

the resilience to fraud of the uk social housing sector

research into how well uk social housing
organisations protect themselves

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2011 REPORT

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FOREWORD



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Fraud within the social housing sector could cost the British taxpayer more than £2billion a year. Each time this cost is estimated the figures rise, and it is already clear that the £900million estimated by the National Fraud Authority in January 2011 will be superseded in January 2012. It is a serious issue for organisations operating within the sector and one that has far reaching consequences including the reduction in the availability and quality of homes.

Traditional issues such as tenancy fraud, including illegal subletting, non occupation, or submission of false information continue to be problems that organisations tackle on a day-to-day basis. However, the problem is broader than this, with expenditure on repairs, procurement and other areas also affected. Also, as technology continues to advance, criminals devise new and imaginative ways to target the sector and recent real life examples have seen providers transfer significant amounts directly via BACS into the bank accounts of criminals. Furthermore as the economy continues to suffer and staff wages don't stretch as far, the threat from within also increases.

This Report is published at a time when the Government has just published its proposals for the future in 'Laying the Foundations - A Housing Strategy for England'. The Government commits itself to 'Increasing the number of houses available to rent, including affordable housing'. The stated aim is to 'increase the efficiency and flexibility of the social housing sector'.

However, there is a real danger that fraud in the social housing sector will undermine the Government's intentions. The good news is that the Government has made clear its intention to 'look closely at the case for strengthening powers in existing legislation on tenancy fraud', with a consultation document due to be issued by the Department for Communities and Local Government in the next month or so.

With this current environment in mind, we have conducted this survey into the resilience of fraud amongst social housing organisations in order to better understand how well those operating within the sector safeguard themselves against fraud. The aim of the survey was to highlight areas where social housing organisations can be better protected against fraud and thus, how the cost of fraud can be reduced.

I would like to thank those who have responded to the survey, whose input has been invaluable in helping us to build a current picture of how the sector currently manages the risk of fraud. Minimising the impact of fraud starts with fit for purpose risk management arrangements and good controls and governance and these are important now more than ever.



INTRODUCTION



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This Report considers how well the UK Social Housing Sector protects itself against fraud. It is the most comprehensive report of its type ever undertaken.

Fraud is a problem which undermines the stability and financial health of organisations across the economy. It can be hugely damaging to any organisation, but especially so to social housing organisations where it often has the sort of direct, negative impact on the quality of life that is not found elsewhere.

Across the UK economy as a whole, the Government's National Fraud Authority estimates that £38.4 billion is lost to fraud, with £900 million of the losses relating to housing tenancy fraud. This reflects a change over the last decade or so, where it has become possible to measure the financial cost of fraud in a statistically valid and highly accurate manner. Of course, this NFA estimate does not include important areas of expenditure such as repairs fraud, and actual losses may be higher. The latest global research (across a massive dataset) indicates that average losses to fraud (and error) currently run at 5.7%. If this figure is applied to the total of 4 million social housing units in the UK, it equates to 228,000 properties which are not being occupied as intended.

The key issue to be addressed in minimising the cost of fraud in social housing organisations is to improve their fraud resilience.

PKF and the Centre for Counter Fraud Studies at University of Portsmouth already have data concerning the fraud resilience of over 500 organisations across the UK economy. This includes data derived from a specific survey of the social housing sector. By focusing in on these

social housing organisations, this Report provides an unprecedented insight into the strength of arrangements to protect them against fraud.

The authors of this Report support the development of work, over the last decade, to treat fraud as a business issue like any other — something to be quantified and assessed, with clear metrics showing the speed of progress in reducing its cost and impact. Historically, this has not been the case. Hoping that fraud will not happen, or at best reacting when it inevitably does, simply does not constitute a viable approach in the 21st Century.

As this research shows, we can now consider where the weaknesses are which allow fraud to take place and take pre-emptive action to minimise losses. This Report provides a view of the fraud landscape which every UK social housing organisation should take note of. Being serious about providing quality social housing must include ensuring that it is not deprived of funding which is intended for it.

The authors of this Report are committed to research such as this making a real difference. By expanding the extent of knowledge that social housing organisations hold about their own arrangements, we can help to ensure better quality decisions are taken. At Appendix 2 to the Report, we have highlighted a low cost 'Fraud Resilience Check' benchmarking service for social housing organisations who want to know more.

PKF and the Centre for Counter Fraud Studies at the University of Portsmouth will repeat this research regularly and report our findings. We all have a right to know how well protected social housing organisations are against the dishonest minority who would defraud them.

1 //
executive summary

- 1.1 This Report is the most extensive and most comprehensive Report yet undertaken into the resilience of UK social housing organisations to fraud.
- 1.2 69 social housing organisations responded and fully completed a survey questionnaire which was widely distributed.
- 1.3 Each organisation answered 29 questions about the effectiveness of their arrangements to counter fraud. These questions covered every aspect of the work:
- Adopting the right **strategy**
 - Accurately identifying the **risks and costs**
 - Creating and maintaining a strong **structure**
 - Taking **action** to tackle the problem
 - Defining success and delivering **results**
- 1.4 The Report's **key findings** show that, overall, the Social Housing sector achieved a mean score of 32.3 out of a possible score of 50. This compares with a mean score among public sector organisations of 34.4, private sector organisations of 30.6 and charities of 24.2.
- 1.5 Social Housing sector organisations performed **best** in the following areas:
- 100% of respondents stated that they had arrangements in place for the prompt reporting of suspected fraud
 - Over 98% received reports following investigations on identified policy and systems weaknesses
 - 95% indicated that they ensured that those undertaking investigative work had the necessary powers
 - Over 94% had adopted clear guidance for the investigation process
 - 92% undertook work to design fraud out of processes and systems
- 1.6 Social Housing sector organisations performed **worst** in the following areas:
- Only 16% used losses estimates to make judgements about how much to invest in countering fraud
 - Only 23% reviewed the effectiveness of counter fraud work
 - 29% ensured that counter fraud staff are professionally trained
 - 96% stated that they had a zero-tolerance approach but only 29% monitored the development of anti-fraud cultures (potentially a worrying contrast between rhetoric and reality)
 - Less than 40% deployed analytical intelligence techniques to detect fraud

