



# Serious Fraud Office: Baseline Assessment

# Foreword

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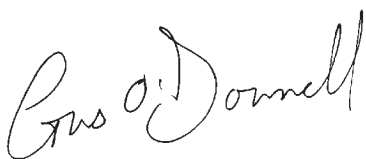
The purpose of Capability Reviews is to use honest and robust assessments of future capabilities to identify the specific measures that are needed if government departments are to play their part in enabling the UK to meet the considerable challenges of the future.

In a world of new technologies, climate change, security threats, migration and huge diversity in the users of public services, the Civil Service must be able to respond to changes faster than ever before. The Capability Reviews are an important part of making this happen, through an assessment of a department's capability to meet its future challenges.

This review of the Serious Fraud Office (SFO) was carried out by the Capability Reviews Team in the Cabinet Office, with external reviewers chosen for their expertise and experience. I would like to thank and acknowledge the support of the review team for the SFO, without whom this report would not have been possible. The external members of the team were:

- Sir David Bell, Chairman, Financial Times Group;
- Philip Collins, Chairman, Office of Fair Trading; and
- Mike Eland, Director General, Enforcement and Compliance, HM Revenue & Customs.

This report is just the beginning. The real challenge for the SFO comes in implementing the changes that have been identified. I will hold the Director to account on the Department's progress in these areas. The Capability Reviews Team will invite the SFO to participate in regular reviews of its progress and will provide support to ensure that the Department is on track to deliver its future challenges.



**Sir Gus O'Donnell KCB**  
**Cabinet Secretary and Head of the Home Civil Service**  
**December 2009**

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# 1. The Department

**The Serious Fraud Office (SFO) is responsible for investigating and prosecuting the most serious and complex cases of fraud and corruption in England, Wales and Northern Ireland. Working with national and international partners, the SFO's purpose is to reduce fraud and corruption, deliver justice and maintain confidence in business and financial institutions.**

The SFO was set up in 1988 under the Criminal Justice Act in response to a series of financial scandals in the City of London in the 1970s and early 1980s. It has recently undergone a significant change following the publication of Jessica de Grazia's report *Review of the Serious Fraud Office* in June 2008.

The Director of the SFO was appointed in April 2008. The SFO has just over 300 staff based at its London headquarters. It has an annual budget of £43.4m for 2009/10.

In terms of governance, the Department has two senior management boards:

- The Strategic Management Board (SMB) is the Department's most senior board and focuses on strategic issues. Chaired by the Director, the SMB includes the Chief Executive, the General Counsel, the Head of Outreach and the non-executive directors.
- The Executive Management Board (EMB) focuses on day-to-day operations within the SFO. Chaired by the Chief Executive, it includes the most senior operational and corporate staff.

The Senior Delivery Team (SDT) is the collective name for the Grade 6 and Grade 7 staff and other key staff who have middle management leadership roles and responsibilities.

The SFO is under the superintendence of the Attorney General who is responsible to Parliament for its performance. The Department contributes to Public Service Agreement 24, which focuses on 'delivering a more effective, transparent and responsive criminal justice system for victims and the public'. It does this through its two Departmental Strategic Objectives:

- seeking to achieve reductions in investigation and prosecution time for cases; and
- maintaining a caseload of 85 active cases (including appeals) within its allocated resources.

The SFO works in collaboration with a large number of law-enforcement agencies, both nationally and internationally.

The SFO's national partners include: the Crown Prosecution Service, Serious Organised Crime Agency, City of London Police, Metropolitan Police and national

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police forces; government departments including HM Revenue & Customs, the Ministry of Justice and the Department for Business, Innovation and Skills; and regulators, voluntary organisations and non-governmental organisations.

The Department's international partners include the Organisation for Economic Co-operation and Development (OECD), and the Federal Bureau of Investigation and Department of Justice in the USA.




## 2. Assessment of capability for future delivery

The SFO is being transformed at pace, while the Department continues to pursue and successfully prosecute high-profile cases. As a result, stakeholders have renewed confidence in the Department. The SFO's change programme is still in the early stages of implementation and new systems and processes are still to be fully embedded. The Strategic Management Board must prioritise engaging staff more fully to capitalise on the changes it has already achieved.




### Leadership

<b>L1</b>	Set direction		Well placed
<b>L2</b>	Ignite passion, pace and drive		Urgent development area
<b>L3</b>	Take responsibility for leading delivery and change		Development area
<b>L4</b>	Build capability		Urgent development area

### Strategy

<b>S1</b>	Focus on outcomes		Development area
<b>S2</b>	Base choices on evidence		Development area
<b>S3</b>	Build common purpose		Well placed

### Delivery

<b>D1</b>	Plan, resource and prioritise		Development area
<b>D2</b>	Develop clear roles, responsibilities and delivery model(s)		Urgent development area
<b>D3</b>	Manage performance		Urgent development area

The model of capability is shown at Annex A.  
The assessment categories are shown at Annex B.

