[Introduction]
With the rapid behavior changing disruption of recent years, and the ongoing stream of corporate governance failures. ACCA has been digging deep into how interconnected risks such as climate change and geopolitical issues are influencing the way we approach risk management. This podcast series will look at what risk culture means and to what extent risk and accountancy professionals understand its impact on performance.

[Rachael Johnson]
We have talked before in this series about the pervasiveness of fraud given the digital transformation and rapid adoption of AI today, we also see how accountants could be doing more to address the lagging governance and control cracks that allow fraud to happen. And as we are finding in our current study on risk cultures and healthcare, we know how vital it is to manage these growing threats better. In this episode, I'm delighted to welcome Alex Rothwell, the CEO of the UK's NHS counter fraud authority,

[Alex Rothwell]
Rachel, thank you very much for inviting me to the podcast.

[Rachael Johnson]
So it would be great if you could start with identifying the different types of fraud happening in the NHS today.

[Alex Rothwell]
We're what's called an arm's length body. So we are funded by the Department of Health in Westminster. Department of Health and Social Care provides us with a budget to act as an independent body, and we provide leadership, coordination and an operational response to fraud, bribery and corruption in the National Health Service, which is a very popular institution in the UK, as I'm sure you're aware, it's always a topic of conversation. One of the founding principles of the National Health Service, and it was established just after the Second World War, is that it's free at the point of service for UK citizens. So the idea is that anyone can use it, anyone can access services. And most of our services are provided from a hospital base. Again, all state funded, so we rely much less on private sector providers in the UK than in other jurisdictions. So of course, one of the questions I get asked is, if it's free, what sort of fraud do you get then? The reality is, Rachel, it is a huge organization. We're the sixth largest employer in the world. In England alone, we have between 1.5 and 1.7 million employees, about 1.3 full time equivalents. That figure doesn't include community doctors, pharmacists, opticians, dentists and the like, who all provide important services and are funded by, again, the National Health Service, very rarely far from somebody who doesn't work for the NHS. If you're in the UK. We have lots of buildings, we've got about 10 square miles of actual buildings. Nearly half of them are over 50 years old, so there's a lot of maintenance required. And of course, we buy a lot of things to manage the healthcare business. And when you look at it in that context, there's an inherent fraud risk. There's different ways of describing that risk. We've actually mapped 124 different types of fraud and corruption that can affect the health sector in England. Some of those are what I would say, high value, but happen infrequently, low volume. Some others are high volume, but low value. And the example of that might be the prescription fees that people pay to pick up drugs. And we get fraud in that space. But that happens a lot, so the figure is very high, I would say, to try and simplify it, we've really got three key risks. One of those is our own people. That's an uncomfortable conversation to have. Our clinicians and the people who work for the health service are, in the main absolutely devoted to high quality health care. But the reality is, you know, when we think about our profession with that many employees, there are opportunities for bribery and corruption and fraud, and sadly, that does happen. So we've got an internal insider risk. Then we have the risk of our people collaborating with others outside of the organization, and then we have just outright fraud against the organization. So that could be supply chain fraud or infiltration, people finding ways to defraud the health sector. But it can also be access to services as well. And there's a popular phrase, 'health tourism', people getting access to services by claiming they're UK citizens when actually they should be paying for a service, that sort of thing. So I think that's probably

the three sort of key categories. I think one of the most important things for us is the point at which we start to understand what that fraud risk looks like. And I'm very passionate about this. In our strategic approach to fraud, we have four pillar. As understanding fraud, responding to fraud when it happens, preventing fraud and providing assurance that there are robust processes in place. But the start point for me is having a solid understanding of what your threats look like, and from there, what risk emanates from those threats, and from there, we then assess what our financial vulnerability looks like. So one of the key products we produce is an annual strategic intelligence assessment. There is a version of it available on our website, as you might imagine, there's a more detailed version, which we don't make public because we don't want to reveal too many secrets or give people a suggestion as to where the weak spots are. But that's a really important assessment for me, because it allows us to prioritize.

[Rachael Johnson]
Ah, yeah, that's a good one prioritize. I was going to ask, how you assess the impacts in terms of the cost to the NHS and indeed, like patient outcomes, which is the purpose here, I think would be really interesting for you to talk about, how do you conduct the assessments? So are you advising the different trusts on how they do that? And are you like talking to the boards about it?