2 //

the social housing
background -
emerging issues

THE SOCIAL HOUSING ENVIRONMENT

- 2.1 The social housing provider environment has changed significantly with reforms and spending cuts likely to hit associations more significantly in 2012 and onwards. Key bills due to be enacted include the Welfare Reform Bill and the Localism Bill. The introduction of this reform alone will significantly impact social housing providers, coupled with what is now being termed by some as 'a broken housing market'. This includes the slower than anticipated economic growth, the need to drive up employment and labour mobility and challenges including financial inclusion, delivery of affordable housing supply and regulatory reform being consulted upon for future co-regulation requirements.

HOUSING SUPPLY AND AFFORDABLE RENT

- 2.2 The HM Government 'Laying the Foundations: A Housing Strategy for England', November 2011 reports that 'The problems we face are stark – we have not built enough new homes for more than a generation and the impact of the credit crunch has simply compounded this challenge.'
- 2.3 Waiting lists are increasing and demand for social housing is increasing far beyond the annual supply, not only in the number of new households but also in the number of households requiring access to affordable housing. This demand is further exacerbated by the continuing slower than anticipated economic recovery, benefit reform, access to employment, employees seeing restrictions and freezes on pay and increases in the cost of living directly impacting upon household incomes.
- 2.4 The Retail Price Index link for the rent regime along with the introduction of affordable rents to support delivery of increased affordable housing supply have meant that affordable rents will continue to increase alongside this decrease in a significant number of household incomes.

- 2.5 Above and beyond new affordable housing development, the Government continues to explore how adequate affordable housing supply can be made available to households including the introduction of the homeswap scheme, to promote housing transfer both within and across regions and encourage those over occupying to down size, reopening the right to buy and the availability of fixed term tenancies for landlords. Its new proposals in 'Laying the Foundations - A Housing Strategy for England' highlight what is intended.

- 2.6 Additionally, the Audit Commission's latest 'Protecting the Public Purse' report from November 2011, makes it clear that 'Tackling housing tenancy fraud is one of the most cost-effective means of making social housing properties available to match the demand from those in genuine need.'

WELFARE REFORM

- 2.7 There are a wide range of impacts arising from the Government's plans for welfare reform. The intention is to reform the system to help people to move into and progress in work, while supporting the most vulnerable, and to reform the benefit system to make it fairer, more affordable and better able to tackle poverty, worklessness and welfare dependency.
- 2.8 The Welfare Reform Bill also introduces the Universal Credit system. This system will be phased in from 2013 over a four year period and could include 12 million claimants using it by 2017. The change to a Universal Credit system introduces a direct payment including housing benefit allowance to claimants. This change in itself will mean that social housing providers, previously paid significant levels of their income directly from local authorities, will need to redesign procedures for the collection of rent and management of arrears.

- 2.9 Social housing providers may find that this will be the first time tenants have had to pay rent and have a bank account. Additionally, a tenant's perception of the priority of payments from a reduced household income may not place paying rent at the top, or potentially even close to the top, of the list of regular household payments to be made.
- 2.10 Social housing providers will need to re-evaluate and develop adequate procedures and invest greater resources to deal with the impact of the Universal Credit system. This will include a wide range of extended services including educating tenants on budgeting and money management, promoting financial inclusion and offering relevant methods for payment of rental income.
- 2.11 There may well be a significant increase in cash payments from those either not having a bank account or through their approach to budgeting, and associations will not want to refuse rent being paid, simply because this is in cash and not as controllable as other payment methods. Additionally, any significant system change will increase the risk of a control weakness arising and being exploited for personal gain.
- 2.12 There continues to be uncertainty around the full extent of the impact of elements of reform upon social housing providers and the continuing announcements which associations need to consider, analyse and respond to. Fraud thrives where there is such uncertainty - the importance of being properly protected should not be understated.

3 //

the background to the
research and nature
of the data

- 3.1 In 2009 the Centre for Counter Fraud Studies (CCFS) published its first report: *The Resilience to Fraud of UK Plc*. This highlighted inherent weaknesses in the strategies and structures in place in the public and private sector to counter fraud. The report was the first of its type and was based upon the latest professional standards for counter fraud work. This research was renewed in 2010 covering 29 different factors which assess the extent to which respondents meet all the standards relevant to effective resilience against fraud.
- 3.2 The overall results represent the most accurate assessment which has ever been undertaken of how well UK Plc is developing strategies and structures to counter fraud and were published in '*The Resilience to Fraud of UK Plc*' in February 2011.
- 3.3 This Report goes even further. It focuses in on social housing organisations with the latest sector-specific data. To conduct the research, invitations to participate were sent out which directed respondents to the survey website 'Survey Monkey', to fill in a questionnaire online.
- 3.4 The researchers received 69 usable questionnaires from social housing organisations.
- 3.5 Those responding are necessarily self-selecting. It is likely that they represent those social housing organisations who are more interested in this area of work and, consequently, who may also have better arrangements in place than is the case generally. Thus this Report probably presents a more optimistic picture of what is happening than is actually the reality. This should be remembered where the answers to particular questions reveal that professional standards are substantially not being met.
- 3.6 The Report assesses the answers given to 29 questions. In respect of each one, a graph and then a brief analysis of the response is set out. At the end of the question by question analysis an overall assessment has been undertaken. An approach is used where each of the 29 answers has been weighted. The allocation of points has been determined on the basis of the relative importance of each aspect of counter fraud work.

