



Public Sector
Fraud Authority

Public Sector Fraud Authority Mandate

Alternative format versions of the report are available on request from the Public Sector Fraud Authority: PSFA@cabinetoffice.gov.uk

Public Sector Fraud Authority

Publication date: September 2022

© Crown copyright September 2022

Produced by the Public Sector Fraud Authority

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit <http://www.nationalarchives.gov.uk/doc/opengovernment-licence/> or email: psi@nationalarchives.gsi.gov.uk

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

Contents

Purpose	5
Introduction	5
Public Sector Fraud Authority’s Mission	6
Public Sector Fraud Authority’s Mandate	7
General Mandate	8
The Public Sector Fraud Authority	8
Mandatory Processes	8
PSFA Functions	9
Oversight of Risk	9
PSFA Services	9
Corporate Governance	9
Public Bodies and the PSFA	9
Integration with HM Treasury and Cabinet Office	11
Annex A - The Functions of the PSFA	13
Performance, Assurance and Review	14
Practice, Standards and Capability	16
Risk, Threat and Prevention	17
Data and Intelligence	18
Enforcement	19
Policy and Cross Authority Services	20

Public Sector Fraud Authority

Working with Departments and Public Bodies to understand and reduce the impact of fraud.



Our operations are underpinned by five value principles:



Purpose

This document lays out the Mandate for the Public Sector Fraud Authority. It details how it works within government, what it wants the mandate to do, what its responsibilities are and the responsibilities of ministerial departments and public bodies when engaging with it.

This document should be used by the PSFA and ministerial departments and public bodies as a reference point on how they interact with each other.

Introduction

The Public Sector Fraud Authority is the UK government's Centre of Expertise for the management of fraud (and associated error) against the public sector.

It leads the Government's Counter Fraud Function, which brings together the c.16,000 people who work in ministerial departments and public bodies to fight fraud. The standards and guidance that the Function creates, led from the PSFA, must be used in central government, and can be used more widely in the public sector and beyond, to improve the robustness of how we understand, prevent and respond to fraud. The PSFA sits at the heart of government, reporting to HM Treasury and the Cabinet Office; sharing best practice across the public sector including devolved administrations and local governments.

Fraud covers fraud, bribery and corruption and associated loss from error.¹ To manage fraud on a volume basis it is most efficient to manage and scrutinise fraud and error (rather than to focus exclusively on areas where the intent of the perpetrator has been established). Public sector fraud and error loss is estimated to be at least £33bn a year. Fraud against the public sector increases the cost of public services and understanding, finding and reducing it is an essential part of government efficiency.

Every pound of taxpayers' money saved in fighting fraud is a pound invested in our public services or back in the pocket of the taxpayers we serve, and a pound less in the pocket of criminals.

1 In relation to the PSFA the focus is on bribery and corruption relating to the public sector, where it leads to financial gain, or the avoidance of financial loss.

Public Sector Fraud Authority's Mission

The government has created the Public Sector Fraud Authority to transform the way that the government manages fraud. This will build on the progress made by the Counter Fraud Function.

Its mission will be to:

- ✓ Modernise the fraud and error response by widening access, and use of, leading practices, tools and technology - better protecting taxpayers money.
- ✓ Build expert-led services that collaborate with experts in departments and public bodies to better fight fraud and error through risk, prevention, data and enforcement techniques.
- ✓ Develop capability in the public sector to find, prevent and respond to fraud and error - both organisationally and individually.
- ✓ Put performance at the heart of the public sector fraud conversation - focusing on investments and outcomes.
- ✓ Be seen as a beacon of fraud and error expertise and a destination for those wanting to make a difference in fighting public sector fraud.



The creation of the PSFA is part of a wider investment by the government of over £750m to combat fraud.

Public Sector Fraud Authority's Mandate

The PSFA's mandate has been agreed by Ministers and Senior Officials. The principles that underlie this Mandate are that the Public Sector Fraud Authority:

The principles that underlie this Mandate are:

- ✓ Will be **expert led**.

- ✓ Will have processes that are **mandatory - not discretionary**.

- ✓ Will be instrumental in change - **showing a path to success** not just keeping score.

- ✓ Will have the **full authority of Cabinet Office and HM Treasury** behind it.

- ✓ Will be **integrated into HM Treasury** (including Spending Teams) and consulted at all major decision points.



The Mandate contains a **General Mandate** (listed in this section), and an **Annex** ([Annex A](#)) containing more detail on the individual functions of the PSFA and their responsibilities (and the corresponding responsibilities for ministerial departments and public bodies).

