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# HMRC's Management of Internal Fraud and Corruption

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ISBN: 978-1-84987-986-6

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## Executive summary

- I. Her Majesty's Revenue and Customs (HMRC) is a non-ministerial government department established by the Commissioners for Revenue and Customs Act (CRCA) 2005. It employs approximately 65,000 staff in 43 directorates nationwide. In 2010/11 HMRC collected some £468 billion from the taxpayer and distributed £40 billion in benefits and credits.
- II. The Chairman and the Board are responsible for ensuring standards of corporate governance, whilst the Chief Executive and the Executive Committee are responsible for running the department. HMRC has a responsibility to ensure that it minimises the risks from fraud and corruption in carrying out its functions. This includes the risk that some unscrupulous staff may present, whether operating alone or on behalf of their family and friends or, perhaps of greater concern, through links to organised crime.
- III. In carrying out its inspection of how HMRC mitigates the risk from internal fraud and corruption, Her Majesty's Inspectorate of Constabulary (HMIC) found no evidence to suggest that the vast majority of HMRC employees are other than honest, hardworking individuals who are well aware of their responsibilities and the need to act in an appropriate manner when managing tax-payer information and revenue. HMIC also found that HMRC has a wide range of systems in place to mitigate the risk and prevent internal fraud and corruption.

### **HMRC structures, leadership and governance**

- IV. However, whilst HMRC has overarching governance arrangements in place to combat internal fraud and corruption (for example the Audit and Risk Committee), there is a need for clarity on where at senior management level the overall risk is owned. Several directorates within HMRC have functions that contribute to countering internal fraud and corruption. For example, People Function (PF) devises and implements policies, including those surrounding staff behaviour; Security and Information Directorate (S&ID) is responsible for mitigating the risk of information leakage; Communications and Marketing

(CAM) raises awareness amongst staff; and Enforcement and Compliance (E&C) contains the investigative arm known as Internal Governance (IG), which is charged with investigating internal fraud. The heads of these business areas communicate with each other and coordinate what they do to varying degrees. Furthermore, both the Chief People Officer and Director General for Enforcement and Compliance have roles in relation to this area and brief the Audit and Risk Committee. However, no single person on the HMRC Executive Committee (ExCom) is identifiable as having the lead or overall responsibility across the business for preventing and identifying internal fraud and corruption. This is a potential weakness in governance arrangements. Whilst HMRC has appointed a counter-fraud champion and developed a counter-fraud strategy, the focus is still more outward than inward facing.

### **Developing a picture of risk**

- V. During 2008/09 HMRC sought to obtain a picture of the specific risk to the Department from internal fraud. It carried out a strategic risk assessment (SRA) of the threat and subsequently engaged with the Serious Organised Crime Agency (SOCA) to feed into their process to produce the National Threat Assessment to Law Enforcement from Corruption. Whilst there were some cultural and resource issues with the SRA process, HMRC is to be congratulated for carrying out such an exercise across such a large organisation with so many different functions. In benchmarking, HMIC found no evidence of an equivalent process within similar organisations. The 'picture of risk' SRA process has arguably been superseded by another one ( the Internal Fraud and Integrity Risk Assessment, or IFIRA), which has to some degree stalled. It is now in need of review and further impetus. In effect HMRC does not have a current accurate picture of risk from internal fraud and corruption. In developing a true picture of risk IG should have dedicated analytical capability. HMRC needs to build upon the good work done through the SRA and IFIRA, and ExCom needs to be clear about ownership and re-energise and drive forward work to combat internal fraud and corruption.

## **Managing intelligence**

- VI. A significant number of IG staff work in a team whose main task is to carry out covert surveillance. Whilst this team is professional in the way that it operates, the existence of a surveillance team within IG is expensive. HMIC considers that HMRC should redeploy this unit to provide more investigative and analytical resilience. Surveillance capabilities could then either be 'bought in' from elsewhere, or individual members of staff could be trained in surveillance techniques that can be used flexibly over and above their core role. This would free up IG resource so that it can build its criminal investigation and analyst functions.
- VII. The intelligence database used by IG Criminal is a standalone system, which has limited searching and analysing functionality and does not have access to the datasets which would facilitate data matching or profiling of individual members of staff. HMIC found the system to be outdated. HMRC cannot effectively analyse information which may point to risk due to this lack of an effective and up-to-date intelligence information technology system.

## **Prevention**

- VIII. HMIC found a good level of awareness amongst staff of relevant policy and of the importance of integrity. This may in some part be due to a number of activities, such as the range of management assurance processes which each directorate operate, and marketing initiatives (including the publication of criminal prosecution findings against employees and an awareness week that was held in June 2011). There is now an opportunity to develop this awareness through the use of the publication of findings in gross misconduct cases and through further development of the communication strategy.
- IX. HMIC found that there is a widespread knowledge of IG and its functions amongst HMRC staff. IG has adopted similar processes as the Police Service for their business and risk management through implementation of the National Intelligence Model (NIM). The starting point for compliance with the NIM is an accurate picture of risk. HMIC found that HMRC needs to review their implementation of NIM and that IG Criminal and Intelligence would benefit from

closer, more consistent and formal links to police professional standards departments/Anti-corruption units, from strategic to operational levels.

### **Proactivity**

- X. IG deals reactively with misconduct and criminal investigation referrals. Whilst this is a fact of life, HMIC believes that there is an opportunity for IG to be more proactive. Through the redesign of their resource model they could obtain the necessary resilience to allow this to happen and should make use of elements from a range of proactive tactics such as intelligence-led integrity testing, open social media research, service confidence procedures and individual risk profiling.

### **Recommendations**

- XI. There are clear strengths, work in progress and areas for improvement detailed within this report. HMIC has prioritised the areas for improvement and in doing so some remain within the narrative for management consideration. Those that are seen as of a higher priority are identified as recommendations. HMIC will monitor the progress of HMRC against the following list of recommendations.

#### **Recommendation 1**

A member of ExCom should be nominated as the lead for integrity across HMRC and this should be marketed widely to raise the profile of integrity issues, including internal fraud and corruption.

#### **Recommendation 2**

Formal links should be developed nationally with service level agreements between police PSD/Anti-corruption units and HMRC to share best practice and provide contingency resources in both directions.

#### **Recommendation 3**

HMRC ExCom, as a priority, should build upon the work already done and ensure that they fully support and drive forward systems to assess the risk from internal fraud and corruption. The process should be reviewed and repeated at regular intervals, utilising dedicated resources, including analysts.

**Recommendation 4**

The surveillance resources, known as the Proactive Team, within IG Intelligence should be redeployed to provide more investigative and analytical resilience. Surveillance requirements should be fulfilled through the flexible use of investigative resources, or through service level agreements.