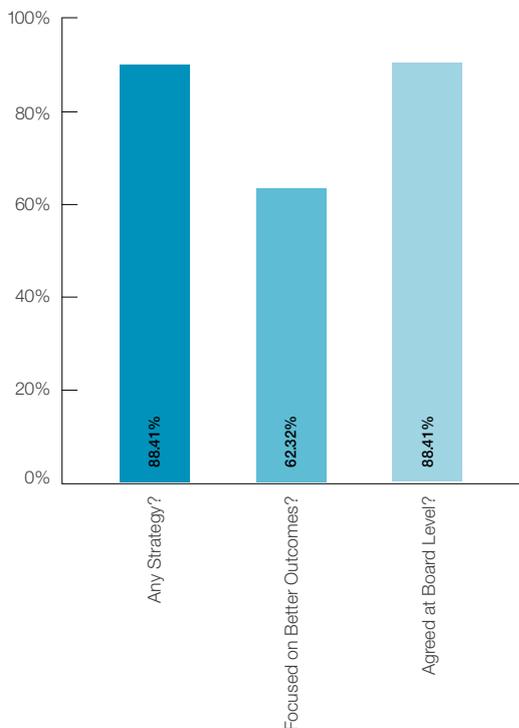
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detailed analysis

- 4.1 This section of the Report looks at each aspect of resilience to fraud and the nature of the response from the social housing which were surveyed. It looks at the answers to the 29 questions in the survey, broken down into five key areas:
- Adopting the right strategy
 - Accurately identifying the risks and costs
 - Creating and maintaining a strong structure
 - Taking action to tackle the problem
 - Defining success and delivering results
- 4.2 It then looks at the overall picture and considers what this means.

ADOPTING THE RIGHT STRATEGY

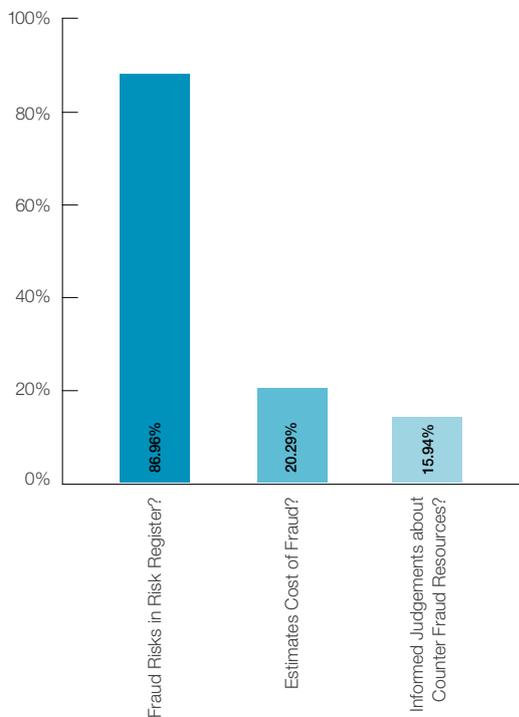
Adopting the right strategy



- 4.3 **Question 1 - Does the organisation have a written counter fraud and corruption strategy?**
- 4.4 The starting point for any sound attempt to minimise the risk of fraud is to have a strategy to counter it. 88.41% of social housing organisations answered Yes to this question. This is a good result which especially compares well with charity sector organisations where less than 50% had adopted a written counter fraud strategy.
- 4.5 **Question 2 - Does the strategy have a clear objective of better outcomes (i.e. reduced losses to fraud) and not just activity (i.e. the number of investigations, prosecutions, etc.)?**
- 4.6 62.32% of social housing organisations indicated that they pursued a strategic approach to achieve better outcomes. Having clear intended outcomes and not just seeking to generate activity is very important. Mere activity represents a cost which a social housing organisation has to bear, while activity directed to achieve beneficial outcomes (for example, a reduction in fraud losses and the consequent financial benefits) can represent an investment in a much greater return.
- 4.7 However, taking the answer to this question in conjunction with the answer to Question 1, it does mean that for more than a fifth of those organisations who have adopted a written counter fraud strategy, this is not focused on beneficial outcomes.
- 4.8 **Question 3 - Has the strategy been directly agreed by those with executive authority for the organisation?**
- 4.9 88.41% of social housing organisations indicated that their counter fraud strategy had been agreed at the most senior executive levels. This compares dramatically with charity sector organisations where the comparable figure was only 43% but does not quite meet the standard set by the public sector where over 90% answered Yes to this question. It is very important for senior Directors with executive authority to have bought into the strategy and to understand the real difference that effective counter fraud work can make.

ACCURATELY IDENTIFYING THE RISKS AND COSTS

Accurately identifying risks and costs



4.10 Question 4 - Are fraud and corruption risks included in the organisation's Risk Register (or equivalent)?

4.11 86.96% of social housing organisations indicated that they included fraud and corruption risks in their risk register, a better figure than that achieved in the public sector. It is important that social housing organisations understand the financial and reputational risk that fraud and corruption represent; that they record this systematically and thus can consider how to mitigate such risks.

