPS with a staff establishment of about 300, but relatively large and complex by comparison with most CPS Areas. It also has a higher national profile and an investigative role, which the CPS does not.

1.21 The SFO has a caseload counted in tens, with many more under consideration in the Intelligence Unit.

1.22 Cases are fewer in number but very complex by comparison with all but the most difficult of those handled by the police and CPS and, at the time of the follow-up, three were subject to 'blockbuster' funding underwritten by HM Treasury, because their resource requirements were too big to fall within the core budget. Cases taken on recently are generally more complex and demanding than those adopted in previous years and the character of the overall caseload is therefore evolving and becoming more challenging.

1.23 Aside from recognising that the SFO is a unique organisation within the criminal justice system, it is essential to understand that it has faced substantial additional challenges since our last inspection, which have affected its ability to respond to our recommendations.

1.24 The SFO's role, structures and processes have been subject to frequent comment in Parliament and the national media. Cases are monitored in the press and case outcomes are widely reported. The organisation has also sustained heavy criticism concerning the management of its business under the previous Director and some of these issues have required considerable remedial work by the current management team and other staff.

1.25 Simultaneously, the current Director has made significant changes to the structure of the organisation and there has been significant staff turnover at all levels. In late 2012 there was a 'whole office' move.

1.26 Inspectors accept that these challenges have been unavoidable and that they have been a substantial distraction from the core business of running cases and improving performance.

1.27 It is also important to recognise the precise circumstances of the inspection. Many of the structural problems identified in our last report were deep-rooted. Therefore, any substantial response to the recommendations would have to be thorough-going and sustained over a lengthy period, certainly more than a year. Some involve an element of cultural change, which cannot be quickly achieved.

1.28 Similarly the life-cycle of an SFO case is counted in years, which means that some of the changes implemented to address recommendations will take considerable time to demonstrate business impact consistently across the casework and its outcomes. This follow-up took place less than 12 months after publication of the preceding inspection report. This is a relatively short period for any inspection, especially where the factors outlined above are in play, but planning pressures required we return relatively early.

1.29 It follows that tangible results may not appear for some time yet and that it would be unrealistic to expect a significant level of business impact until changes have had a chance to bed in fully. This naturally limits the level of achievement against the scoring matrix on page 2 and it is not surprising that there has been substantial progress against only three of the recommendations, despite the amount of work which has been done to address them and the generally positive expectation that business impact will follow in due course.



2 Executive summary

2.1 In late 2013 HMCPSI carried out a follow-up inspection of the SFO, to assess progress against the eight recommendations we made in November 2012. These all relate to the conduct of casework. Findings are as at 13 December 2013.

2.2 We found that the SFO has taken the recommendations (and other aspects of our earlier report) seriously and has worked consistently throughout late 2012 and 2013 to make progress in relevant areas. There has been commitment from senior managers and staff alike, some of whom have volunteered to get involved in key work streams such as the development of the new operational handbook.

2.3 Development of the new operational handbook has involved a wholesale review of the casework structures and processes employed throughout the organisation. It was achieved, in effect, one year after the project started. For the first time there is now a sound set of casework guidance, accessible to the busy practitioner, to guide the conduct of cases. In particular, a great deal of work has been done on disclosure guidance and practice. While the SFO's lawyers need to be given more development opportunities and training in this aspect of work, the foundations are now in place. Also, there has been a great deal of work on standardising and regulating the approach to Section 2 (S.2) notices (requiring the provision of information for an investigation), charging decisions and accountability levels for casework decision-making and quality assurance.

2.4 This carries clear benefits in terms of performance management, in that greater standardisation allows more effective compliance testing and quality assurance. A fully functional combined electronic case management and evidence handling system would also help, but this is not yet forthcoming.

2.5 The SFO has already put more robust quality assurance processes in place since the 2012 inspection and the next step is to roll out a central compliance testing programme to help drive improvement. There is much greater management control of cases than there was in early 2012 and the expertise of experienced practitioners is brought to bear more effectively than it was. For example, investigators are given mentoring on the conduct of every interview under caution before it happens and case review panels enable SFO General Counsel (and others) to add the benefit of their expertise to the conduct of casework at key points.

2.6 However, the SFO had suffered well publicised adverse outcomes in the months leading up to the inspection. The improvement in key aspects of casework referred to above needs to be demonstrated across the range of casework activity. Processes in place to analyse cases and identify casework risks need to be made more effective, so that managers can be confident that they really know where future problems are likely to crop up.

2.7 A great deal of work has also gone into the review and overhaul of the intelligence function. This has now been centralised into the Intelligence Unit, whose processes have been improved to give greater control to managers in the Unit itself and those who oversee the whole organisation. Whilst inspectors saw

some evidence of improved analysis capability feeding through into acceptance decisions and casework, the Intelligence Unit was only brought up to full establishment at the time of the follow-up inspection. The new intelligence handling electronic database had also just gone live, so benefits in terms of enhanced functionality lie in the future.

2.8 Business impact should include further improvements in the speed and quality of the reports provided to the Case Evaluation Board and help ensure that cases move through the Intelligence Unit without delay. In order to deal with this ongoing problem, a new process has been instituted whereby deadlines are applied to the processing of cases through the Intelligence Unit. There is a lack of clarity over the operation of this scheme, but it is based on sound principles and needs to be made to work.

2.9 Whilst the focus of the strategy to improve intelligence handling has been on the Intelligence Unit, the SFO needs to remain aware that the National Intelligence Model (NIM) is a scheme which governs intelligence handling across organisations. Operational staff and managers outside the Unit need to be included in future NIM compliance assessments and training plans to ensure that the SFO as a whole improves its intelligence handling capability to a high level.

2.10 The SFO has upgraded substantially the processes used to decide which cases are accepted for investigation. There was a concern around this under the previous Director and robust structures, including the Case Evaluation Board, now exist to consider reports prepared by the Intelligence Unit and advise the Director on the suitability of any given case by application of the Statement of Principle (which has rightly replaced the previously problematic acceptance criteria).

2.11 The SFO has now made it abundantly clear to all that self-referral is a process which engages set codes and guidelines and that there can be no guarantee of a specific outcome, either formally or informally, until the proper process has been followed. Therefore, all referrals must now go through the Intelligence Unit. This is a positive step, but there could be greater clarity around the pathway taken by cases thought potentially suitable for civil recovery orders.

2.12 Throughout the SFO there is an acceptance of the lessons learnt from high profile case failures. In particular, it is alive to the need to analyse properly referral reports submitted by lawyers or accountants acting for corporations who suspect wrong doing by/ in their own organisation (referral reports submitted by corporate 'whistle blowers').

2.13 Since late 2012 there has been a much greater emphasis on learning and development to drive up the quality of casework. This has resulted in training schemes aimed directly at identified weakness, although they were only due to gain full impetus in the months after the follow-up. This is particularly relevant to the development of investigators who had some training in 2013 and who will get the benefit of the accredited training scheme rolled out in early 2014.

2.14 The SFO has also worked to improve the process for identifying and allocating appropriate staff resource to cases. However, there is still a perception within the organisation of imbalance between case teams and an acceptance that case progression could be improved by better directed staff resourcing.

2.15 Overall, it is clear that the SFO has acted with commitment to address the issues covered by our recommendations and this is creditable. However, inspection must involve an outcome focus and we are committed to taking a user perspective. Therefore, the assessment of progress against the recommendations must be judged by the level of business impact, as well as the actions themselves. In four of the recommendations it is too early to discern sufficient business impact to merit a rating of substantial progress, despite the hard work which has been done. This is primarily because the SFO is a unique and complex organisation in the UK criminal justice system, with very deep-rooted cultural problems which cannot be resolved quickly. It also runs cases with a life span of many years, so that changes to the casework process and culture do not bite across the caseload simultaneously. To expect this would be unrealistic. HMCPSI recognises that there have been a number of staff changes since the last inspection which have contributed to ongoing cultural change.

2.16 The SFO has rightly taken the approach that the problems identified need to be resolved properly for the long term and this necessarily means that strategies had to be properly thought out and planned. At the time of the follow-up they were beginning to bear fruit and, however creditable they are, the strategies and action plans will only be able to demonstrate their effectiveness in the coming years.



3 Progress against recommendations

This section sets out the detailed findings of the follow-up inspection, with the context, findings and judgements described in separate sections under each of the eight recommendations. The rating (against the scale set out on page 2) is recorded below the recommendation number and explained in the judgements section.

Recommendation 1

Limited progress

The SFO needs to review and update its intelligence function to ensure that it has effective means of capturing, collating, and analysing the intelligence it receives. It should adopt the National Intelligence Model.

Context

3.1.1 Our inspection in early 2012 found that intelligence handling was relatively fragmented, disorganised and unfocused. Therefore, the SFO as a whole was not geared to collecting and analysing the intelligence already in its possession in a coherent or comprehensive manner. This affected the ability to develop its own strategic assessment and to share intelligence with partner agencies, both of which are key principles embedded in the National Intelligence Model. It also hampered the SFO's ability to realise its stated aim of a "proactive" intelligence function.

3.1.2 Therefore, the adoption of NIM across the organisation was a key part of our recommendation. The SFO too, states its aim to adopt fully NIM principles and apply them across organisational structures, processes and culture, to enable achievement of its objectives.

However, it is important to note that NIM was designed for police organisations, not the SFO. Inspectors accept, therefore, that not all aspects can apply to the SFO.

Factual findings

3.1.3 Very soon after publication of our inspection report the SFO Senior Management Board set strategic goals, including the development of a more coherent and proactive intelligence function. These were entirely consistent with the recommendation we made.

3.1.4 A new Chief Investigator was appointed in September 2012 and he was able to carry out a full review of the intelligence function, focussed squarely on the structure and processes of the Intelligence Unit. This was handled in a robust, thorough and inclusive manner and resulted in a strategy which was fundamentally sound.

3.1.5 The strategy involved a long term, rolling three year flexible plan owned by the Chief Investigator to embed NIM, centralise the intelligence function on the Intelligence Unit and give the SFO a truly proactive intelligence capability. The first year of the strategy focussed on developing the Intelligence Unit and the second on embedding NIM throughout the organisation. Again, these objectives were well aligned to the recommendation and to each other.

3.1.6 The development and streamlining of the Intelligence Unit clearly called for an overhaul of its processes and structures, including a new IT system for holding and analysing the intelligence database and increased staff numbers with a wider skills set.

