# Raising Fraud Awareness

Metropolitan Police Authority and Service

Advice & Assistance

May 2010
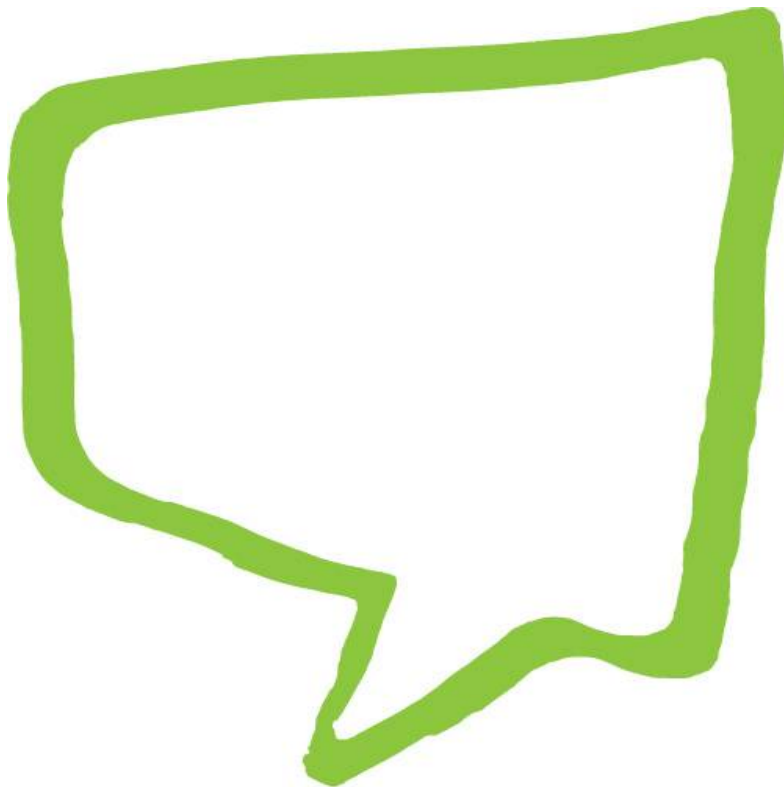
# Contents

### Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

# Summary report

## Introduction

**1** The MPS employs around 52,000 people, both police officers and police staff. As in all bodies, a culture that embraces effective governance and counter-fraud arrangements is particularly important. The MPA and MPS jointly identified fraud awareness as a risk area where they sought to secure improvement.

**2** As a consequence, we were asked by the Metropolitan Police Authority (MPA) Director of Internal Audit and Metropolitan Police Service (MPS) Director of Resources to apply the Audit Commission's 'Changing Organisational Cultures' toolkit to support the delivery of the MPA/S's Raising Fraud Awareness programme. .

## The national picture

**3** It is hard to make a reliable estimate of the sums lost to fraud annually, but levels of detected fraud in the public sector have been increasing for several years. The 2006 Government review *Fighting Fraud Together* concluded there was significant under-reporting of fraud in both public and private sectors. Research by the Association of Chief Police Officers in the same year estimated that the total cost of fraud to the UK was approximately £20 billion, with the majority of that loss occurring in the public sector. Professional opinion is that typically between 2 per cent and 5 per cent of all public sector expenditure is lost as a result of fraud.

**4** The public have always demanded high standards of probity and transparency from those in public office as recent media attention on members of parliament demonstrates. The need to demonstrate high standards of ethical conduct and probity in public office is therefore as high as it has ever been, and rightly so.

**5** With levels of fraud increasing nationally against a background of finite audit resources and with more devolved financial management, greater emphasis is being placed by management and audit on internal controls. This in turn places greater reliance on managers to fully understand and accept their personal responsibilities within a clear framework of corporate governance and a sound control environment.

**6** Initiatives by both government and professional bodies have greatly increased the importance of a robust response to fraud by all organisations. The introduction of the Fraud Act (2006) has for the first time created a specific offence of fraud. Similarly the government's *Fighting Fraud Together* publication has raised the importance of anti-fraud measures across public and private sector alike. For the MPA/S, two recommendations have a particularly significant impact:

- **Recommendation 24 of Fighting Fraud Together:** 'Public authorities should reinvigorate fraud measurement and risk assessments in their financial processes in order to better assess the scale of fraud, risks faced from fraud, and losses to fraud.'

- **Recommendation 25 of Fighting Fraud Together:** 'The National Audit Office and the Audit Commission should audit public bodies on the strength of their anti-fraud controls.'

7   These recommendations place greater emphasis on proper fraud measurement and the self-assessment by bodies of the fraud risks to which they are exposed, along with increased audit focus on the strength of a body's anti-fraud controls. CIPFA's 2007 publication *Managing the Risk of Fraud* directs organisations to take a more holistic, professional approach to ensuring higher levels of probity, efficiency and honesty, led by senior management. Within policing, the importance of high ethical conduct was emphasised by the 2005 Taylor reforms, which aimed to make disciplinary processes for police officers more efficient whilst learning from best practice in other sectors.

## The 'Changing Organisational Cultures' toolkit

8   We supported the Raising Fraud Awareness work at the MPA/S by running a series of workshops using the Audit Commission's 'Changing Organisational Cultures' toolkit. This work aimed to help management better understand the organisation's anti-fraud culture and help identify ways to strengthen it. The workshops were also designed to help raise awareness of fraud issues amongst staff and to allow them to discuss areas of risk and how these might be addressed.

9   The Audit Commission developed its 'Changing Organisational Cultures' toolkit specifically to measure and help embed a strong counter-fraud culture within organisations. The Committee on Standards in Public Life has endorsed the approach. The Committee's tenth report noted that 'however intangible the issue of culture appears, the Committee believes that an effective counter-fraud culture is critical to delivering high standards of propriety in public life in a proportionate and effective manner'. The report also states that 'the innovative experience-based learning techniques developed by the Audit Commission…help organisations reach their own determination of their strengths and weaknesses'. As a result the Committee recommended:

'The board of all public bodies should commit themselves to the adoption and use of the Audit Commission's self-assessment tool, Changing Organisational Cultures, which is specifically designed to embed a good conduct culture'.

*Recommendation 35, 10th Report by the Committee on Standards in Public Life.*

10   The Changing Organisational toolkit is interactive, allowing delegates to share their own perceptions of the strengths and weaknesses in their organisation's counter-fraud arrangements and culture. The toolkit is delivered using an on-line survey followed by facilitated workshops.

## Approach

**11** Our Raising Fraud Awareness work aims to:

- heighten awareness of fraud and corruption risks amongst key staff across the MPA and MPS;

- help the Authority and Service to better understand their culture, exposure to fraud risks and ways in which these risks can be addressed;

- allow the Authority and Service the opportunity to benchmark their anti-fraud culture against the Audit Commission's national database of survey respondents;

- provide an opportunity for delegates to consider these issues and generate solutions in an environment outside the pressures of the workplace; and

- help the Authority and Service plan how to improve and embed an effective anti-fraud culture.

