

the resilience to fraud of the uk hotel sector

research into how well
uk hotels protect themselves

Jim Gee, Dr. Mark Button and Graham Brooks



2012 REPORT

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FOREWORD



STUART COLLINS
NATIONAL HOTELS
PARTNER PKF (UK) LLP

There are just over 46,000 hotels and guest houses in the UK, and the hotel industry is a significant sector of the economy, with an annual turnover of around £40 billion¹. Applying figures derived from the latest global research² showing that an average of 5.7% of expenditure is lost to fraud and error, such losses could cost the hotels' sector more than £2 billion a year. Each time the Government's National Fraud Authority make their annual estimate, the figures rise as the estimation improves, and it is already likely that the £1.9 billion losses estimated for the travel, leisure and transportation sectors in January 2011 will be superseded in January 2012. It is a serious issue for companies operating within the sector and one that has far reaching consequences for the health and financial stability of our industry, as well as the quality and price of the service that consumers enjoy.

This Report is published at a time when the macro-economic climate is unfavourable and there are downward pressures on expenditure. Research shows clearly that the cost of fraud can be reduced significantly, thereby freeing up financial benefits. This is a way of adjusting more painlessly to the current business environment.

With this background in mind, we have conducted this survey into the resilience of fraud amongst hotel companies 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 hotel companies 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. I would also like to thank HOSPA (the Hospitality Professionals Association, formerly BAHA) for their assistance in obtaining responses to the survey from a wide range of companies. Minimising the impact of fraud starts with understanding how resilient to fraud your company is and this is important now more than ever.

¹ Trends & Statistics, 2010, British Hospitality Association

² 'The Financial Cost of Fraud Report 2011' - Jim Gee, Dr Mark Button and Graham Brooks published by PKF (UK) LLP and the Centre for Counter Fraud Studies at University of Portsmouth

INTRODUCTION



JIM GEE
DIRECTOR OF COUNTER
FRAUD SERVICES,
PKF (UK) LLP
AND
CHAIR OF THE CENTRE
FOR COUNTER FRAUD
SERVICES, UNIVERSITY
OF PORTSMOUTH

FRAUD – THE LAST GREAT UNREDUCED BUSINESS COST

PKF (UK) LLP and Europe's premier research institute concerning fraud, the Centre for Counter Fraud Studies at University of Portsmouth (CCFS), have jointly published the first ever research concerning the extent to which the UK hotels sector protects itself effectively against fraud. The survey, covering 29 different aspects of fraud resilience and involving analyses using PKF and CCFS's extensive fraud resilience database, has resulted in publication of 'The Resilience to Fraud of the UK Hotels Sector' Report.

Fraud is a problem which undermines the stability and financial health of companies from across the economy. It is not a victimless crime, but one which reduces the value of companies for us as shareholders, undermines our job security as employees, and piles additional costs on us as consumers. More widely, it denies us the quality of public services that we pay our taxes to get and even denies the beneficiaries of charities the full benefit of the donations which we make. It is a serious issue for hotel companies and one that has far reaching consequences for the health and financial stability of the sector, as well as the quality and price of the service that consumers enjoy.

The hospitality industry has long been a target for fraudsters. It is an industry where cash is often freely available, particularly in bars, and thus there is always going to be temptation. Credit cards are also used extensively and while there are some measures in place to protect the credit card owner, how often have we heard of cards being cloned or charges levied against them fraudulently. It doesn't end there of course.

There have been instances of major frauds being committed by members of staff in senior positions who have purported to have needed access to significant cash amounts to facilitate transactions and who have deemed to be utterly trustworthy. It is therefore vital that companies in the hospitality industry are on their guard to protect themselves against fraud at all levels – from the shop floor to the boardroom.

Across the UK economy as a whole, the Government's National Fraud Authority estimates that £38.4 billion is lost to fraud, with £1.9 billion of the losses relating to the leisure, travel and transportation sectors. 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. As yet the NFA's annual estimates have not focussed precisely on the hotels sector, 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%⁴. If this figure is applied to the hotels sector in the UK, it equates to losses of over £2 billion.