3.1.7 With this in mind, Intelligence Unit processes and structures have been re-designed and implemented to give a much greater level of transparency and control within the Unit itself. Individual accountability is clearer and there is improved internal communication and direction, combined with more effective record keeping and monitoring processes. These developments also enable senior managers to understand and influence Intelligence Unit workflow and priorities, which is a critical step. These processes were already embedded and clearly effective at the time of the follow-up.

3.1.8 They have also started to have a positive impact on Intelligence Unit casework, which primarily involves developing cases for a decision on whether they should be accepted for formal investigation (see recommendation 2). In particular, there is a more focussed approach to the analysis of potential cases arising out of referral reports and inspectors saw evidence of this in one case which had worked its way through the process by the time of the follow-up.

3.1.9 However, issues still remain and there was evidence that in the months shortly before the inspection some 'projects' (potential cases) were moving too slowly through the Intelligence Unit, due to lack of staff resource. Inspectors also saw some evidence that projects can be prepared for an acceptance decision when the Statement of Principle was never likely to be met, potentially wasting resources.

3.1.10 Where S.2A notices (requiring the delivery of information in bribery cases) are issued there can be delay while the response is awaited. It is also possible that the same checks will

need to be done again by the case team post-acceptance and duplication of effort needs to be avoided where possible and appropriate.

3.1.11 To improve staff capability the Intelligence Unit staffing model has been re-designed appropriately. A recruitment plan was set and at the time of this inspection was nearly achieved, with some key posts only filled in late 2013. This included the recruitment of a skilled intelligence analyst, the absence of which was seen as the cause of the delays mentioned above.

3.1.12 Substantial staff training has also been undertaken within the Intelligence Unit, partly with a view to enabling it to handle intelligence provided by partner agencies, and partly to improve its own internal analysis capability. The Unit now also has the benefit of an experienced lawyer from an operational team helping make assessments and set case strategy.

3.1.13 The immediate prospect of greater analytical capability at the time of the follow-up has given Intelligence Unit managers and staff greater confidence to process cases faster than before. It should also reduce delay.

3.1.14 Also key to enhanced capability and efficiency was the purchase of a new consolidated database to enable the Intelligence Unit to store and analyse larger amounts of intelligence more efficiently. The new system came online during the follow-up period. While there were no concerns about the system's capacity, at the time of the inspection it was too early to assess its true effectiveness. The interface between new and old handling processes may be an issue.

3.1.15 As part of the ongoing review process the Chief Investigator, assisted by the Head of the Intelligence Unit, has carried out a series of NIM compliance assessments. This process is necessary to identify gaps and to allow the Chief Investigator to plan strategies to embed NIM principles throughout the organisation. These assessments have also provided benchmark compliance levels within the Intelligence Unit at key points and they show very substantial improvement since September 2012.

3.1.16 However, they do not amount to a full audit and should not take on significance beyond their (valuable) role of identifying aspects for improvement, or giving a very broad indication of direction of travel. While the SFO has focused its intelligence improvement strategy on the Intelligence Unit, it ought to be borne in mind that NIM compliance should be assessed at organisational level and the SFO should move towards this. Overall, it has a long way to go to demonstrate that NIM principles have been embedded. The Chief Investigator recognises this and intends to develop a NIM model which is compatible with SFO functions.

3.1.17 Looking at the SFO as a whole, the intelligence handling profile is beginning to change. For example, the Intelligence Unit is now the sole portal into the SFO for intelligence and referrals. At the time of this inspection, steps were being taken to enable fraud complainants to 'self-direct' to Action Fraud, the UK's national reporting centre for fraud and internet crime, and other organisations where appropriate. This will create efficiency by reducing the pressure on the Intelligence Unit and SFO systems more widely.

3.1.18 Some other, wider SFO structures have also been altered to benefit intelligence handling, including the assistance and advice given to the Intelligence Unit from a senior prosecutor with regard to powers of entry and the presence of a member of the Unit at case controller meetings. In addition, it is intended that each case team should have a member of staff allocated as Intelligence Unit liaison point, although this had yet to be put into practice at the time of the follow-up.

3.1.19 The Chief Investigator and other Intelligence Unit staff have provided some training to operational staff, focussed on new starters but including operational case teams. Intelligence staff attend Divisional meetings on occasion, and a member of each case team is a dedicated point of contact for the Intelligence Unit. However, the understanding of the intelligence role among operational staff (outside the Intelligence Unit) was still limited at the time of the follow-up. We were told that not all had received intelligence handling training or familiarisation, and that links between case teams and the Intelligence Unit at operational level were still weak. The roll out of the familiarisation programme is set to continue as part of the three year strategy.

3.1.20 Casework staff had variable, and sometimes limited, understanding of the processes for handling intelligence arising out of their daily work and this will hamper the ability of the Intelligence Unit to make full use of its new resources referred to above. Case teams and their managers need to understand better the principles which underlie NIM, to ensure that the SFO becomes an integrated intelligence handling organisation.

3.1.21 The work done on the Intelligence Unit has undoubtedly helped improve the level of overall NIM compliance in the SFO. However, some key aspects of NIM still need work and throughout 2014 the SFO will focus more on its intelligence handling as an organisation. At the time of the follow-up it relied on the national strategic threat assessment to help direct its intelligence, but is now developing a new version of its own. This was completed in 2014. We were told that some aspects were already in place in 2013, although they were not all formally documented.

3.1.22 The SFO has worked hard on its external relationships. Some new associations have been established with agencies involved in intelligence handling and some pre-existing relationships have improved. At the time of the inspection the SFO was working to create an effective dialogue with partners and we have seen evidence of active dissemination of intelligence product, but some external stakeholders had yet to notice any real improvement in the quality and timeliness of intelligence handling by the SFO.

Judgements

3.1.23 The SFO has reviewed its intelligence function focussing on the need to collect, collate and analyse intelligence effectively. Combined with the strategic objectives set by the Senior Management Board, which focus on an enhanced, proactive, intelligence function, the review has helped produce an appropriate strategic plan. This understandably focuses on the Intelligence Unit in the first instance and the rest of the organisation afterwards. There could have been greater accompanying focus on integrating the intelligence handling function

within SFO processes as a whole, although this is due to follow. This will be important for the planned adoption of the principles which underlie NIM.

3.1.24 Progress against the plan has been made, although it has been affected by resourcing issues and the scale of the task in overhauling structures previously in place. In particular, the processes of recruitment and purchasing took longer than expected, so that in late 2013 the SFO was not in a position to demonstrate real embedded performance improvement. While inspectors were able to see some evidence of improvement working its way through the pipeline, there was still evidence of delay. The true business impact of the hard work done should become apparent by the end of 2014.

3.1.25 The SFO needs to broaden its approach to intelligence handling to integrate the whole organisation. For example, it is hard to see how any organisation could achieve significant NIM compliance without a strategic threat assessment or a common understanding of the principles of intelligence handling at all levels. Currently the SFO lacks these and this affects its ability to share intelligence internally and externally.

3.1.26 Overall, the SFO clearly takes intelligence handling seriously and a number of important steps have been taken following the appointment of the new Chief Investigator. The intelligence capability has been well reviewed and the right course set to ensure improvement. Also, the key foundations are in place within the Intelligence Unit to give it the potential it needs to help the SFO meet appropriate strategic objectives set by the Senior Management Board.

Recommendation 2

Substantial progress

The SFO should review its case acceptance process, and look into whether there is a continuing need for acceptance criteria, to ensure that the right cases are accepted to reflect the Corporate Strategy.

Context

3.2.1 The Director of the SFO has the power to accept for investigation any suspected offence which appears to him on reasonable grounds to involve serious or complex fraud (under the Criminal Justice Act 1987 S.1(3)).

3.2.2 When we first inspected in 2012 the SFO had acceptance criteria which were not always easy to apply. The 2012 report reflected stakeholder concern that the SFO had taken on cases which were not sufficiently complex or serious to justify its involvement.

3.2.3 There was also a lack of transparency around the case acceptance process which affected staff morale, relationships with stakeholders and the casework itself.

Factual findings

Acceptance criteria

3.2.4 Following appropriate review and consultation the SFO has removed the old acceptance criteria and replaced them with a Statement of Principle, which reflects its Corporate Strategy by incorporating the essence of an SFO case.

3.2.5 Further clarity has been added by public statements by senior SFO managers, such as the assertion that no case would be rejected for want of available resource.

Statement of Principle

Serious Fraud Office [SFO] case selection

The SFO investigates and, where appropriate, prosecutes cases of serious or complex fraud (including cases of domestic or overseas bribery and corruption) which, in the opinion of the Director of the SFO, call for the multi-disciplinary approach and legislative powers available to the SFO. In deciding what cases to adopt, the Director will consider all the circumstances of the case including:

- The scale of loss (actual or potential)
- The impact of the case on the UK economy
- The effect of the case on the UK's reputation as a safe place to do business
- The factual or legal complexity and the wider public interest.

3.2.6 The Statement of Principle is sufficiently broad to encompass the top level of complex and serious cases without committing the SFO to cases which can be handled by other organisations, including the police and the CPS. It also allows the SFO to develop its strategy effectively, as times change. SFO managers and staff support this approach, as do most external stakeholders.

3.2.7 As part of the case acceptance process, the Statement of Principle appears to work well. The Case Evaluation Board is able to interpret it consistently, with rare dissensions as to what does and does not represent a suitable case for acceptance.

3.2.8 There remains some criticism from external stakeholders that the perceived lack of clarity hampers strategic and operational co-operation, although this may be inevitable where the 'opinion of the Director' remains the ultimate statutory arbiter.

Acceptance process

3.2.9 The decision to accept a case for investigation lies solely with the Director, unless he decides to delegate it under certain restricted circumstances. This decision represents the pinnacle of a process which enables the many thousands of complaints and referrals received annually to be whittled down to those which are likely to be seen as meeting the Statement of Principle.

3.2.10 In 2012 the process was weak and lacked transparency. It was not always clear who had made the final decision to accept a case for investigation and the reasons for accepting and rejecting cases were not always compliant with the acceptance criteria which existed at the time.

3.2.11 The whole process has been fully reviewed to make it more robust and transparent, particularly in its latter stages.