**12** The programme was delivered as follows:

- an on-line survey made available to 500 key MPA/S staff and police officers;

- a series of 14 half-day workshops, run jointly by us and MPA Internal Audit, for just over 200 staff and officers from the pool of 500 above;

- a presentation to MPS Management Board summarising the key messages after the first ten workshops, which was also attended by MPA Internal Audit; and

- a report summarising the key findings and recommendations arising from the above.

**13** The standard 'Changing Organisational Cultures' questionnaire was tailored in some areas to increase its relevance to the police, in particular through the inclusion of seven additional questions at the request of the MPA/S. The use of tailored questions does not impair the ability to benchmark MPA/S data against the Audit Commission's national database.

## Key messages from the on-line survey

**14** The survey was conducted during the period 20 December 2008 to 6 January 2009. We received 151 respondents of a possible 500 which provides a sufficient basis for discussion at the seminars.

**15** Respondents recognised that the MPA/S has a clear commitment to tackle internal fraud and corruption, but respondents were slightly less convinced that this commitment was making a positive difference, as set out in Figures 1 and 2 overleaf.

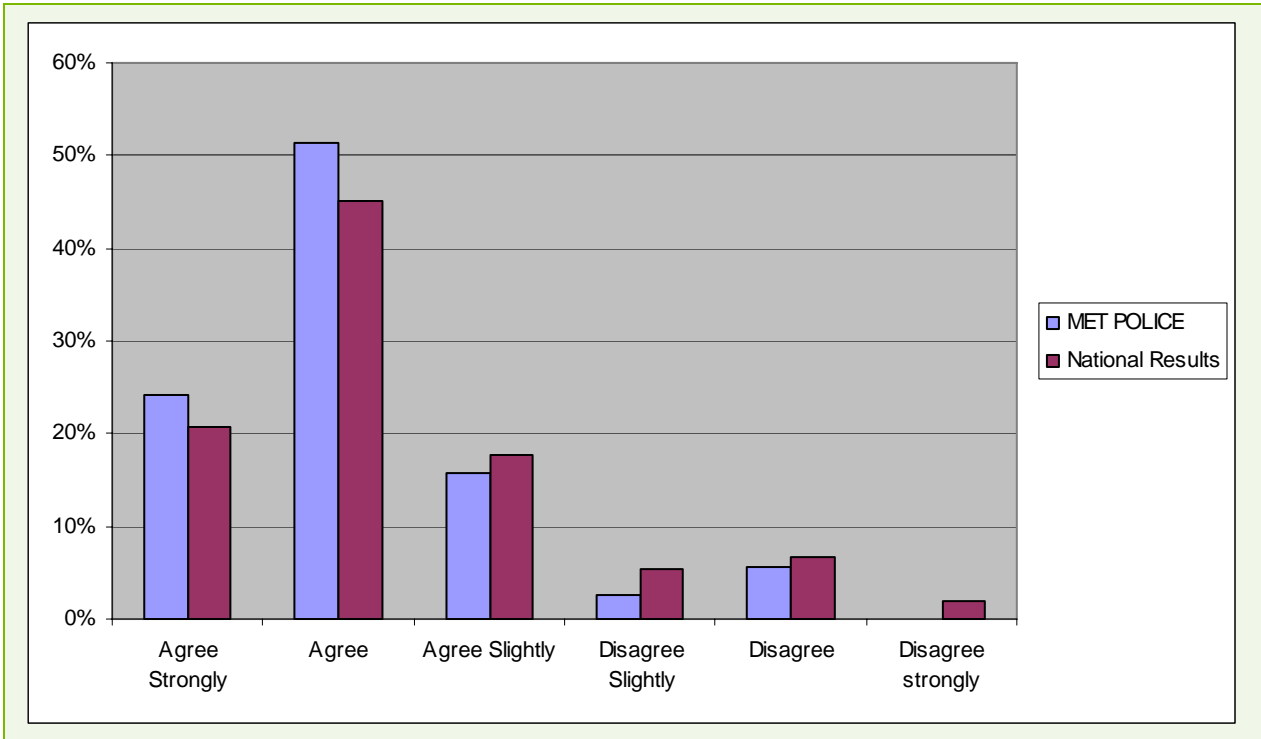**Figure 1    The organisation has made clear its commitment to tackle internal fraud and corruption**
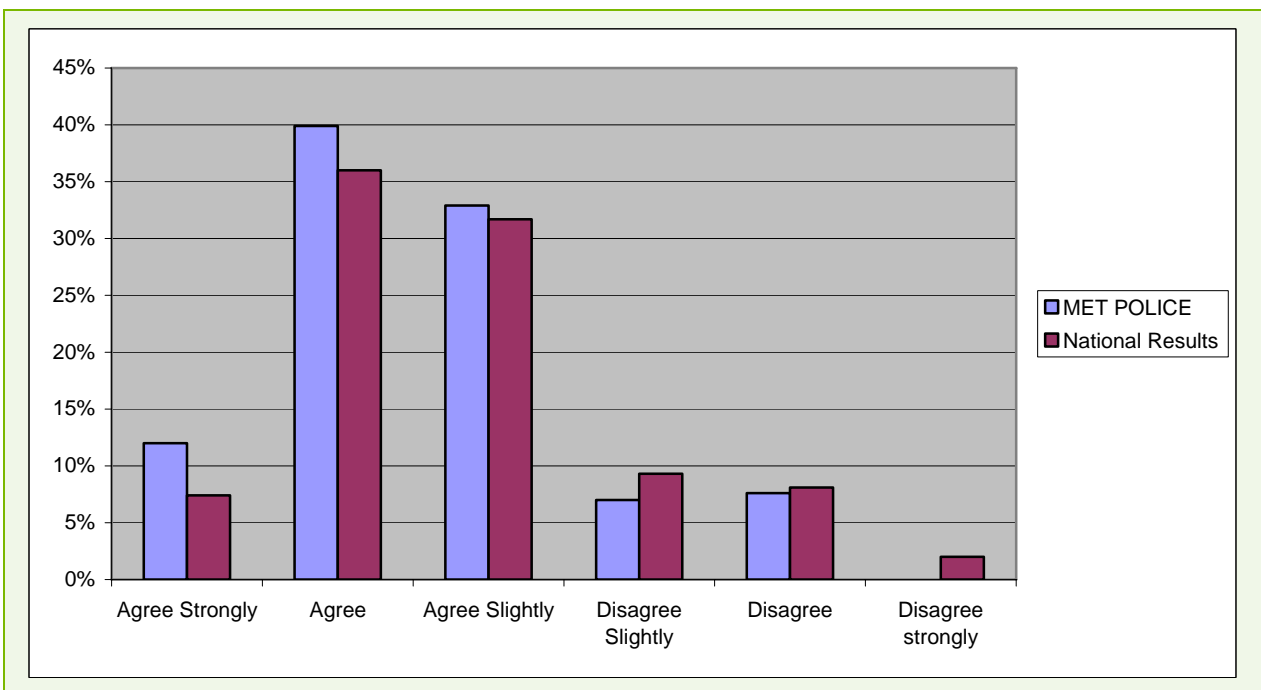


**Figure 2    The organisation's commitment to tackling fraud and corruption is making a positive difference**

16  The MPA/S results for both these questions is in line with the average results for all public bodies on our database, with a slightly higher proportion of 'agree strongly' and 'agree' responses than respondents from other public bodies, as shown by the 'National Results' figures.