“ The key issue to be addressed in minimising the cost of fraud in hotel companies is to improve their fraud resilience. ”

⁴ 'The Financial Cost of Fraud Report 2011' - Jim Gee, Dr Mark Button and Graham Brooks published by PKF (UK) LLP and the Centre for Counter Fraud Studies at University of Portsmouth

PKF and the Centre for Counter Fraud Studies at University of Portsmouth already have data concerning the fraud resilience of over 500 companies and other organisations from across the UK economy. This includes data derived from a specific survey of the hotels sector. By focussing in on the hotels sector, this Report provides an unprecedented insight into the strength of arrangements to protect them against fraud.

Overall, the hotels sector achieved a average score of 25.4 out of a possible score of 50, with 80% of the responses from the 26 hotel companies who responded between 15 and 39. This average score compares with that for the private sector generally of 30.6. It is therefore disappointing and there is some work to be undertaken. With this lower than average level of fraud resilience, it will mean that the corresponding level of losses to fraud will be higher than the average. There is thus an opportunity to strengthen levels of resilience and reduce the cost of fraud, freeing up significant financial benefits.

This 'helicopter view' of the sector is interesting and should alert forward looking companies to some of the risks and opportunities which relate to fraud. As well as the data concerning fraud resilience, PKF and CCFS also control the world's largest database concerning the accurate measurement of fraud losses. This database contains information concerning more than 200 accurate, statistically valid fraud loss measurement exercises, covering 32 types of expenditure from many countries with a total value of £5 trillion. The massive dataset has allowed derivation of a global average loss rate for fraud (and error) of 5.7% of expenditure - as indicated above.

Even more interesting is the relationship found between fraud resilience and fraud losses. While it is common sense that the better protected organisations are, the lower the cost of fraud will be, PKF and CCFS have gone further and been able to calibrate one against the other. We can now see how much losses are reduced by for a given increase in fraud resilience. At the ends of this spectrum, the worst protected organisations can be seen to lose 10% or more, while the best protected lose 1.5% or less. PKF provides a cost effective Fraud Cost and Resilience Review service to help companies to find out where they lie.

This sort of information allows fraud to be treated as a business cost like any other. For many years other business costs have had ever smaller slivers shaved off them. However, fraud has traditionally been an issue which companies either deny exists at all or which they react to after losses have been incurred. Accurate assessment - both of fraud resilience and losses - now allows a proactive approach to be taken. Where this has happened, there are examples where the cost of fraud has been reduced by up to 40% within 12 months and with a 12:1 return on the costs of the work.

My view is that fraud is the last great unreduced business cost. There is no better time to set about reducing it than in the current difficult macro-economic climate, where the financial benefits can reinforce the health and financial stability of the hotels sector.

1 //
executive summary

- 1.1 This Report is the most extensive and most comprehensive Report yet undertaken into the resilience of the UK hotel sector to fraud.
- 1.2 26 hotel companies with a collective turnover of £800 million 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 hotels sector achieved a mean score of 25.4 out of a possible score of 50. This compares with a mean score among public sector companies of 34.4, private sector companies generally of 30.6 and charities of 24.2.

- 1.5 Hotel companies performed **best** in the following areas:
- 88% of respondents indicated that they had adopted a 'zero tolerance' approach
 - 85% indicated that they had arrangements in place to ensure that suspected frauds were promptly reported
 - 85% also indicated that they considered applying all types of sanctions where fraud was found to be present
 - Over 76% had a clear policy on the application of sanctions
 - 69% had reports concerning fraud discussed at board level
- 1.6 Hotel companies performed **worst** in the following areas:
- Only 30% sought to estimate the cost of fraud or used losses estimates to make judgements about how much to invest in countering fraud
 - Only 23% reviewed the effectiveness of counter fraud work
 - 35% ensured that counter fraud staff regularly refreshed their skills
 - 88% stated that they had a zero-tolerance approach but only 38% 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 background to
the research and the
nature of the data

- 2.1 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 work⁴. 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.
- 2.2 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.
- 2.3 This Report goes even further. It focuses in on the UK hotels sector 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.
- 2.4 The researchers received 26 usable questionnaires from hotel companies.
- 2.5 Those responding are necessarily self-selecting. It is likely that they represent those hotels companies 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.
- 2.6 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.

⁴ CIPFA - 'Managing the Risk of Fraud' guidance which one of the authors of this Report (Jim Gee) jointly wrote.

