

<b>Institution:</b> University of Portsmouth		
<b>Unit of Assessment:</b> UoA 20: Social Work and Social Policy		
<b>Title of case study:</b> Countering Fraud More Effectively by Better Understanding its Harm, Cost and Extent		
<b>Period when the underpinning research was undertaken:</b> 2009 - date		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI: Pure</b>
Mark Button	Professor of Criminology	01/03/1997 - date
Dean Blackburn	Senior Lecturer	01/08/2012 - date
Martin Tunley	Senior Lecturer	01/09/12 - 26/08/16
David Shepherd	Senior Lecturer	17/10/2016 - date
Jacki Tapley	Principal Lecturer	01/09/2000 - date
<b>Period when the claimed impact occurred:</b> 2013-2020		
<b>Is this case study continued from a case study submitted in 2014?</b> N		
<b>1. Summary of the impact</b>		
<p>The Centre for Counter Fraud Studies (CCFS) at the University of Portsmouth is the leading UK academic grouping for the study of fraud and the means to counter it. CCFS research has transformed understandings of the harm fraud causes to victims, and created new methods of assessing that harm, and strategies to reduce it. A wide range of national and international organisations, including the UK's Cabinet Office, the Sentencing Council, and the European Union Crime Prevention Network, have been guided to change policy, develop best practice standards and transform approaches to tackling fraud by this research work and the associated advocacy of CCFS staff.</p>		
<b>2. Underpinning research</b>		
<p>Founded in 2009, CCFS works to push the boundaries of criminology in the field of economic crime, hitherto largely marginalised in mainstream literature. Under the leadership of Prof Mark Button, the CCFS team have deployed a wide range of quantitative and qualitative methods and fields of expertise, including the sociology of victimhood and victimisation (Jacki Tapley), interview research with individuals and organizational representatives (Dean Blackburn, Martin Tunley), and large-scale analysis of survey and statistical data (David Shepherd). Together, they have built up a body of work that has transformed accepted understandings of fraud as a social and institutional phenomenon.</p> <p>CCFS research has shown conclusively that harm caused by fraud afflicts a wide variety of organisations and individuals, and causes far more damage, directly and indirectly, than previously suspected (R1, R3). In addition to the fundamental research producing this new understanding, CCFS has also carried out research to identify effective preventative strategies and alternatives to criminal justice, documenting the most practical means of addressing fraud (R4). Only a small sample of this work can be referenced here: in the last decade CCFS staff have produced 41 reports, 30 journal articles and 4 books, drawing on funding from industry, NGOs and public sector organisations.</p> <p>One major example of such work was the first large-scale study of fraud victims in the UK, carried out by CCFS with funding from the National Fraud Authority and the Association of Chief Police Officers (G1). The main report, subsequent journal articles and book exposed the significant harm experienced by individual fraud victims and victimised organisations, especially small businesses. The work articulated the fundamental insight that the damage of fraud went beyond financial loss, and could have severe psychological, health, behavioural and reputational impacts (R1). A subsequent joint project with social research company Nat Cen, for the Sentencing Council, was the first research to conclusively demonstrate that the growing prevalence of online fraud offences produced a similar extensive profile of harm as more traditional frauds (R3). Recent further government-funded research (G4) has shown that there is a similar profile of harm to victims even when the primary effort at monetary fraud is unsuccessful (G5).</p> <p>NGOs and industry have also funded CCFS research to explore the wider costs to organisations of internal, external and recruitment fraud (G2, G3 and G4). CCFS analysis demonstrated that, for</p>		

a small-scale internal fraud under GBP25,000, companies and institutions faced additional impacts equating to over GBP22,000 on average, on top of the actual fraud loss (R5). A key insight from this research was the range of intangible costs, such as damage to staff morale, resulting from such incidents; as well as the overall expense of investigations, disciplinary procedures and staff replacement.

Taking note of the prevalent under-estimation of the harm and extent of fraud, CCFS research has also explored new ways to understand the psychological and social mechanisms underpinning this phenomenon (R2), and explored means of overcoming this. One investigative route pioneered by CCFS researchers is Fraud Loss Measurement (FLM), a statistical analysis of large numbers of transactions, combining random investigative sampling with extrapolation of total losses in comparable transactions, to achieve high-probability figures of actual loss levels. This has been shown to produce a more accurate estimation of the hidden level of total fraud than reliance on detected cases (R4). This transformative methodology has attracted widespread interest, as discussed below, but CCFS researchers have also been careful to stress the limits of the approach, and that using it with integrity means recognising it is not a 'magic bullet' for every scenario (R6).

### 3. References to the research

(R1) **Button, M., Lewis, C., & Tapley, J.** (2014). Not a victimless crime: The impact of fraud on individual victims and their families. *Security Journal*, 27(1), 36-54.

<https://doi.org/10.1057/sj.2012.11>

(R2) **Button, M., & Tunley, M.** (2015). Explaining fraud deviancy attenuation in the United Kingdom. *Crime, Law and Social Change*, 63(1-2), 49-64. <https://doi.org/10.1007/s10611-015-9551-0>

(R3) Kerr, J., Owen, R., McNaughton Nicholls, C., & **Button, M.** (2013). *Research on Sentencing Online Fraud Offences*. London: Sentencing Council.