4.12 Question 5 - Does the organisation seek to estimate the total economic cost of fraud to it?

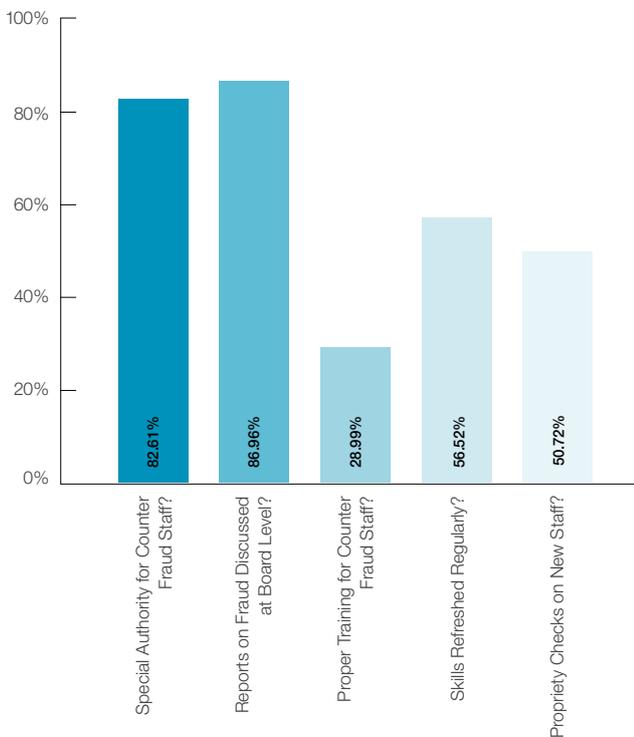
4.13 Despite the high proportion of social housing organisations recording fraud as a risk, only 20.29% of respondent organisations indicated that they then sought to estimate the true cost of fraud to them. This is important in developing a proportionate, properly resourced strategy to counter it. There is therefore much more scope for the Social Housing sector to improve by seeking to accurately measure the cost of fraud. National figures from the Audit Commission and National Fraud Authority are welcome, however, if you do not know the nature and scale of the problem within your own organisation, then how can you implement the right solution?

4.14 Question 6 - Does the organisation use estimates of losses to make informed judgements about levels of budgetary investment in its work countering fraud and corruption?

4.15 An even lower proportion - 15.94% - of social housing organisations used such estimates to make an informed judgement about how much to spend on countering fraud. This implies that the driver to do something to counter fraud is currently reputational and regulatory, rather than financial. It is important to understand that real financial benefits can be delivered in this area.

CREATING AND MAINTAINING A STRONG STRUCTURE

A strong counter fraud structure?



4.16 Question 7 - Do those tasked with countering fraud and corruption have any special authority to pursue their remit effectively?

4.17 82.61% of social housing organisations indicated that their staff working in this area did have some special authority to do so. Fraud is a difficult issue and can sometimes involve those in positions of relative power within organisations. This means that, to counter it effectively, it can be important to have a degree of special authority.

4.18 Question 8 - Are reports about work to counter fraud and corruption discussed at Board level?

4.19 86.96% of social housing organisations indicated that they did discuss these issues at Board-level, which is a figure which is generally comparable with public and private sector organisations. Board-level discussions about fraud can be an indicator of how seriously an organisation takes this problem. Fraud is present (hidden or apparent) in any organisation of a reasonable size. It is also clearly preferable for such discussions to anticipate (and thus seek to pre-empt) such problems than for them to occur in reaction once a significant fraud has happened.

4.20 Question 9 - Have all those working to counter fraud and corruption received the specialist professional training and accreditation for their role?

4.21 Less than a third of responding social housing organisations (28.99%) indicated that they had professionally trained staff to counter fraud. This question enabled a broad range of courses to be considered as professional training and accreditation, so the figure is particularly disappointing. There are a wide variety of professional training courses available to enhance the professionalism of counter fraud staff. In the authors view, the best is the Accredited Counter Fraud Specialist (ACFS) qualification, which is comprehensive, properly assessed and tested and linked to subsequent Diploma, Degree and Masters qualifications. Professional training provides greater assurance about the quality of the work undertaken and there is clearly much to be done in this respect.

4.22 Question 10 - Do those working in counter fraud and corruption regularly update and refresh their skills?

4.23 28.99% of social housing organisations had professionally trained staff (see above) but almost double that (56.52%) did at least refresh their skills in this area. This suggests that in the Social Housing sector, professional development for counter fraud staff is probably more focused upon short training courses, rather than specialist professional training and education which is accredited.

4.24 Question 11 - Are checks undertaken on the propriety of new staff (beyond simply reference checks)?

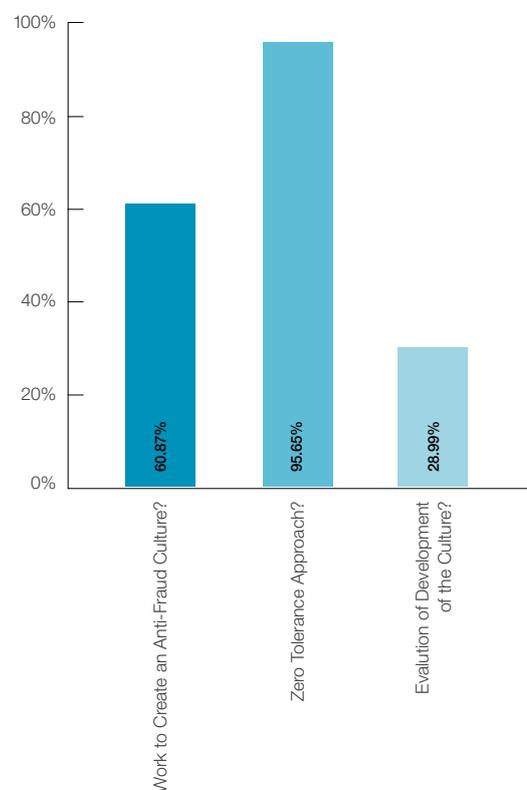
4.25 Only 50.72% of social housing organisations indicated that they checked the propriety of new staff (beyond reference checks). It is important to screen prospective staff, to ensure that they meet high standards of propriety and that those with a history of dishonesty or deception are not employed in positions where this would make them a risk. There are now professional standards for the 'propriety checks' process. The action taken includes assessing CVs for accuracy, checking references, and undertaking various financial and legal checks.

4.26 Question 12 - Are there formal and informal relationships in place with relevant external agencies or organisations (e.g. the police, specialist legal firms who advise on civil litigation?)