3 //

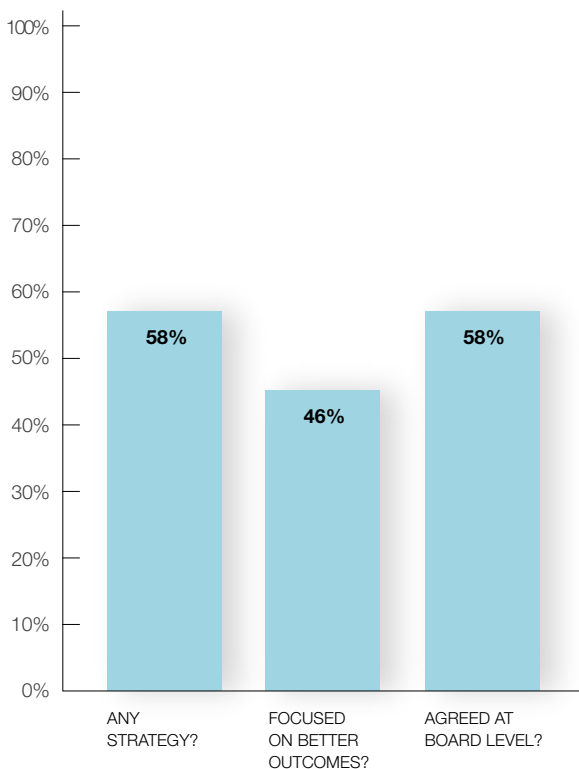
detailed analysis

3.1 This section of the Report looks at each aspect of resilience to fraud and the nature of the response from the hotels 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**

3.2 It then looks at the overall picture and considers what this means.

Adopting the Right Strategy



3.3 **Question 1 - Does the organisation have a written counter fraud and corruption strategy?**

3.4 The starting point for any sound attempt to minimise the risk of fraud is to have a strategy to counter it. 58% of hotel companies answered Yes to this question. This compares with 75% of private sector companies generally. That more than 40% of companies could not answer Yes probably indicates that the issue of fraud is not on their radar as it should be.

3.5 **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.)?**

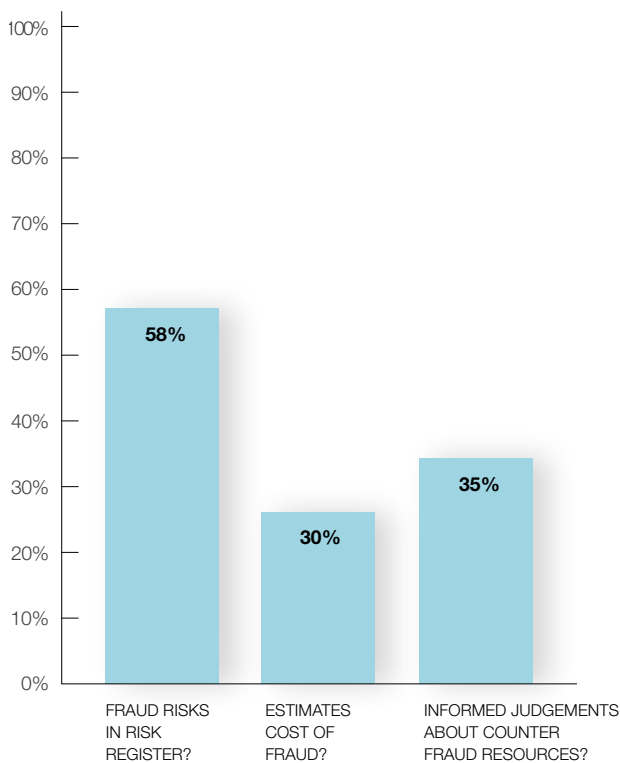
3.6 46% of hotel companies indicated that they pursued a strategic approach to achieve better outcomes. This compares with 70% of the private sector generally. Having clear intended outcomes and not just seeking to generate activity is very important. Mere activity represents a cost which a hotel company 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.

3.7 However, taking the answer to this question in conjunction with the answer to Question 1, it does mean that around a fifth of those hotel companies who have adopted a written counter fraud strategy, have not ensured that it is focused on beneficial outcomes.

3.8 **Question 3 - Has the strategy been directly agreed by those with executive authority for the organisation?**

3.9 58% of hotel companies indicated that their counter fraud strategy had been agreed at the most senior executive levels. This compares with charity sector organisations where the comparable figure was only 43% but does not meet the standard set by the private sector generally, where 69% 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 Risks and Costs



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

3.11 58% of hotels companies indicated that they included fraud and corruption risks in their risk register, a lower figure than that achieved in the private sector generally. It is important that hotel companies 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.