**Recommendation 5**

IG should develop, in association with RIS Analysis, a dedicated full-time intelligence analysis capability.

**Recommendation 6**

IG should renew its intelligence information technology system to enable the searching and analysing of data across a wider range of relevant data.

**Recommendation 7**

HMRC should publicise within the Department details of misconduct and gross misconduct cases leading to dismissal, in order to engender a deterrent effect.

**Recommendation 8**

HMRC should continue to raise employee awareness of the risks from internal fraud and corruption through a variety of means, including those used during the IG awareness week in 2011.

**Recommendation 9**

IG should use elements from the range of proactive tactics available such as open source research on social media, service confidence procedures, targeted or intelligence-led drug, alcohol and integrity testing and the profiling of individuals who may present a risk through their lifestyle.

# 1 Introduction

- 1.1 Her Majesty's Inspectorate of Constabulary (HMIC) is empowered under the Commissioners for Revenue and Customs Act (CRCA) 2005 to inspect Her Majesty's Revenue and Customs' (HMRC's) actions and omissions in preventing, detecting or investigating criminal offences. This includes those offences that may be committed by HMRC staff themselves. HMIC's remit covers examination of how HMRC mitigates associated risks arising from acts or omissions.
- 1.2 Between December 2011 and April 2012, HMIC conducted an inspection of the way in which HMRC identify and deal with the risk that it faces from internal fraud and corruption.
- 1.3 The inspection includes a detailed examination of how HMRC identifies its risk from internal fraud and corruption. It includes a measure of benchmarking HMRC against other similar organisations.

## Terms of reference

- 1.4 The agreed terms of reference for this inspection can be summarised as follows:

*To inspect the effectiveness of HMRC systems, processes and behaviours in:-*

- *Identifying the risk posed by corruption/Internal criminality;*
- *Identifying potential cases of corruption/internal criminality;*
- *Effectively investigating cases of corruption/internal criminality; and*
- *Deterring and preventing future cases of corruption/internal criminality.*

- 1.5 The full terms of reference can be found at Appendix A.



## Methodology

- 1.6 The inspection was conducted in four distinct phases:
1. Scoping and agreeing terms of reference.
  2. Analysing relevant documentation supplied by HMRC.
  3. Conducting interviews and focus groups with senior managers and staff at various grades within a range of HMRC directorates and at various locations.
  4. Evaluating the evidence, reporting and making recommendations.
- 1.7 HMRC provided HMIC with relevant key documentation before the inspection fieldwork (phase 3). These were supplemented by additional necessary documents as the inspection progressed.
- 1.8 The interview and focus group phase was conducted predominantly during March 2012. HMIC recognises the disruption that such activity can cause and is grateful for the cooperation, support and flexibility that was offered by all HMRC employees throughout the process.
- 1.9 HMIC would also like to place on record its appreciation for the time that individuals from the United Kingdom Department of Work and Pensions (DWP) spent with the Inspection Team. In addition, individuals from police forces, particularly Merseyside Police, provided valuable information to aid the process.
- 1.10 This inspection concentrates upon strengths, areas for improvement and work in progress relating to the management of internal fraud and corruption exclusively. It is not an examination of any other general areas of how HMRC does its business.

## 2 Background and context

### The scale of the problem

2.1 HMRC is the primary income generator for the UK Government. In 2010/11 it collected £468 billion in revenue from the UK taxpayer and other sources, and distributed £40 billion in benefits and refunds. A large proportion of this £40 billion is paid out by one line of business within HMRC: Benefits and Credits.

2.2 In November 2011 the Government published its strategy to combat organised crime, *Local to Global – Reducing the Risk from Organised Crime*. The strategy identifies that the estimated loss to the taxpayer through attacks upon the tax credits and benefits system is £5 billion per annum.

2.3 It also outlines the threat from corruption fuelled by organised crime:

*Organised criminals use corruption to access privileged information and avoid detection. Money is often an inducement, but family ties, 'friendships' and other relationships are also used to corrupt officials both in the UK and abroad. A recent report by Transparency International highlighted the need for more action to understand and combat the growing threat of corruption in key sections of the UK.*<sup>1</sup>

2.4 A report by the Government Fraud Error and Debt Taskforce in October 2011 indicates that £21.2 billion is lost each year to public sector fraud, and HMRC estimates that £6 billion in taxes is lost to organised criminal attacks each year.<sup>2</sup> There is little doubt that a proportion of this estimated loss and of the risk that is

<sup>1</sup> HM Government (November 2011) *Local to Global – Reducing the Risk from Organised Crime*.

<sup>2</sup> Government Fraud Error and Debt Taskforce (October 2011) *Tackling Fraud and Error in Government*.

presented to the UK exchequer in terms of losses to revenue will be facilitated through corrupt professionals and staff.

- 2.5 In 2011 the Home Office published a strategic plan to counter fraud, *Fighting Fraud Together*. HMRC is one of a number of signatories to this plan, which highlights the threat posed by corrupt officials:

*... important facilitation services to fraudsters can be provided by corrupt professionals. For example there have been instances of corrupt professionals facilitating both mortgage and insurance fraud. Staff (including contractors with access to organisations' systems and premises) can be in a powerful position to use their access and insider knowledge to commit fraud and cover their tracks.*<sup>3</sup>

- 2.6 The ways in which organisations deal with the risk from internal fraud and corruption may vary, but one common feature is a clear statement of what is expected of their employees. HMRC employees are civil servants and are therefore subject to the statutory provisions of code of conduct known as 'The Civil Service Code', which lays out the values, standards of behaviour expected of all civil servants. The Code states that all civil servants must behave with:

*Integrity – putting the obligations of public service above personal interests*

*Honesty – being truthful and open*

*Objectivity – basing advice and decisions on rigorous analysis of the evidence*

*Impartiality – acting solely according to the merits of the case and serving governments of different political parties equally well.*<sup>4</sup>

<sup>3</sup> Home Office (October 2011) *Fighting Fraud Together*.

<sup>4</sup> *The Civil Service Code*. Available from [www.civilservice.gov.uk/about/values](http://www.civilservice.gov.uk/about/values), accessed 23 April 2012.

2.7 Within the HMRC vision, known as its 'Purpose, Vision and Way', the Department also specifically identifies the need for staff to behave with professionalism and integrity and to protect the information which it holds. In doing so HMRC identifies the professional behaviour and integrity of its staff as a clear strategic objective.