3.2.12 The Intelligence Unit is the sole access portal into the SFO and almost all complaints and referrals are considered here first by application of a 'triage' process. Those which are not rejected are granted pre-project and then project status within the Intelligence Unit and can be rejected by the Chief Investigator at any point. When they are assessed as potential cases a report to the Case Evaluation Board (CEB) is prepared. The Board goes through the report, checking and challenging and General Counsel makes a written recommendation to the Director, with whom the final decision lies.

3.2.13 The whole process is properly set out in the operational handbook. It is transparent and well recorded.

3.2.14 The Case Evaluation Board is an effective forum, suitably staffed, for deciding when a project presented by the Intelligence Unit should be accepted and converted into an investigation by a case team. The Statement of Principle is well applied in general terms. From our observations the right cases have been accepted and rejected since this process was adopted.

3.2.15 Senior individuals add their experience and knowledge to the start of the investigation and the Head of Division is able to contribute perspective regarding skills requirements and resources in general.

3.2.16 While strategic issues are considered throughout, the CEB is not really able to make the kind of resourcing indications required by its process. In reality, these remain with the case controller and Head of Division to resolve. The SFO should consider amending the process to reflect reality.

3.2.17 The only apparent issue is one of efficiency. It appeared to inspectors that the CEB process was somewhat hampered by lack of resource in the Intelligence Unit. The reports we saw had been prepared under the new process, but with limited staff resource, and could be rationalised further to make the CEB meeting even more effective and efficient. As the new Intelligence Unit processes embed, reports will no doubt become more streamlined in time. The Intelligence Unit now has greater analytical capability to ensure that reports are well focussed and concise.

3.2.18 During the inspection a new policy was introduced requiring that all referral reports be handled and passed to the CEB within 90 days of receipt. This deadline will be monitored by the Chief Investigator and only the Director has the authority to extend it. The new guidelines

also provide for a dual track approach to allow certain cases to move even faster through the system. The imposition of a time limit is welcome, although at the time of our inspection there was a lack of clarity amongst staff over what constituted a 'fast track' case. Definitions given to inspectors ranged from fraud cases not involving any bribery or corruption, to cases where a full internal investigation was supplied at the point of self-referral by the suspected corporate.

3.2.19 In any event the SFO is very aware of the need to challenge the accuracy and completeness of any self-referral report, following a high profile failure. The Intelligence Unit plays a part in this process, as does the CEB and the case team once the case has been accepted for investigation. The Intelligence Unit now has the permanent benefit of a case experienced lawyer to advise on this process.

3.2.20 Conversely, the SFO (rightly in our view) does not accept at face value self-referral reports which conclude that criminality is suspected but impossible to prove.

Judgements

3.2.21 The review of the old acceptance criteria was effective and the adoption of the Statement of Principle was a sound decision. It is fit for purpose, but needs to stay under review to ensure that it remains fully relevant.

3.2.22 The new case acceptance process, from the point at which the CEB is engaged, is fully transparent, robust and effective. To this extent it is creditable, although it lacks a degree of efficiency which should improve as the capability of the Intelligence Unit improves.

3.2.23 Overall, from the sample seen by inspectors the right cases are accepted and rejected.

Recommendation 3

Limited progress

The SFO needs to improve the methods by which it assesses the skills, specialism and level of staff commitment required for individual cases, so that it can ensure case investigation and prosecution teams are properly resourced.

Context

3.3.1 The scale and complexity of the SFO caseload, as well as the individual cases themselves, makes it difficult to predict accurately where staff skills and numbers are likely to be needed during the life of a case. This can result in staff imbalance between teams and Divisions and shortfalls in skills at critical moments. Inspectors recognise that there is no complete solution to this problem.

3.3.2 In 2012 the allocation of staff and skills between casework teams was often the subject of informal arrangements between operational managers. There was a lack of strategic control, which prevented coherent resource allocation and was a partial cause of delayed case progression.

3.3.3 Attempts to respond effectively to this recommendation must be seen in the context of changes in the environment, including a restructure into five casework Divisions, with the creation of a new unit to handle special casework under-written by blockbuster funding from HM Treasury. Combined with the policy statement that the SFO will not reject cases on costs grounds, this ensures that future staff requirements are very hard to predict.

Factual findings

3.3.4 Work has been done to develop a better process for allocation of staff and skills to cases. Heads of Division are involved in the decision-making process regarding the allocation of staff between operational Divisions. This is done formally and at the time of the follow-up inspection discussions were held at the Senior Management Board. Subsequently, a separate sub-group has been set up for Heads of Division to make resourcing decisions in company with key senior managers from across the organisation.

3.3.5 Financial partnering teams reporting to the Chief Financial Officer have been appointed to assist in this process. They liaise with Divisional managers to help with budget forecasts and provide a link between operational staff allocation and the corporate budget. They also record the discussions and decision-making process.

3.3.6 At Divisional level decisions on the resourcing of casework teams are ultimately made by the case controller and Head of Division. These decisions are reviewed during the life of a case and forecasts reported as it progresses. Again, financial partnering teams are involved.

3.3.7 The two main aspects of allocation are the characterisation of the future needs of the case, followed by identification of appropriate staff to meet them. This needs to be done in such a way that staff time is used efficiently and that a situation is avoided where some teams are over-resourced and some are under-resourced at any given time.

3.3.8 Heads of Division use a number of means to assess the resource requirements of a case. Before one is accepted and formally placed with a case team, the Head of Division (and case controller) usually liaises with the Intelligence Unit, on an ongoing basis, to help devise case strategy and work out the resource requirements. In the bigger cases this is rightly an intensive process.

3.3.9 It represents an improvement since the last inspection and, whilst the conversations could be recorded more consistently for audit purposes, links between the Intelligence Unit and case teams have been improved so that managers now have a clearer idea than previously of the scale and demands of projects likely to be accepted as cases in the near future. In turn, Heads of Division are enabled to plan more effectively and to discuss with case controllers and other Senior Civil Service (SCS) managers the shape of the casework team in advance of an acceptance decision.

3.3.10 This helps resource allocation. It also allows the timing of the case acceptance decision to be set so that it is synchronised, as far as possible, with appropriate staff resource availability on the Division. Whilst this can drive unwanted delay, it gives an increased level of control to managers.

3.3.11 In planning the likely resource impact of cases managers now use a relatively simple resource allocation model for small, medium, large and blockbuster cases. Each model cross-refers to a template setting out the requisite core case team, depending on the size of the case. This is intended to be used in conjunction with the Case Evaluation Board assessment to fine tune the skills requirement for the case at the point it is accepted for investigation.

3.3.12 The Case Evaluation Board has a remit to feed into considerations around training skills required and Heads of Division are present to discuss this. However, the number and breadth of issues discussed at the CEB mean that resourcing aspects are only covered relatively briefly. Similarly, the skills and resource section of the Case Evaluation Board assessment is rarely completed in detail. The reasons for this are understandable, but the audit trail is a little weak as a result.

3.3.13 There is also a perceptible weakness in planning, characterised by some as ‘optimism bias’, where staffing forecasts are based on faster case progression than is really likely. There is a knock-on effect on the accuracy of the corporate forecasting process, which in turn makes the allocation task that much harder. The level of budgetary ‘grip’ was weaker than would be expected, at all levels. Being able to promptly ascertain budgetary position at any point throughout the financial year is critical to allow for informed decision-making and better prioritisation, whilst reducing delays and inefficiencies.

3.3.14 At the time of the follow-up it was accepted by the SFO that the connections between casework need - which drives resourcing decisions - and the resourcing decisions themselves, could be recorded better to allow effective audit and improve grip. The new sub-group should help address this, although conversations between Heads of Division and case controllers need to be recorded too, so that they can be effectively reviewed and decisions amended where appropriate.

3.3.15 This is important because resource imbalance between case teams was still perceived by some staff. Some said they were over-worked while others said they had little to do. Combined with the existence of a substantial under-spend against budget forecasts in the first half of 2013-14, this tends to indicate that there was room for improvement in the planning and forecasting process, both centrally and at Divisional level.

3.3.16 Ultimately, managers are always dependent on their own experience and knowledge of their staff to make allocation decisions. Having assessed the core team required for a case, they also have the benefit of a cross-organisation training needs analysis which was carried out in 2013. This has identified skills gaps and a strategy has been set to fill them. In turn this has been converted into actions in many cases, with implementation shared between senior and middle managers.

3.3.17 The well reported drain of available expertise was being addressed at the time of this inspection through the development of training plans and recruitment of permanent and temporary staff. Some highly capable individuals have come across from private practice and other government departments in the year leading up to the follow-up, despite the SFO’s inability to offer attractive packages to certain categories of staff, particularly investigators. The overall strategy to combat this has been to pitch recruitment campaigns at less experienced staff, bringing them in at lower grades, with the intention of developing them in-house and promoting accordingly.

3.3.18 The SFO is also working hard to retain its more experienced staff through a number of activities including training them to fill gaps identified, particularly in the management, investigative and accountancy areas. There is a morale dividend here, as the direction of travel on the staff engagement survey is positive.

3.3.19 The SFO also buys in expertise on cases, particularly in those areas where there is a skills shortage. Contract staff and secondments from other government departments, as well as city law firms, accountancy firms and police forces, are used to good effect. This helps establish networks and links for support such as advice and secondment opportunities for accountancy and investigative roles. Good use is also made of contractors to raise SFO staff's own skills in IT matters, for example.

3.3.20 The SFO has plans to maximise the benefit of short term staff appointments. Performance management and a shorter appraisal form are to be introduced for temporary staff who are taken on for a period of three months or more. Lack of performance management for temporary staff was an issue raised in the last report in 2012.

Judgements

3.3.21 This is a very challenging aspect of corporate management and there is no complete solution. However, at the time of the follow-up the SFO was working to address issues raised in the last report; namely, to formalise allocation of staff and skill sets more appropriately.

3.3.22 First, there are better and more robust processes to characterise the resource impact of future cases. Secondly, the SFO has taken action to improve the levels of internally available expertise. Thirdly, Heads of Division have improved tools to identify more accurately the right staff for each case.

3.3.23 It was apparent that across all levels, strategic and operational, there was a better awareness of the availability of skills and experience so that the SFO was better placed to identify skilled performers and ensure case teams have the right balance throughout the progress of a case. However, there is a real concern that imbalance between the case teams still exists and that there is still much room for improvement in resource planning and forecasting.