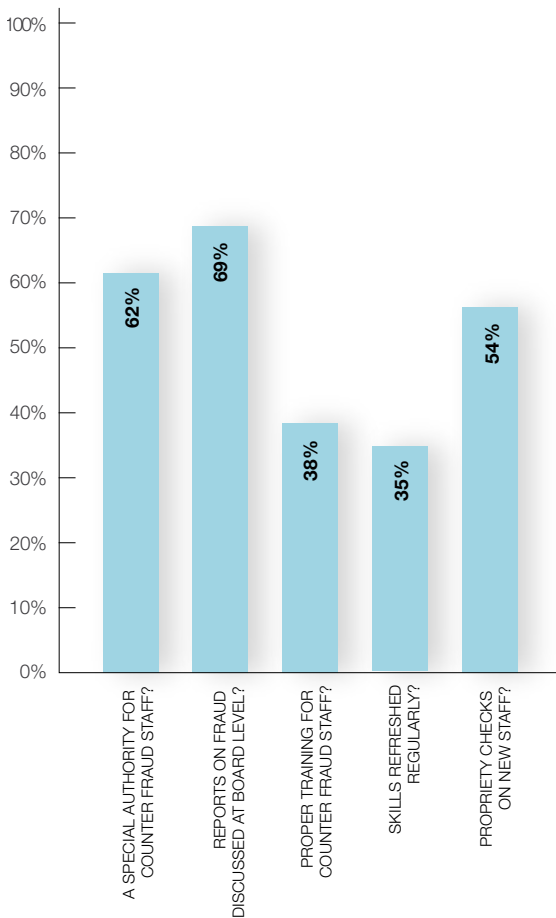
3.12 Question 5 - Does the organisation seek to estimate the total economic cost of fraud to it?

3.13 Despite the high proportion of hotels companies recording fraud as a risk, only 30% of respondent companies indicated that they then sought to estimate the true cost of fraud. This compares with the 31% of private sector companies generally, 29% of public sector bodies and 30% of charity sector organisations. This is important in developing a proportionate, properly resourced strategy to counter it. There is therefore much more scope for the hotels sector to improve by seeking to accurately assess the cost of fraud. National figures from the 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?

3.14 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?

3.15 35% of hotel companies 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, mostly reputational rather than financial. It is important to understand that real financial benefits can be delivered in this area. This response is better than that recorded by public sector bodies and charity sector organisations.

Creating and Maintaining a Strong Structure A strong counter fraud structure?



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

3.17 62% of hotel companies indicated that their staff working in this area did have some special authority to do so. This compares with the figure for the private sector generally of 77%. Fraud is a difficult issue and can sometimes involve those in positions of relative power within companies. This means that, to counter it effectively, it can be important to have a degree of special authority.

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

3.19 69% of hotels companies indicated that they did discuss these issues at Board-level. 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.

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

3.21 Just over a third of responding hotel companies (38%) indicated that they had professionally trained staff to counter fraud. This is a better response than the private sector generally (35%), but still means that almost two-thirds of companies do not have professionally trained staff addressing this issue.

3.22 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.

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

3.24 35% of hotels companies had staff who refresh their skills in this area. This is a lower level than the 58% for private sector companies generally.

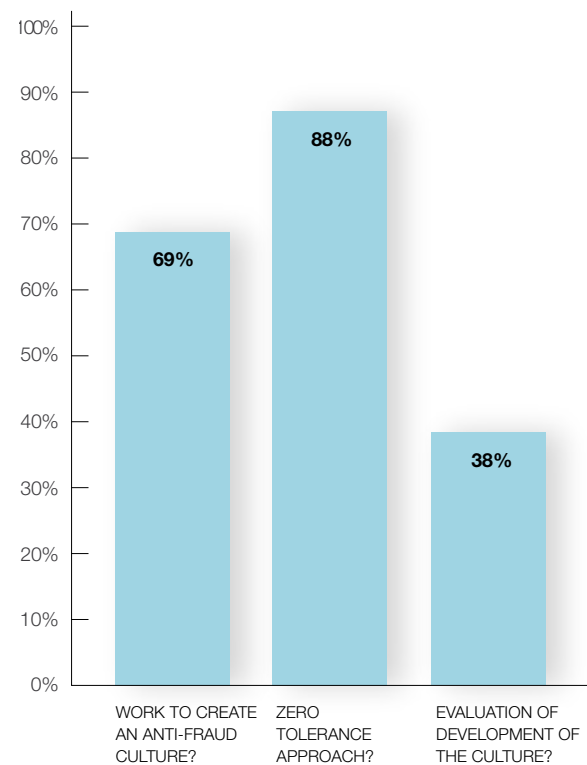
3.25 Question 11 - Are checks undertaken on the propriety of new staff (beyond simply reference checks)?