## **HMRC structures**

2.8 HMRC was formed on 18 April 2005, as a successor to the Inland Revenue and HM Customs and Excise. It employs approximately 65,000 staff within 43 directorates and is responsible for the collection of direct taxes (such as income tax and corporation tax), and indirect taxes (including excise duties, stamp duty and value added tax). It is also responsible for a range of payments such as child benefit and tax credits.

2.9 Several of the directorates play an important role in countering internal fraud and corruption. For example, Internal Audit (IA) carries out audits on systems and processes and has reviewed the HMRC response to internal fraud; Security and Information Directorate (S&ID) is responsible for mitigating the risks from information leakage and some policy development; People Function (PF) develops and implement policies directly designed to mitigate internal wrongdoing, such as a range of 'lifestyle policies'; Communications and Marketing (CAM) help to raise awareness of internal fraud and corruption through internal and external marketing channels; and Corporate Risk coordinates the Department's risk management procedures.

2.10 The directorate which is charged with investigating internal fraud and corruption is the Criminal Investigation (CI) Section, which sits within the Enforcement and Compliance (E&C) line of business. Within CI sits Internal Governance (IG), which is responsible for the investigation of the majority of internal criminality as well as some gross misconduct allegations. In 2009/10 IG staffing levels were reduced by 20%, leading to the loss of its policy and prevention functions. IG has however also had a reduction in workload, caused by an HMRC decision to devolve responsibility for some cases to 'Line of Business'. This means managers are now handling some gross misconduct cases which previously would have been dealt with by IG.

2.11 In February 2011, IG carried out a 'Health Check' of its resourcing, structures, processes and functions. This was done in response to the comprehensive spending review process. The methodology included academic research on the 'increasing ethical and integrity risks in times of recession'. The introductory memo to the Health Check highlighted the relatively small cost of IG to HMRC in delivering the service that it provides, which equated to just 0.2% of HMRC's annual budget.

2.12 IG is divided into Civil (responsible for conduct and discipline); Criminal (responsible for internal criminal investigations); and Intelligence (responsible for the gathering, assessment, evaluation and dissemination of internal intelligence products). However, this structure is changing during 2012: Criminal and Intelligence will come under the control of one manager, and a 'Third Strand' was due to be created after the inspection, with the aim of allowing efficiency in referral decision-making and management of the Tasking Co-ordination Group (TCG) process.

## **IPCC**

2.13 The Commissioners for Revenue and Customs Act 2005 provides for the Independent Police Complaints Commission (IPCC) to investigate complaints made about HMRC officers when conducting criminal investigations, and alleged criminal conduct or gross misconduct by an HMRC employee.

2.14 Contained within the HMRC guidance on complaints from external customers is detail for managers on what the relationship between HMRC and IPCC is and how it should operate. The document clearly indicates which incidents will be referred to IPCC under mandatory criteria:

*Incidents where someone has died or been seriously injured following direct or indirect contact with HMRC staff, serious assault by HMRC staff, serious sexual assault by HMRC staff, serious corruption, criminal offence or behaviour aggravated by discriminatory behaviour and any relevant offence. This means an offence for which the sentence is fixed by law, or an offence*

*for which a person aged 18 years or over (not previously convicted) may be sentenced to imprisonment for a term of seven years (or might be sentenced but for the restrictions imposed by Section 33 of the Magistrates Court Act 1980).*

2.15 If the incident does not fall within these criteria, HMRC (in a similar way to police forces) can still make voluntary referrals to the IPCC. This is where there are 'serious concerns or exceptional circumstances that may have a significant impact on public confidence'.

2.16 In carrying out this inspection HMIC interviewed key personnel from IPCC and found that HMRC has developed good working relationships, with improved lines of communication. IPCC indicated no major areas for improvement.

## 3 Leadership and governance

- 3.1 HMRC is overseen by a Board which has five non-executive members (NEBMs), including the chairperson (four senior executives are also members). One NEBM chairs the HMRC Audit and Risk Committee, which IG and other areas of HMRC business answer to and which holds lines of business to account for recommendations made by IA. The Audit and Risk Committee provides assurance to the HMRC Board that all the major risks are being managed and challenge the HMRC Executive Committee (ExCom) on risk management. The Committee typically meets eight times per year and IG reports to it at two of those meetings. This does not constrain the committee from discussing internal wrongdoing more frequently should the need arise.
- 3.2 Leadership within HMRC ultimately rests with the Chief Executive, who is a Permanent Secretary. The Chief Executive chairs the Executive Committee, which includes the second Permanent Secretary, four directors general (each of whom is head of a strategic business area), three chiefs of corporate functions (Finance, People and IT), and the Department's General Council and Solicitor. One of the director general-led business areas is Enforcement and Compliance, within which IG is situated.

### Strengths

- 3.3 The HMRC Audit and Risk Committee requires bi-annual IG reviews of all data relating to staff conduct, including the results of investigations into internal fraud and corruption.
- 3.4 HMRC has a wide range of necessary, relevant and appropriate staff conduct policies in place, such as on secondary employment, substance misuse, social media and inappropriate relationships. There was widespread evidence of staff awareness of the existence of these policies. Staff displayed good knowledge of the responsibilities placed upon them in their role in relation to a range of areas, including the responsibility to report arrest or conviction to line managers,

constraints around the abuse of alcohol or drugs, and financial propriety. There is a strong and widespread culture of the importance of information security, brought about through clear leadership.

3.5 IG has made efforts to introduce the National Intelligence Model (NIM) business structure – including a strategic assessment, control strategy and monthly tasking and coordination meetings – to the way it organises and prioritises its business.

3.6 The Head of IG has introduced a performance regime, which has led to clear improvements in the timeliness of investigations. This has impacted positively upon such issues as staff welfare, as investigations into staff members are carried out expeditiously.

3.7 One of the three cited HMRC Counter Fraud Strategy Delivery Priorities is:

*To encourage all HMRC staff to be alert for indications of internal and external fraud by:*

- *Improving the technical skills of our staff in the identification and tackling of deliberate non-compliance;*
- *Creating a more mobile workforce both in terms of geography and an ability to work across work streams;*
- *Increasing leadership capability and people engagement and improving compliance soft skills to tackle non-complaint customers;*
- *Providing fraud awareness training to all customer-facing staff.'*

## **Work in progress**

3.8 The Head of IG has rationalised the meetings structure on internal fraud and integrity within HMRC and introduced the Internal Fraud and Integrity Forum (IFIF). Key stakeholder directorates such as PF, IA, S&ID and Corporate Risk Management are brought together to share information, encouraging a



partnership approach to the problem. The forum is also used to prepare for the Audit and Risk Committee meeting. The Head of IG recognises that IFIF is in its infancy and intends to develop its remit and function. Unfortunately, the attendance of this forum was inconsistent during the period of inspection and one member – a key stakeholder – had not yet been to any of its meetings. The IFIF process would benefit from more ExCom support.

