



National Fraud
Authority

Measuring Public Fraud

A National Perspective

Presented by: Edward Nkune, Director, NFA
Date: 1st November 2013

Fraud Review 2006/7 – Attorney General

- Unstructured fraud landscape
 - Incidents passed around agencies
 - Not sure of the scale of the problem
- Fraud not taken seriously by Law Enforcement
 - Seen as an unsatisfactory business transaction
 - Too difficult to investigate and prosecute.
- Fraud not reported by victims
 - Personal or market embarrassment
 - No-one will do anything!



Fraud Review - Government Response



National Fraud
Intelligence Bureau



National Fraud
Authority

ActionFraud

Report Fraud & Internet Crime

actionfraud.police.uk

Measurement & Analysis Unit
Annual Fraud Indicator



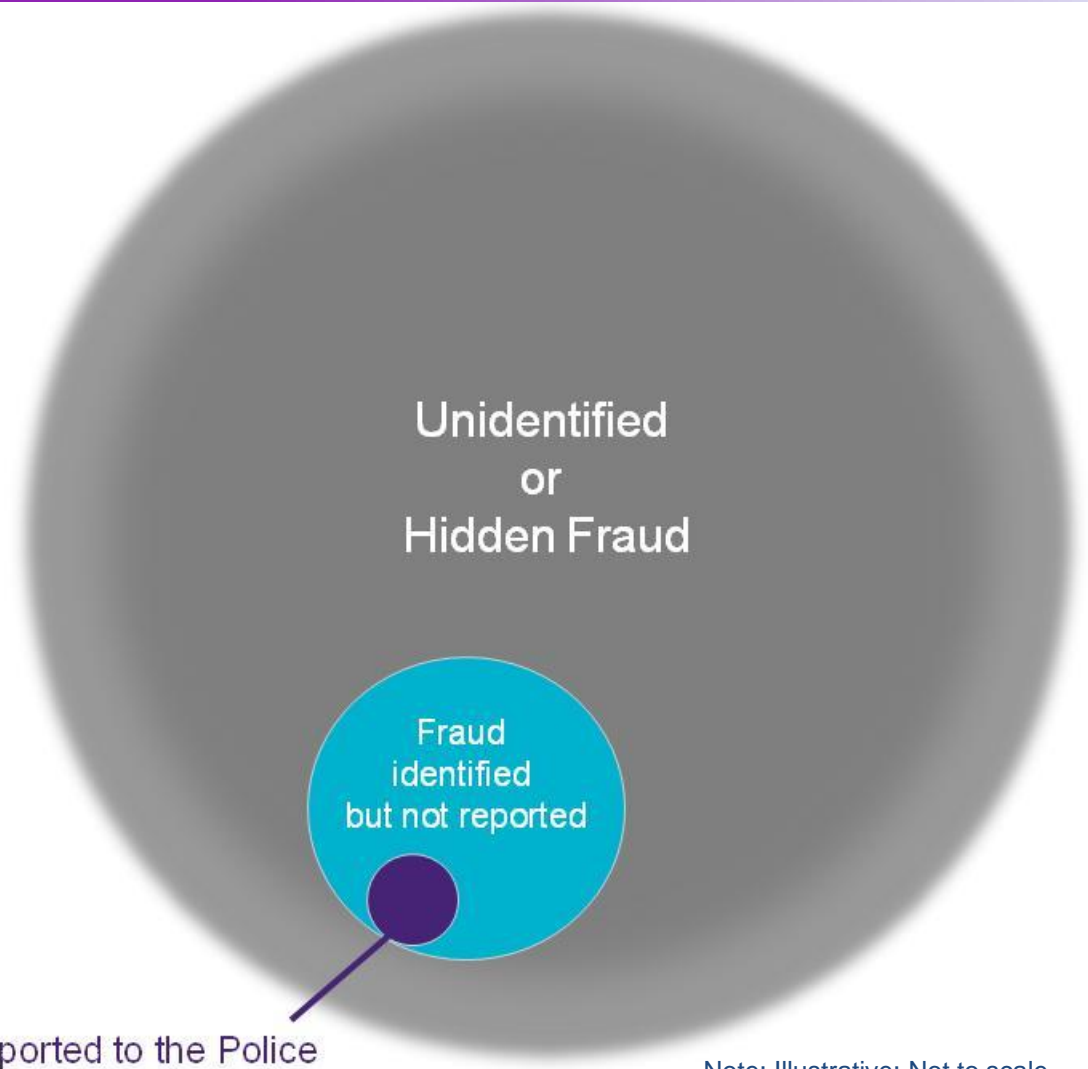
What is the AFI for?