3.26 Only 54% of hotel companies 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.

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

3.28 In terms of having in place the relationships with other agencies and companies which might be needed, if a substantial fraud occurs, the survey indicated that 27% had such relationships in place. 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



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

3.30 69% of hotel companies 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.

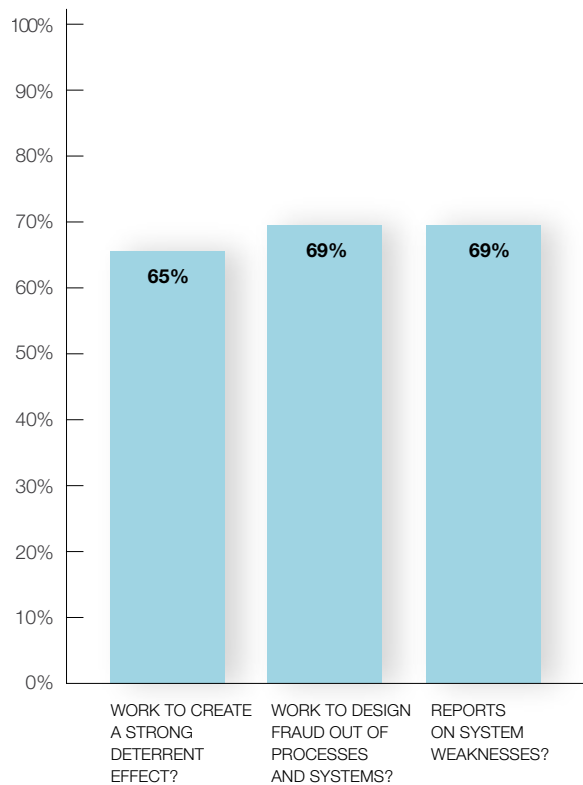
3.31 Question 14 - Has the organisation made clear that it has a zero tolerance approach to fraud and corruption?

3.32 88% of hotels companies indicated that they had made it clear that their companies had a 'zero tolerance' approach to fraud and corruption. This is a better result than that found in the private or charity sectors. 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%).

3.33 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?

3.34 Despite 69% of hotel companies implementing a clear programme of work to develop an anti-fraud culture only 38% 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



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

3.36 65% of hotels companies 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.

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

3.38 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:

- 42% of hotels companies indicated that they sought to publicise the hostility of the honest majority to fraud and corruption
- 42% sought to publicise the effectiveness of preventative arrangements
- 23% sought to publicise the sophistication of arrangements to detect fraud (possibly because the arrangements were not that sophisticated – see later questions)
- 19% sought to publicise the effectiveness of those who would investigate fraud (this probably reflects the answers to Question 9 about professional training and accreditation)
- 46% sought to publicise the likelihood of sanctions being applied which was the highest percentage answer
- 31% sought to publicise the likelihood of losses being recovered