4.27 In terms of having in place the relationships with other agencies and organisations which might be needed, if a substantial fraud occurs, the survey indicated that 56.52% of social housing had formal links and 53.62% had informal ones. Fraud is potentially both a crime and a civil legal issue and it is important to develop relations with bodies which can enhance the effectiveness of those countering fraud. Ideally these should be on a formal basis, but could also be informal.

TAKING ACTION TO TACKLE THE PROBLEM

Developing an anti-fraud culture



4.28 Question 13 - Does the organisation have a clear programme of work attempting to create a real antifraud and corruption culture?

4.29 60.87% of social housing organisations indicated that they had a clear programme of work to create an anti-fraud culture. Pre-empting fraud is very important and developing an anti-fraud culture (growing the size of and mobilising the honest majority) is central to achieving that.

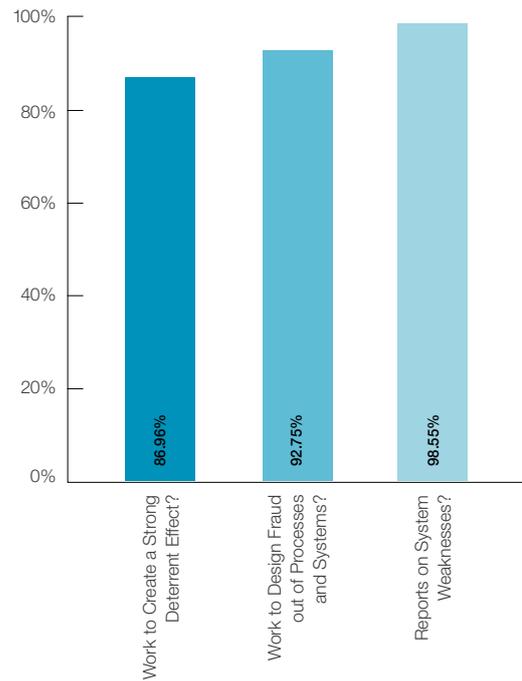
4.30 Question 14 - Has the organisation made clear that it has a zero tolerance approach to fraud and corruption?

4.31 95.65% of social housing organisations indicated that they had made it clear that their organisations had a 'zero tolerance' approach to fraud and corruption. Making it clear that fraud is not tolerated is important, as long as this does not accompany a view that fraud can be reduced to 'zero'. Given the nature of the problem this is unrealistic – it can be reduced to an absolute minimum (at present found to be just under 1%).

4.32 Question 15 - Are there arrangements in place to evaluate the extent to which a real antifraud and corruption culture exists or is developing throughout the organisation?

4.33 Despite 60.87% of social housing organisations implementing a clear programme of work to develop an anti-fraud culture only 28.99% indicated, in response to this question, that they evaluated the growth of that culture in their organisation. It is important to evaluate the development of the anti-fraud culture to determine if work to achieve this effect is being successful.

Deterrence and prevention



4.34 Questions 16 - Does the organisation attempt to create a strong deterrent effect?

4.35 86.96% of social housing organisations indicated that they did seek to create a strong deterrent effect. Of course, if fraud can be deterred then it does not need to be detected or investigated. However, Question 17 addressed the question of what is actually done.

4.36 Question 17 - Does the organisation seek to publicise...

4.37 Deterrence has been shown to arise from potential fraudsters' perceptions about the risks they face. This is not just the risk of a potential heavy sanction (if the chance of detection and effective investigation is minimal then this is unlikely to be a consideration). There are several different issues which affect these perceptions. This question evaluates the extent to which different sectors understand and seek to highlight these issues. The answers to Question 17 were as follows:

- 50.72% of social housing organisations indicated that they sought to publicise the hostility of the honest majority to fraud and corruption
- 57.97% sought to publicise the effectiveness of preventative arrangements
- 34.78% sought to publicise the sophistication of arrangements to detect fraud (possibly because the arrangements were not that sophisticated – see later questions))
- 36.23% sought to publicise the effectiveness of those who would investigate fraud (this probably reflects the answers to Question 9 about professional training and accreditation)
- 66.67% sought to publicise the likelihood of sanctions being applied which was the highest percentage answer
- 44.93% sought to publicise the likelihood of losses being recovered

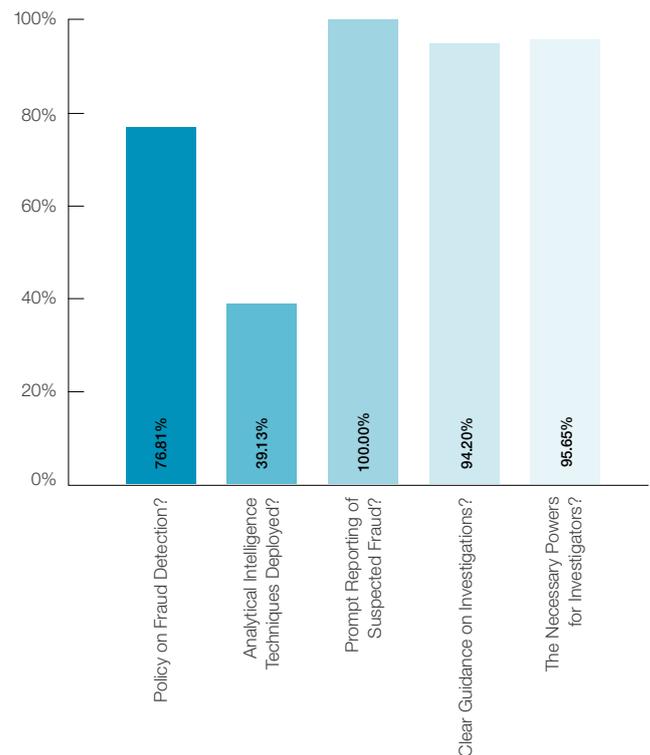
4.38 Question 18 - Does the organisation seek to design fraud and corruption out of new policies and systems and to revise existing ones to remove apparent weaknesses?