The picture of fraud

- The AFI is NOT a set of crime statistics.
- Fraud is a hidden crime.
- Fraud is underreported.
- Detected fraud is a small proportion of fraud that lies hidden.
- Purpose of the AFI is to raise awareness, illuminate the bigger hidden picture.
- Through this work the AFI will incrementally improve the volume and quality of fraud loss data available to evidence policy and prioritise resources.

Fraud reported to the Police



Note: Illustrative: Not to scale



The first four years....

2006

13bn

ACPO (2006)

Estimates based on sources available in the public domain

2010

30bn

Annual Fraud Indicator, NFA (2010)

Step Change in methodology

Inclusion of new estimates to cover sectors not previously captured, including the private sector outside of financial services

2011

38bn

Annual Fraud Indicator, NFA (2011)

Inclusion of new estimates to cover sectors not previously captured, in particular against the not-for-profit sector

2012

73bn

Annual Fraud Indicator, NFA (2012)

Step Change in methodology

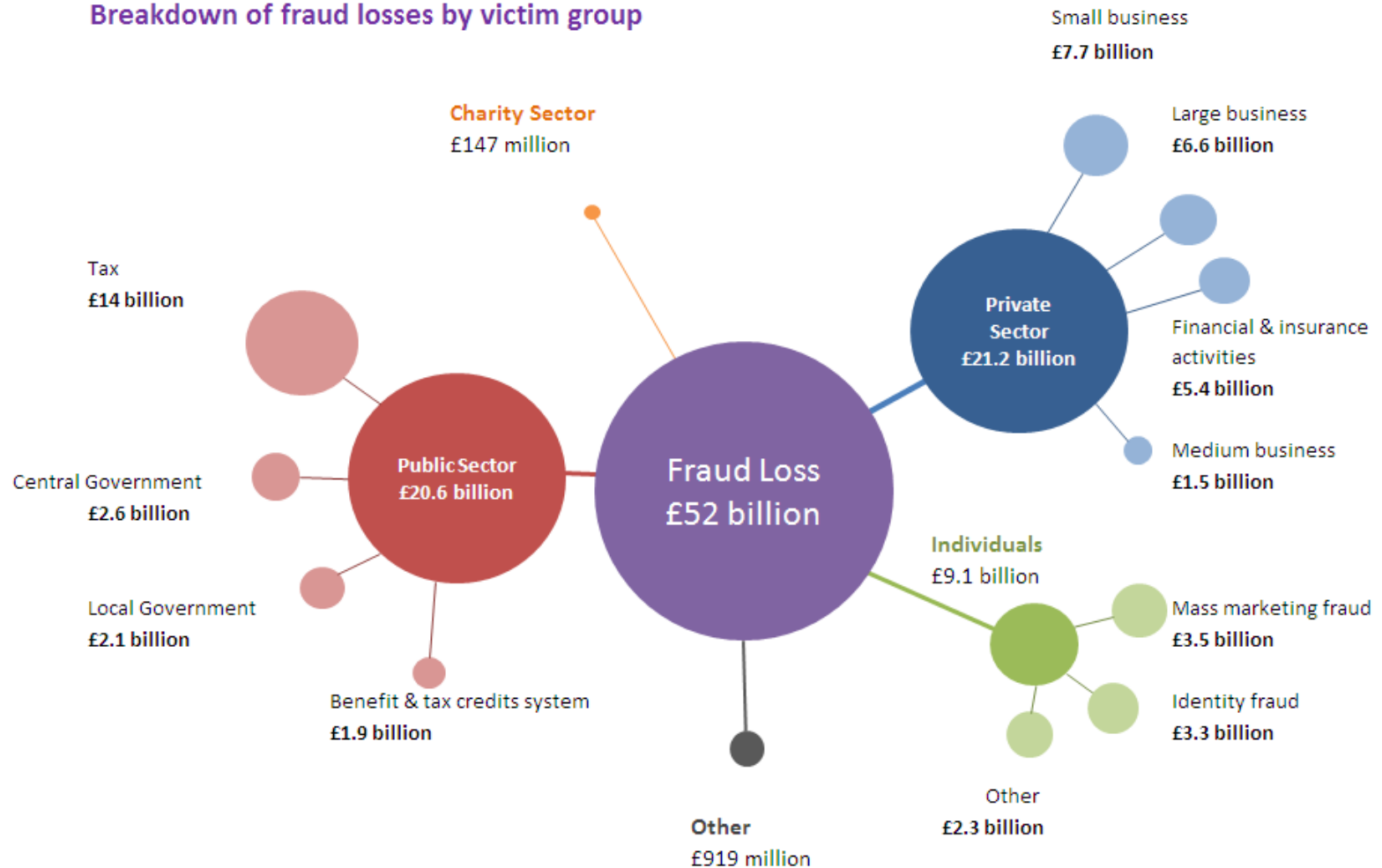
Private sector revised to include undetected loss.