# 3. Review findings

## Leadership

**The Director has made a significant impact upon the SFO. The Department has a clear mission which is widely supported by key stakeholders, senior representatives of the legal community, other government departments and counter-fraud organisations in the UK and abroad. Staff are passionate about the role of the SFO, but many do not yet feel fully engaged or included in the change programme. More effective internal dialogue and improved staff development would make a marked difference.**

The Director has made a significant impact upon the SFO. The Department has a clear mission which is widely supported by key stakeholders, senior representatives of the legal community, other government departments and counter-fraud organisations in the UK and abroad.

- The Attorney General and her predecessor both acknowledged the Director's personal involvement in delivering improvements to the performance of the SFO. The Director's 'radical overhaul' of the SFO was recognised in his shortlisting for the *Financial Times* Innovative Lawyers Award in autumn 2009.
- Staff, senior representatives of the legal community, counter-fraud organisations and government departments have a renewed confidence in the organisation following the change programme.
- Members of the SMB have taken tough decisions to drive forward many elements of the change programme. This has included significantly reshaping the senior management team and implementing a new IT system that uses the latest technology.
- Staff expressed their commitment to the vision and mission of the SFO. In workshops and interviews, many staff expressed their passion to deliver justice to the victims of corruption and fraud.
- The SFO's status as a Stonewall Champion demonstrates the Department's commitment to equality and diversity and developing its staff.

Staff are passionate about the role of the SFO, but many do not yet feel fully engaged or included in the change programme. More effective internal dialogue and improved staff development would make a marked difference.

- While 74 per cent of staff know and understand the aims of the SFO and staff are passionate about delivering justice for the victims of fraud, staff are not engaged in the new change programme and do not feel valued by the organisation.
- The senior management team is in the process of implementing new strategies, systems and processes to address the weaknesses in business structures and planning, finance, HR, governance, IT and communications.

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- While the change programme has begun to address operational silo working, deep cultural issues remain between functions and operational teams. Despite recent attempts to improve communications, including the refreshed intranet site, 71 per cent of staff do not think that communications are as good across the SFO as they are within the Department's individual business areas.
  - The Executive Management Board (EMB) recognises the important role played by the Senior Delivery Team (SDT). The engagement of members of the SDT is mixed, though this group is pivotal to engaging staff across the organisation. The EMB must work with the SDT more effectively and empower them to shape the new SFO.
  - The Director, the senior management team and staff are all frustrated by the lack of engagement between teams and different levels of management. The departmental Culture Change Strategy is extremely new and it will be some time before all elements can be implemented. The Director, supported by the SMB and the SDT, must drive this strategy and other related cultural programmes as an urgent priority.
  - The EMB is beginning to address the longstanding tensions between lawyers and investigators, particularly around management skills, resource allocation and career progression. They should avoid over-correcting and ensure that development opportunities are available to all staff.
  - While staff said that the Director and Chief Executive Officer (CEO) were very visible at the start of the change process, this has not been maintained. Thirty-one per cent of staff think that the senior team are inaccessible. Staff would value more opportunities for informal interaction with members of the SMB.
  - The CEO and Head of Capability have large portfolios of responsibility and an extensive decision-making remit. This was necessary at the early stages of the change programme. The EMB should formalise the role of key senior staff in decision-making, including the Heads of Domain and senior corporate figures such as the Heads of Finance and HR, who are currently not board members.
  - Staff are unclear about the criteria for career progression. The Director, SMB and EMB need to work with the Head of HR to ensure that the criteria are clear and that appointments are made in a way that is fair and transparent.

## Strategy

Relationships with external stakeholders have significantly improved. The SFO is perceived as less insular and more outward-looking. The SFO is also achieving faster outcomes, has widely implemented its new Victim and Witness Strategy and is now taking a proactive approach to identifying fraud and corruption. However, key elements of the overarching strategy are not yet embedded and a number of staff are not yet clear or do not yet accept their role in implementation.

Relationships with external stakeholders have significantly improved. The SFO is perceived as less insular and more outward-looking. The SFO is also achieving faster outcomes, has widely implemented its new Victim and Witness Strategy and is now taking a proactive approach to identifying fraud and corruption.