4.39 Another aspect of pre-empting fraud is work to design weaknesses out of processes and systems which might otherwise have allowed fraud to take place. 92.75% of social housing organisations indicated that they did this, which is one of the best responses to these questions in any sector.

4.40 Question 19 - Where an investigation into fraud takes place do reports cover identified policy and systems weaknesses?

4.41 Learning from failure is an important element of any strategy. Formally building this into fraud investigations is therefore essential. 98.55% of social housing organisations indicated that they did this, even better than the almost 96 per cent of public sector organisations, who did.

Detection and investigation



4.42 Question 20 - Does the organisation have a formal or informal policy setting out how it tries to detect possible fraud?

4.43 76.81% of respondent social housing organisations indicated that they proactively sought to detect fraud – rather than waiting for it to happen and then reacting to it. This approach helps to shorten the length of time that a fraud continues and to reduce the related losses.

4.44 Question 21 - Are analytical intelligence techniques used to examine data and identify potential fraud and corruption?

4.45 Only 39.13% of social housing organisations indicated that they used analytical intelligence techniques to find possible fraud. Nearly 70 percent of private sector organisations invested in products with this capability and this is clearly an area for improvement. Perceived barriers include the costs involved, however the view of the authors of this Report is that it is possible to undertake such work cost-effectively.

4.46 Question 22 - Are there arrangements in place to ensure that suspected cases of fraud or corruption are reported promptly to the appropriate person for further investigation?

4.47 100% of social housing organisations answered Yes to this question, again, better even than the public sector which scored 98%.

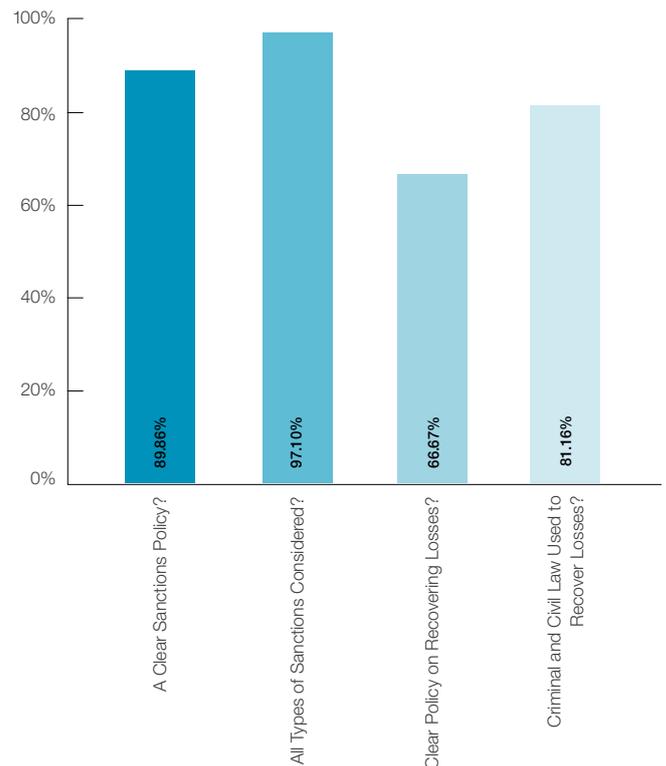
4.48 Question 23 - Is the organisation’s investigation work carried out in accordance with clear guidance?

4.49 Once reported, then a prompt investigation conforming to professional standards and legal requirements should proceed. 94.20% indicated that they had clear guidance about how this should happen. Investigating fraud can be complex and it is necessary to comply with various legal requirements. Some risks are posed which can lead to the potential failure of the investigation. Having clear guidance in place on how an investigation should be undertaken is essential.

4.50 Question 24 - Do those undertaking investigations have the necessary powers, both in law, where necessary, and within the organisation?

4.51 This is a difficult job and it is important to have the necessary powers to be effective. 95.65% of social housing organisations indicated that their investigators had the necessary powers.

Sanctions and redress



4.52 Question 25 - Does the organisation have a clear and consistent policy on the application of sanctions where fraud or corruption is proven to be present?

4.53 Applying proportionate sanctions consistently and effectively to those who are found to have undertaken fraud, is another important element of a resilient approach. 89.86% of social housing organisations indicated that they had such a policy in place.

4.54 Question 26 - Are all possible sanctions – disciplinary/regulatory, civil and criminal – considered?

4.55 97.10% in the Social Housing sector answered Yes to this question. However, if we had asked 'regularly used' rather than 'considered' we suspect the results may have been very different. It is very easy to 'consider' applying sanctions, but actually seeking to do so is a different matter.

4.56 Question 27 - Does the organisation have a clear policy on the recovery of losses incurred to fraud and corruption?

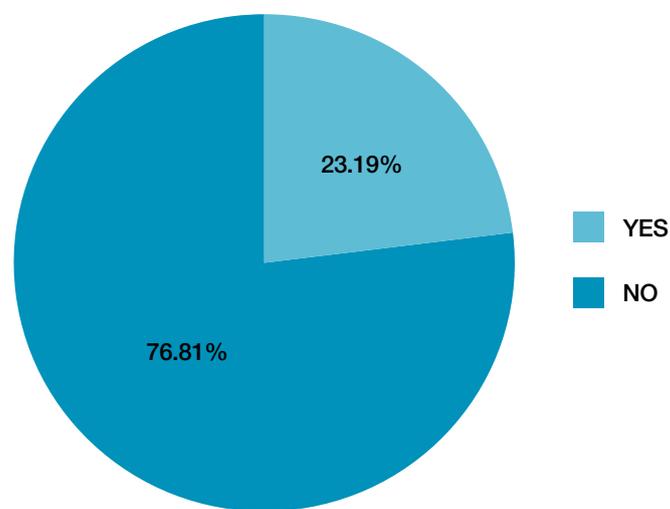
4.57 In addition to applying sanctions, recovering losses is also very important. After all, the most pernicious aspect of fraud is that it diverts resources from where they are intended. In the Social Housing sector 66.67% had such policies in place.