Inclusion of new estimates, particularly against individuals



AFI 2013 Headline Figures

Breakdown of fraud losses by victim group



Note: Illustrative: Not to scale



Reasons to measure

- Raise awareness of the issue to gain resources
- Target resources effectively
- Convince potential victims to self protect
- Measure effectiveness of response
 - Measure arrests and convictions.
 - Use analytics and risk assessments for fraud prevention to generate a measure of prevented loss.



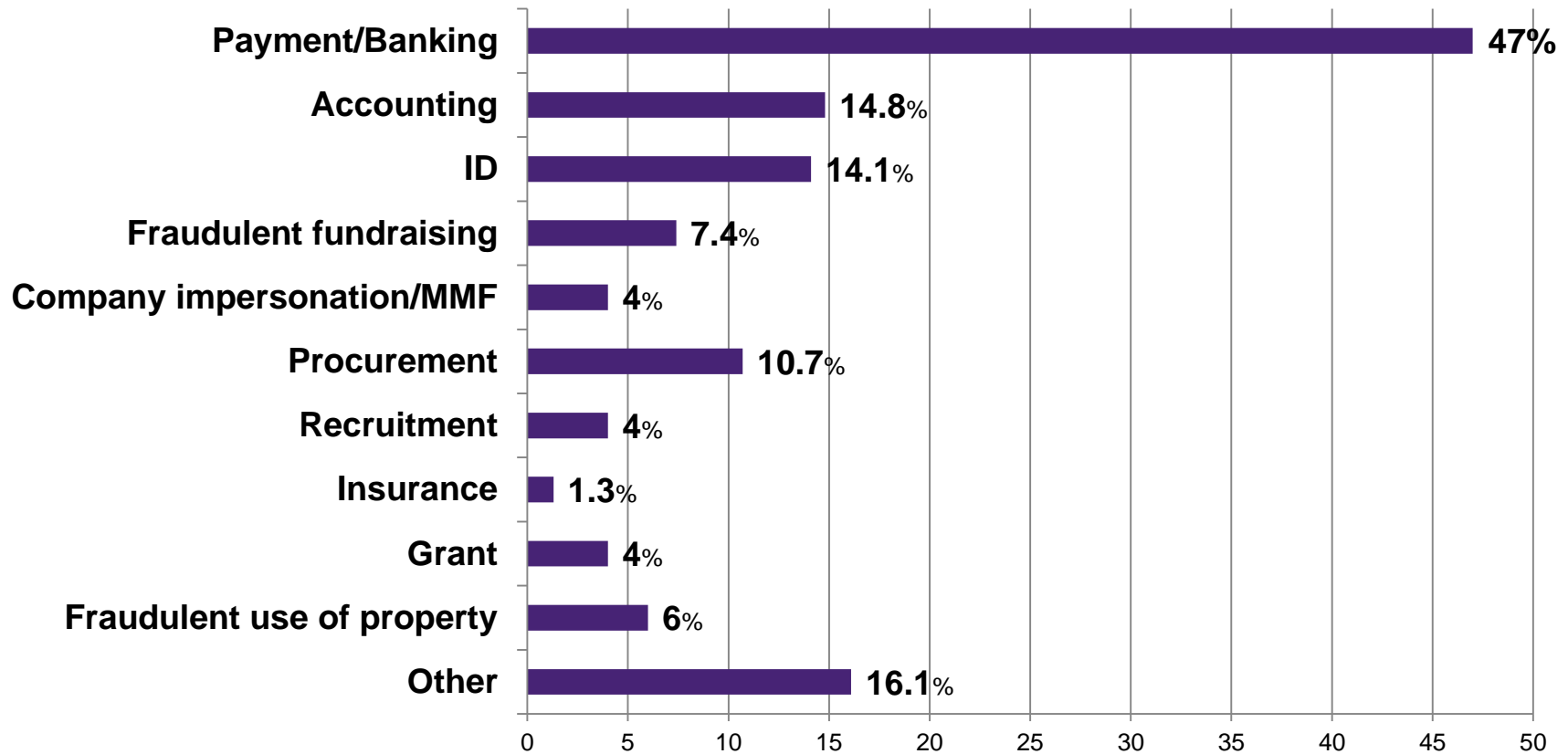
How the AFI was created

- Measurement Exercises
 - The data held by the experts is the best source
- Surveys
 - Hampered by security bias, reporting issues and lack of understanding
- Expert Opinions
 - Chartered Institute of Purchasing & Supply
 - Mortgage Lenders



Charity fraud survey

Fraud types experienced by victims



UK Gov - Why procurement fraud?

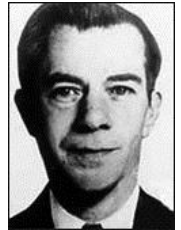


UK Gov – Why procurement fraud?