3.3.24 Allocation of staff to Special Projects Group (now known as Division E) has been very successful for that Division's casework although there has been an apparent impact on the capability of the other Divisions, with some staff commenting on a perceived resource imbalance between case teams. The continuing review and improvement of staff resource allocation should resolve this issue in future.

3.3.25 New processes and structures are welcome, but the SFO needs to improve further its forecasting of staff resource requirements on operational case teams.

Recommendation 4

Substantial progress

The SFO needs to standardise, streamline, and mandate its casework management processes, including records management structures/templates, and quality assurance.

Context

3.4.1 When we inspected in 2012 there was a lack of coherence and consistency around SFO casework processes. Different approaches were taken to most tasks across the organisation, including to recording key stages in case progression. This affected the ability of case controllers to run cases efficiently and of managers at all levels to assess compliance and assure the quality of the work being done.

3.4.2 There was an operational handbook which was not entirely accurate, fully up to date or coherent. Casework practices differed widely between (and within) case teams. Quality assurance and review processes lacked clarity and compliance was weak. An underlying cause was the general lack of transparency in communication and on case files. In particular there was a failure to record key decisions. The business impact has been substantial cost and delay on cases up to the present day, as well as unnecessary adverse outcomes.

3.4.3 The need for improved witness care and the service provided by the Digital Forensics Unit to the case teams have rightly been raised by the SFO as points for further attention. Accordingly, we have considered them below.

Factual findings

3.4.4 Managers and staff understand and accept the need to review, standardise and streamline the casework processes. Accordingly, there has been very substantial commitment at all levels of the organisation to ensuring that this happens.

Casework management process

3.4.5 The mainstay of the action on this recommendation is the revision of the operational handbook which has involved the re-appraisal and re-design of certain processes, as well as the better description of others. There has been a proper, controlled approach to this massive and ongoing task, involving project management principles and appropriate consultation, to combine accuracy and functionality. It has been a major work stream for the SFO throughout 2013.

3.4.6 Driven from senior level by an Editorial Board connected closely to the Senior Management Board, the project team ensured that members of staff involved in the re-draft have done so willingly and effectively. The work has been divided properly between individual staff, with appropriate quality assurance and a single focal point for the project, to achieve a good balance of expertise and efficiency.

3.4.7 As a result, there is improved accuracy and clarity around various topics including the allocation of decision-making responsibility and the key casework processes. This will give greater clarity and accountability in the casework process, which must drive improvement in standards. It will also improve morale as staff and managers are empowered to take key decisions subject to appropriate, defined, quality assurance.

3.4.8 Outdated text has been updated to reflect modern practice and there is a move away from recitation of the law towards a practitioners' guide, although in places the text still errs on the side of academic rather than practical. Senior managers accept that there have been some 'disconnects' and gaps, which have now been largely resolved, but overall the document is a great improvement on its predecessor.

3.4.9 There are also sound processes in place to ensure that the operational handbook remains under review and this too is a key driver for improvement because it will provide, for the first time, a sound base for quality assurance and compliance testing.

3.4.10 Ancillary benefits of this process include closer links with the CPS Strategy and Policy Directorate, which will help keep the guidance up to date. Links were made between the development of process and the Training Board. There was input from lawyers and investigators. Also, senior SFO managers were able to identify issues regarding internal project management capability and as a result training is to be provided.

3.4.11 Less formally, casework process is under ongoing review throughout the SFO. Autonomy Planning Meetings are now more functional. Heads of Division and the Digital Forensics Unit (DFU) have together designed a better process for prioritising DFU workloads more sensitively and to provide a more responsive service. This has resulted in a substantial improvement in the relationship between the DFU and casework teams.

3.4.12 The LIBOR team has devised a template for the receipt of electronic information. A Central Correspondence Unit has been set up to take pressure off the Intelligence Unit and case teams. There is evidence that these changes are beginning to yield benefits.

Quality assurance and compliance

3.4.13 Special Projects Group (now known as Division E) has also adopted its own, very robust, casework and quality assurance processes involving cross-cutting meetings and peer review, as well as clear lines of communication and validation to ensure that case strategies are well conceived and followed. There is no doubt that everything practicable has been done to maximise the likelihood of a successful outcome.

3.4.14 The other Divisions cannot match this resource intensive approach, but new structures and processes are in place concerning casework assurance across the organisation. Heads of Division are now directly accountable to the Director for casework quality and outcomes and all take a suitably robust approach, not least by attending case conferences. However, they do not have the time or processes to check compliance against the (new) mandated processes and managers are aware of the need for compliance.

3.4.15 There is a programme for centrally based quality assurance, akin to compliance testing, and managers know that now the operational handbook is in place and mandated, a new compliance testing process needs to be designed for casework. This should fill the gap but its role needs to be defined in relation to the Heads of Division, the case review panels (CRPs) and internal audit, all of whom are rightly involved in the quality assurance process.

3.4.16 In the meantime, work has also been done to improve quality assurance capability, including local and thematic compliance testing. For example, the Director instigated an overhaul of the process for issuing Letters of Request (LORs) to foreign states.

3.4.17 The CRP is the centre piece of the new quality assurance process. It is dynamic and effective at high level, holding Heads of Division and case controllers to account on their casework decisions and processes. However, senior managers are dependent on being fully informed of high risk factors and there is some evidence that this has not always happened.

3.4.18 The decision to call cases for CRP is based partly on the monthly case risk registers produced by Heads of Division with their case controllers. Heads of Division also produce 'SitRep' reports monthly identifying key casework risks, but these are not always identified. The SFO recognises that the identification and communication of risk by case controllers and those who report to them could improve, to help ensure that critical weaknesses are identified in time to rectify them, or stop the case.

3.4.19 To get a feel for the detail senior managers attend case conferences, have open door policies and 'walk the floors' to canvass staff informally on their cases. They also attend regular meetings with case controllers to discuss developments. Whilst this undoubtedly helps, no process (formal or informal) can provide full assurance.

3.4.20 In addition to evaluation sessions at the end of each case, which we have seen feed into the new operational handbook, there have been a series of detailed, robust and incisive reviews of high profile 'failed' cases. Learning points are identified where appropriate and there is substantial evidence that these are disseminated effectively.

3.4.21 There is a need for an electronic case management system (distinct from an evidence handling system) to help mandate process and provide enhanced transparency on case files but, whilst a time recording system is in the pipeline, there is no proposal to design or purchase a case management system. At a time when the CPS has accepted the need for an integrated case management system for its complex casework, the SFO needs to do the same.

Witness care

3.4.22 Complex fraud presents issues regarding victim and witness care which do not arise in other types of crime. The SFO continues to use its website and other means of mass communication to combat the problem that victims of fraud can be very numerous and not always known to the authority investigating and/or prosecuting the offences in question. The website is relatively well used for communication, with information on the majority of cases regularly updated during the follow-up inspection.

3.4.23 Whilst the quality of witness care at court was excellent, coverage was not complete. Law Clerks (who provide administrative support on the cases) themselves have a key role in communicating with victims before the case comes to court but there is a lack of clarity over the precise roles of witness care officers and Law Clerks regarding communication with witnesses.

3.4.24 The SFO is not a signatory to the latest version of the Victims' Code of Practice, although this was due to process issues rather than a decision not to be bound by its terms. Senior managers are aware of the importance of victims and witnesses and have made public their commitment to improving the standard of witness care.

3.4.25 The new operational handbook chapter on witness care is an improvement on the old version, being a more practical guide. Linked to this work, but yet to start at the time of the follow-up, a new working group has been set up to look into these issues and recommend a new approach. This will need to include an accurate assessment of resource requirement against capacity, so that decisions can be made on recruitment and contingency measures to ensure that witness care duties do not overwhelm the two witness care officers currently in post.

3.4.26 Overall, the main improvements outlined above are beginning to feed through into casework, especially around high level decision-making, the involvement of counsel, organisation and accessibility of case files, and disclosure handling. For example, authorisations and delegations are properly recorded and S.2 notices are compliant: these improvements are directly connected to the work done recently around casework management process and compliance. Case teams are moving towards standard file structures and template usage.

3.4.27 Also, the CRPs are having an impact on the quality of key decision-making and case strategy. There is a greater sense of urgency in casework teams and there is evidence that cases which had been allowed to drift are now making headway. There is effective oversight of key decision-making, tempered by the ability of those reporting to the CRP to identify and communicate risk.

3.4.28 However, there has been insufficient time for the new detailed processes in the operational handbook to be effectively disseminated, or applied consistently. While there has been a general improvement in the recording of the Code for Crown Prosecutors' (the Code) test decisions on the newer cases, for example, there needs to be greater consistency of detail and approach. This should improve with the further passage of time.

3.4.29 Communication with victims and witnesses is at the same level as 2012 and witness care at court is sound. However, the new handbook chapter needs to be put into effect and the new working group empanelled to deal with future strategy, including resilience.

Judgements

3.4.30 The SFO needed to renovate fully its operational handbook, mandate the new processes and implement an effective system of quality assurance. Such a substantial overhaul, which has largely been completed, also necessitated a culture change, which is itself underway. These are very significant achievements in the short period of time since the recommendations were published.

3.4.31 Clearly, therefore, the casework management systems have been properly reviewed and there are processes in place to ensure improvement. New structures around quality assurance, including the case review panel, are now business as usual. They are a creditable step forward, although they are vulnerable as long as managers are reliant on the ability of operational casework staff to identify and communicate genuine risk. Generally, the SFO has room for improvement on managing casework risk.

3.4.32 There has been some business impact already in terms of improved casework, but it is too early for the changes implemented to have full effect amounting to the consistent levels of compliance needed to reach an achieved grading. Not all staff are aware of the key points in the new handbook and some parts of it had only just been published when we were on-site.

3.4.33 Compliance testing cannot start in earnest until the operational handbook has been embedded. Some valuable compliance work has been done, notably on international work and Section 2 notices, but plans and methodology for future work need to be developed. Managers recognise this and were starting this process at the time of the follow-up.

3.4.34 The SFO has had notable casework successes since the 2012 inspection but there have also been high profile adverse outcomes. In the follow-up we found that new processes to identify casework risk have been put in place, but these need to be further enhanced to reduce the likelihood of trials collapsing and thereby increase the pressure on defendants to plead guilty and (ultimately) to self-refer in the first instance.