17  As shown in Figures 3 and 4 below, respondents revealed some concerns in relation to the existence and effectiveness of internal controls and the management of registers of interest. These results do, however compare favourably with other public bodies.

## Figure 3    I believe that internal controls, including segregation of duties, exist and work effectively
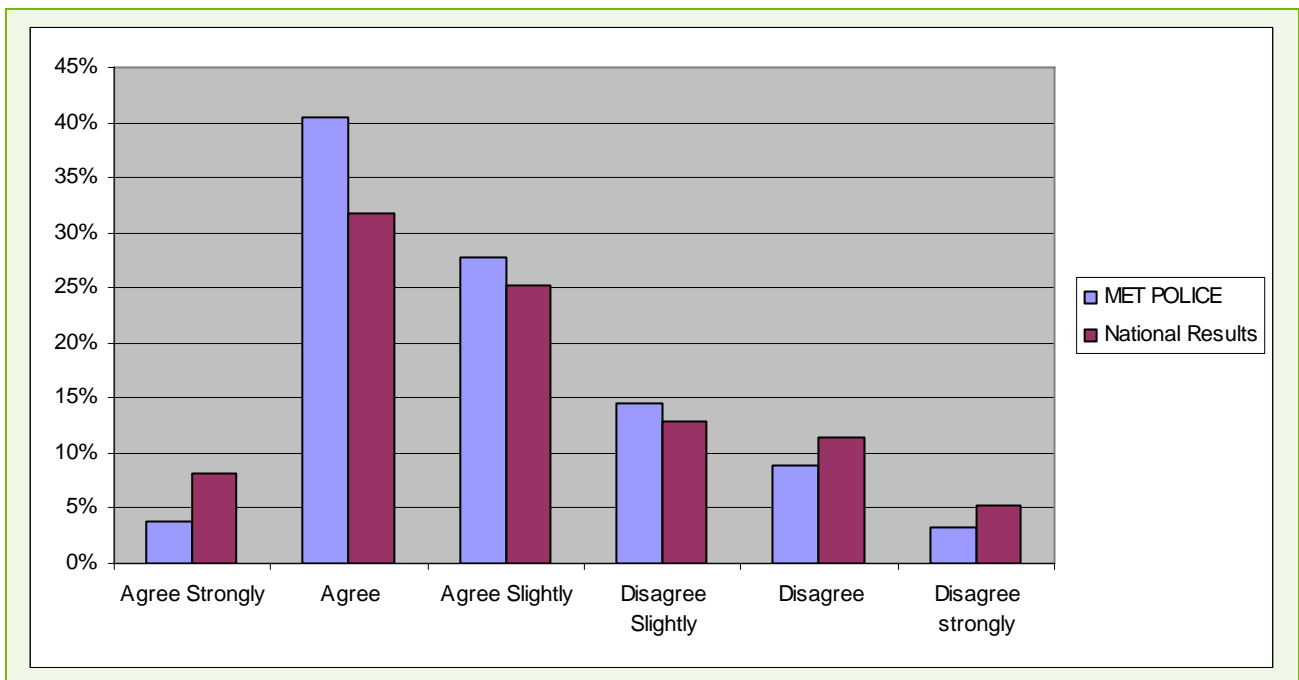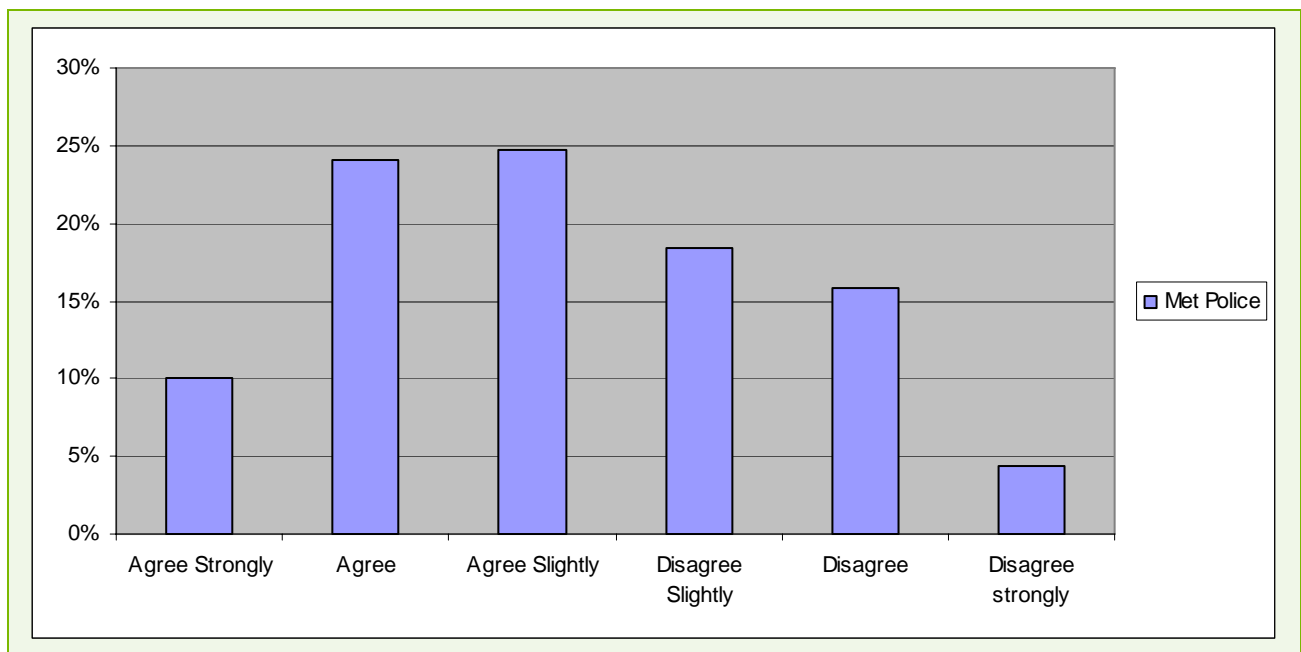
## Figure 4    Registers of interest are reviewed regularly



This was a MPA/S-specific question; as a result there are no national comparative results.