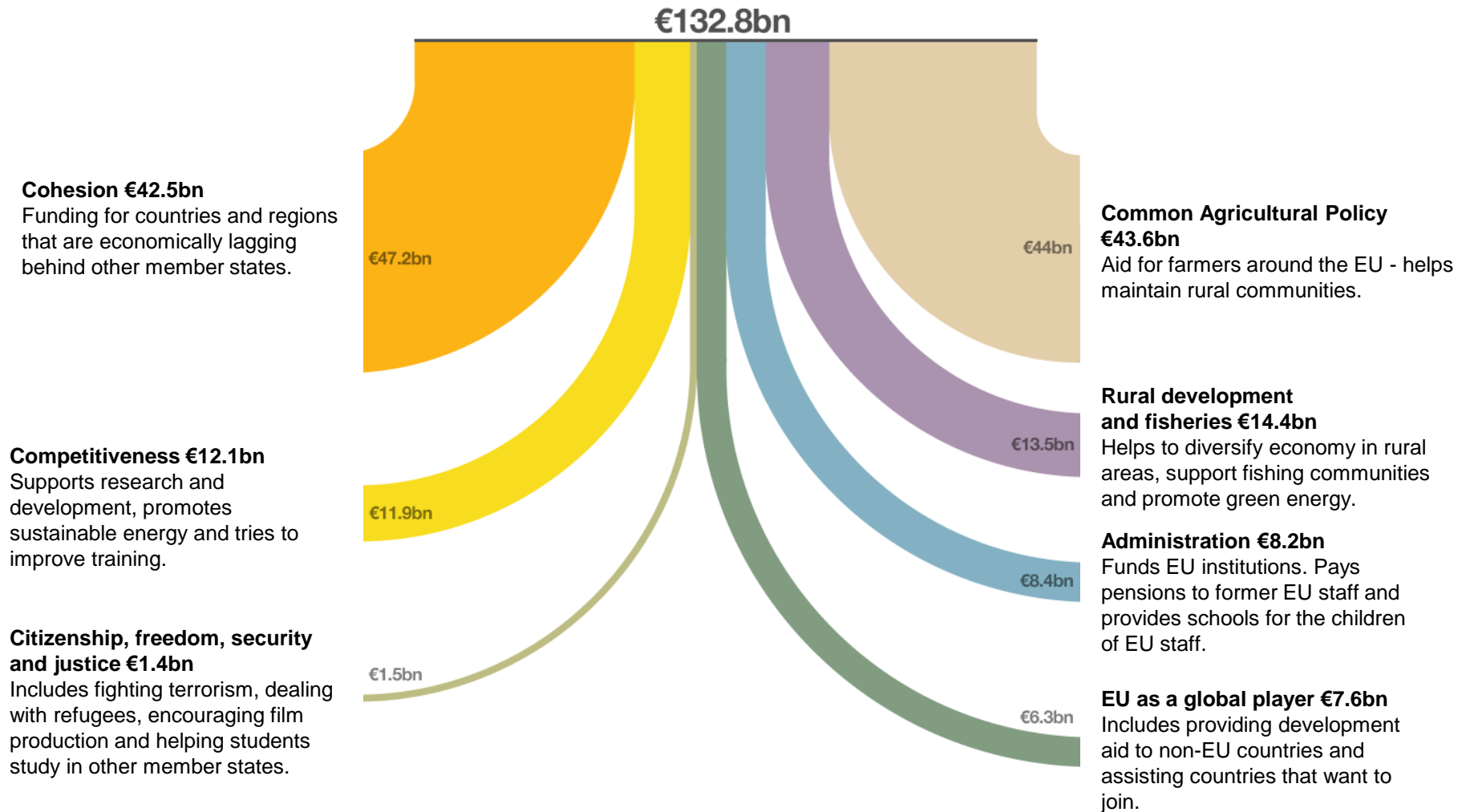
1% = £2.3 billion
public sector procurement spend in the UK alone.

€20 billion

public expenditure for goods, works, and services



EU budget 2013 – BBC



Procurement phases

LA – conflict of interest

Agency staff member appointed to procurement team - awarded contract to his own company

LA – procedure not followed

£140k p.a. contract awarded to Golf Society friend of procurement manager:

- No OJEU notice
- No transparent tender process inviting at least 3 suppliers to tender
- No declaration of interest statements and signatures

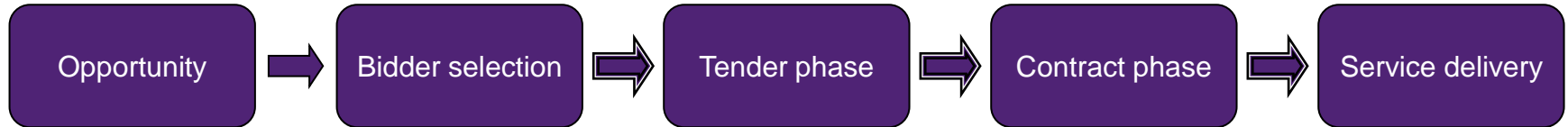
LA – false payments

Employee resurrected cancelled payment, altered payee details and paid sum to friend