## **Areas for improvement**

3.9 HMRC has developed an over-arching Counter Fraud Strategy. Perhaps understandably the emphasis is upon external risk, and there is limited reference to the risk from internal fraud and corruption. HMRC might wish to provide more emphasis to this area by including an increased focus upon internal fraud and corruption risks within the Strategy.

3.10 HMRC is no longer represented on the top level board of the Association of Chief Police Officers (ACPO) Counter Corruption Assurance Group (ACCAG). There has recently been a review and rationalisation of the membership of this body by the new chair and as a consequence HMRC is now represented on regional sub groups. HMIC feels that, as HMRC is a national enforcement agency with particular risks in terms of the threat of loss of revenue, it is unfortunate that it does not have high level membership of ACCAG. Additionally, there would be benefit in enhanced links between IG (both criminal investigators and intelligence staff) and police PSD/Anti-corruption units.

3.11 HMRC, as a result of a recent internal audit, has appointed a counter fraud champion. In its review, HMIC found that staff had difficulty in identifying a single internal fraud and corruption champion or lead. Whilst it must be acknowledged that HMRC is a large organisation across a wide geographical area, HMIC found some confusion, even at senior level, as to where the lead lies on this subject.

3.12 Whilst there are key performance indicators (KPIs) for the Counter Fraud Strategy, aligned by regime and a number of 'cross regime' support KPIs (relating

to criminal finances, insolvencies and securities etc.), there is none concerned with internal fraud and corruption specifically.<sup>5</sup>

**Recommendation 1**

A member of ExCom should be nominated as the lead for integrity across HMRC and this should be marketed widely to raise the profile of integrity issues including internal fraud and corruption.

**Recommendation 2**

Formal links should be developed nationally with service level agreements between police PSD/Anti-corruption units and HMRC to share best practice and provide contingency resources in both directions.

<sup>5</sup> *HMRC Counter Fraud Strategy Delivery Plan 2010/2011 – Key Performance Indicators.*

## 4 Developing a picture of risk

- 4.1 In February 2011 the Head of IG carried out a 'Health Check', which identified and recognised the risks posed to HMRC from internal fraud and corruption during times of austerity. Staff may feel vulnerable in terms of a threat to their continued employment and be suffering financial hardship caused through real reductions in their family income and increases in outgoings. This in itself can increase the risk posed from internal fraud and corruption <sup>6</sup>
- 4.2 The starting point for HMRC in dealing effectively with the risk from internal fraud and corruption, particularly during times of heightened risk, must be to obtain an accurate, quantifiable picture of the range of risks that exist against the organisation, both in terms of single fraudsters and the threat from organised crime.
- 4.3 In 2010 the Serious Organised Crime Agency (SOCA) produced the United Kingdom Threat Assessment to Law Enforcement from Corruption. SOCA plans to repeat the assessment every three years or more frequently should the need arise. In producing the Assessment, SOCA engaged with police forces and other law enforcement agencies, and referred to forces' own efforts to assess their threat. The expectation from ACPO is that police forces carry out an annual review to determine their risk from corruption. As a member of ACCAG, HMRC committed to contribute to the process and provided their input through the HMRC Strategic Risk Assessment (SRA) of internal fraud and corruption, developed and produced during 2008/09. IG also contributes to the HMRC Counter Fraud Strategy; although as stated above (see para 3.9) this strategy is predominantly focused on external rather than internal fraud.

<sup>6</sup> IG *Health Check*, February 2011.

## **Benchmark**

In carrying out the benchmarking exercise with comparable external agencies, HMIC found that HMRC was the only 'non-police' organisation that has yet attempted to produce a single strategic risk assessment of the threats faced from internal fraud and corruption across the whole of their department.

## **Strengths**

- 4.4 HMRC (and in particular IG) has made efforts to develop a comprehensive assessment of the risk that internal fraud and corruption poses to the organisation. In 2009 all 43 directorates contributed to the Department's overall SRA, with the findings then promulgated through directorate risk management processes. Completing the SRA also served to raise awareness of internal fraud and corruption within HMRC and has led to direct benefits, such as the creation of a bespoke data security and internal fraud team within the Personal Tax Directorate. The SRA is itself now subject of review and may be replaced by another process.
- 4.5 The Internal Fraud and Integrity Risk Assessment (IFIRA) process has been developed by IG and has so far been piloted within the Customer Contact Directorate (which was considered to be a potentially 'high risk' field of business). The IFIRA process is intended to be a more inclusive system than the SRA. It involves directorate workshops and more hands-on engagement between IG and the directorates themselves. It was proposed that IFIRA should be rolled out across the entire organisation, covering all 43 directorates within a twelve-month cycle.
- 4.6 IG has commissioned individual projects since 2010, seeking to proactively utilise data held about employees. The current project has matched employment data with benefits and credits and has identified a rich vein of work. This shows the benefits, such as those of heightened staff awareness and tackling criminality that can be accrued by the focussed application of large-scale data matching.
- 4.7 The HMRC Anti Fraud Assurance Team (AFAT) is a small team within IA, who carry out checks upon the 'key stroke' activity of staff. They operate covertly and

run a series of risk profiles against the keyboard activities of staff across a wide range of databases. The findings of the AFAT unit feed into the IFIRA process to identify areas of risk.

## Areas for improvement

- 4.8 HMRC does not currently have an accurate, quantifiable view of the risks it faces from internal fraud and corruption. HMIC examined the SRA process and, whilst HMRC is to be commended for their efforts in producing the assessment, there were varying degrees of engagement with the process across the directorates. In addition, the process suffered from an unforeseen reduction in resources due to the need for IG to make cuts as part of the comprehensive spending review and lacked the benefits that would have ensued if IG had its own analysts rather than those from within a central HMRC team. The SRA is now outdated and needs to be either superseded by another process (possibly IFIRA) or repeated in a more widely supported fashion. Confusion exists amongst staff at all levels as to whether the findings from the 2009 SRA remain extant or whether the process is to be supplanted.
- 4.9 Whilst the concept of the IFIRA process appears sound, the pilot has taken six months to complete and is yet to be assessed by ExCom. Decisions such as who should own the system and who will be responsible for making it happen are yet to be agreed. It was the intention of IG that the IFIRA process would cover all 43 HMRC directorates within twelve months: but it has stalled. HMIC found that the timescales were unrealistic and the resource allocation model needs review. If IFIRA is to be adopted as the future process for HMRC to identify risk from internal fraud and corruption, there needs to be clear and achievable timescales for completion of the process, which are fully supported and governed by ExCom. Those who govern IFIRA should also re-evaluate the data sources it uses. These are currently limited by resources and reluctance by certain stakeholders to provide access to information held by them. Beneficial data sets would include, but not be limited to, sickness absence and employee engagement levels.
- 4.10 HMIC did not find any process through which 'knowledge corruption' or the reach of organised crime into the organisation was assessed. HMRC does not debrief

those ex members of staff who have been convicted of corruption and are serving a prison sentence. The capability to do so exists within the Risk and Intelligence Section of HMRC, but IG has not utilised it.