[https://www.sentencingcouncil.org.uk/wp-content/uploads/Research\\_on\\_sentencing\\_online\\_fraud\\_offences.pdf](https://www.sentencingcouncil.org.uk/wp-content/uploads/Research_on_sentencing_online_fraud_offences.pdf)

(R4) **Button, M., & Gee, J.** (2013). *Countering Fraud for Competitive Advantage*. Chichester: Wiley. (available on request)

(R5) **Button, M., Blackburn, D., Lewis, C., & Shepherd, D.** (2015). Uncovering the Hidden Cost of Staff Fraud: An Assessment of 45 Cases in the UK. *Journal of Financial Crime*, 22(2), 170-183. <https://doi.org/10.1108/JFC-11-2013-0070>

(R6) **Button, M., Brooks, G., Lewis, C., & Shepherd, D.** (2015). Fraud in Overseas Aid and the Challenge of Measurement. *Journal of Financial Crime*, 22(2), 184-198.

<https://doi.org/10.1108/JFC-02-2014-0006>

#### Evidence for the quality of research

These outputs are a representative selection of a substantial body of related work. All employ robust design and appropriate research techniques. The articles are published in respected peer-reviewed academic journals that are relevant to the discipline. The book is published by Wiley, a respected academic publisher and the report was published by the Sentencing Council following rigorous quality procedures.

R1, R2, R5 and R6 are peer reviewed articles.

#### Research grant funding

(G1) **Button, M., Tapley, J., & Lewis, C.** *Victims of Fraud*. Funded by National Fraud Strategic Authority, February-June 2009, (GPB 75,800).

(G2) **Button, M., & Blackburn, D.** *True cost of insider fraud*. Funded by Cifas, September-December 2012, (GBP19,400).

(G3) **Button, M., Wang, V., & Blackburn, D.** *The real cost of application fraud and brands on the Darknet*. Funded by Crowe Clark Whitehill LLP, May-October 2018, (GBP10,000).

(G4) **Button, M., Shepherd, D., & Hock, B.** *The real cost of external fraud*. Funded by Synectics Solutions Ltd. March-October 2019, (GBP20,047).

(G5) **Button, M.**, Wang, V., **Blackbourn, D.**, Kapend, R., & Sugiura, L. *Victims of computer misuse crime*. Funded by the Home Office, September 2018-December 2019, (GBP60,950).

#### 4. Details of the impact

The transformative impact of CCFS research is built on a foundation of consistent active outreach and communication, building institutional relationships of trust that provide the working context for specific research findings to lead to practical implementations. Button in particular has worked with an extensive range of UK-wide and international organisations, the latter including the European Court of Auditors, European Crime Prevention Network, and European Healthcare Fraud and Corruption Network. Nationally, he has worked with regional fraud forums and the fraud-prevention service Cifas. He recently joined the Open Banking Counter Fraud Stakeholder Delivery Committee, which is working to devise counterfraud standards for open banking.

At UK government level, Button has been called on regularly to offer research-based advice on policy and practice to both the Treasury and the Home Office, as well as other bodies discussed further below. For some five years he has been a member of the Cabinet Office Cross-Sector Advisory Group on fraud, meeting regularly at the highest level (and in 2020 engaging in intensive discussions about the fraud risks of Covid-related payment mechanisms). In 2019 he was invited to join the editorial board of the *Public Sector Counter Fraud Journal*, published by the Cabinet Office to disseminate best practice.

This ongoing effort has resulted in organisations changing the way they deal with fraud, and the responses they pursue, and has brought about wider acceptance that fraud is a significant problem which is consistently under-estimated. The outputs from CCFS research projects have also been influential in decisions by a number of organisations, such as the Government's Joint Fraud Task Force, Age UK, Victim Support and the EU Crime Prevention Network, to make fraud victims a higher priority, and to develop standards and measures to respond to them.

#### Prioritising attention to fraud in national and transnational governance

The Sentencing Council for England and Wales issued new guidelines in 2014 for the sentencing of offenders convicted of fraud, money laundering and bribery (S1). These were a significant shift from previous guidelines, and they noted explicitly the central underpinning role of CCFS research (R3) in framing their approach: *"The findings from this research informed the development of the guidelines and particularly the proposal that emphasis is placed on the impact these offences have on victims when assessing harm at step one"* (S2). The guidelines also adopted other CCFS recommendations, notably on the recognition of the equivalence of online fraud, and on taking into account the wider damage of fraud, rather than a focus purely on financial losses.

Clear material outcomes from this change were evident in the following 5 years. While the average length of custodial sentences for theft rose slightly by 6.5% to just under 10 months, the average custodial sentence for fraud offences rose by no less than a third, from 14.9 months in 2013 to 20 months in 2018, illustrating the impact of the guidance on sentencers taking the effects of fraud on victims more seriously (S9).