### Key messages from workshops

18  In the workshops we asked delegates to vote again on ten headline questions from the on-line survey, including those listed above. As expected, there were some minor variations between the on-line survey results and the results in individual workshops, which is likely to be simply a reflection that people in different areas of the business have had different experiences. These variations did not appear significant, with the same key messages identified from the on-line survey as from the workshops.

19  The MPA/S's results are broadly in line with the results from other public sector bodies that we have surveyed nationally and in a number of areas are more positive, as denoted by the number of respondents stating they agreed strongly or agreed with the statements in the survey.

20  The key themes which emerged consistently from workshop discussions were:

- culture;
- communication;
- reputation;
- clarity of roles and responsibilities;
- the availability of support; and
- developing a control environment that encourages a culture of compliance alongside operational expediency.

21 Each of these themes is explained in the detailed section of this report. The key points are summarised below.

### Culture and reputation

22 Delegates generally demonstrated a good awareness of the importance of a strong anti-fraud culture, and a willingness to ensure this is embedded within the MPA/S's activities. There were a number of positive comments about the progress the MPA/S has made in developing an effective counter-fraud culture. Senior management are increasingly seen as leading in this area, and this is well-received by staff.

23 Recent events, including the misuse of AMEX credit cards, have exposed some of the significant problems the MPA/S faces in developing an effective anti-fraud culture, but the response of senior management and the way mistakes have been responded to and learnt from are generally seen as positive. Delegates recognise the importance of a strong anti-fraud culture for ensuring that internal fraud is not allowed to damage the organisation's reputation and the trust the public are prepared to put in their police service.

24 Delegates felt that the MPA/S's anti-fraud culture is improving but there needs to be continued and clear commitment from the top and throughout the organisation if lasting change is to be achieved. New recruits to the organisation quickly pick up on the culture and values of an organisation and will act accordingly. Recent steps by senior management, including the Commissioner's statement on the importance of effective governance, the open way in which AMEX has been dealt with, and the Raising Fraud Awareness programme itself, were recognised as very positive actions in helping to set the right tone from the top and facilitate cultural change.

### Communication

25 Delegates generally felt that current policies and standing instructions are overly-complex and of a size that prohibits their usefulness as a reference tool. Identifying what in the standing instructions is relevant to particular roles or particular situations is often difficult as a result. Delegates overwhelmingly indicated they are not familiar with the MPA's Good Conduct and Counter-Fraud strategy, how this relates to their role, or where this can be found, highlighting the need for renewed and clear communication of the purpose and accessibility of such documents. Delegates felt that policies and standing instructions could be made more user-friendly, including making better use of the intranet and a better 'front end' to direct the user to the necessary information.

### The availability of support and roles and responsibilities

26 Delegates advised that clearer guidance on the role of the DPS, HR and the MPA Investigations team, and on when Rightline should be used, would be beneficial, as would the responsibilities of individual managers for helping to tackle internal fraud. The presentation delivered by MPA Internal Audit in the workshops included contact details for key individuals in MPS Finance as well as for Rightline and the MPA Investigations team, but there remains a need for greater clarity in how roles and responsibilities in this area are communicated.

### Internal control

**27** Our workshops focused on people's perceptions of the effectiveness of controls and the strength of the organisation's counter-fraud culture, rather than assessing the strength of controls actually in place throughout the business. The perception of many delegates was that the control environment remained weak and susceptible to abuse. Paragraph 59 below summarises the main areas where delegates felt internal controls remain weak, including the claiming of overtime, accommodation allowances and the claiming of expenses.

**28** Increasing awareness of the importance of management controls not just for running the business but also for countering fraud is key to ensuring that the effectiveness of internal control improves. There are a number of initiatives underway that seek to improve compliance, including work by the MPS Procurement team to improve contract compliance.

### Next steps

**29** Workshop delegates were provided with copies of the MPA's Good Conduct and Anti-Fraud Strategy and given details of people they can speak to for advice and guidance on how they can raise any concerns.

**30** The next section of this report sets out the findings above in more detail and makes recommendations to management for areas the MPA/S may wish to further strengthen as a result of this review. An action plan containing our recommendations is included at Appendix 1, which we ask management to consider and complete.

# Detailed report

**31** The themes referred to at paragraph 26 above are covered here in more detail with associated recommendations. Each recommendation is also included in the action plan at Appendix 1.

## 1 Culture

### Embedding an anti-fraud culture

**32** Organisational cultural theories like the 'cultural web' are well documented and set out how the structures, processes and delegation of power prevalent in the organisation will affect its culture and the attitudes and behaviours of its employees. Setting the right 'tone from the top' of the organisation is an important means by which a strong anti-fraud culture should be fostered.

**33** Delegates spoke highly of the leadership shown by senior management in developing such a culture at the MPA/S, and in particular how management had dealt with the misuse of AMEX cards. Delegates recognised that, whilst proven fraud could damage the organisation's reputation, this was not necessarily a bad thing if the organisation learned from the mistakes made. The majority regarded the organisation as being 'on a journey' with continued work required to fully embed anti-fraud arrangements. Delegates felt that ethical standards and fraud awareness varied across command units and across grades, with different cultural norms defining how people behave and what is regarded as acceptable in different parts of the organisation.

**34** To improve fraud awareness across the different parts of the organisation, delegates felt that ensuring staff understood the impact of internal fraud was vital, in particular that resources lost to fraud are resources that are not then available to deliver front-line policing services. It is also important that staff understand that internal fraud does not necessarily involve significant values or elaborate schemes, but refers to any type of deception designed to achieve financial advantage, for instance, through the manipulation of timesheets. Whilst the financial impact of such behaviour may be low individually, should it become routine behaviour for a number of staff then clearly the values involved will soon become more significant, to say nothing of the reputational damage such behaviour may cause.

**35** There is also considerable scope to increase awareness of the importance of the management controls like separation of duties and the scheme of delegation to mitigate the risk of internal fraud.

> **Recommendation**
>
> **R1** Raise staff awareness of the impact of fraudulent behaviour on:
>
> - the resources available to deliver front-line policing services to the public;
> - the MPA/S's reputation and the way it is perceived by the public; and
> - the importance of the proper application of management controls in helping to mitigate the risk of fraud.

### Confidence in disciplinary procedures

**36** Disciplinary procedures are often inherently complex, which can create a natural disincentive to managers raising concerns. A lack of confidence in internal disciplinary arrangements was raised as a concern in a number of workshops. Management should consider the actions it can take to ensure the organisation's disciplinary processes are visible and are seen to be effective, in particular by:

- engendering the confidence of managers and staff by demonstrating that clear support mechanisms are in place for managers involved in disciplinary proceedings - see paragraphs 53 to 55 and Recommendation 13 below for more details;
- ensuring there are clear joint working arrangements between functions within the organisation, for example, HR, Department of Professional Standards and the MPA Investigations team; and
- demonstrating that, where a misdemeanour has occurred, disciplinary arrangements lead to fair, visible, consistent outcomes, regardless of position.