4.58 Question 28 - Does the organisation use the criminal and civil law to the full in recovering losses?

4.59 The criminal law concerning fraud is primarily intended to be used to punish individual fraudsters while the civil law is used to recover losses. The most effective organisations benefit from combining both in parallel. 81.16% of social housing answered Yes to this question, which is a good result.

DEFINING SUCCESS AND DELIVERING RESULTS

Counter fraud work performance managed?



4.60 Question 29 - Does the organisation regularly review the effectiveness of its counter fraud work against agreed performance indicators?

4.61 Reviewing and measuring the effectiveness of counter fraud work is also important. It is necessary to develop relevant performance indicators and consider if they have been met. However, in the Social Housing sector only 23.19% indicated that they did performance manage counter fraud work, which is disappointing.

5 //

overall analysis

- 5.1 The answers to the questions which have been reviewed above were weighted by the authors of this Report to allow comparisons across the different sectors. This was done by applying professional judgement derived from many years specialist experience of both undertaking and studying such work.
- 5.2 The process is inevitably, to some extent, subjective but the alternative of not weighting answers is worse and would have ignored the different relative importance of individual aspects of work to counter fraud. The weightings are listed in Appendix 1.
- 5.3 Overall, the Social Housing sector achieved a mean score of 32.3 out of a possible score of 50. The range of scores among the 69 social housing organisations who responded and fully completed the survey was from 9 to 49, with 80% of the responses lying between 23 and 42.

IN WHICH AREAS DID THE SOCIAL HOUSING SECTOR PERFORM BEST?

- 5.4 Social Housing sector organisations performed **best** in the following areas:
- 100% of respondents stated that they had arrangements in place for the prompt reporting of suspected fraud
 - Over 98% received reports following investigations on identified policy and systems weaknesses
 - 95% indicated that they ensured that those undertaking investigative work had the necessary powers
 - Over 94% had adopted clear guidance for the investigation process
 - 92% undertook work to design fraud out of processes and systems

IN WHICH AREAS DID THE SOCIAL HOUSING SECTOR PERFORM WORST?

- 5.5 Social Housing sector organisations performed **worst** in the following areas:
- Only 16% used losses estimates to make judgements about how much to invest in countering fraud
 - Only 23% reviewed the effectiveness of counter fraud work
 - 29% ensured that counter fraud staff are professionally trained
 - 96% stated that they had a zero-tolerance approach but only 29% monitored the development of anti-fraud cultures (potentially a worrying contrast between rhetoric and reality)
 - Less than 40% deployed analytical intelligence techniques to detect fraud

6 //
conclusion

- 6.1 This Report provides new information which was not previously available about where social housing organisations are well or badly protected against fraud. No individual organisations are identified but the analysis does provide a 'map' of the Social Housing sector fraud landscape and should inform the work of responsible organisations.
- 6.2 It shows that there is still much progress to be made as we seek to make the UK's Social Housing sector properly protected against fraud and able to devote the greatest possible proportion of their resources to provide the best quality housing for tenants.
- 6.3 In the view of the authors of this Report, this should contribute to an Agenda for further progress in the years to come.

appendix 1

weightings

The following weightings were applied, as described above:

<i>Question number</i>	<i>Weighting</i>
1	3
2	1
3	2
4	2
5	1
6	1
7	3
8	1
9	3
10	1
11	1
12	3
13	2
14	1
15	1
16	2
17	0.5 each up to a maximum of 3
18	2
19	1
20	2
21	1
22	1
23	1
24	1
25	2
26	1
27	2
28	1
29	3

how resilient is your organisation to fraud?



Fraud is a problem which undermines the stability and financial health of organisations from across the economy. Fraud is not a victimless crime, but one which denies us the quality of housing which UK tenants deserve and could otherwise have. It also piles additional costs on us as consumers, undermines our job security as employees, reduces the value of companies for us as shareholders, and even denies the beneficiaries of charities the full benefit of the donations which we make.

Global research shows that fraud costs organisations an average of 5.7% of expenditure but also that this figure varies considerably according to how resilient to fraud they are.

PKF (UK) LLP and the Centre for Counter Fraud Studies (CCFS) at University of Portsmouth have jointly undertaken the most extensive and most comprehensive research yet in this area and now have Europe's most comprehensive fraud resilience database with information from social housing, as well as public and private sector organisations.

by combining specialist
experience and academic rigour...

PKF and the CCFS represent a unique combination of specialist hands on experience and academic knowledge and rigour. Together we can offer a confidential Fraud Resilience Review service which can benchmark client organisations against both best practice and their peers. This is a low cost service which

reviews counter fraud arrangements against 29 measures of resilience derived from the best professional standards. It results in the provision of a clear and concise Report detailing our findings.

The check covers

- the extent to which an organisation understands the nature and cost of fraud to it as a business **problem**;
- the extent to which it has an effective **strategy** in place which is tailored to address this problem;
- the extent to which organisations maintain a counter fraud **structure** which can implement this strategy successfully;
- the extent to which the structure efficiently undertakes a range of pre-emptive and reactive **action**; and
- the extent to which **results** are properly measured, identified and delivered.

...we can provide the answers

We let the data speak for itself to identify weaknesses in counter fraud arrangements and then make recommendations for improvements, based on a wealth of experience drawn from more than 30 countries around the world.

find out more

We provide a comprehensive Report covering 29 measures of fraud resilience and clear recommendations for improvement.