**Recommendation 3**

HMRC ExCom, as a priority, should build upon the work already done and ensure that they fully support and drive forward systems to assess the risk from internal fraud and corruption. The process should be reviewed and repeated at regular intervals and use dedicated resources, including analysts.

## 5 Managing intelligence

- 5.1 Intelligence is the lifeblood of risk management and crucial to effectively countering crime and wrongdoing whatever the setting. The importance of generating, capturing, prioritising and effectively disseminating quality intelligence cannot be underestimated. An effective law enforcement agency is unable to operate without it.
- 5.2 For many years, police forces in England and Wales have been using the National Intelligence Model (NIM) as a defined business process through which to prioritise and deal with their crime reduction and prevention efforts. Put simply, the NIM consists of various distinct yet related functions, the first and most crucial of which is a thorough strategic risk assessment to identify the risks posed and enable the development of a clear control strategy to drive business. Once the control strategy is devised tactical plans with mitigating activity can be tasked and coordinated to deal with the priorities, and further intelligence requirements identified to close the circle.

### Strengths

- 5.3 Efforts have been made to introduce an intelligence management business process along the lines of NIM. The SRA was completed in 2009 and a control strategy with tasking and coordinating mechanisms is in place.
- 5.4 IG has introduced a number of initiatives designed to generate intelligence from HMRC staff. These include an IG awareness week supported by a robust marketing strategy, which took place during June 2011 and was widely recognised by staff throughout the organisation during this inspection. In addition, IG has introduced two confidential reporting systems. One route for staff to report wrongdoing is through a 'confidential hot line' telephone system; another is an 'in confidence' email account that can be found upon the HMRC intranet. The 'hot line' is available and can respond to a call 24 hours a day and 365 days a year.

- 5.5 Within the past twelve months IG has introduced a single point of contact through which all IG-related intelligence is channelled. The Referral Development Team (RDT) ensures that all intelligence is logged, developed and allocated where necessary.
- 5.6 HMRC Risk and Intelligence Service (RIS) has developed Regulation of Investigatory Powers Act (RIPA)-compliant Human Intelligence (HUMINT) and Covert Human Intelligence Source (CHIS) teams. There is a standing intelligence requirement from IG for any mention of internal fraud or corruption in CHIS / HUMINT intelligence. Such intelligence on internal fraud corruption is disseminated through to IG for action. This notwithstanding, IG currently does not task the National Source Unit (NSU) to seek the recruitment of sources to provide intelligence on internal corruption matters.
- 5.7 Specialist Delivery (SD) within CI uses the full range of lawful covert tactics to gather intelligence. It can feed intelligence which relates to internal fraud and corruption to IG.
- 5.8 IG acts as HMRC SPOC for all PSDs and SOCA's Anti-Corruption Unit, enabling secure exchange of intelligence via the appropriate legal gateways.

## **Areas for improvement**

- 5.9 The route for referrals to IG starts at the RDT, who carry out recording and basic research checks on intelligence. If the RDT determines that the referral could relate to a criminal offence, it is referred on to IG Intelligence, which conducts further research. If this research indicates that the case is likely to meet the threshold for criminal investigation, it falls under the auspices of TCG, which provides oversight and facilitates adoption by IG Criminal Investigation, or disposal by other methods. Part of the intelligence development work is undertaken by a standalone unit referred to as the Proactive Team. This unit is a multi-skilled team tasked with identifying intelligence gathering opportunities, which utilises surveillance on proposed investigations. The staff are predominantly employed in surveillance roles and therefore invariably will identify opportunities for surveillance, as this is their core function.



5.10 HMIC considers that to have a unit predominantly employed as a surveillance unit within IG Intelligence does not represent value for money in terms of the best use of staff and equipment. Resources within the investigation teams remain under pressure and there is a lack of dedicated analytical capability within IG. The staff within the proactive unit should be primarily investigators, who can be deployed as surveillance operatives when necessary and when tasked by operational leads. A second option is for IG to dedicate those posts purely to investigations and have service level agreements in place with other agencies to enable them to buy in surveillance capability as and when necessary.

5.11 IG acknowledges that the tasking and coordinating process needs to be reviewed. It currently consists predominantly of an operational update and review process and is not driven by clear control strategy prioritisation. The chairperson role should be of sufficient seniority to direct the tasking process.

5.12 The intelligence database used by IG Criminal is a standalone system, which has limited searching and analysing functionality and does not have access to the datasets that will facilitate data matching or profiling of individual members of staff. HMIC found the system to be outdated. HMRC cannot effectively analyse information gathered that may point to risk, due to the lack of an effective and up to date intelligence information technology system.

5.13 Although IG can and does access analytical support from RIS Analysis for specific cases and projects, it does not have full-time intelligence analysts working within the unit. This presents obstacles in a number of areas, not least of which is the ease with which IG is able to identify and analyse risks from internal fraud and corruption.

**Recommendation 4**

The surveillance resources, known as the Proactive Team, within IG intelligence should be redeployed to provide more investigative and analytical resilience. Surveillance requirements should be fulfilled through the flexible use of investigative resources, or through service level agreements.

**Recommendation 5**

IG should develop, in association with RIS Analysis, a dedicated full-time intelligence analysis capability

**Recommendation 6**

IG should renew its intelligence information technology system to enable the searching and analysing of data across a wider range of relevant data.

## 6 Prevention

- 6.1 To be fully effective, enforcement agencies must go beyond investigation and criminal justice or disciplinary sanction to tackle crime. Investment in prevention is more cost effective and delivers clear organisational benefit.
- 6.2 Before 2009 IG had a Prevention Team which was responsible for proactive engagement with directorates around the SRA, communication and marketing to raise awareness, organisational learning and policy. The need to make cost savings meant that IG had to lose a number of posts; the essential requirement to maintain operational capability led to this team being disbanded. Since then HMRC has endeavoured to assimilate the functions of the Prevention Team into other areas of the Department.

