Welcome to

Perspectives on fraud: insights from local government

We will start in a few minutes
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
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
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 organisations (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
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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