Recommendation 5

Limited progress

The SFO needs to improve the quality of its investigation work by training staff better in basic investigative technique, and providing better resource levels at the investigation stage.

Context

3.5.1 When we inspected in 2012 there were concerns over the quality of investigative strategy and technique. It was clear that some investigators were not sufficiently trained or experienced to carry out certain investigative tasks, particularly regarding interviewing.

3.5.2 Inspectors recognise that there has been difficulty recruiting suitably qualified investigators when competing organisations offer better remuneration packages. Also, it takes time to identify skills gaps then to work out how to fill them.

Factual findings

3.5.3 A new Training Board was set up in late 2012 chaired by the Special Adviser to the Director. Soon afterwards a Training Manager was appointed to drive forward the development of a suitable investigator training programme. Short in-house training and familiarisation sessions were held throughout 2013 to address deficiencies in basic investigation technique. Some were of high quality, including the course on property searches. The process, training and development were directed and managed by the Chief Investigator.

3.5.4 Connections were also made with the operational guidance review team to identify overlap between process development and investigator training.

3.5.5 A sound skills gap survey and analysis was undertaken between October 2012-January 2013 which demonstrated various areas of required training for investigators. This was then used to commission and purchase a bespoke programme of investigator training, leading to external accreditation.

3.5.6 The development and purchase process was slow, so by the time of the follow-up it had been developed, but not yet rolled out. The programme is from a competent provider and appears suitable and bespoke to SFO needs. Access to external e-learning and manuals is also available under the contract. The training started being developed in early 2014, 12 months after the project was commenced.

3.5.7 There have also been some new staff appointments which include experienced investigators from wide ranging backgrounds. Improved quality assurance processes outlined in recommendation 4 also bear on investigative strategy and technique. In addition the Special Adviser to the Director mentors investigators on the conduct of interviews under caution.

3.5.8 Managers are very positive about the quality of their investigators and the LIBOR case is clearly very well resourced in this regard. Other Divisions, too, are demonstrating the ability to investigate cases efficiently and effectively, with suitable guidance from the CRP.

3.5.9 Despite these measures the SFO has a continual challenge to keep its workforce and investigators competent and fully trained because the nature of its cases means that an investigator could be engaged on one case for several years, during which time they can become deskilled. The challenge for the organisation is to keep track of personnel requiring a refresh of skills.

Judgements

3.5.10 The SFO has taken swift action to plan how it would deal with the critical failures identified in the last report, but implementation has been slow. A plan has also been put in place to deal with longer term development issues, but this has taken longer to deliver than expected.

3.5.11 There is some evidence of improved investigative technique and strategy, but at the time of the inspection it was too early to assess sufficient business impact resulting from the training and provision of resources to justify a substantial progress grading.

Recommendation 6

Limited progress

The SFO should review and update its disclosure guidance, design and mandate updated schedule templates, and ensure that all casework staff are trained accordingly.

Context

3.6.1 In our 2012 report we stated that complex fraud cases generate enormous amounts of documentation, in hard copy and electronic format. Furthermore, only a small proportion will ever be used in evidence. However, the Criminal Procedure and Investigations Act of 1996 requires the prosecution to send the defence a schedule of any non-sensitive unused material and to disclose any items which may undermine the prosecution case, or assist the defence. Consequently disclosure is often a matter in issue when complex cases come to trial. The cost involved in the handling of unused material can be very substantial and such legal arguments in relation to disclosure sometimes end in the failure of an otherwise meritorious case. We understand that the scale and complexity of material processed by the SFO in many of its cases creates a unique disclosure challenge.

3.6.2 When we inspected in 2012 there were substantial inconsistencies between case teams around the handling of unused material and the central guidance was weak. The SFO had recently suffered severe judicial criticism around the handling of disclosure.

Factual findings

3.6.3 We were told, and accept, that the disclosure problems identified in our last inspection were generally known to those managers responsible for disclosure practice. There had been some work done prior to our inspection, culminating in updated guidance in late 2012.

3.6.4 The guidance included some clarification and standardisation of processes but was recognised as insufficient to deal with all the issues raised in our 2012 report and with other problems that had been identified internally. Therefore, there has been a complete overhaul of the structures and processes involved as part of the re-write of the operational handbook (see recommendation 4).

3.6.5 The review project has been well planned and well led, involving intensive and appropriate levels of staff consultation through workshops and learning events, to ensure that digital and other processes are well understood by those drafting the guidance and that potential problems are addressed in the new process.

3.6.6 The review process has been responsive allowing changes to be made when unforeseen issues have arisen. When the disclosure process is inherently affected by fast moving technological developments, this is essential.

3.6.7 Inspectors were given full access to draft versions of the guidance and materials during the follow-up and were able to discuss at length the issues involved. However, the disclosure sections of the new operational handbook were not publicised until shortly after the inspection period, so there has been no time for it to have an impact.

3.6.8 The new guidance is sound and user-friendly, well structured and divided logically. It features the legal framework, context, roles and responsibilities, and the various elements of process, with specific detail on the handling of digital material and use of digital search terms. In particular, the relevance and disclosure tests are laid out clearly and there is a clear expectation that all decisions and actions will be fully recorded, making audit trails possible. There are templates and forms for all casework documentation required to deal with disclosure properly and effectively.

3.6.9 The handbook is clear in a number of places that material subject to legal professional privilege (LPP)¹ has to be handled by an independent lawyer instructed by, but not an employee of, the SFO. It also clearly lays out the steps to be taken to avoid inadvertent examination of LPP material by the case team and the consequences of this happening. In practice independent counsel are being used in relation to the handling of LPP material; examples of this could be seen in the documentary evidence reviewed and it was confirmed by counsel instructed.

3.6.10 At the time of this inspection the only outstanding issue with the disclosure guidance was the need to update it in relation to the Southwark Crown Court pilot scheme, which involves giving greater priority to disclosure issues, earlier in the case management process. Since the follow-up the Attorney General's

Guidelines on Disclosure: December 2013 and the Judicial Protocol on the Disclosure of Unused Material: December 2013 have both been published, but have yet to be incorporated.

3.6.11 It is clear to all in the SFO that the new handbook is mandatory, with no room for informal process variation. Inspectors support this because handling of unused material in casework was still variable at the time of the follow-up. The next phase is for the SFO to ensure the agreed processes are embedded and there is full compliance with them.

3.6.12 On the positive side we found more consistency in terms of process across the newer casework and there was some evidence that case teams were already starting to use the new templates. The handling of unused material in one challenging case we saw was very sound indeed.

3.6.13 Conversely, there were specific examples of weak practice. For example, understanding of the relevance and disclosure tests, and the handling of disclosure around witnesses was not up to date with good practice developed elsewhere. Whilst key managers engage with counterparts on the cross-departmental working group and attend inter-agency groups which focus on casework (including disclosure), there is an argument for stronger links being made direct to the casework divisions of the CPS, who face similar issues.

3.6.14 Also, the Divisional case risk registers do not always refer to or identify disclosure related casework risks; this impacts on the level of assurance provided to the case review panel.

¹ The handling of material subject to legal professional privilege in SFO cases has been the subject of judicial comment which suggested that any lawyer charged with reviewing material potentially subject to LPP should be entirely independent of the SFO, not just the investigation team. *Rawlinson and Hunter v Tchenguiz* (2012) [EWHC 2254 (Admin)].

3.6.15 It was apparent during observations and our review of a casework sample that there is considerable emphasis on quantitative issues and practical considerations in relation to whether personnel are in place to deal with disclosure during case meetings. There was limited consideration of qualitative issues, which needs to be addressed as part of the Divisional and cross-organisational quality assurance process. This feeds in directly to the issues around identification of casework risk referred to in recommendation 4.

3.6.16 The new disclosure lead has undertaken in-house training of operational staff up to Senior Executive Officer grade, to give a useful overview of all elements of disclosure and the handling of unused material. Although some training for lawyers at higher grades has been delivered, and the SFO has helped lead (with the Health and Safety Executive) on Government Legal Service disclosure training, training for all lawyers and investigators on disclosure has yet to be delivered. Specific training needs were also apparent to inspectors; line managers need to ensure these are identified and addressed. In addition, the general cross-organisational issues referred to above clearly indicate the need for SFO lawyers and case controllers to keep up to date with recent good practice and to maintain close familiarity with the principles which underlie disclosure.

3.6.17 In Special Projects Group (now known as Division E) the highly structured and controlled approach to disclosure handling was impressive, with a dedicated member of staff liaising between the teams and with disclosure counsel; disclosure training for the whole case team once a new case is taken on; and dip sampling of work undertaken by disclosure counsel; backed up by effective performance management.

Judgements

3.6.18 The SFO has worked hard in fully reviewing and overhauling its disclosure guidance since 2012. The relevant sections of the new operational handbook, publicised after the fieldwork at the end of 2013, are sound and will provide a good base for consistency and compliance to be tested in future. But the new standard processes need to be fully embedded to ensure that improvement is sustained, which requires the culture shift referred to above to be fully achieved. Training and quality assurance are key to accomplishing this.

3.6.19 Training of non-lawyer casework staff has been delivered, although it pre-dated the new handbook. Some development work has been undertaken with lawyers and case controllers, but training has still to be delivered to all lawyers and investigators, nor had individual training needs been addressed. This should be followed up to ensure compliance with the handbook, underpinned by awareness and adoption of good practice where it exists.

3.6.20 Before a substantial progress rating can be achieved the identification and communication of risk arising out of disclosure duties needs to improve significantly; this should be recorded fully to provide a measure of assurance across the organisation. There also needs to be a greater focus on qualitative over quantitative issues during the quality assurance process.

3.6.21 As far as business impact is concerned, disclosure handling is still variable overall. While it was improving at the time of the follow-up and is better on the newer cases there is still room for improvement, from the adoption of agreed process through to the quality of legal decision-making and, in particular, managing risk.

Recommendation 7

Substantial progress

The SFO needs to design and document a transparent process for deciding to pursue civil recovery, and negotiating/agreeing any consent order.

Context

3.7.1 When we inspected in 2012 there was a serious concern among stakeholders and staff that the SFO, under its previous Director, had been engaging with corporations and their representatives on an informal basis and agreeing civil recovery orders without following any set process or applying the guidelines. The orders themselves were not disclosable.