The UK Government's Fraud Task Force evidence review on the scale and nature of fraud cited CCFS publications in noting the impact of fraud as more than the financial loss (S10). The Bulgarian Presidency of the Council of the EU (January-June 2018) chose fraud prevention as a key focus of its energies, and the EU Crime Prevention Network noted specifically the role of CCFS publications in generating awareness towards this: *"These new developments, combined with the detrimental impact – financially, emotionally, relational, – of these types of crime (Button, Lewis, & Tapley, 2009; 2014), have urged the need for prevention and Bulgaria chose this as their focus during their Presidency of the EUCPN in the first half of 2018"* (S5). Thus, at a range of levels, CCFS research has successfully created a 'new normal' for understanding of and response to these issues.

#### Influencing organisational approaches to countering fraud

In the UK charity sector, Victim Support (S3) and Age UK put CCFS research findings at the heart of new policies and institutional awareness of the costs of fraud for individual victims. Their new approaches recognise the need to consider the impacts of fraud beyond any financial losses, and

have reoriented their practices to provide more sympathetic support, tailored to the needs of fraud victims amongst the thousands of clients they support each year. In their review of practice, Age UK specifically drew on the findings of CCFS research to frame their new understanding that *“...effects of being a victim of fraud can be serious and long-lasting for the individual and their families. Far greater attention needs to be paid to the experiences of older people and others who have been targeted by fraudsters and may then have become victims”* (S4).

CCFS has been central in the collaboration between academic and industry partners (such as the accountancy firms PKF, BDO, and Crowe Clark Whitehill) for promoting an FLM methodology for estimating fraud losses within organisations (S8). The demonstrable benefits of this approach caused a number of key clients of these accountancy firms to switch to FLM methodologies (further details are unavailable due to commercial confidentiality).

In the public sector, CCFS research is the foundation adopted by the Cabinet Office in creating a completely new structure for the measurement of fraud and response to it across all of central government. This has led to the creation of a Counter Fraud Function at the heart of public administration, coordinating and leading on the central government response to fraud among 15,000 public servants. By the end of 2019 it was noted by Mark Cheeseman, the Deputy Director of Public Sector Fraud in the Cabinet Office that:

*“To date, the FMA programme has undertaken 48 exercises reviewing a total of GBP3,600,000,000 of public spending. The collective findings of the programme has indicated that between 0.5% and 5% of scrutinised spending is likely to be fraudulent. This approach has been advocated by Button/Tunley in the research listed above and [they] have influenced the approaches that have been developed.”* (S7).

Critically, in promoting and advocating for the FLM methodology, CCFS have taken care to maintain its academic rigour and integrity. The impact of some of their work has been to prevent the extension of FLM approaches into areas for which they are unsuitable, in the face of political pressure to secure headline results. In the early 2010s the Department for International Development (DfID) was being pressed to use FLM to measure fraud in overseas aid, and commissioned Button et al to investigate this possibility.

The findings were crucial in establishing that FLM was not the appropriate means to pursue such a goal. Through to 2017, pressure from Conservative backbenchers and the tabloid press on the DfID fraud issue continued. The CCFS research continued to be significant in the development of policy outcomes, being used to show there was no easy way to identify a ‘significant fraud problem’ in DfID expenditure. Sir Mark Lowcock, Permanent Secretary for DfID, giving evidence to the Commons Public Accounts Committee in 2017, emphasised that the CCFS research was the foundation for his position:

*“... I asked Mark Button to do a piece of work for me to see whether it was possible to develop an evidence base and a methodology to do that fraud loss measurement exercise on my budget, in the same way that you could do it for parts of the Government budget, as is reported in the study you referred to and elsewhere. His conclusion was that we had to reject attempts to measure total fraud in that kind of super-measure, because it is too complex and expensive to achieve”* (S6).

In sum, the research of CCFS over the last decade, and its members’ consistent and far-reaching efforts to communicate their findings and collaborate on appropriate responses to them, has transformed practical and institutional responses to fraud across the UK and beyond, while also ensuring that such responses remain grounded in appropriate and justifiable methodology.

##### **5. Sources to corroborate the impact**

(S1) Sentencing Council (2014) New sentencing guidelines bring increased focus to the impact of fraud on victims.

(S2) Sentencing Council (2013) Retrieved from Fraud, Bribery and Money Laundering Offences Guidelines. p.10

(S3) Victim Support (2017) Fraud Policy Statement. p.9

(S4) Age UK (2015) Only the tip of the iceberg: Fraud against older people Evidence review. p. 20 -23, 45

- (S5) European Union Crime Prevention Network (2019) Preventing Individual Fraud. Toolbox Series No 13. p. 11
- (S6) House of Commons Public Accounts Committee (2017) How DfID Tackles Fraud - Oral Evidence.
- (S7) Letters from Cabinet Office HM Government - Deputy Director Public Sector Fraud
- (S8) Testimonial from Crowe 2019
- (S9) Screenshot for fraud offences sentencing statistics from criminal justice outcomes by offence data tool from Ministry of Justice
- (S10) Home Office (2018) The Scale and Nature of Fraud: A Review of the Evidence.