> **Recommendation**
>
> **R2** Ensure disciplinary processes are visible and are seen to lead to fair, consistent outcomes.

## 2 Communication

### Policies and procedures

**37** Policies and standing instructions are perceived as being difficult to locate given the volume of information and search facilities available on the intranet. Delegates often found referring to standing instructions as time-consuming, in particular as the format and language is not necessarily user-friendly. In a number of instances, people expressed the view that the standing instructions, like the financial regulations, tended to be a source of information not referred to until 'things went wrong'. There was however, a strong awareness across all workshop groups that such instructions and policies were important to the effective running of the business.

38 Efforts by management at all levels to make policies and standing instructions more accessible and understandable could therefore bring clear benefits. A number of approaches to achieving this were discussed, including:

- ensuring policies and standing financial instructions are reviewed regularly for continued relevance, and also accessibility, understandability and consistency with other policies;

- ensuring standing financial instructions are written in plain English with a minimum of technical terms in order to make it easy to understand and comply with them;

- maintaining a core set of policies and standing instructions that are readily accessible in one area of the intranet and which is not confused by excessive information;

- an improved front end to guide users quickly and easily to appropriate documents and appropriate sections within them according to their need/enquiry;

- a pocket guide for managers setting out the scope and purpose of the internal control framework, the key policies and instructive documents governing it, and the common situations where these are applicable, and where more detail can be found; and

- the use of diagrammatic aids such as decision trees to allow users to understand governance processes from end to end and to quickly and easily navigate to relevant areas of guidance within these processes, for example, how to apply procurement standing orders based on the value and type of expenditure to be incurred.

| Recommendation |
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| **R3** Review the accessibility of policy documents and standing instructions and consider how these could be enhanced, making appropriate use of consultation with staff user groups to ensure changes appropriately meet users' needs. |

### Defining internal fraud

39 Defining what fell within the scope of 'fraud' was a common area of discussion in workshop groups. We defined fraud as deception designed to achieve financial advantage. This includes behaviour like adding a small amount of time to a timesheet or overtime claim, or the misuse of sick leave, behaviour that staff might not associate with internal fraud in the same way as more elaborate or large value misappropriation of public assets.

40 In a number of workshops, delegates advised that the organisation appeared much better at recognising and dealing with instances of corruption than internal fraud. Corruption tends to receive a higher profile because of the risks and pressures that officers face as part of their daily work. Delegates recognised that fraud and corruption were two elements of the same type of behaviour and felt it was important that the organisation be seen to deal with instances of suspected internal fraud with the same gravity as suspected instances of corruption.

| Recommendations | |
|---|---|
| **R4** | Provide staff with a clear definition of what constitutes internal fraud, and that this should be regarded as wrongdoing in the same way as corruption. |
| **R5** | Using appropriate media, for example 'The Job' magazine, communicate to staff the impact that fraudulent or corrupt behaviour can have on:<br>• the availability of resources to fund front line services; and<br>• the reputational damage and damage to morale that can occur were internal fraud occurs. |

### Sanctions and outcomes

41 Delegates expressed mixed views as to how effectively the outcomes of fraud investigations are communicated to staff. There is a strong consensus that the action taken to investigate frauds and seek appropriate redress need to be better promoted to all staff.

| Recommendation | |
|---|---|
| **R6** | Consider the need for an annual statement on anti-fraud actions undertaken across the business, with a summary of outcomes and a reminder of how staff should raise concerns of wrongdoing. |

## 3 Reputation

42 The public expects the highest standards of ethical conduct from the employees of any public organisation, particularly the police. Where public servants are found to have acted fraudulently, public perceptions of the organisation are often disproportionately negative. Demonstrating the highest standards is of particular importance to the MPA/S because of its high profile role, both as the service responsible for policing for the capital city, and as a result of the considerable national and international duties it fulfils.

43 The risk of damaging the organisation's reputation can act as a barrier to staff reporting wrongdoing. The tone from the top of the organisation is very important in demonstrating to staff that concerns are taken seriously and dealt with effectively and sensitively where raised. Management's response to the misuse of AMEX cards was regarded by delegates as setting the right, positive tone for the organisation, and had demonstrated that the organisation was capable of learning from mistakes. It remains important that management consider how to address the disincentives to raising concerns. Where proven frauds are publicised, it may be appropriate to provide details of the support and advice provided to staff involved in the process.

| **Recommendation** |
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| **R7** Where proven frauds are publicised, provide details of the support and advice provided to staff involved in the process. |

## 4 Roles and responsibilities

**44** Delegates were often not clear what their individual responsibilities were in relation to internal fraud, and whether they were helping to make a positive difference in tackling internal fraud as a result. To help address this, it is important that expectations of staff in helping to tackle internal fraud are clearly communicated. This should not be communicated as an additional role or additional work for individuals, but is concerned with the basic management checks to ensure that wrongdoing goes undetected.

**45** Paragraph 61 below summarises some key areas where internal fraud may occur if internal controls are not working effectively. It is important that managers understand the importance of such controls in preventing and detecting internal fraud.

| **Recommendation** |
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| **R8** Clearly communicate the responsibilities and expectations of staff in helping to tackle internal fraud. This should emphasise the importance of basic management checks and controls in helping to prevent and detect fraud. |

### Reporting wrongdoing

**46** Delegates demonstrated a high level of awareness of the MPS confidential Rightline service for raising concerns of wrongdoing. The confidential nature of this service is regarded as being vital to its effectiveness and the level of confidence that staff are willing to place in it. We identified scope to better communicate the availability and purpose of the Rightline facility to new recruits and more junior staff, who may be less aware of it.

| **Recommendation** |
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| **R9** Continue to raise awareness of the Rightline service through appropriate media, including the intranet, staff publications including 'The Job' and induction packs for new recruits to ensure that all staff are aware of it and what it can be used for. |

### Registers of interest and hospitality

**47** Simply declaring an interest or an offer of hospitality is important but just because an offer of hospitality is on a register does not necessarily make it appropriate. Similarly, an individual who declares an interest should be seen to act with integrity and not allow him/her to be placed in a situation where that interest could be see to be prejudicial to his/her role.

48 The MPA's Good Conduct and Counter-Fraud Strategy is clear in stating that any offers of hospitality should be declined. The visibility of monitoring arrangements are also vital to ensuring staff are aware that the information contained in registers of interest and hospitality is reviewed and acted on by management. Effective monitoring also provides a valuable second opinion on the appropriateness or otherwise of hospitality offered and received, and the impact of any business interests on individuals' roles.

49 The MPA/S should consider publicising that measures are available to the organisation to test the completeness of disclosures of interests by staff through access to confidential third party reports compiled by the Audit Commission's National Fraud Initiative and used by a large number of public sector bodies nationally.