To find out more please ring **020 7065 0557**
or email **jim.gee@uk.pkf.com**

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// about the authors

Jim Gee is Director of Counter Fraud Services at PKF (UK) LLP, the top ten accountancy and business services firm and Chair of the Centre for Counter Fraud Studies at University of Portsmouth. During more than 25 years as a counter fraud specialist, he led the team which cleaned up one of the most corrupt local authorities in the UK – London Borough of Lambeth – in the late 1990s; he advised the House of Commons Social Security Select Committee on fraud and Rt. Hon. Frank Field MP during his time as Minister of State for Welfare Reform; between 1998 and 2006 he was Director of Counter Fraud Services for the Department of Health and CEO of the NHS Counter Fraud Service, achieving reductions in losses of up to 60% and financial benefits equivalent to a 12:1 return on the costs of the work. Between 2004 and 2006 he was the founding Director-General of the European Healthcare Fraud and Corruption Network; and he has since worked as a senior advisor to the UK Attorney-General on the UK Government's Fraud Review. He has also worked with a range of private sector companies and charities as well as delivering counter fraud and regulatory services to organisations both in this country and internationally. His work has taken him to more than 30 countries to counter fraud and he has recently been advising the Chinese Government about how to measure, pre-empt and reduce the financial cost of fraud.

Dr Mark Button is a Reader at University of Portsmouth and Director of the Centre for Counter Fraud Studies. Mark Button is a Reader in Criminology and Associate Head Curriculum at the Institute of Criminal Justice Studies, University of Portsmouth. He has also recently founded the Centre for Counter Fraud Studies of which he is Director. He has written extensively on counter fraud and private policing issues, publishing many articles, chapters and completing four books with one forthcoming: *Private Security* (published by Perpetuity Press and co-authored with the Rt. Hon. Bruce George MP), *Private Policing* (published by Willan), *Security Officers and Policing* (Published by Ashgate), *Doing Security* (Published by Palgrave), and *Understanding Fraud: Issues in White Collar Crime* (to be published by Palgrave in early 2010 and co-authored).

He is also a Director of the Security Institute, and Chairs its Academic Board, and a member of the editorial advisory board of 'Security Journal'. Mark founded the BSc (Hons) in Risk and Security Management, the BSc (Hons) in Counter Fraud and Criminal Justice Studies and the MSc in Counter Fraud and Counter Corruption Studies at Portsmouth University and is Head of Secretariat of the Counter Fraud Professional Accreditation

Board (CFPAB). Before joining the University of Portsmouth he worked as a Research Assistant to the Rt. Hon. Bruce George MP specialising in policing, security and home affairs issues. He completed his undergraduate studies at the University of Exeter, his Masters at the University of Warwick and his Doctorate at the London School of Economics. Mark has recently been working on a research project funded by the National Fraud Authority and ACPO looking at victims of fraud.

Graham Brooks is Course Leader for the Counter Fraud and Corruption MSc. at the University of Portsmouth. He was previously the Course Leader for the Counter Fraud and Criminal Justice Studies BA from June 2007 to March 2009, and Head of Secretariat for the Counter Fraud Professional Accreditation Board from September 2007 to March 2009. He is also a member of the Centre for Counter Fraud Studies at the University of Portsmouth. Graham has published papers on many aspects of fraud and corruption. However, he has a special interest in fraud and corruption in sport and the effect gambling has on the integrity of all sports. A book on *Fraud and Corruption in Sport*, (published by Palgrave in 2012) is forthcoming which addresses these issues. Graham completed his undergraduate degree at Leeds Metropolitan University in Social Policy, and has a MPhil in Criminology from Cambridge University.

Nicola Higginbottom is a Senior Manager within Business Risk Services at PKF (UK) LLP, a leading UK firm of accountants and business advisers and member of PKF International Ltd. She has over 12 years experience with significant experience of working within the social housing sector including working with a wide range of established groups, stock transfers and specialist providers. Nicola is responsible for the provision of a range of services to our Business Risk Services clients, including internal audit, risk management and governance support. Working with Housemark, she has delivered numerous seminars to the social housing sector regarding managing the risk of fraud and also worked with clients to promote anti-fraud awareness and embedding an anti fraud culture within an organisation, and has more recently developed a series of guides for management and board in relation to managing the risk of fraud. Her wider experience includes undertaking specialist reviews on areas including internal process, value and end to end reviews and post merger integration reviews, procedural development and review of new service procedures in line with an organisation's risk map and control framework. She also works within the wider public sector delivering business risk services.

// about the publishing organisations



Accountants &
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PKF Forensic Services

PKF (UK) LLP is one of the leading firms of accountants and business advisers in the UK offering counter fraud, forensic accounting, expert witness and litigation support services on a national and international basis including:

- fraud resilience checks
- fraud loss measurement and reduction
- asset tracing and confiscations
- business intelligence
- forensic IT, including data mining, data imaging and recovery
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www.pkf.co.uk



The Centre for Counter Fraud Studies at University of Portsmouth

The University of Portsmouth's Centre for Counter Fraud Studies (CCFS) was founded in June 2009 and is one of the specialist research centres in the University's Institute of Criminal Justice Studies. It was founded to establish better understanding of fraud and how to combat it through rigorous research. The Institute of Criminal Justice Studies is home to researchers from a wide cross-section of disciplines and provides a clear focus for research, knowledge transfer and educational provision to the counter fraud community.

The Centre for Counter Fraud Studies makes its independent research findings available to support those working in counter fraud by providing the latest and best information on the effectiveness of counter fraud strategies.

[www.port.ac.uk/departments/academic/
icjs/CentreforCounterFraudStudies](http://www.port.ac.uk/departments/academic/icjs/CentreforCounterFraudStudies)

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about PKF

PKF (UK) LLP is one of the UK's leading firms of accountants and business advisers and specialises in advising the management of developing private and public businesses. We pride ourselves on creating and sustaining supportive relationships where objective and timely advice enables our clients to thrive and develop.

Our clients benefit from an integrated approach based on understanding the key issues facing small and medium-sized businesses. This enables us to meet their needs at each stage of development and allows them to focus on building the value of their businesses.

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