General Mandate

The Public Sector Fraud Authority

1. The Public Sector Fraud Authority will be the government's Centre of Expertise on the management of public sector fraud.
2. The PSFA will be the authoritative voice within government on the extent of the risk and threat of fraud across the public sector and the government's overall performance in dealing with it.
3. The PSFA will be focused on ministerial departments and public bodies², but it will share practices and make available standards to the wider public sector³.
4. The PSFA will be the centre of the government's Counter Fraud Function, bringing together the expertise of those who work to find and fight fraud and reduce error across government.
5. The PSFA will openly and regularly update on its activities and the data it holds to the National Audit Office (NAO). This will include performance data and the compliance with mandatory processes and data requests.⁴
6. The PSFA will produce an Annual Report that makes transparent the levels of fraud in government and the latest fraud and error evidence base and an annual report on its performance.

Mandatory Processes

7. The PSFA will have mandatory processes for ministerial departments and public bodies. These are:
 - a. The use of **Initial Fraud Impact Assessments** during the design phase pre-announcement in significant areas of new spend (in line with Managing Public Money and the Green Book);
 - b. The **submission of quarterly performance data** on levels of fraud and error (as defined by the PSFA) and progress against Action Plans and Metrics;
 - c. The use of, and assurance against⁵, the **Counter Fraud Functional Standard**;
 - d. Agreement of **annual action plans and metrics** on fraud management.
8. Where the mandatory processes are not followed, this will be recorded.
9. Where the PSFA and HM Treasury consider the introduction of further mandatory processes, this will be consulted on with the Chief Operating Officers network and the Finance Leaders Board and agreed with Ministers.

² A public body is a formally established organisation that is, at least in part, publicly funded to deliver a public or government service, though not as a ministerial department. The term refers to a wide range of public sector entities.

³ E.g. including local government and the devolved administrations.

⁴ This does not include fraud and threat risks with NAO where the organisation will be approached directly.

⁵ This includes self-assessment, intra-departmental assurance and also assurance reviews performed by the PSFA itself.

PSFA Functions

10. The PSFA will oversee the performance of ministerial departments public bodies in understanding and taking action on fraud against the public sector.
11. The PSFA will carry out targeted reviews of areas of fraud threat and targeted quality reviews of fraud activities. These will produce recommendations for the PSFA and public bodies.
12. The PSFA will develop the capability of public servants in dealing with fraud through the Counter Fraud Profession. This will cover both those working to fight fraud against the public sector and wider fraud (due to the common skillset). It will develop a licence-to-operate model for those working in fraud roles.

Oversight of Risk

13. The PSFA will create and maintain a Global Fraud Risk Assessment, that looks at fraud risk across government.
14. The PSFA will develop a High Fraud Risk Portfolio (HFRP), which lays out the highest risk areas of spending, and the capability that is in place to deal with them.
15. The PSFA and HM Treasury will have the final decision on which areas of spending are part of the HFRP.

PSFA Services

16. The PSFA will provide services to ministerial departments and public bodies to assist their own counter fraud resources in the delivery of specialist fraud activity. These services will not be a replacement for the public bodies own fraud function. The PSFA's services are listed in Annex A of this document.
17. The PSFA will adopt a triaging process to determine where it provides support to public bodies.

18. The PSFA will continually review its services for effectiveness, working closely with its Advisory Committee.

Corporate Governance

19. The PSFA will be led by a CEO, who will be a recognised expert in the management and control of fraud losses.
20. The PSFA CEO will directly brief Cabinet Office and HM Treasury Ministers.
21. In briefing ministers, the PSFA will work with CO and HMT officials. As per standard practice, HMT will be responsible for advising on the formal spending approvals for policy, as set out in the spending framework. The PSFA will advise on the risk of fraud, potential actions to mitigate and the deliverability of counter fraud initiatives.
22. The PSFA leadership team will be supported by an Advisory Committee of recognised experts on fraud management from different sectors. This Advisory Committee will be independent.
23. The members of the Advisory Panel will be appointed by a Cabinet Office Minister.

Public Bodies and the PSFA

24. The responsibility for managing the risk of fraud within government spending and schemes will remain with the public body and Accounting Officer where that spending and scheme is based, with real time oversight by the PSFA.
25. In line with Managing Public Money and the Counter Fraud Functional Standard, public bodies must build and maintain their own counter fraud functions, aligned to the level of risk that they face. They should not rely on the PSFA to provide essential services, but rather use it to supplement their own capability where they are immature or want to push further.