### Strengths

- 6.3 HMIC found evidence of the widespread use of management assurance processes across HMRC. The assurance topics reflect directorate risk register priorities, including such issues as awareness of policy around security and lifestyle issues. Members of staff are asked to certify that they have read and understood key policies aligned to risk register priorities at regular intervals. This includes those pertinent to integrity issues such as information security. Each directorate employs a slightly different management assurance process, with some more innovative than others. Delivery ranged from web-based questionnaires to management face-to-face meetings, including staff knowledge checks and quizzes.
- 6.4 All cases resulting in criminal prosecution and conviction are widely publicised on the HMRC intranet. Staff reported that they pay close attention to the publicity and see this as a good preventative tool. As an example of staff interest, one case elicited approximately 30,000 individual visits to the relevant intranet article.

- 6.5 The IG Communications Strategy 2011/12 aims to raise the profile that it has within HMRC.<sup>7</sup> As part of this, IG liaises with Press Office, Corporate Communications and lines of business to publicise successful criminal prosecutions of HMRC staff, in order to act as a deterrent. In June 2011 IG held an awareness week which included widespread marketing and communication explaining their functions and issues relating to corruption and criminality. The event used a variety of communication tools, including daily items placed upon the HMRC intranet and visits to directorates. HMIC found that employees had a good level of awareness of the role of IG and the need for information security and integrity. The awareness week achieved a high profile amongst staff. HMIC believes there would be value in repeating such events at regular intervals.
- 6.6 Some directorates have developed their own internal fraud prevention plans. For example, the plan for Debt Management and Banking (DMB) provides guidance in key areas such as reporting channels, security of data, lifestyle issues and financial propriety. It also points the user towards IG and indicates that DMB are in the process of producing a central list of high risk posts for additional guidance. This plan at least may serve to raise staff awareness, though HMIC felt that it would benefit from some clarity about who is responsible for the actions that fall out of the plan, with timescales for completion and review. It is worthy of note, however, that after the 2009 SRA process it was mandated that all directorates develop internal fraud prevention plans – HMIC found that not all have done so.
- 6.7 IG has created an organisational learning process. HMRC's strategy is to use information from IG criminal investigations to identify risks and weaknesses in directorate activities and communicate these to stakeholders. Organisational learning is shared in the form of a case review. The case review is either completed by document exchange, IG to business director, or by a case review meeting where all stakeholders attend.<sup>8</sup> An example of success arising from organisational learning has been the reduction in travel and subsistence offending after an intervention. Whilst HMIC sees this process as a strength, it appears to have stalled and needs re-energising.

<sup>7</sup> *IG Communications Strategy 2011/12.*

<sup>8</sup> HMRC Organisational Learning, *Case Reviews for Internal Criminal Investigations: Standard Operating Procedure.*

- 6.8 Through the SRA process in 2008/09, a risk was identified whereby some staff had been provided with access to systems using access codes known as 'Pseudo PIDS', which were not attributable to the individual and in many cases were not auditable. HMRC has significantly reduced the numbers of these codes available.<sup>9</sup> It has also changed the management systems for those that remain necessary thereby mitigating the risk to the security of information. There is now a clear audit trail and the access codes are owned by individual managers.
- 6.9 HMIC found IG's introduction of an organisational learning process was a strength. However, HMRC must guard against the process stalling through lack of impetus and energetic leadership.
- 6.10 IFIF is a relatively new forum for stakeholder directorates to meet and discuss issues related to internal integrity. In itself this serves to raise awareness and share best practice.
- 6.11 The Head of IG has established links with his counterpart at DWP to share best practice. Whilst this provides benefits, it would benefit from formalisation.

## **Work in progress**

- 6.12 HMRC uses a risk-based approach to its vetting of staff, based upon their role and access to information. The inspection found that those who are operating in high risk business areas are vetted to a higher level. Some risks remain however, with HMRC prepared to manage these in some circumstances in order to achieve their strategic objectives. For example, at times when a business need dictates the employment of large numbers of staff on short-term contracts HMRC may employ individuals subject to the later successful completion of the vetting process. Risk is mitigated through restriction of systems access; should the vetting, when completed, indicate an unacceptable issue, the individual is dismissed. Evidence was also found that the effective vetting of foreign nationals seeking employment at HMRC is problematic in that it is more difficult to vet

<sup>9</sup> There remains a business need to retain a small number of 'Pseudo PIDS' in order to allow flexibility of systems access (for example, to short-term staff).

these applicants to the same standard as UK nationals. HMRC is aware of this risk and is working towards a balanced position.

## Areas for improvement

6.13 HMIC found evidence that some of the management assurance processes were unduly bureaucratic and repetitive. In some cases they were described by staff as a 'tick in the box' exercise and it was suggested that whilst staff understand the need for management checks, they felt that it could be done in a more innovative and less onerous fashion. HMRC is aware of these concerns and is reviewing how management assurance is delivered.

### Benchmark

HMIC looked at practice across police forces in England and Wales. Some forces, for example Merseyside Police, publish the offence and the name of the individual with brief circumstances, after dismissal and prior to the expiry of any potential appeal period. Other forces, such as Norfolk Constabulary, publish the fact that an individual has been dismissed, outlining the reasons for the dismissal but choose not to name the subject of the sanction. There is no doubt that such publications set clear boundaries of behaviour for staff.

6.14 Benefits and Credits publish on its intranet statistics on the number of employees dismissed for gross misconduct issues, and the wider Department has on occasion published statistics on the number of staff dismissed for particular issues. Beyond this, HMRC does not publish internally any details surrounding the circumstances of cases where employees have been dismissed for gross misconduct. Almost unanimously, employees of all grades supported HMRC practice in publicising criminal convictions on the departmental intranet and thought that this should be extended to include dismissals for gross misconduct.

6.15 There is a perception amongst staff that not all misconduct cases are dealt with in the same way. HMIC found a widespread belief that an employee's grade may influence the outcome of misconduct investigations. This may be indicative of an apparent lack of transparency in misconduct procedures for more senior staff. HMIC did not find evidence to support the reality of this perception – but the perception needs to be addressed.

**Recommendation 7**

HMRC should publicise, within the Department, details of misconduct and gross misconduct cases leading to dismissal, in order to engender a deterrent effect.

**Recommendation 8**

HMRC should continue to raise employee awareness of the risks from internal fraud and corruption through a variety of means including those used during the IG awareness week in 2011.