50 Delegates' awareness of where registers of interest and hospitality were kept and what they are designed to achieve was variable. Current arrangements for recording business interests are not felt to facilitate effective oversight as interests for the majority of staff are held on individuals' files rather than being collated centrally. We understand that holding one central record of interests and hospitality is not deemed logistically feasible in an organisation the MPS's size. However, a lack of central oversight limits the extent to which patterns or unusual activity, which may indicate systematic abuse or infiltration by third parties, might be picked up.

51 We recommend management consider adopting such a system at business group level, or at an appropriate level within the organisation where the scale of the task is manageable. There may also be scope to combine a central register of interests with a register of gifts and hospitality so that all issues that might affect the objectivity of officers and staff can be reviewed and understood in one place.

| Recommendations |
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| **R10** Ensure periodic reviews/audits of registers of hospitality and interest are visible and are acted on as a means to raising staff confidence in the importance of declaring interests and hospitality. |
| **R11** Consider collating declarations of interest and hospitality in a single register for each business group to facilitate effective oversight and review of declarations made. |

52 Through workshop discussions, delegates indicated that they were uncertain about some aspects of the process for declaring interests and hospitality. In discussion with delegates, we identified the following ethical considerations that management and staff may find it useful to consider:

- What reputational damage, both to myself and the organisation, will be done if I am seen to accept hospitality that is perceived as inappropriate or prejudicial to my responsibilities as an employee of the MPA/S, and as a public servant?

- Why am I being offered hospitality? What's in it for me? What does the individual/ organisation offering the hospitality stand to gain, both now and in the future?

- What might my acceptance of hospitality/failure to declare an interest look like to an observer? Would I feel comfortable explaining my actions in public?

- If in doubt, am I familiar with the guidance set out in the MPA's Good Conduct and Counter-Fraud Strategy, which states that any offers of hospitality should be declined?

53 Because these issues were raised regularly in workshops, this is an area where further guidance and training would be of value.

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**Recommendation**

**R12** Provide staff with guidance and, where appropriate, training on the importance of declaring interests and hospitality, referring in particular to:

- the ethical considerations staff should consider in determining whether a declaration should be made;

- that adhering closely to the rules and declaring known interests or offers of hospitality is an important means by which staff can demonstrate they have conducted themselves with integrity;

- the need to declare offers of hospitality made but not accepted, in line with good practice; and

- the 'zero-tolerance' approach to hospitality proposed in the MPA's Good Conduct and Counter-Fraud Strategy.

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## 5 Support

54 Investigating allegations of wrongdoing and pursuing disciplinary action requires a specific set of skills and requires that effective mechanisms exist to support managers. A number of delegates did not feel confident in their capacity to deal with the requirements that an investigation or employment tribunal might require of them. This may act as a barrier to managers raising concerns and indicates a training need in this area.

55 Staff often make use of informal networks where advice or support is needed. Whilst this may help to promote a learning organisation it is not necessarily the most efficient use of staff time if routine matters are regularly dealt with in this way, and not via standing instructions and policies.

56 Many workshop delegates felt that the availability of advice could be better publicised and understood, in particular to help support managers who are involved in employment tribunals with staff. This includes clarity over the role of HR and DPS in relation to alleged internal fraud and how the MPS Rightline should be used. The presentation delivered by MPA Internal Audit in the workshops included contact details for key individuals in MPS Finance as well as for Rightline and the MPA Investigations team, but there remains a need for greater clarity in how roles and responsibilities in this area are communicated.

| Recommendations |
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| **R13** Provide managers with an information pack summarising the procedures to follow where concerns of potential wrongdoing are raised. This should include:<br><br>• information on the support mechanisms available, including HR, DPS and the MPA Investigations team, with contact details; and<br><br>• details of the Rightline service. |
| **R14** Consider the need for nominated 'champions' at business group level who can provide advice and support to managers involved in fraud investigations or employment tribunals. |
| **R15** Consider the need for training on the requirements of investigations and employment tribunals for appropriate managers and senior officers. |

**57** Effective recruitment practices are vital to ensuring that individuals are recruited with high ethical standards from the outset, but induction processes and ongoing training and development are also of real importance to ensuring staff understand the values of the organisation and live by them. This should be topped up with periodic communications and training. An internal communications strategy to promote the importance of a strong anti-fraud culture was frequently identified as an effective means to achieving this. This could make use of existing media, including the in-house magazine, induction training packs, posters and flyers.

| Recommendations |
|---|
| **R16** Enhance induction and training processes for new recruits by:<br><br>• including training on the MPA/S's zero-tolerance approach to internal fraud as part of induction;<br><br>• including information on the MPA's Good Conduct and Counter Fraud Strategy and the Rightline service in induction packs and directing new recruits to familiarise themselves with this information; and<br><br>• defining what is meant by 'internal fraud' and 'corruption' and the impact of such behaviour. |
| **R17** Keep managers informed of the training their new recruits have received on ethical issues and counter-fraud. |
| **R18** Consider the need for an internal communications strategy to help reinforce the importance of a strong anti-fraud culture. |

## 6 Control environment

**58** Our workshops focused on people's perceptions of the effectiveness of controls and the strength of the organisation's counter-fraud culture, rather than assessing the strength of controls actually in place throughout the business. The perception of many delegates was that the control environment remained weak and susceptible to abuse, but that increasing the number of management controls was not necessarily the best way to deal with this, particularly alongside considerations of operational expediency. Delegates identified periodic peer reviews, increased Internal Audit testing of compliance and tougher sanctions as effective ways to raise the profile of the importance of compliance, although clearly each of these will have resource implications.

**59** Management recognises that increasing the number of controls may help to create an environment in which people do what is necessary to get the job done, and in so doing actually encourage non-compliance rather than discourage it. As a result, management's attention is focused on ensuring the controls that are already in place work effectively, rather than increasing the number of controls in place across the business.

**60** Management has taken some clear actions to address negative perceptions, including disciplining a number of staff for abuse of the season ticket loan scheme. The investigation into the misuse of AMEX cards has also resulted in a tightening of controls on expenses, with the results of investigations reported to MPA Corporate Governance Committee in a transparent way. Significant work within the MPS Procurement directorate has also been carried out over the last eighteen months to improve contract compliance.

**61** Some of the key areas where there is a perception that checks and balances, whilst carried out, do not necessarily deal with the risk of fraud or manipulation effectively include:

- the claiming of overtime;
- season ticket loans;
- accommodation allowances;
- the use of hire cars;
- mobile phones;
- the claiming of expenses; and
- the use of consultants, as it can be difficult to separately identify and monitor such costs.