26. Ministerial departments and public bodies will develop investment/business cases to take further action on fraud. Alongside this, the PSFA will work with public bodies to develop cross system cases where there is an opportunity.
27. Ministerial departments and public bodies must engage with the PSFA, make use of the guidance and tools that it provides, take account of the Practice Standards and the Professional Standards of the Counter Fraud Profession when undertaking counter fraud work and recruiting counter fraud roles.
28. The PSFA will adapt its approach according to the level of risk ministerial departments and public bodies are managing and their size.
29. The PSFA will limit its requests, as far as possible, to standard quarterly returns. The exception will be urgent/important issues of fraud control and response. These will be recorded.
30. Where the PSFA makes requests of ministerial departments and public bodies for information on an urgent/important issue these requests should be complied with in a timely manner, and recorded if they are not.
31. Ministerial department and public body Fraud Risk and Threat Assessments will be openly shared with the PSFA, but will not be shared further without express permission of the originating organisation (other than the NAO and relevant PAC), they must not be unreasonably withheld.
32. The PSFA will proactively share its data on performance and compliance with mandatory processes with the ministerial departments and public bodies it relates to.
33. Where PSFA processes are either not complied with and / or recommendations not accepted / implemented there should be a clear outcome.
34. The PSFA will agree MoUs with DWP and HMRC. This is an exception in light of their size and the extent of their counter fraud operations.

Integration with HM Treasury and Cabinet Office



Below are some key aspects of the relationship on the integration of the PSFA with HM Treasury and the Cabinet Office.

- The PSFA will have the convening power to bring together expertise from across the public sector to define leading practice, scrutinise key fraud issues and develop solutions to cross-cutting problems.
- The PSFA and HM Treasury will be able to take action where there are concerns in how fraud is being managed through scrutiny at the Efficiency and Value for Money Committee, and advising Ministers on applying conditions on funding from HM Treasury.
- The PSFA will have a formal role in HM Treasury approval points in relation to programmes or policies with a significant fraud risk or the development of counter-fraud programmes or policies where possible. The PSFA should be included at the outset in such scenarios and where this is not possible, there should be a clear rationale as to why not and there should be clear accountability on decision making. Where they are not involved at the outset, the PSFA will be brought in at a later stage. The PSFA's role, and the point at which it is involved (and if it is not), will be recorded.
- The PSFA will provide expert advice to HM Treasury and Cabinet Office Ministers and Senior Officials on fraud risk and threat, and the performance of the public sector in responding to it.
- The PSFA will work closely with HM Treasury to, where possible, review all business cases and investment bids for funding on initiatives for countering fraud to consider their effectiveness and deliverability.
- Where the PSFA is working with HM Treasury and Cabinet Office to take action on an area of concern, a joint position will be reached on how to take action. Where a joint position is not reached, this will be recorded.

Annex A

The Functions of the PSFA



Annex A - The Functions of the PSFA

The PSFA will have the following Functions:

✔ Performance, Assurance and Review

Overseeing the performance of ministerial departments and public bodies in reducing fraud and fraud risk and undertaking assurance and review activities, including Functional Standard assurance, quality reviews of counter fraud activity and targeted reviews of areas of fraud.

✔ Practice, Standards and Capability

Bringing expertise together to define practices, develop standards and develop capability across the public sector through the Counter Fraud Profession.

✔ Policy

Leading on cross system policy initiatives, including reviews of legislation.

The PSFA will deliver the following services:

✔ Risk, Threat and Prevention Support

Supporting ministerial departments and public bodies in understanding the risks and threats they face, and mitigating these risks through controls, prevention and deterrence activity. This will not be a one size fits all approach and will be tailored according to the need and PSFA resourcing.

✔ Data and Intelligence Services

Supporting ministerial departments and public bodies by providing data analytics services and access to technology solutions to find and prevent fraud. Alongside this the PSFA will run a unit to coordinate, facilitate and share intelligence across central government.

✔ Enforcement Services

Supporting ministerial departments and public bodies by seeking to provide services that will take cases of potential fraud against them, investigate and take action, including applying sanctions and recovering assets.

The following sections lay out the PSFA's responsibilities and public bodies' responsibilities in relation to these Functions.

Performance, Assurance and Review

PSFA Responsibilities

- The PSFA will monitor ministerial departments and public bodies' performance in understanding, finding and reducing fraud and irregular spending through functional standards assurance and reviewing performance against action plans and metrics.
- The PSFA will collect detected, prevented and recovered fraud and error data quarterly on behalf of Cabinet Office and HM Treasury through the Quarterly Consolidated Data Return and maintain and analyse the wider government fraud evidence base on fraud and error loss.
- The PSFA will collect annual data on workforce from ministerial departments and public bodies through a standardised process.
- The PSFA will provide the governance for the Prevention Panel, through which all fraud prevention data should be assured.
- The PSFA will deliver the Functional Standard assurance process giving three months notice of a review.
- The PSFA will give detailed feedback on ministerial department and public body performance through the Functional Standards Assurance process.
- The PSFA will work with departments to agree performance metrics, annual Action Plans, and conduct quarterly reviews of progress against these (in line with the CDR returns).
- The PSFA will conduct expert Quality Reviews on fraud management areas against the government counter fraud standards. For example, Initial Fraud Impact Assessments, fraud risk assessments, fraud measurement and investigations.