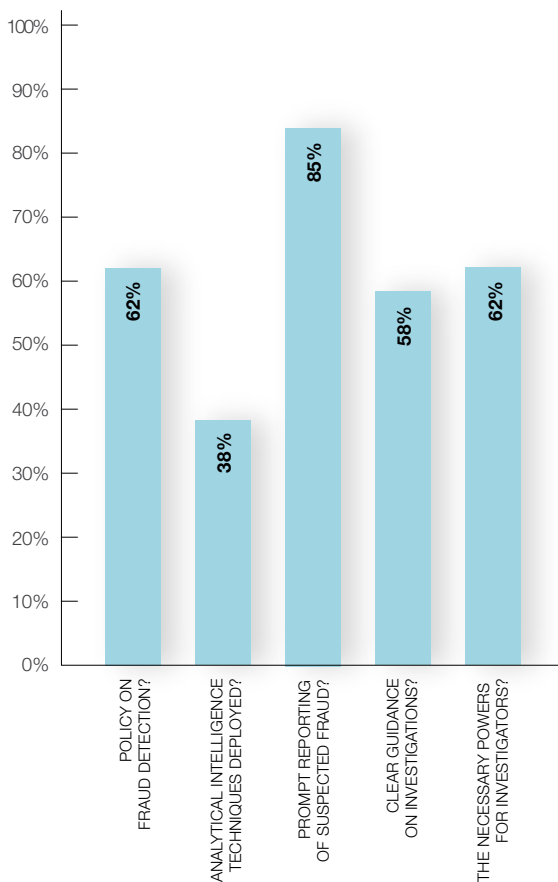
3.39 Question 18 - Does the organisation seek to design fraud and corruption out of new policies and systems and to revise existing ones to remove apparent weaknesses?

3.40 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. 69% of hotels companies indicated that they did this, which compares with 81% of private sector companies generally.

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

3.42 Learning from failure is an important element of any strategy. Formally building this into fraud investigations is therefore essential. 69% of hotel companies indicated that they did this, which compares with 85% of private sector companies generally.

Detection and Investigation



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

3.44 62% of respondent hotel companies 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. The rating is better than the private sector generally.

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

3.46 Only 38% of hotels companies indicated that they used analytical intelligence techniques to find possible fraud. Nearly 70 percent of private sector companies 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.

3.47 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?

3.48 85% of hotel companies answered Yes to this important question, but this still means that over 15% do not have such arrangements in place and are running significant risks. The comparable figure for private sector companies generally was 92%.

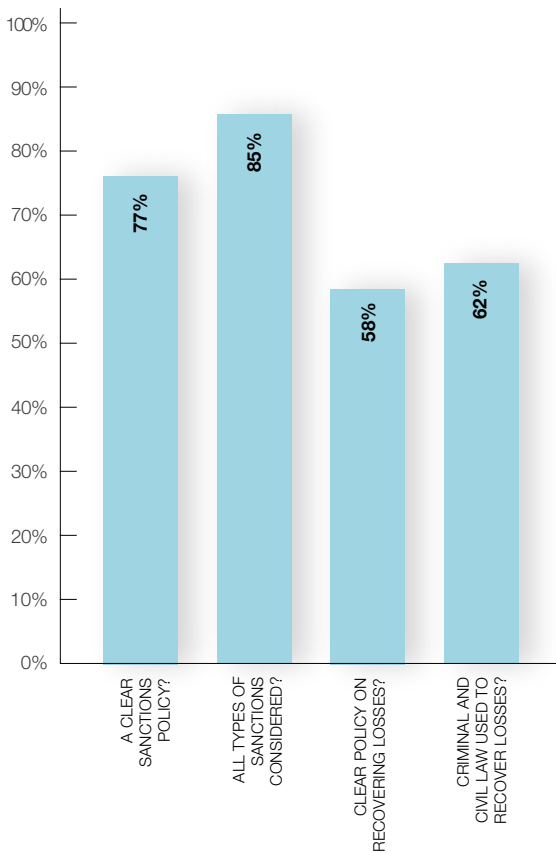
3.49 Question 23 - Is the organisation's investigation work carried out in accordance with clear guidance?

3.50 Once reported, then a prompt investigation conforming to professional standards and legal requirements should proceed. 58% 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.

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

3.52 This is a difficult job and it is important to have the necessary powers to be effective. 62% of hotel companies indicated that their investigators had the necessary powers. This compares with 85% of private sector companies generally.

Sanctions and Redress



3.53 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?

3.54 Applying proportionate sanctions consistently and effectively to those who are found to have undertaken fraud, is another important element of a resilient approach. 77% of hotel companies indicated that they had such a policy in place.

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

3.56 85% in the hotels sector answered Yes to this question. However, if we had asked ‘actually 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.

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

3.58 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 Hotels sector 58% had such policies in place. This is worse than the private sector generally (65%) but better than the charity sector (42%).

