Welcome to

We will start in a few minutes
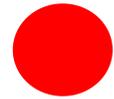
Perspectives on fraud: insights from local government

Introductions

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… and a bit about logistics

Tackling fraud in the public sector - a local government perspective

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Aim

- The focus was to better understand how local authorities tackled fraud

- Conducted through consultation with senior officers

- We were interested in how local authorities (LAs) balance reactive, detective and investigatory fraud work with more preventive activities

Approach

- This report is based on feedback from 303 survey respondents from UK local authorities

- 14 attendees at roundtable discussion events held in London (two) and Chester

Overview

- Senior officers generally perceived fraud to be a problem

- But they were generally positive about their own ability to tackle it

- Yet there was room for improvement in their approaches

Overview

- **The majority of respondents felt that leadership teams:**

- ❖ Sent out strong anti-fraud messages

- ❖ Have successfully created cultures where individuals aware of fraud risks

- ❖ Staff know what to do should they come across suspected fraudulent activity

Overview

- When considering the future, it was suggested that a shift towards more preventive, rather than reactive methods of countering fraud was favoured

- However, when some of these methods were explored barriers were identified

Perceptions of fraud

- 64% felt fraud is a major problem for LAs and 52% that fraud is increasing

- 34% considered fraud loss in LAs to be high, but less so in their organisation (10%), or their departments (3%)

- 45% of respondents felt that fraud levels were under-reported in their organisations

Incidence and causes of fraud

- Three most likely groups to commit fraud: service users (69%); opportunists (55%) and members of staff (54%)

- Three reasons staff commit internal fraud: poor internal controls (79%); personal issues (62%) and greed (57%)

- Top two reasons for why people commit external fraud were poor organisational controls (69%) and lack of staff training to identify fraudulent activity (49%)

Fraud risk perception

- 47% agreed LAs were an easy target for fraudsters
- 70% believed LAs had a good awareness of their fraud risks
- 71% believed recent austerity had increased the risk of frauds

Fraud risk perception

- 46% believed that putting more services online for users had increased exposure to fraud

- 61% disagreed that their organisation was reluctant to report fraud externally

Counter fraud arrangements

- 43% indicated that their counter fraud arrangements were delivered via a dedicated fraud team
- 35% said that internal audit was responsible for the function
- 15% that counter fraud services were delivered through a shared service
- 1% outsourced the function and 3% had 'other' arrangements

Counter fraud arrangements

- 49% believed that counter fraud and IT officers worked well together to pursue fraud

- 62% stated that they have strong relationships with external organisation (such as DWP, HMRC, police, Action Fraud and CPS etc).

Creating an anti-fraud environment

- 60% agreed that they have a committed leadership team, sending a strong anti-fraud message; 12% felt this to be untrue

- 50% believed that adequate control environments to counter fraud exist; 22% that they were inadequate

- 82% believed that most of their colleagues would report a fraud against their organisation if they identified one; 5% believed they would not

Creating an anti-fraud environment

- 65% felt that employees would know what to do should they discover a suspected fraud; 12% believing they would not know what to do

- 59% agreed that their organisation's current fraud response was a deterrent to fraud; 17% disagreeing it was

Fighting fraud in the future

- When asked to highlight up to two priorities that their authority currently had towards tackling fraud they most commonly chose *'preventing fraud from happening in the first place'* (70%) and *'raising fraud awareness'* (46%).

- They were also the most commonly chosen as future priorities, but the level of support increased from 70% to 87% and 46%-60% for each, suggesting that preventive methods of tackling fraud may be more important in the future

Fighting fraud in the future

- When asked to highlight up to three approaches respondents thought would be the most important in tackling fraud in the future, *'use of technology'* (70%) came top of the list; followed by *'staff being trained in fraud awareness'* (56%); and joint third place *'good fraud leadership'* and *'partnership working'* (both 40%)

Future Risks

- Relatively new fraud areas (such as cybercrime and organised crime) were emerging

- Changes in service delivery, such as outsourcing more functions and putting more services online, were thought to have increased exposure to fraudulent attacks.

Future Risks

- Stretched resources where this resulted in less investment in counter fraud staff was highlighted

- Respondents felt that systems might not be regularly maintained and updated to keep pace with risks

Key barriers to progress

- Disjointed working arrangements within authorities, between separate local authorities and across the public sector

- Fraud hubs to some extent have aided joint-working and relationships, but these are not UK-wide or compulsory

- Fraud was not always seen as a priority by senior officers in local government

Key barriers to progress

- LAs need to be encouraged to direct resources towards tackling fraud

- Motivation to protect a LA's reputation can get in the way of publicising counter fraud work externally

Key barriers to progress

- LAs struggling to put forward successful business cases for additional funding because of difficulties quantifying costs/benefits

- There was little agreement on what constituted prevention and concern that the concept was difficult to sell

- Sharing data was difficult and restricted by the quality of that data

Recommendations

- Need to make counter fraud a higher profile activity within LAs

- Need to reduce the impediments caused by ineffective national and local data sharing arrangements

- Counter Fraud as a profession should be promoted across local government, (recognised qualifications and membership of professional bodies)

Recommendations

- Need to promote and support shared delivery models, including local and regional teams and counter fraud hubs (sufficient skills available, particularly for specialist fraud areas)

- Public sector should work closely together in pursuance of fraud, and any barriers responded to

- To assess the benefits/costs of fraud work to promote business cases for investment

Recommendations

- Fraud prevention activities should be used as a measure of longer-term financial resilience and sustainability
- Highlight legislative barriers hampering counter fraud activities
- The government should consider a statutory duty for public agencies to share data to counter fraud

Recommendations

- CEO/s.151 officers (CFOs) to review current arrangements for countering fraud, highlighting good practice
- CFOs should review their fraud awareness training (not least procurers)/data sharing/external providers

The Tackling Economic Crime Awards (the TECAs)

- www.thetecas.com
- All the leading associations involved
- Lots of different categories
- Entries open this Summer

Report

- Downloadable free of charge:

www.perpetuityresearch.com

Look out for the next study; we are talking with CIPFA now

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Questions

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