- The Department has significantly improved its relationships with external stakeholders in the City of London, other counter-fraud organisations in the UK and abroad as well as with other government departments which no longer perceive the SFO to be insular and inward-looking.
- The 'oneSFO' brand is well established internally and is widely recognised by staff.
- The SFO is involved in a number of international cases. The SFO's International Assistance Team responded to requests for support from 37 countries during 2008/09.
- The SFO's overarching strategy focuses on the delivery of its outcomes, using innovative legal solutions such as civil remedies and plea negotiations, which have proven successful in the USA.
- The Department recognises the human impact of its cases rather than solely the management of legal processes; 72 per cent of cases now have a victim strategy in place.
- The Department created an Intelligence Unit in April 2009 to ensure a more proactive approach to identifying fraud and corruption. The Unit has developed online channels and a telephone hotline to report fraud, which have identified a number of solid cases for the Department.
- The new IT system will add further analytical capability when it is fully rolled out across the SFO. It is more efficient and cost effective than the previous systems and will accelerate the evaluation and processing of cases.

However, key elements of the overarching strategy are not yet embedded and a number of staff are not yet clear or do not yet accept their role in implementation.

- New strategies have been created for a range of corporate functions, including HR, finance, community and staff engagement as well as for core business processes. However, a high proportion have been developed very recently

and are yet to be successfully implemented. Staff feedback showed that not all staff are clear about their role in the implementation of the overarching strategy at an operational level.

- As consultants were hired during the early part of the change process, it is vital that their solutions are fully adapted to meet the SFO's specific business needs, and that there is a skills transfer between consultants and the Department's staff.
- Media expectations of the SFO have increased as a result of the Department's greater confidence and higher profile. Some stakeholders encouraged the Department to be alert to the risks associated with a higher media profile.
- External and internal communications need to be better coordinated in order to ensure that all staff are kept updated about the progress of key decisions regarding their cases.
- The SFO has not always shared information in good time with other government departments. The Director, the SMB and EMB must ensure that senior stakeholders are kept informed of key decisions which impact on agendas beyond the SFO.
- The SFO should continue to build on the partnerships that it has begun to develop with other agencies and should generate sufficient levels of trust to facilitate further intelligence sharing.
- The flexible case criteria that the SFO uses to decide which cases to accept or reject should be developed to ensure that the Department makes best use of its resources and minimises any overlap with other counter-fraud organisations.

## Delivery

**The SFO is continuing to pursue and prosecute high-profile cases successfully with innovative solutions, while driving forward extensive change. The SFO has developed new business planning processes to improve its overall performance and allocate resources quickly. The SFO needs to ensure that its governance structure is streamlined, and that decisions involve a wider mix of senior legal, operational and corporate staff. Although the SFO has started to develop management information, it has yet to use it proactively to achieve gains in efficiency and value for money.**

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- The SFO is continuing to pursue high-profile cases while driving through an extensive change programme, achieving convictions in 17 of the 18 cases it took to trial in 2008/09.
- The Director, General Counsel, SMB and senior management team have introduced a new quarterly case review system and are closely monitoring and reviewing cases to stop or reassess those that are not progressing appropriately.

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- The SFO is now responding to cases more quickly, reallocating resources using the new resource matrix approach. Bureaucracy in the case-vetting system has also been reduced. Decisions are now made within 20 days in 60 per cent of cases. This is a significant improvement against previous performance in cases which typically took several months.
  - The SFO is leading the innovative wider fraud mapping analysis on behalf of the Attorney General's Office. The analysis summarises the work of different counter-fraud organisations; this helped the different organisations to collectively understand their different roles and responsibilities and how they can best work together in the complex counter-fraud landscape.
  - Memoranda of Understanding are in place with key partners, including the City of London Police, to formalise joint working arrangements.

The SFO needs to ensure that its governance structure is streamlined, and that decisions involve a wider mix of senior legal, operational and corporate staff. Although the SFO has started to develop management information, it has yet to use it proactively to achieve gains in efficiency and value for money.

- Responding to an absence of management information, the SFO has introduced new planning documents and recording systems, including a business plan, risk register and a 'Director's dashboard' to measure progress. However, these new systems have yet to go through a full annual business cycle.
- Staff are confused by the layers of decision making created by the three senior teams in an organisation of 300 people. It is not clear to many staff who is implementing the strategy and who runs day-to-day operational management. The SMB needs urgently to reconsider the SFO's governance structures.
- The EMB, which oversees the day-to-day organisation of the Department, would benefit from including lawyers among its membership, given the key role that legal teams play within the organisation.
- Key stakeholders highlighted the importance of assigning the necessary budget, expertise and management oversight to their most important cases. External scrutiny of the SFO's Departmental Strategic Objectives, which is currently being conducted by the National Audit Office, will give the SMB a more objective view of the Department's progress against delivery.