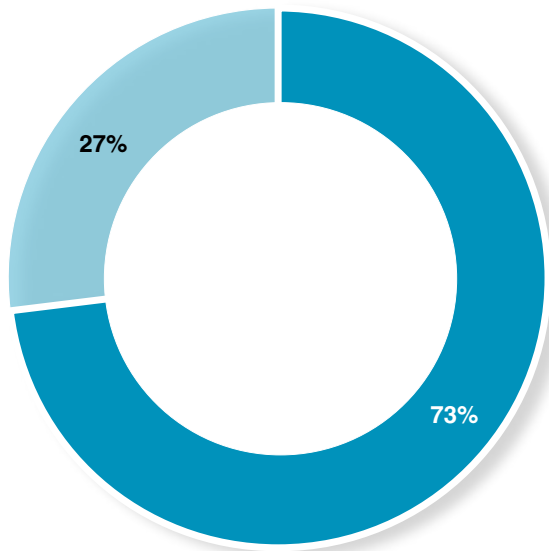
3.59 Question 28 - Does the organisation use the criminal and civil law to the full in recovering losses?

3.60 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 companies benefit from combining both in parallel. 62% of hotel companies answered Yes to this question, which approximates to the position in the private and charity sectors generally.

Defining Success and Delivering Results

Counter fraud work performance managed?

- YES
- NO



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

3.62 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 hotels sector only 27% indicated that they did performance manage counter fraud work, which is disappointing.

4 //

overall analysis

- 4.1 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.
- 4.2 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.
- 4.3 Overall, the hotels sector achieved a mean score of **25.4** out of a possible score of 50. 80% of the responses from the 26 hotel companies who responded were between 15 and 39.

IN WHICH AREAS DID THE HOTELS SECTOR PERFORM **BEST**?

- 4.4 Hotels sector companies performed **best** in the following areas:
- 89% of respondents indicated that they had adopted a 'zero tolerance' approach
 - 85% indicated that they had arrangements in place to ensure that suspected frauds were promptly reported
 - 85% also indicated that they considered applying all types of sanctions where fraud was found to be present
 - Over 76% had a clear policy on the application of sanctions
 - 69% had reports concerning fraud discussed at board level

IN WHICH AREAS DID THE HOTELS SECTOR PERFORM **WORST**?

- 4.5 Hotels sector companies performed **worst** in the following areas:
- Only 23% reviewed the effectiveness of counter fraud work
 - Only 27% sought to estimate the cost of fraud or used losses estimates to make judgements about how much to invest in countering fraud
 - 35% ensured that counter fraud staff regularly refreshed their skills
 - 88% stated that they had a zero-tolerance approach but only 38% 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

5 //
conclusion

- 5.1 This Report provides new information which was not previously available about where hotel companies are well or badly protected against fraud. No individual companies are identified but the analysis does provide a 'map' of the hotels sector fraud landscape and should inform the work of responsible companies.
- 5.2 It shows that there is still much progress to be made as we seek to help the UK's hotels sector to be properly protected against fraud and to avoid the unnecessary cost of fraud.
- 5.3 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:

QUESTION NUMBER	WEIGHTING
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 hotel company 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.

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// about the authors

Jim Gee is Director of Counter Fraud Services at PKF (UK) LLP, 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 companies 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.

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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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contacts

PKF (UK) LLP

Alton
Tel: 01420 566800

Birmingham
Tel: 0121 212 2222

Bristol
Tel: 0117 910 0700

Cardiff
Tel: 029 2064 6200

Derby
Tel: 01332 372 936

Edinburgh
Tel: 0131 347 0347

Glasgow
Tel: 0141 429 5900

Great Yarmouth
Tel: 01493 382 500

Guildford
Tel: 01483 564 646

Ipswich
Tel: 01473 320 700

Lancaster
Tel: 01524 383 954

Leeds
Tel: 0113 228 0000

Leicester
Tel: 0116 250 4400

Lincoln
Tel: 01522 531 441

Liverpool
Tel: 0151 237 4500

London
Tel: 020 7065 0000

Manchester
Tel: 0161 832 5481

Northampton
Tel: 01604 634 843

Norwich
Tel: 01603 615 914

Nottingham
Tel: 0115 960 8171

Sheffield
Tel: 0114 276 7991

St Asaph
Tel: 01745 585 345

ASSOCIATED FIRMS

Dublin
PKF O'Connor,
Leddy & Holmes
Tel: 00353 1 496 1444

Channel Islands
PKF (Channel Islands) Limited
Tel: 01481 727 927

Isle of Man
PKF (Isle of Man) LLC
Tel: 01624 652 000

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