## 7 Proactivity

7.1 An anti-corruption strategy that relies primarily on reacting to activity which happens to come to light is unlikely to be fully effective in identifying the extent of the risk facing an organisation, and in providing a deterrent to potential wrongdoing. A proactive approach offers benefits to organisations in that it allows them to take charge of situations through anticipating what might happen. It could be described as 'acting in advance' rather than waiting for something to occur and reacting to it. The proactive search for evidence of wrongdoing and effectively dealing with it when it is found, coupled with marketing of success in terms of sanctions against wrongdoers, should act as a deterrent to misconduct and criminal activity by staff.

### Strengths

7.2 IG has commissioned individual projects since 2010, seeking to proactively utilise data held about employees. The current project has matched employment data (employee records) with information on the benefits and credits applications made by HMRC staff. This proactive initiative has identified offenders who have fraudulently claimed benefits and credits to which they are not entitled.

7.3 AFAT develop profiles of IT activity that reflect risk, e.g. performing certain activities together or that may arouse suspicion. These profiles are then run against IT data warehouses containing data from over 100 internal IT systems, before they prioritise the results further using monetary and other indicators to arrive at a manageable list. AFAT identifies suspicious activity for IG to investigate. This has led to successful prosecutions and misconduct sanctions. HMIC found evidence of widespread knowledge amongst staff of the existence of AFAT, and that this acts as a significant deterrent.

7.4 HMRC has introduced confidential channels for staff to report wrongdoing through either a 24-hour hotline or an anonymous email system. HMIC found that there is a good level of awareness of the existence of both processes, as well as



a general view that staff would feel comfortable reporting wrongdoing to line managers.

## **Work in progress**

7.5 AFAT's capabilities are improving, and further developments are planned.

## **Areas for improvement**

7.6 IG tends to operate reactively. The inspection found that more use could be made of a wide range of proactive tactics to both identify and deal with internal fraud and corruption. Intelligence-led integrity tests, drug and alcohol tests and the profiling of individuals are all ways in which an organisation can increase its resilience to combat these risks.

7.7 The use of social networking media by staff presents challenges to organisations, both in the public and private sectors. A member of HMRC staff who openly identifies him or herself as an HMRC employee could create a vulnerability which may be exploited. HMRC has a policy in place on employee use of social media sites. However, to understand the risk that such activity poses to the organisation, the commissioning of proactive open source research will serve to identify the vulnerability of staff to exploitation.

7.8 Where there is sufficient intelligence that a person poses a risk to the organisation through criminality or inappropriate behaviour, which either for reasons of confidentiality or insufficient evidence cannot lead to prosecution or misconduct proceedings, there is no system within HMRC to remove the individual from the area of risk, whilst retaining them as an employee. Where an organisation has, for good reason, lost confidence in a member of staff, it would benefit the person concerned, those who work alongside him or her and the organisation to have a recognised process through which the risk can be mitigated, either by way of redeployment, restrictions upon duties or other means.

7.9 HMIC did not find any evidence that HMRC has a working policy on testing for substance abuse. Whilst it may not be appropriate to roll out such systems

across the whole of the Department there are two circumstances where testing could be utilised: a targeted approach for those employees who work in high risk business areas, and an intelligence-led approach in all other cases.

7.10 Intelligence-led integrity testing is not used by HMRC. Certain circumstances will present themselves where either there is no evidence as to who the suspect may be, or there is a suspect but insufficient evidence to prove their involvement. In such cases there is a benefit in proactively putting in place opportunities for an offender to be identified. Where the honesty of a member of staff in any directorate is open to question to the extent that it may amount to criminal behaviour or activity, and other methods of detection are not available, covert operations testing such honesty can be undertaken.

7.11 There is no one place within HMRC where data such as sickness levels, misconduct cases, security incidents, reports of arrest or other lifestyle information on individual members of staff is held. IG is therefore unsighted on these issues, unless they ask a specific question. A new, more functional IG intelligence database may present an opportunity to address this shortcoming and help to develop the profiling of staff who pose a risk to HMRC.

7.12 As previously mentioned, HMRC does not debrief ex members of staff who have been convicted of corruption and are serving a prison sentence. Similarly, IG does not routinely task human intelligence sources to identify risks and threats from internal corruption, nor does it carry out intelligence-led integrity testing.

#### **Benchmark**

Whilst the profiling of employees is a relatively new concept and far from an exact science, it can identify individuals or groups of individuals who are a potentially higher risk to the organisation than others. Essentially it utilises data held by an organisation which may indicate risk, for example sickness levels, unauthorised absence, complaints, minor and more serious discipline cases, financial problems and drug and alcohol misuse. When considered together, these can assist an organisation to highlight the need for further investigation or action. Large police forces such as the Metropolitan Police have adopted this type of approach and would be a useful point of contact. In addition, DWP are also looking at ways to profile staff through 'fraud indicators'.

**Recommendation 9**

IG should use elements from the range of proactive tactics available such as open source research on social media, service confidence procedures, targeted or intelligence-led drug, alcohol and integrity testing and the profiling of individuals who may present a risk through their lifestyle.

## 8 Criminal investigation

8.1 HMRC is a UK government department whose main objective is to improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled. HMRC also has a significant law enforcement element, which it uses in respect of this main objective and to reduce the risk of illicit import and export of material which might harm the UK's physical and social wellbeing. Consequently, the HMRC business area of Enforcement and Compliance routinely utilises its law enforcement powers. These powers are specifically intended to be used in relation to matters pertaining to HMRC business, providing the Department with the ability to regulate and investigate as necessary. When HMRC discover criminality which is not related to their business, they pass the information on for investigation to the relevant law enforcement partner, such as the police.

### Strengths

- 8.2 SD uses the full range of lawful covert investigative tactics to gather intelligence and facilitate investigations; these tactics are all available to IG.
- 8.3 IG Criminal in conjunction with the Criminal Investigation Training team provide the requisite training in crime investigation, including courses for the senior investigation officer (SIO), investigator, intelligence, financial investigator, surveillance and disclosure. HMIC found no evidence that staff lacked the necessary training to allow them to effectively carry out their roles.
- 8.4 The Head of IG has implemented a KPI regime, which governs the timeliness of investigations. Each investigation is assessed and given a timeframe for conclusion. This seeks to aid the management of cases from TCG adoption to the finalisation of the investigation, and ensures that the welfare considerations around having staff under investigation for long periods of time are addressed. The Head of IG is fully aware of the need to ensure a balance between timeliness and quality and of the dangers of the possible unintended consequences of the KPI regime.

- 8.5 HMIC found that the staff within IG displayed an overwhelming desire to provide a quality service and reduce internal fraud and corruption.
- 8.6 The Crown Prosecution Service (CPS) confirms that it has a longstanding, good working relationship with HMRC. The Head of the Central Fraud Group which prosecutes all HMRC's work in England and Wales has direct access to senior HMRC staff and joint quarterly meetings are held to ensure that any issues are discussed and resolved. HMRC is in the process of adopting the national prosecution file format used by police forces and the CPS throughout England and Wales. This will be rolled out by HMRC over the next twelve months.