[Alex Rothwell]
It's Yes, people will recognize it's a very complex business. So the strategic assessment, assessment is just that we look at thematic areas of threat. We've mapped 13 in total. So for example, one of those is procurement and commissioning. That's a very, very broad category of threat or activity that we undertake. So that's pretty high level this year that we've gone a bit deeper into specific spend areas that sit under those thematic themes, which I have described, and that's allowed us to look much more closely at how management of those projects or spend areas is being conducted from a fraud risk assessment perspective. Those sorts of assessments are incredibly time consuming. We recognize that, and we have a scoring process to assess where our priorities should lie. Your other question was, was about, how do we in terms of a strategic intelligence assessment? How do we formulate our intelligence picture? If you like, the most accurate is when we've done fraud measurement and loss analysis, detailed loss analysis, in a particular area where we suspect that fraud is occurring, we have really lifted the bonnet and had a proper look at activity and in some cases, spoken to patients or spoken to clinicians, or, you know, really followed up on information, and then we can have a high degree of confidence in our assessment. In other areas, it is based on reporting and our general understanding of the threat, maybe with some data analysis to support our findings, and then in other areas where which are less of a prize, we can't do everything. We're not going to look at every single area of spend. It's our assessment. It's based on industry comparators and our understanding of fraud. You often hear commentators in industry describe fraud risk as being anything up to 7% in businesses, actually, our assessment is that we are vulnerable to around about 1.3 billion pounds a year of loss against a budget of about 160 billion pounds.

[Rachael Johnson]
In terms of prioritization too. And you talked about tolerance, I wondered where risk appetite fits in?

[Alex Rothwell]
Yeah, so that's a very challenging environment to operate in. In the public sector, I'm not sure I've ever heard a government say, yep, we're happy that we're losing, you know, 2% on this budget. I think as much as it would be helpful to describe it in that way. First of all, we can show that we've maintained some small decreases in the percentage of loss. That's important, because the activity that you're doing is actually suppressing a higher level of fraud. The next area for us to really look at is, where can you make improvements? It's my view that fraud is best managed when it's embedded as part of the integral risk picture for an organization. In terms of finance, we have a government counter fraud profession, and we actually describe that as managing fraud loss and error as well, quite a broad category. So this is where it becomes not so much a compliance requirement or a regulatory requirement, managing fraud should be viewed as a business enabler. By managing fraud

effectively, we're putting money back into the business, because it's money that would have otherwise been lost from existing budgets. And I think that's the picture that we aim to present as fraud professional. In the environment. Yes, it's important to tackle fraud when it happens, but I'm not keen on this phrase zero tolerance.

[Rachael Johnson]
Yeah, indeed. I mean in today's world, and I think also what I'm hearing a lot from our members, especially here UK and the NHS, is just better alignment. So I wonder what you think finance teams, aka accountants, can be doing more to help prevent it, raise awareness, manage for the losses. You know, finance is so important and integral to NHS funding and allocating resources in the right places.

[Alex Rothwell]
Of course it is. Yeah, so we have some founding principles in Fraud Management, in in government, and one of those is accepting that fraud exists. And I think that's one of the first cultural hurdles that we have as fraud professionals. And I look at it in this context. If you're a finance director in a health body, part of your responsibility is to put in place measures to address fraud, to mitigate against fraud, and therefore, if fraud is found, it's seen as a failure of control, promoting the concept that fraud exists. And the reason why we do that is because, in our experience, if you don't look for it, it's very unlikely that you're going to find it, and that's one of our other principles. So this is actually an opportunity to bring some value back to the business. It's not about exposing weaknesses in mitigation. I mean, it's interesting. You know, in my view, in the UK, there is a pretty strong counter fraud profession. It's been in existence since 2018 we recognize that there's considerable amount of loss in the public sector. We work to functional standards, so there is a basic level of response that must be in place and is reported on. Now increasingly we're looking at return on investment. I know that in other jurisdictions, there is an equally strong response, so it might look slightly different, but it's there. It's interesting to see how it's approached. Though, in the private sector, there's a piece of legislation that is economic crime and corporate transparency bill, and one element of that is introducing an offense of failure to prevent fraud. We have similar legislation for bribery here in the UK, and we're waiting for guidance from the home office so we can implement measures. But I think it's generally accepted that these corporate governance rules are intended to nudge business behavior. So if your material controls in a business should include addressing fraud risks. And I think this is where, he legislations aimed at, where individuals, or, in fact, businesses or individuals that are contracting to a company or in some way associated with the company's business, if they're found to have committed fraud for the benefit of the business, then they'll be liable under this legislation. So the answer to that is in your material controls. Addressing fraud risks need to be there and well understood. Having risk assessments in place and proactively testing against risk assessments is one of the most important routes for us, I think sometimes when, for example, auditing is done, the process is tested, but in our experience, you often have to dig a little bit deeper to actually uncover instances of fraud.