Factual findings

3.7.2 At the time of the 2012 inspection the SFO had fully reviewed and changed its approach to the handling of civil recovery orders. A commitment was made to greater transparency and clarity of process, including application of the appropriate codes and over-arching guidance in the decision-making progress.

3.7.3 At the time of the follow-up this new approach to civil recovery orders had been widely disseminated internally and publicly. Old guidance on self-referral was superseded and removed from the SFO website and, since the follow-up, there have been a number of public speeches by SFO managers clarifying its approach to handling self-referral and civil recovery orders. There have been two cases dealt with in accordance with the new approach since the last inspection.

3.7.4 However, there is no documented guidance in the decision-making process on civil recovery orders. This means that there is still scope to improve the clarity and transparency for stakeholders and staff alike. We picked up concern from stakeholders that the lack of a clear, transparent process risks the SFO's pursuit of these orders cutting across investigations by partner agencies.

3.7.5 Whilst the new operational handbook does not specify the track which should be taken through the organisation by cases likely to be appropriate for these orders, such a path can be inferred from the structures and processes which apply to other SFO cases.

3.7.6 Self-reports are directed to the Intelligence Unit. Any decision to seek a civil recovery order would need to be authorised by the Director. New Intelligence Unit processes mean that there should be greater transparency around communication and decision-making. At the time of the follow-up there had been no cases going directly to a civil recovery investigation from a recommendation by the Intelligence Unit, so this could not be assessed.

3.7.7 The Case Evaluation Board mechanism should deal with cases that may be appropriate for civil recovery from the outset, but this is not documented. Also, the case review panel process does not appear to address actively the possibility of civil recovery orders. Therefore, cases being considered for a civil recovery investigation post-acceptance (eg after a prosecution has been ruled out or the suspects have been acquitted) would benefit from an equivalent and similarly formal structure.

3.7.8 Civil recovery order casework is subject to the same quality assurance regime (via case review panels) as prosecution casework and there is a formal process within the Proceeds of Crime Division for quality assurance of court applications relating to asset recovery powers.

3.7.9 Inevitably, potential self-reporting corporations will not have any guarantees that their case will be considered within SFO for a civil recovery order: this is entirely proper, as the decision must be governed by the codes and guidance. However, the lack of certainty of outcome, particularly across different jurisdictions, is still seen by some as a barrier to self-reporting, which the SFO seeks to overcome by emphasising its proactive intelligence capability and the likelihood that wrongdoing will be discovered if it is not reported (see recommendation 1).

Judgements

3.7.10 The SFO has made good progress in setting out the basis on which it will make decisions regarding alternative resolutions and civil recovery orders in particular.

3.7.11 However, there is still a lack of clarity around the actual process for this. Any decision must of course be taken by the Director. When we inspected there was no guidance as to whether the Case Evaluation Board should actively consider this as an option, or whether the case review panel should keep the possibility under review. The involvement of the Intelligence Unit and Proceeds of Crime Division would be expected, but there is no formal documented basis for this.

Recommendation 8

No longer applicable

The SFO should finalise and implement existing plans for intensive training programmes for casework staff.

Context

3.8.1 When we inspected in 2012 there was a concern that SFO capability was limited by a lack of relevant expertise at individual level and that suggestions for improving training had not been taken forward.

3.8.2 This recommendation refers to the plans that were in place at the time of the last inspection. These plans were withdrawn and new ones have been developed. It is these new plans which were assessed during this inspection. Whilst the core issues behind the recommendation remain, it was felt that it was not appropriate to judge progress against plans that had been abandoned. The organisation's progress in providing training at the appropriate level for its staff will be measured as part of the next inspection. This report outlines the position in relation to training at the time of our visit.

Factual findings

3.8.3 The Training Board was established in October 2012 and is chaired by the Special Adviser to the Director. Its membership is appropriate for the task. Terms of Reference and the role of the Board are documented and well known. Training Board reports feed into the Senior Management Board.

3.8.4 A full needs assessment was carried out for investigative staff to inform the development of the new module-based training being introduced in 2014. For other staff line managers have identified training needs, which have been reported to the Senior Management Board. There is, however, a lack of clarity over the role of annual performance appraisal in this process.

3.8.5 The Training Board decided that the pre-existing training programme was not fit for purpose and it should be reviewed and fully overhauled. The review was robust and the outcome credible.

3.8.6 Training has now been divided into three strands: specialist and professional skills for lawyers, paralegals, asset recovery staff and accountants; investigative skills; and leadership and management. This is a sound strategy and the strands are led by appropriate individuals with suitable seniority. Differing levels of progress have been achieved, though.

3.8.7 The development of the investigator training took 12 months and is considered at recommendation 5. The reason for the long lead time is that it was necessary to obtain the right content, structure and provider with the long term aim of having the course accredited. Inspectors accept that to have moved faster might have created a risk that the programme would not deliver. In fact, the quality of the programme could not be assessed during the follow-up inspection because it was not due to be rolled out until early 2014.

3.8.8 However, there had been some in-house training and familiarisation on basic investigation technique in 2013, some of which has been of good quality.

3.8.9 Training aimed primarily at legal staff has been addressed by the introduction of an extensive programme of seminars delivered by experts in the subject, or presented by staff who have the right level of knowledge and experience to share within the organisation. However, the value of the seminars has been questioned by some staff who believe they only provide superficial knowledge, sometimes tangentially related to their work, and some sessions have not been well attended. At recommendation 6 we refer to the need for more training on disclosure, although we accept that there has been some development activity in this aspect, particularly in Special Projects Group (now known as Division E). At recommendation 4 there is the clear need to ensure that all staff are familiar with the contents of the new operational handbook. At the time of the follow-up this had yet to be put in place.

3.8.10 The leadership and management course was started in September 2013 and complimented by Heads of Division who commented on it. As with the accredited investigator training, it was too early at the time of this inspection to assess its effectiveness.

3.8.11 Outside the three main strands the SFO has run seminars and learning events on cases which have resulted in adverse outcomes.

3.8.12 In 2013-14, 12,300 hours of training was received, amounting to about one week per member of staff. This is the current Civil Service standard but one might expect a specialist organisation to exceed the minimum standard.

3.8.13 There is an acceptance of the need to ensure that staff working alongside specialist contractors learn informally from them, so that the organisation can retain some level of bought-in expertise for the future.

3.8.14 At the time of the follow-up there was evidence of proper induction for new temporary staff, where there had been none previously. On one case there was a standard induction for new team members. The standard of training on IT systems has been addressed and recent recruits had no issues on this topic.

3.8.15 The intranet is being used to good effect to advertise the seminars and training that are coming up, allowing staff to be aware of them and apply to attend.

3.8.16 Two way staff secondment arrangements have been made with some of the large accountancy practices.

3.8.17 Feedback on training and development modules is collected but work is still needed to analyse this information. Whilst the increase in the level of satisfaction with learning and development recorded in the 2013 staff survey is modest, it is showing an improvement from the position in 2012. However, as it has taken some time to develop and procure some important aspects of training, such as the investigators and the leadership and management training, it is a little early to use this information as a means to assess success and measure the impact of work being carried out in this area.

3.8.18 This recommendation has been given some priority and was acted on relatively quickly at first, with the Training Board being set up before the 2012 inspection report was published. In particular, the training programme was fully reviewed and new plans developed.

3.8.19 There has been an improvement in the approach to training, with seminars and other learning events hosted on key subjects by internal and external experts. These have served to improve the learning experience of staff, reflected in the improved staff engagement score for 2012-13. So far, this is the only discernible business impact as it is too early to identify any real impact on casework quality.



4 Conclusion

4.1 It is clear to inspectors that the SFO management team has taken a positive attitude to addressing the recommendations and that a considerable amount of work has been done, throughout late 2012 and 2013.

4.2 In broad terms, the SFO is taking the proper approach of laying sound foundations to ensure success in future years. This has involved active review and detailed analysis of structures and processes, both internal and external, in some aspects followed by the early stages of implementation. However, whilst there is a clear improving trend overall much still needs to be done to achieve the intended results.

4.3 Casting forward, SFO senior managers accept that the 'legacy' issues are waning and that the internal environment is becoming less difficult. This will inevitably affect our expectations when we next inspect. Assuming that the level of commitment and focussed activity which we saw in November and December 2013 is sustained, inspectors would expect that by 2015 clear and sustained business impact will be discernible against all recommendations.



Annexes

A SFO follow-up inspection framework

This framework is the detailed expression of the scope of the follow-up inspection. As such, it is tied directly to the recommendations (and suggestions/observations in the SFO action plan), and provides certainty as to the ground which needs to be covered.

There are a number of key questions which need to be answered to assess progress against each recommendation, numbered 1, 2, 3 etc. There are also some subsidiary questions (a, b, c etc) to help tease out the relevant evidence.

Recommendation 1

The SFO needs to review and update its intelligence function to ensure that it has effective means of capturing, collating, and analysing the intelligence it receives. It should adopt the National Intelligence Model.

- 1 Has the SFO effectively reviewed its intelligence function, focussing on the need to capture, collate and analyse intelligence effectively?
 - a Was the review methodology efficient, robust and proportionate?
 - b Did it cover covert and open source intelligence?
 - c Did it consider all options for intelligence gathering – including internal intelligence capability and third party relationships?
 - d Did it consider ancillary capability issues, including security and CHIS² handling if appropriate?
 - e Did it take account of end user requirements, including the case evaluation panel, case teams and external partners?
 - f Were the review findings accurate?
- 2 Is the improvement plan appropriate?
 - a Do the individual actions emanate logically from the review findings? Are they SMART?
 - b Do the individual actions focus on the need to capture, collate and analyse intelligence effectively?
 - c Have any actions been missed?
- 3 Is the level of progress against individual actions acceptable?
 - a How much progress has been made?
 - b What difficulties have arisen and how have they been overcome?
 - c Are revised deadlines appropriate?
- 4 What level of improvement has resulted?
 - a Has the National Intelligence Model been adopted?
 - b Is intelligence captured effectively?
 - c Is intelligence collated effectively?
 - d Is intelligence analysed effectively?

² Covert Human Intelligence Source.

- 5 What is the business impact?
 - a Is the case acceptance process informed effectively?
 - b Do the case teams have appropriate access to all relevant intelligence?
 - c Is intelligence shared appropriately with third parties?