62  Delegates felt that those responsible for carrying out management checks were not always aware of the control's importance for preventing and detecting fraud, in addition to supporting day to day management. There was also a common perception that checks (for instance, ensuring that expense claims are properly supported and appear reasonable) are often not carried out properly and there is often little challenge from managers responsible for authorising expenditure. The majority of control failures are basic, for example, inadequate separation of duties, or the lack of effective checks by second signatories. This may perpetuate a belief that management is not concerned with the way in which the areas above are controlled. Delegates recognised the fraud risks attendant in a culture that did not challenge such complacency.

63  To address this, the purpose of internal controls needs to be clearly understood by those responsible for them, and managers should be encouraged to foster a culture of constructive challenge. The MPA/S should consider using existing arrangements, for example the programme of Financial Awareness Training for non-finance managers, to promote the purpose and importance of internal controls in their areas of the business. The MPA/S should also consider identifying 'champions' at business group level who can advise managers on internal control issues.

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**Recommendations**

**R19** Use the programme of Financial Awareness Training to provide managers with training and guidance on the purpose and importance of internal controls in their areas of the business.

**R20** Identify internal control 'champions' at business group level to provide non-finance staff with advice and training on internal financial controls relevant to their role.

We understand the aim of the existing Financial Awareness Training (FAT courses) is to provide non-finance staff with the skills required to carry out routine financial controls. These events may be a useful way to promote the availability of peer support and who to contact.
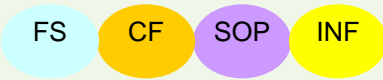
**R21** Management should continue to focus attention on improving compliance levels in areas where internal controls are known to be weak. This may include setting managers objectives for ensuring that controls in their area of the business operate to appropriate standards.

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# Appendix 1 – Action Plan

| Page no. | Recommendation | Priority Low Medium High | Responsibility | Agreed | Comments | Date |
|---|---|---|---|---|---|---|
| | **Raising Fraud Awareness** | | | | | |
| 12 | R1 Raise staff awareness of the impact of fraudulent behaviour on: <br>• the resources available to deliver front-line policing services to the public; <br>• the MPA/S's reputation and the way it is perceived by the public; and <br>• the importance of the proper application of management controls in helping to mitigate the risk of fraud. | High | | Agreed+ new initiatives under development. | Embedding a compliant and anti-fraud culture <br>Staff awareness of importance of compliance & internal control will be promoted by all the initiatives. <br><br>FS   5 Ps   CF   MAA   SOP   INF <br><br>Other proposals <br>Agreed with AC for ten further fraud awareness events to be held. | |

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| 12 | R2 Ensure disciplinary processes are visible and are seen to lead to fair, consistent outcomes. | Medium | | Already implemented + new initiatives under development. | Already implemented<br>Fairness and consistent outcomes are adequately covered by existing arrangements & review of process.<br>Embedding a compliant and anti-fraud culture<br>The following ongoing initiatives will improve visibility:<br>CF  SOP  INF | |
| 13 | R3 Review the accessibility of policy documents and standing instructions and consider how these could be enhanced, making appropriate use of consultation with staff user groups to ensure changes appropriately meet users' needs. | Low | | | Embedding a compliant and anti-fraud culture<br>The following initiatives will result in new SOPs & greater accessibility on information overall:<br>FS  SOP  INF<br><br>Other plans include pocket guidance on Fraud and internal controls to be designed by compliance workshop in consultation with users. | |
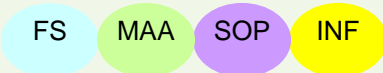
**Detailed report**

| Page no. | Recommendation | Priority Low Medium High | Responsibility | Agreed | Comments | Date |
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| 14 | R4 Provide staff with a clear definition of what constitutes internal fraud, and that this should be regarded as wrongdoing in the same way as corruption. | High | | Agreed+ new initiatives under development. | Embedding a compliant and anti-fraud culture Definitions and examples of fraud will be provided in SOP and via INF. Fraud will also be tackled within the Compliance Framework. The Compliance Framework provides a clear message of what is unacceptable in the MPS and gives managers greater confidence to take decisive and immediate action, thereby improving internal control and professional standards and potentially preventing fraud in the first instance.<br><br>FS  CF  SOP  INF<br><br>Other initiatives include: Collaboration with partners such as the National Fraud Authority/other forces to provide a more consistent definition across the public sector of what is unacceptable aligned with public expectations. CIPFA Benchmarking Group (the group will look at, analyse and compare ways that fraud is investigated and managed, the resources used and outcomes across the public and not for profit sectors. It aims to provide some standard definitions and measures). | |

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| 14 | R5 Using appropriate media, for example 'The Job' magazine, to communicate to staff the impact that fraudulent or corrupt behaviour can have on:<br>• the availability of resources to fund front line services; and<br>• the reputational damage and damage to morale that can occur where internal fraud occurs. | High | | Agreed+ new initiatives under development. | Embedding a compliant and anti-fraud culture<br><br>FS    INF<br><br>News articles/notices to be published on Intranet/Job magazine to communicate impact.<br>Other plans<br>The MPS will look for opportunities to work with other forces and National Media i.e. Police magazine/video to ensure consistent message about impact. | |
| 14 | R6 Consider the need for an annual statement on anti-fraud actions undertaken across the business, with a summary of outcomes and a reminder of how staff should raise concerns of wrongdoing. | Medium | | Partly agreed | Embedding a compliant and anti-fraud culture<br><br>SOP    INF<br><br>Information will be incorporated in regular intranet communications rather than 'statement-type' format | |
| 15 | R7 Where proven frauds are publicised, provide details of the support and advice provided to staff involved in the process. | Medium | | Agreed | However care should be taken as personal details should not be disclosed. | |

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| 15 | R8 Clearly communicate the responsibilities and expectations of staff in helping to tackle internal fraud. This should emphasise the importance of basic management checks and controls in helping to prevent and detect fraud. | High | | Agreed+ new initiatives under development. | Embedding a compliant and anti-fraud culture  FS   MAA   SOP   INF  Compliance Framework being developed -one of initiatives under consideration is for managers to provide annual assurance that responsibilities and expectations are clearly communicated (including management controls) Further communication planned via Induction training, SOP and Intranet. Other initiatives Separate pocket guides for staff and managers to be produced re internal controls and fraud. | |
| 15 | R9 Continue to raise awareness of the Rightline service through appropriate media, including the intranet, staff publications including 'The Job' and induction packs for new recruits to ensure that all staff are aware of it and what it can be used for. | Low | | Agreed+ new initiatives under development. | MPA/MPS to re-launch Right-line Embedding a compliant and anti-fraud culture Promote via Intranet site and induction training  FS   INF  | |