[Rachael Johnson]
Yeah, and of course, the whole point of conducting an assessment is finding what you can do about something. So finding an area, like you mentioned earlier, that needs improvement. The thing is, you know, ACCA, we're global, and fraud and bribery and that this larger economic crime is a big problem globally. For healthcare studies, (yeah, yeah). To what extent do you work with other bodies around the world, and what do you see in terms of better cooperation between public and private sector too?

[Alex Rothwell]
Yeah. So firstly, we don't stand alone. We're very fortunate to have an organization called the Public Sector Fraud Authority. We have a government counter fraud profession. We've got about 7000 members, and we have a government Counter Fraud Functional Standard, and one of our roles is implementing that standard across the whole of the National Health Service. We don't do all of the fraud investigation. We have something like 308 health bodies across the UK, all of whom are

obliged to meet the functional standards and have counter fraud professionals in place. And that's one of our functions, to provide assurance over the services that are being provided. Many of those services are provided by private sector companies. That's a good example of how the private sector is supporting public sector organizations in delivering quite a bespoke service. But you're right. Why wouldn't we want to look at how other jurisdictions are managing their activity? We have a very strong relationship through the International Counter Fraud Forum that the public sector Fraud Authority. When we regularly meet with counter fraud colleagues from the US, from Australia, from New Zealand and Canada, in particular, we're also members of a European healthcare counter fraud network. In fact, I'm actually going to Luxembourg tomorrow to speak at one of the conferences. And of course, what you find when you meet people is that they're all sharing the same challenges as you are. How do we make better use of data? How do we deal with the challenge of AI? How do we manage the relationship between private sector providers and government funds? One of the challenges with health care is, and most people will recognize this, is that it's there is virtually unlimited demand. You can provide health care to everybody forever, but there has to be some sort of financial consideration. And of course, as we continue to innovate in the health care space and find more ways of treating people and more ways of treating illness. It's right and proper that those methodologies are used, but it costs more. So there's a constant drive to improve and bring in new ways of doing things. We also have to make sure that when that software or when those processes are introduced, it's fraud proofed effectively.

[Rachael Johnson]
So this is a great note to end on, because could talk all day, but we're nearly out of time. But I would love to hear your thoughts on how AI possibly could help fraud detection, not least in the NHS, which in all of our conversations with members, it's hard not to bring up AI.

[Alex Rothwell]
Yeah, it's interesting, isn't it? I mean, if you wind the clock back 2000 years, we know that there's nothing new about fraud. You know, there's Roman graffiti about it, but I think we've seen in the last 20 years or so, a total metamorphosis of our lives, and the digital economy and the way we interact with each other has completely changed, and that digital transformation is going to continue. Everything has a digital footprint, so I think it's for all professionals that's absolutely our number one priority right now, to make sure we have the capability to analyze data at scale and preferably in real time. That information and that methodology is well tried and tested in the financial sector. We're building an analytical capability now, I think in terms of AI and maybe machine learning is a more appropriate way of describing it right now, we do a lot of rules based analysis. We understand what fraud looks like. We've mapped, I said, those 124 different fraud types. The opportunity now exists for us to set machine learning and AI in action to find the things that we didn't know about, the outliers that exist in the data that we didn't have visibility of, we didn't have understanding of but I think we're going to always need people and professionals to take a view on what that information is telling us. I think because at the same time, this technology is also developing as rapidly as we're trying to to use it to find fraud. It's being used for proper business purposes and in some cases, to commit fraud as well. My personal view is that it will be fully embedded in our lives. It might not be quite as transformational in the short term as some are predicting, but I think if you lookahead ahead to 10 years from now, we might be quite surprised at just how embedded that technology is. And I think all of us as professionals need to think about how we can harness the power of data in our systems.

[Rachael Johnson]
That's great. What a great way to end because I do think that the whole data analysis and how we inform better decision making is really important. So thanks so much.

[Alex Rothwell]
It's a pleasure.

[Rachael Johnson]
Thank you.

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