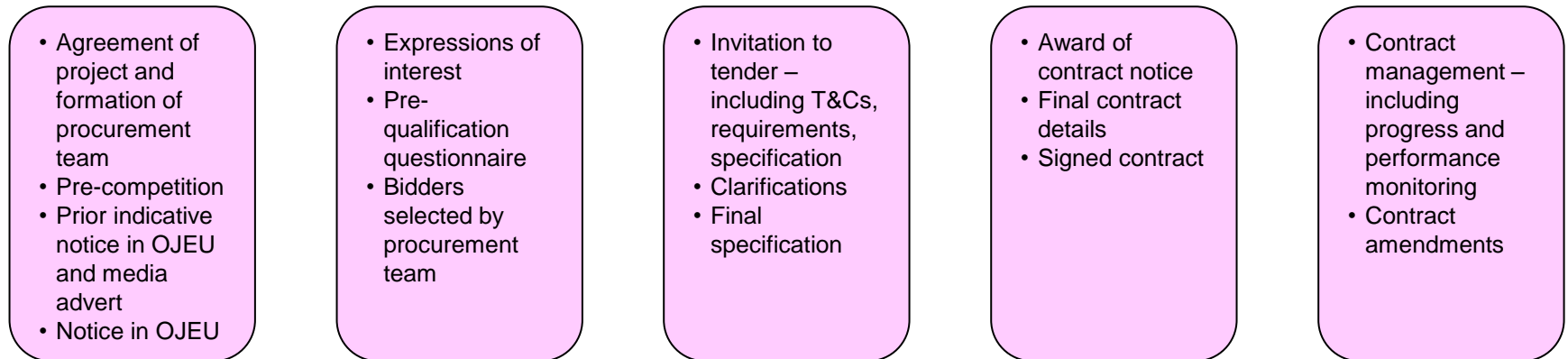
NHS Trust – double invoicing

Supplier invoiced twice for goods provided legitimately

Procurement Phases



Correct process



Resilience – Sample survey questions

ACTION TO TACKLE FRAUD - PRIVATE SECTOR	Weighting
Does your organisation share data and intelligence to help prevent fraud with other businesses / other relevant orgs (e.g. banks)?	1
Does your organisation share information on known frauds or fraudsters with police / banks / other businesses?	1
Does your organisation take action to detect and tackle fraud both from within and without?	1
Does your organisation have an agreed approach with other businesses to work together to tackle fraud?	3
Does your organisation seek to develop a real anti-fraud culture?	1
Does your organisation seek to create a strong deterrent effect to fraud?	1
Does your organisation seek to design out weaknesses in processes and systems which may allow fraud to take place?	1
Does your organisation seek to manage fraud as a business issue like any other (e.g. with Key Performance Indicators, etc.)?	3



Example Resilience Map

Sector	Understand risk	Internal systems	IT systems	Action to tackle fraud	Overall assessment
Private sector	M/H	M/H	H	M/H	M/H
Small Business	M/H	M	H	M	M/H
Medium Business	M/H	M/H	H	M	M/H
Large Business	H	M/H	H	M/H	H
Public sector	M	M	unknown	M	M
Charity sector	M/H	M/H	H	M	M/H
Income £100k - 500K	M/H	M/H	H	M	M/H
Income £501K - £5m	M/H	M/H	H	M	M/H
Income over £5m	H	M/H	H	M	M/H
Individuals	L/M	M	M	M/H	M



Key things to remember

- Share best practice
 - If someone has a measurement figure use it, but warily
 - For example, MoD 1%. Similar profiles will be the same.
- Measure resilience of sector/organisation.
 - This will indicate where you are in a range.
- Record all instances of fraud as % of expenditure.
 - Need to ensure a **proportionate** response.
- Detection will increase but should be expected.
- Use data analytics
 - detect fraud both before and after payment.



Въпроси

(Any Questions?)