Recommendation 2

The SFO should review its case acceptance process, and look into whether there is a continuing need for acceptance criteria, to ensure that the right cases are accepted to reflect the Corporate Strategy.

- 1 Has the SFO effectively reviewed the need for acceptance criteria?
 - a Was the review methodology efficient, robust and proportionate?
 - b Did it consider and analyse the internal/joint benefits and drawbacks of maintaining criteria?
 - c Was the review decision rational?
 - d Has the Statement of Principle been effectively promulgated?
 - e What is the expected business impact?
- 2 Has the SFO clearly articulated its Corporate Strategy?
- 3 Has the SFO effectively reviewed its case acceptance process?
 - a Was the review methodology efficient, robust and proportionate?
 - b Did it take account of the need for greater transparency?
 - c Did it take account of the need for fully informed, rational decisions aligned to the business (corporate) strategy?
 - d Did it take account of end user requirements, including the case teams and external partners?
 - e Did it take account of the need for better resource deployment?
 - f Were the review findings rational?
 - g What is the expected business impact?
- 4 How effective is the new Case Evaluation Board?
 - a Are the right cases being presented at the right time?
 - b Is the correct information supplied?
 - c Is there sufficient resource available to support the CEB?
 - d Are the practical arrangements sufficient?
 - e Is the decision-making process effective and robustly applied?
- 5 What is the current business impact?
 - a Are the right cases adopted at the right time?
 - b Are resourcing issues effectively resolved? (NB blockbuster funding)
 - c Is there sufficient transparency?
 - d What identifiable benefits are there to end users, including case teams and external partners?

Recommendation 3 (see also recommendation 5)

The SFO needs to improve the methods by which it assesses the skills, specialism and level of staff commitment required for individual cases, so that it can ensure case investigation and prosecution teams are properly resourced.

- 1 How does the SFO know what skills and experience are available internally?
 - a Does the SFO have an accurate overall skills analysis of its workforce?
 - b Does the SFO have an accurate picture of its current and upcoming work?
 - c Does the SFO know what levels of skills and experience are available for allocation now?
 - d How does the SFO predict what levels of skills and experience will be available at key points in the future?
 - e Are resources applied against any workload plan?
- 2 How does the SFO know what skills and experience are available externally?
 - a Does the SFO have accurate lists of counsel and other experts?
 - b Are there effective feedback loops on performance of externals?
- 3 How are cases assessed for future staff resource requirements?
 - a How does the SFO assess how many in-house investigators, financial investigators, lawyers and forensic accountants are needed?
 - b How does the SFO assess how many external counsel (of what level) are needed and when?
 - c How does the SFO assess how many external experts are needed and when?
 - d How does the SFO decide when to apply for extraordinary (blockbuster) funding?
 - e How does the SFO decide how much funding to apply for and when?
- 4 How does the SFO allocate initial staff resource to cases?
 - a Who is involved in the decision-making process and at what stage?
 - b Are decisions made at the appropriate level, with appropriate expertise and accountability?
 - c Are decisions properly recorded and communicated?
 - d Are decisions put into effect?
 - e Are decisions reviewed, amended and implemented during the life of the case?
 - f Does the SFO have a policy for prioritising resources if there is a shortfall?

Recommendation 4

The SFO needs to standardise, streamline, and mandate its casework management processes, including records management structures/templates, and quality assurance.

- 1 Has the SFO effectively reviewed its casework management processes?
 - a Was the review methodology efficient, robust and proportionate?
 - b Did it include the right people at the right time?
 - c Did it focus on standardisation and streamlining?
 - d Did it consider inspection findings, including records management, structures/templates and quality assurance?
 - e Did it cover IT applications for case management?
 - f Was it outcome/risk focussed?
 - g Were the review findings rational?
- 2 Is there a suitable project plan to improve casework management processes?
 - a Do the individual actions emanate logically from the review findings? Are they SMART?
 - b Does the project plan focus on standardising and streamlining case management processes?
 - c Does the project plan incorporate other aspects such as the operational handbook and disclosure handling?
 - d Have any actions been missed?
- 3 Is the level of progress against individual actions acceptable?
 - a How much progress has been made?
 - b What difficulties have arisen and how have they been overcome?
 - c Are revised deadlines appropriate?
- 4 What level of improvement has resulted?
 - a Is there a more standard approach to casework across the SFO?
 - b Are SFO case files better structured and more accessible?
- 5 What is the business impact?
 - a Is casework becoming more effective and efficient?
 - b Is quality assurance made more effective and efficient?
 - c Is performance management more effective and efficient?
 - d Are outcomes improving?

Recommendation 5

The SFO needs to improve the quality of its investigation work by training staff better in basic investigative technique, and providing better resource levels at the investigation stage.

- 1 Has the SFO developed improved training provision for investigators? *See recommendation 8*
- 2 Has the SFO improved the allocation of investigator resource? *See recommendation 3*

Recommendation 6

The SFO should review and update its disclosure guidance, design and mandate updated schedule templates, and ensure that all casework staff are trained accordingly.

- 1 Has the SFO disclosure guidance, along with templates, been properly reviewed?
 - a Has the operational guidance been reviewed and analysed against the Disclosure Manual and Attorney General's guidelines?
 - b Has there been consultation with staff and stakeholders?
 - c Have the templates been updated and standardised?
- 2 Is the new guidance (and templates) fully in use?
 - a Have the new guidelines and templates been successfully promulgated?
 - b Has there been effective training of all relevant staff?
 - c Is there any evidence of this in case files?
 - d Is it considered fully at CRPs?
- 3 Has the quality of disclosure handling improved?

Recommendation 7

The SFO needs to design and document a transparent process for deciding to pursue civil recovery, and negotiating/agreeing any consent order.

- 1 Has the handling of self-referral and the use of civil recovery powers been properly reviewed?
 - a Were all aspects considered?
- 2 Is the new process rational?
 - a Does it comply with the legal framework?
 - b Is it aligned to SFO business strategy?
 - c Is it documented sufficiently and transparent?
- 3 Has the new process been effectively promulgated internally and externally?
 - a Has there been sufficient training?
 - b Is the new process integrated into the SFO website and operational handbook?
- 4 Is the new process fully in use?
 - a Are recent self-referrals handled according to the process?
 - b Have any civil recovery order (CRO) negotiations been handled according to the process and Attorney General's guidelines?

Recommendation 8 (see also recommendation 5)

The SFO should finalise and implement existing plans for intensive training programmes for casework staff.

- 1 Has casework training provision been reviewed?
 - a Has there been a full training needs assessment?
 - b Has a new syllabus been developed?
 - c Does the new syllabus align with the needs identified?
 - d Has training delivery been developed?
 - e What practical and governance arrangements have been devised?
 - f Is there a process for capturing feedback from those trained?
 - g What is the expected impact?
- 2 Are there effective feedback loops through performance appraisal?
 - a Are staff receiving the training they need?
 - b Is personal performance improving?
- 3 What is the actual business impact?
 - a Are outcomes improving?

Suggestion/observation 1

Review induction procedures for temporary staff and consider the need for a standard induction programme.

- 1 Has the review been carried out effectively?
 - a Have the conclusions been carried forward?
 - b Does this include a standard induction for temporary staff?

Suggestion/observation 2

Consider the need to introduce performance management for interim, contract and other temporary staff.

- 1 Has the review been carried out effectively?
- 2 Have the conclusions been carried forward?

Suggestion/observation 3

Continue the integration of the Digital Forensics Unit with the casework teams to reduce delay and allow access to all case material.

- 1 What action has been taken?
- 2 Has delay been reduced?
- 3 Has integration with case teams improved?
- 4 Is there better access to all case material?

Suggestion/observation 4

Develop an assurance process for case strategy to ensure the right balance is struck in each case.

- 1 Is case strategy effectively challenged and checked during the CRP process?

Suggestion/observation 5

Reconsider the approach to the handling of material subject to legal professional privilege (LPP) to determine whether any reviewing lawyer should be independent of the SFO.

- 1 Has it been decided, documented and promulgated that LPP material should be handled by a non-SFO lawyer?

Suggestion/observation 6

Improve records of key decisions to ensure that the Code has been applied properly and strengthen the procedure for review so that it is central to the casework process.

- 1 Is there a standard form minimum requirement for recording Code test decisions?
- 2 Is the standard form applied in every case?
- 3 Is review of the Code test decision a central part of the CRP process?
- 4 Have flawed charges been identified early?
- 5 Has the quality of charging improved?

Suggestion/observation 7

Improve the quality of the communication with victims and witnesses.

- 1 Has the quality of victim and witness care been effectively reviewed?
- 2 Has the review included feedback from victims and witnesses?
- 3 Have the right issues been identified?
- 4 Have these issues been acted on?
- 5 Is there improved performance?

Suggestion/observation 8

Develop an effective and accessible process for linking casework learning to the development of guidance.

- 1 Is there a feedback loop for the CRP and Heads of Division to the operational handbook?



B The Inspectorate's purpose, values and the principles for inspections

Purpose

HMCPSP's purpose is to enhance the quality of justice through independent inspection and assessment, which improves the effectiveness of prosecution services and provides assurances to Ministers, Parliament and the public.

HMCPSP strives to achieve excellence in all aspects of our activities and in particular to provide customers and stakeholders with consistent and professional inspection³ and evaluation processes, together with advice and guidance, all measured against recognised quality standards and defined performance levels. In order to achieve this we want to be an organisation which:

- Performs to the highest possible standards
- Inspires pride
- Commands respect
- Works in partnership with other criminal justice inspectorates and agencies but without compromising our robust independence
- Values all our staff
- Seeks continuous improvement

Values

HMCPSP employees endeavour to be true to our core values in all that we do:

Consistency: Adopting the same principles and core procedures for each inspection, and applying the same standards and criteria to the evidence we collect.

Thoroughness: Ensuring that our decisions and findings are based on information that has been thoroughly researched and verified, with an appropriate audit trail.

Integrity: Demonstrating integrity in all that we do through the application of our other values.

Professionalism: Demonstrating the highest standards of professional competence, courtesy and consideration in all our behaviours.

Objectivity: Approaching every inspection with an open mind. We will not allow personal opinions to influence our findings. We will report things as we find them.

Taken together, these mean: HMCPSP demonstrates integrity, objectivity and professionalism at all times and in all aspects of work and that findings are based on information that has been thoroughly researched, verified and evaluated according to consistent standards and criteria.