## **Areas for improvement**

- 8.7 Whilst IG has access within HMRC to the full range of covert investigative and intelligence gathering tactics, the inspection found limited evidence of these being used. Recently, the majority of cases have been smaller tax credit fraud investigations. HMIC acknowledges that IG has, however, recently investigated a more complex case. The effect of this investigation has led to an inability (through lack of capacity) to take on some additional criminal investigations, resulting in cases being dealt with through misconduct procedures. When HMRC develops a fuller picture of risk they will be better placed to identify more complex cases. It will then be incumbent upon the organisation to respond accordingly and review the resources dedicated to internal fraud and corruption.
- 8.8 IG does not bring financial investigation into the mainstream of its intelligence gathering and investigation activity. HMIC found that there is a view that the majority of IG criminal cases do not warrant financial investigation. There are no dedicated financial investigators within the case investigation teams; the criminal investigators who have undertaken some financial training used instead are largely abstracted and not carrying out this role. In addition, while HMIC's inspection of HMRC's performance in addressing the recovery of the proceeds of

crime from tax and duty evasion and benefit fraud<sup>10</sup> recommended that case financial plans should be completed, this review found that they are not routinely being conducted; nor are financial profiles part of intelligence development. There is also evidence that restraint of financial assets is not routinely being considered early in cases and there have been occasions where referral to Restraint and Confiscation is not timely, leading to the potential for unrestrained funds disappearing and confiscation being thwarted.

<sup>10</sup> HMIC (2011) *An inspection of HMRC's performance in addressing the recovery of the proceeds of crime from tax and duty evasion and benefit fraud*. Available from [www.hmic.gov.uk](http://www.hmic.gov.uk)

## 9 Conclusion

- 9.1 In conducting this inspection of how HMRC identifies and mitigates the risks from internal fraud and corruption, HMIC found that the great majority of HMRC employees have a clear awareness of their responsibilities to behave with integrity in carrying out their function on behalf of Her Majesty's Government. They are honest, hardworking people who display commitment to their task and understand the responsibilities that their office carries in dealing with UK taxpayer revenue.
- 9.2 HMIC also found that HMRC has in place a wide range of systems which are designed specifically to prevent internal fraud and corruption.
- 9.3 There is no doubt, however, that more can and should be done now by HMRC to counter internal fraud and corruption. HMIC has identified key strengths, work in progress and areas for improvement, not all of which are prioritised as recommendations. Those areas for improvement that are detailed within the narrative of this report remain for consideration by managers. HMIC will monitor the implementation of the prioritised areas of improvement, which are detailed within the recommendations.
- 9.4 It is also worth pointing out that, once HMRC has successfully developed the picture of potential risk that it faces from internal fraud and corruption (including that posed from organised crime) through the implementation of an efficient and regularly refreshed assessment programme, and IG has adopted a more proactive approach, the likely consequence is that workloads will increase. This will necessitate a review of the resources which are committed to Internal Governance Criminal Investigation.
- 9.5 HMIC would like to again place on record sincere thanks to all the HMRC staff who willingly took part in the inspection process.

# Appendix A Inspection terms of reference

## BACKGROUND

In the current environment of scrutiny of our public services it is vital that organisations are able to maintain the confidence of the public. The importance of a robust and transparent strategy to ensure the utmost integrity and professionalism of staff is clearly acknowledged. HMRC has, in the relatively recent past assessed the risk it faces from internal fraud and corruption.

It is now timely that HMIC inspect the systems and processes put in place by HMRC to assess and deal with internal fraud and corruption and their current position and ambition.

The HMIC Team is made up of seconded police officers and civil servants.

## INSPECTION AIM AND OBJECTIVES

1. This inspection will assess the effectiveness of HMRC's systems, processes and behaviours in:-
  - Identifying the risk posed by corruption/internal criminality;
  - Identifying potential cases of corruption/internal criminality;
  - Effectively investigating cases of corruption/internal criminality; and
  - Deterring and preventing future cases of corruption/internal criminality;

This will be undertaken through a review of key issues, including, but not necessarily limited to:

- Strategic direction, governance and assurance;
- The development of the Departmental picture of risk from corruption/internal criminality;
- Identification of criminality across the Department and referral mechanisms /intelligence flows;
- Internal Governance's proactivity;



- Internal Governance's relationships with key stakeholders;
- Internal Governance's Case Development and Tasking and Coordination processes; and
- Internal Governance Criminal Investigation's case management and use of investigative tools

## **INSPECTION METHODOLOGY**

2. The objectives will be achieved via the following:

- Interviews with key stakeholders;
- Interviews with HMRC personnel within Internal Governance and other Directorates across HMRC (both within and outside Enforcement and Compliance);
- Assessment of business plans, systems, processes, internal guidance and other documentation;
- Analysis of a range of external reports; and
- Benchmark activity with comparable external agencies.

## **TIMEFRAME**

- Scoping/Research and data gathering – December 2011/January 2012.
- Reality testing/fieldwork – February 2012.
- Interim report – March 2012.
- Final report with recommendations – April 2012.

## Appendix B Acronyms and Abbreviations

ACCAG	ACPO Counter Corruption Advisory Group
ACPO	Association of Chief Police Officers
AFAT	Anti Fraud Assurance Team CAM
	Communications and Marketing
CHIS	Covert Human Intelligence Source
CI	Criminal Investigation
CPS	Crown Prosecution Service DMB
	Debt Management and Banking
DWP	Department for Work and Pensions
E&C	Enforcement and Compliance
ExCom	Executive Committee
HMIC	Her Majesty's Inspectorate of Constabulary
HMRC	Her Majesty's Revenue and Customs
HUMINT	Human Intelligence
IA	Internal Audit
IFIF	Internal Fraud and Integrity Forum
IFIRA	Internal Fraud and Integrity Risk Assessment
IG	Internal Governance
IPCC	Independent Police Complaints Commission
KAI	Knowledge Analysis and Intelligence
KPI	Key Performance Indicator
NIM	National Intelligence Model
NPIA	National Police Improvement Agency
NSU	National Source Unit
PF	People Function
PSD	Professional Standards Department
RDT	Referral Development Team
RIPA	Regulation of Investigatory Powers Act
RIS	Risk and Intelligence Service
S&ID	Security and Information Directorate
SD	Specialist Delivery
SIO	Senior Investigation Officer
SRA	Strategic Risk Assessment
TCG	Tasking and Co-ordination Group