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| 16 | R10 Ensure periodic reviews/audits of registers of hospitality and interest are visible and are acted on as a means to raising staff confidence in the importance of declaring interests and hospitality. | Medium | | Already implemented (in respect of gifts and hospitality) + New initiatives (re Business Interests). | Gifts and hospitality policy and SOP are very comprehensive and stipulate a regular review mechanism must be in place and outcome acted on. Registers are regularly reviewed by MB Members and HR Audit. Business Interests policy in existence and review currently being undertaken by Inspection team. Embedding a compliant and anti-fraud culture Compliance Framework being developed -one of initiatives under consideration is for managers to provide annual assurance that this is undertaken.  5 Ps    MAA | |
| 16 | R11 Consider collating declarations of interest and hospitality in a single register for each business group to facilitate effective oversight & review of declarations made. | Medium | | Partly agreed | To be considered on a business group by business group basis. For some of the larger Business Groups, the benefits need to be weighed against the current cost of collating a significant number of returns (ie TP- from all the Boroughs). At the moment some of the returns are paper based, however future systems enhancements such as THR may make the task easier. | |

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| 17 | R12 Provide staff with guidance and, where appropriate, training on the importance of declaring interests and hospitality, referring in particular to:<br><br>• the ethical considerations staff should consider in determining whether a declaration should be made;<br><br>• that adhering closely to the rules and declaring known interests or offers of hospitality is an important means by which staff can demonstrate they have conducted themselves with integrity;<br><br>• the need to declare offers of hospitality made but not accepted, in line with good practice; and<br><br>• the 'zero-tolerance' approach to hospitality proposed in the MPA's Good Conduct and Counter-Fraud Strategy. | High | | Guidance already in existence + new initiatives under development.<br><br><br><br><br><br><br><br><br><br>See comment | Embedding a compliant and anti-fraud culture<br><br>FS   SOP   INF<br><br>Guidance included within the gifts and hospitality policy and SOP - scope is wide-ranging enough to cover majority of questions/incidence.<br>Other planned initiatives include induction training and providing case studies on Intranet to illustrate ethical considerations and align expectations with 'general public' view of acceptability. Also opportunity to promote awareness at future Fraud Awareness Events.<br><br>There is a clear policy/SOP in respect of Gifts and Hospitality. Further clarification is being sought regarding what is being proposed by way of 'zero tolerance' | |

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| 18 | R13 Provide managers with an information pack summarising the procedures to follow where concerns of potential wrongdoing are raised. This should include:<br>• information on the support mechanisms available, including HR, DPS and the MPA Investigations team, with contact details; and<br>• details of the Rightline service. | Medium | | To be reviewed | Embedding a compliant and anti-fraud culture<br><br>SOP  INF<br><br>Consideration to be given to providing a separate pack to managers or use the Intranet which contains guidance and SOPs | |
| 18 | R14 Consider the need for nominated 'champions' at business group level who can provide advice and support to managers involved in fraud investigations or employment tribunals. | Medium | (Tom re both 14/15. HR are uncomfortable with bracketing ETs with Fraud inv - can't pre-equip managers for ETs) | Disagreed | Not compatible with existing HR/DPS protocol which ensure all incidents are dealt with by dedicated HR/DPS staff in a consistent manner with necessary appropriate levels of expertise and experience. | |
| 18 | R15 Consider the need for training on the requirements of investigations and employment tribunals for appropriate managers and senior officers. | Low | | Disagreed | HR protocol to be followed - see response above | |

## Detailed report

| Page no. | Recommendation | Priority Low Medium High | Responsibility | Agreed | Comments | Date |
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| 18 | R16 Enhance induction and training processes for new recruits by:<br>• including training on the MPA/S's zero-tolerance approach to internal fraud as part of induction;<br>• including information on the MPA's Good Conduct and Anti Fraud Policy and the Rightline service in induction packs and directing new recruits to familiarise themselves with this information; and<br>• defining what is meant by 'internal fraud' and 'corruption' and the impact of such behaviour. | High | | Agreed + new initiatives under development. | Embedding a compliant and anti-fraud culture<br><br>FS    INF<br><br>Fraud and compliance message to be incorporated into the forthcoming corporate Welcome Pack for all new starters prior to joining, as well as input into the new-style pathway Event Induction Day. Materials also to be held on Intranet. | |
| 18 | R17 Keep managers informed of the training their new recruits have received on ethical issues and counter-fraud. | Low | | Agreed | E-mail confirmation of attendance to be sent to line managers/or details available to view (exact processes dependant on THR implementation) | |

| Page no. | Recommendation | Priority Low Medium High | Responsibility | Agreed | Comments | Date |
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| 18 | R18 Consider the need for an internal communications strategy to help reinforce the importance of a strong anti-fraud culture. | Medium | | Partly agreed | Embedding a compliant and anti-fraud culture FS 5 Ps links made to 5 Ps<br><br>Links made to communications strategy within the Compliance Framework.<br>Non compliance and anti-fraud communications to be regularly updated and reviewed by Group Finance/Finance and Resources workshops<br>MPA and MPS working on joint anti-fraud strategy | |
| 20 | R19 Use the programme of Financial Awareness Training to provide managers with training and guidance on the purpose and importance of internal controls in their areas of the business. | Medium | | Ongoing | FAT programme includes some non compliance training. Programme reviewed to keep content current. Review of slides to be undertaken to include non-compliance on MPA slot. FS | |
| 20 | R20 Identify internal control 'champions' at business group level to provide non-finance staff with advice and training on internal financial controls relevant to their role. | Medium | | Implemented | Finance and resource staff undertake many of these responsibilities via a SLA on behalf of the local commander. | |

**Detailed report**

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| 20 | R21 Management should continue to focus attention on improving compliance levels in areas where internal controls are known to be weak. This may include setting managers objectives for ensuring that controls in their area of the business operate to appropriate standards. | High | | Ongoing + new initiatives under development. | Embedding a compliant and anti-fraud culture  FS  CF  MAA  Compliance Framework being developed -one of initiatives under consideration is for managers to provide annual assurance that this is undertaken and plan for improvements where required. Compliance/professional standards to be incorporated as an objective within the PDR process. | |

**MPS ongoing initiatives in relation to embedding a compliant and anti-fraud culture 2010 (Key)**

| | | | |
|---|---|---|---|
| FS | Fraud Strategy (FS) – Sets out the MPA/MPS strategy for dealing with internal fraud in the next 12 months. Includes work planned in four areas, fraud prevention, detection, measuring performance and review. | MAA | Managers Annual Assurance Statement: As part of the compliance framework one of the proposals under consideration is to introduce annual assurance statements including 'start-up' support to Senior Managers on managing compliance and fraud. |
| 5 Ps | 5 Ps provides a strong message 'from the top' about personal integrity, compliance and professional standards. | SOP | New SOPs to be issued on compliance matters and fraud. Notices to be published. |
| CF | Compliance Framework (Aligns staff perception of integrity with public expectations. Defines escalation process for non compliance and incorporates compliance in PDR process as appropriate) | INF | Information (1) Induction Training (Series of initiatives to inform new recruits on non compliance and Fraud) New Intranet gateway to be developed on Fraud, IT security and compliance. Includes links to MPA information, relevant SOPs etc) |

# The Audit Commission

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