The principles of inspection

Our principles of inspection accord with the Government's policy on inspection of public services which were published in July 2003 (Crown copyright 2003 reference 27881/0703/D8).

The purpose of improvement: Our inspections are designed to contribute to the improvement of the prosecution service being inspected. This guides the focus, methodology, reporting and follow-up of the inspection. Our reports recognise good performance and identify good practice. In framing recommendations, aspects for improvement and issues requiring management attention, we address any failure appropriately and proportionately.

A focus on outcomes: We consider service delivery and how it affects the prosecution services' partners in the criminal justice system, victims and witness, and defendants and their representatives, rather than concentrating solely on internal management arrangements.

³ Whilst HMCPSP will inspect some aspects of resource management, we are not responsible for financial auditing.

The user perspective: The inspection is delivered with a clear focus on the experience of the prosecution services' partners in the criminal justice system, stakeholders and the public, as well as on internal management arrangements. We seek to encourage innovation and diversity and are not solely compliance-based.

Proportionate to risk: We undertake risk-based inspections. Resources are concentrated on areas of greatest risk, although we also assess better performing aspects in order to identify good practice.

Self-assessment: Self-assessment by managers is used to varying degrees dependant on the type of inspection being conducted. In the course of inspection we will challenge any self-assessment where necessary.

Impartial evidence: Evidence is gathered from live and finalised cases, court observations, documentation and interviews and whether quantitative or qualitative we seek to validate evidence and assess its creditability. We seek the views of those with direct experience and involvement with the prosecution services, and do not rely on second-hand perceptions or views.

Inspection criteria: We set out our criteria that we use to form judgements, and these have been passed to the prosecution services we inspect.

Openness: We are open about our processes, actively seek feedback from those we inspect, and are willing to take any complaint seriously. We have internal quality assurance processes and have commissioned reviews of our inspections.

Value for money: We look to see that the prosecution services have arrangements in place to deliver the service efficiently and effectively. We try to demonstrate that inspection delivers benefits commensurate with cost, including the cost to those inspected. We work together with other inspectorates on cross-cutting issues, in the interests of greater cost effectiveness and reducing the burden on those inspected.

Continually learning from experience: We seek to become increasingly effective by continually learning from experience. We evaluate our own inspections, assess our own impact on the inspected organisations' ability to improve through feedback and follow-up inspections, and share best practice internally and with other criminal justice inspectorates.

Our principles of conduct

We will:

- Adopt an open-minded and supportive approach to innovation, although some compliance monitoring is necessary
- Support the properly considered acceptance of risk-taking and experimentation and take account of the need for a more holistic approach to criminal justice issues
- Be honest and clear when we ask questions, and consistent and fair when we make judgements
- Be accurate in our judgements, based on collecting and assessing evidence properly
- Keep all relevant information confidential
- Be sensitive in recognising the effect which our judgements and comments may have on others

We will carry out our work so that we help the inspected organisations' staff to be as efficient and effective as possible. The process of inspection and the report that follows are meant to be constructive rather than negative. The inspection should be a professional analysis with the aim of helping the prosecution agencies to develop and to achieve their aims.

We will always bear in mind the effect our inspection has on the staff whose organisation we are inspecting. We will endeavour to minimise the burden of inspection on those inspected. We will be open about our practices and procedures. We will ensure that all aspects of our work are free from bias and discrimination. We will treat all people politely and fairly, according to the principles of equal opportunities.

We will monitor and evaluate our own performance and try to improve the way we do our job. Our inspectors will always be ready to receive comments from anybody about the way we work.



C Glossary

Acceptance criteria

The criteria used by the SFO to determine whether to investigate an alleged offence. This comprises the statutory test set out under section 1(3) of the Criminal Justice Act 1987, and the Statement of Principle. (The test for prosecution is as set out in the Code.)

Autonomy Planning Meeting

A weekly meeting with Heads of Division to prioritise case material to be processed in the Digital Forensics Unit.

Blockbuster funding

A means by which HM Treasury grants the SFO contingency funding in excess of its agreed allocation, to enable it to carry out investigations where the costs exceed an agreed proportion of the SFO's budget when the budget planning was carried out.

Case controller

Person responsible for leading and managing the case.

Case Evaluation Board (CEB)

The SFO forum for formally considering whether an intelligence project should be accepted for criminal investigation. Following consideration, the CEB submits a recommendation to the Director of the SFO.

Case Evaluation Board assessment

A document which assists the CEB in assessing whether an intelligence project meets the SFO acceptance criteria, and which highlights other relevant considerations including risks, logistics and asset recovery.

Case review panel (CRP)

Chaired by the General Counsel, the CRPs ensure that senior management understand what cases the SFO has on its books and where the risks in relation to those cases lie. They also ensure that appropriate scrutiny and challenge is given to every case, whatever risk status it carries.

The decision to call cases for CRP is based partly on the monthly case risk registers produced by Heads of Division with their case controllers. The Director of the SFO reviews papers and attends meetings, as appropriate.

Case team

The members of the SFO (including investigators, lawyers and accountants) who work on an SFO investigation.

Civil recovery order

The Director of the SFO has powers to institute civil recovery action under Part V of the Proceeds of Crime Act 2002 as an additional means of dealing with certain cases (or parts of cases) where property derived from crime can be identified.

Code for Crown Prosecutors (the Code)

The public document that sets out the framework for prosecution decision-making. Crown Prosecutors have the Director of Public Prosecutions' power to determine cases delegated to them, but must exercise them in accordance with the Code and its two stage test - the evidential and the public interest stages. Cases should only proceed if, firstly, there is sufficient evidence to provide a realistic prospect of conviction and, secondly, if the prosecution is required in the public interest. The SFO adopt this test.

Corporate Strategy

The organisation's plans for the future conduct of its activities.

Digital search terms

Law enforcement bodies frequently recover computers and digital material in the course of their investigations and use digital search terms (often by agreement with the defence) to enable them to interrogate the digital material in a way that enables the relevant material to be extracted.

Disclosure

The prosecution has a duty to disclose to the defence material gathered during the investigation of a criminal offence, which is not intended to be used as evidence against the defendant, but which may undermine the prosecution case or assist the defence case. Initial (formerly known as "primary") disclosure is supplied routinely in all contested cases. Continuing (formerly "secondary") disclosure is supplied after service of a defence statement. Timeliness of the provision of disclosure is covered in the Criminal Procedure Rules.

Financial partnering team

An SFO finance team which works with the case controllers and Heads of Division to forecast budgets for cases.

General Counsel

The Director of the SFO is the chief legal officer. General Counsel, together with the Special Adviser to the Director, is responsible for day-to-day casework assurance.

Inspection by invitation

The Director of the SFO invited HMCPPI to inspect the SFO as HMCPPI did not have statutory rights to inspect the SFO at that time.

Intelligence Unit

The unit within SFO with responsibility for receiving, processing and evaluating information from a variety of sources; eg human, corporate and public bodies in the UK and overseas.

Legal professional privilege (LPP)

This protects confidential communications between a professional legal advisor and the client from being disclosed without the permission of the client.

Letters of Request (LoR)

Requests for mutual legal assistance are made in the form of Letters of Request. Mutual legal assistance is the formal way in which countries request and provide assistance in obtaining evidence located in one country to assist in criminal investigations or proceedings in another country.

LIBOR

The LIBOR scandal was a series of fraudulent actions connected to the LIBOR (London Interbank Offered Rate) which is supposed to reflect the interest rates banks pay for borrowing from other banks. In 2012 it was discovered that banks were submitting false interest rates in order to profit from trades or to make themselves appear more credit worthy. The SFO and Financial Conduct Authority (FCA) are investigating the involvement of traders and banks in this conduct.

National Intelligence Model (NIM)

An integrated nationwide system that enables targeted enforcement operations through the development of information and intelligence.

National Strategic Assessment (NSA)

The National Strategic Assessment is the objective picture of serious and organised crime affecting the UK and its interests. It presents the over-arching priorities as agreed by UK law enforcement and key partners from the public, private and third sectors.

Operational handbook

Guidance to SFO staff as to how to go about their duties.

Proceeds of Crime Division (POCD)

The Division within the SFO with responsibility for supporting case teams with regard to confiscation and restraint casework, including conducting parallel confiscation investigations, obtaining and policing restraint orders, conducting contempt of court proceedings in appropriate circumstances and obtaining confiscation orders. The POCD also undertakes civil recovery cases and cash forfeiture work. For every criminal investigation the SFO undertakes, a parallel proceeds of crime investigation will be carried out. The POCD also conducts money laundering investigations in appropriate cases and will prosecute where the Code for Crown Prosecutors' tests are met.

Referral/self-referral reports

A process whereby a commercial organisation becomes aware of criminal activities on the part of its employees for which it may be held accountable and reports itself to the SFO.

Relevance test

Whether an item is considered relevant to the matter being prosecuted and thus needs to be scheduled and revealed to the defence in accordance with the Criminal Procedure and Investigations Act 1996.

S.2 and 2A notices

Section 2 of the Criminal Justice Act (CJA) 1987 gives the Director of the SFO or a designated member of staff the power to require a person or entity to provide information for the purpose of an investigation. This may take the form of an interview to produce material, or searching premises. On 14 July 2008, Section 2A of the CJA 1987 came into force enabling the Director to use Section 2 powers at a 'pre-investigation' stage in relation to overseas bribery and corruption cases.

SMART

An acronym for Specific, Measurable, Achievable, Relevant and Time-bound.

Special Adviser to the Director

The post holder is a former judicial office holder and part of the senior management team.

Special Projects Group (now known as Division E)

One of the investigative Divisions of the SFO, it is handling the LIBOR and the Barclays-Qatar investigations. Both investigations are supported by blockbuster funding and have inter-connected issues.

Statement of Principle

The statement expounding the criteria which the Director of the SFO uses to determine whether a case should be taken up for investigation.



HM Crown Prosecution Service Inspectorate

London Office:

One Kemble Street

London WC2B 4TS

Tel. 020 7210 1187

Fax. 020 7210 1186

York Office:

Foss House, Kings Pool

1-2 Peasholme Green

York, North Yorkshire, YO1 7PX

Tel. 01904 54 5490

Fax. 01904 54 5492

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or e-mail: psi@nationalarchives.gsi.gov.uk

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