**Capability Reviews Team  
December 2009**

## 4. Departmental response: plans for continuous improvement

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We welcome this assessment. The review took place at a critical point in our transformation – having successfully addressed the immediate issues facing the organisation following the highly critical de Grazia report in 2008, we had reflected on our achievements and had begun to move towards a culture of continuous improvement.

As the SFO is a very small operational department of 300, the review team met with a high proportion (70 per cent) of our people. We were pleased with its positive comments on our performance and transformation as it went about its review, and are reassured that the areas highlighted for further development correlate with the plans already in place.

We are particularly pleased that the review recognised the extent and the quality of the transformation of the SFO. Had this not happened, the assessment would have reflected significant concerns about the SFO's capability. The review team has recognised the achievements that our people have made in modernising the SFO, which are helping it develop into a leading agency for the investigation and prosecution of economic crime.

On **leadership**, we are pleased that the work that the Director and senior team have done with partner organisations and stakeholders has been well received. This is central to our remit and we appreciate that it needs to be an ongoing activity. Nevertheless, a 'significant impact' is positive feedback. We are proud of the passion that our people feel for the SFO's role and mission and are glad that this has been highlighted.

On **strategy**, we are encouraged to see that, thanks to our commitment to stakeholder and media engagement both here and abroad, the SFO is no longer perceived as inward-looking. Stakeholder relationships have improved significantly and our proactive approach to tackling fraud and corruption has helped to reinforce belief in our new direction.

On **delivery**, we are pleased that the review team acknowledged our continuing ability to resolve high-profile cases in innovative ways during a period of huge organisational transformation.

We welcome the recognition that we have made a good start to transformation. Equally we know that we have more to do to make us fully fit for purpose – particularly in the areas of staff engagement and effective decision making. The activities below outline how we will take this forward. They build on our strengths and address our areas for improvement. The detail of these activities will be integrated into our existing continuous improvement plans over the coming weeks. Our main focus will be on:

- convincing all staff of the need for change in order to help them understand their role in implementing our strategy;
- capitalising on our achievements by refining and implementing our people and culture change plans; and
- broadening our decision-making processes to involve a wider mix of staff.

## **Refining our future strategy and bringing it to life**

The next three months will see us review our strategy to ensure that it remains relevant. Our staff will be involved in this process through strategy development workshops fronted by senior leaders. Managers will be encouraged to take the lead in making the strategy real for individual team members. This will build on our existing work to bring the strategy to life. Already, 74 per cent of staff know and understand the aims of the SFO. Our organisational values will be refreshed imminently and enhanced by specific, illustrated behaviours so that staff know what they are moving from and towards. Our strategic objectives and values will underpin performance management.

## **Refining our people strategy and culture change programme**

We value our people and it is important that they feel that we do. However, we understand that our staff's perceptions and acceptance of the SFO's rapid transformation will progress at different rates. The review has reinforced our view and we are determined to engage more effectively with our people and involve them, so that they all recognise this and feel that they 'own' the SFO's future.

Our people, strategy and culture change plans will be reviewed to ensure that they allow us to maximise the full potential of our people. To further enhance our leadership capability, we will review our existing management development initiatives (including for the Board). Our SDT will be empowered to make and implement decisions in target areas and this will be reinforced by other staff engagement initiatives.

## **Reinforcing governance and line structures so that decisions are made by the right people at the right level**

Traditionally, decision making in the SFO has been made from the top down. This is changing, but we want to do much more so that decisions are made with the appropriate degree of inclusiveness. We are reviewing our governance arrangements and ensuring that performance information is more transparent in order to help line and case managers make effective decisions and see the impact of their work. New technology will also be introduced in 2010 to give managers and

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their teams faster and more robust case information; this, too, will help them to work more effectively.

We look forward to progressing the review's recommendations and working with our people and the review team over the coming months.

**Serious Fraud Office**  
**December 2009**

# Annex A: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 39 questions. For further information on the model of capability, see [www.civilservice.gov.uk/capabilityreviews](http://www.civilservice.gov.uk/capabilityreviews).

Each review has been carried out by the Capability Reviews Team with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and boards of other government departments.

The Capability Reviews Team will regularly review progress and provide support to help ensure that the department is on track to deliver.

# Annex B: Assessment categories

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**Strong** – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.



**Well placed** – well placed to address any gaps in capability for future delivery through practical actions that are planned or already under way. Is making improvements in capability and is expected to improve further in the medium term.



**Development area** – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.



**Urgent development area** – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.



**Serious concerns** – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)

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Publication date: December 2009

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Ref: 299655/1209

Prepared for the Cabinet Office by COI