- The PSFA will lead Targeted Reviews, commissioned by Accounting Officers and Ministers on complex or sensitive fraud topics. From these it will produce recommendations for public bodies and the PSFA.
- The PSFA CEO will provide a view of the performance of counter fraud functions within public bodies to the Accountable Individuals within the public body.

Ministerial Department and Public Body Responsibilities

- Ministerial departments and public bodies must provide accurate fraud and error loss data to the PSFA, within the agreed quarterly timescales. They will ensure that all detected fraud and error conforms to the government definition and prevented fraud data links to methodologies approved by the Prevention Panel.
- Ministerial departments and public bodies with sufficient expertise should actively participate in the cross-government Prevention Panels operated by the PSFA.
- Ministerial departments and public bodies must ensure that they provide the PSFA with the relevant data and documentation required to complete Functional Standard assurance.
- Ministerial departments and public bodies must provide the PSFA with access to data and documentation necessary to conduct Quality Reviews and Targeted Reviews.
- Ministerial departments and public bodies must consider and take recorded action on the recommendations from targeted reviews undertaken by the PSFA.
- Ministerial departments and public bodies should notify and seek advice from the PSFA on spending review bids for new counter fraud activity ahead of submission to HMT.

- Ministerial departments and public bodies must complete an Initial Fraud Impact Assessment on any new major spend areas in accordance with the Green book and Managing Public Money.
- Ministerial departments and public bodies must consider the feedback given by the PSFA through the Functional Standard assurance process and Quality Reviews and record the action they take as a result and update the PSFA as required.

Practice, Standards and Capability

Functional Responsibilities

- The PSFA will bring together cross-sector expertise to create practice and guidance for countering public sector fraud.
- The PSFA will promote effective counter fraud activity by regularly publishing this counter fraud guidance.
- The PSFA will ensure cross-sector expertise is used to set and maintain the Counter Fraud Functional Standard and the Functional Practice Standards.
- The PSFA will oversee, develop and operate the Government Counter Fraud Profession (GCFP).
- The GCFP will identify instances where new practices or professional standards should be developed or reviewed.
- The GCFP will bring experts from across sectors to set requirements for fraud professionals in terms of knowledge, skills and experience at each level and in each discipline.
- The GCFP, will develop a licence to operate model, which will ensure continuous professional development for profession members.
- The GCFP will provide the structure for the assessment and accreditation of fraud specialists.
- The GCFP will build pathways for counter fraud talent development across government.
- The GCFP will understand the overall training market, define where there is training that meets the standards, and build assurance over the quality of training.
- GCFP will, via its awarding body,

recognise GCFP approved training and prior learning that aligns to the profession standards.

- The PSFA will work with cross-sector experts to build training where there are identified gaps.
- The PSFA will understand leading international practices and integrate these into practice, standards and guidance.

Ministerial Department and Public Body Responsibilities

- Ministerial departments and public bodies must comply and align with the Counter Fraud Functional Standard.
- Ministerial departments and public bodies must take into account the guidance and Practice Standards when delivering counter fraud activities.
- Experts in ministerial departments and public bodies should assist the PSFA in developing and improving guidance and standards.
- Ministerial departments and public bodies should ensure their staff in fraud roles are in, or have a pathway into the Counter Fraud Profession (where pathways are available).
- Ministerial departments and public bodies must ensure their Fraud Functional Lead is assessed via completion of the Functional Leadership Development Program.⁶
- Ministerial departments and public bodies must ensure their counter fraud specialists are able to complete continuous professional development activity as set out by the GCFP.

⁶ As outlined in the UK Anti Corruption Strategy 2018 - all departments to have identified Fraud and B/C lead who has been assessed as meeting the Standards as set by the Government Counter Fraud Profession.

Risk, Threat and Prevention

Functional Responsibilities

- The PSFA will maintain a panel of fraud risk experts and offer advice and guidance to targeted schemes through the operation of a Fraud Risk Advisory Panel.
- The PSFA will offer a service to targeted ministerial departments, public bodies or specific schemes to support them in conducting initial fraud impact assessments and/or fraud risk assessments to the Practice Standard.
- The PSFA will offer a service to targeted ministerial departments, public bodies or specific schemes to support them in conducting fraud measurement to the Practice Standard.
- The PSFA will offer a service to targeted ministerial departments, public bodies or specific schemes to support them in developing and implementing preventative and detective fraud controls.
- The PSFA will offer a service to targeted schemes to provide 'tiger teams' of fraud experts to analyse a particular fraud problem and to support the resolution of that problem.
- The PSFA will offer targeted support to ministerial departments and public bodies when developing counter fraud strategies and aligned action plans.

Ministerial Department and Public Body Responsibilities

Ministerial departments and public bodies must follow the Functional Standard in their understanding of fraud risk, and Managing Public Money in their response to prevent it.

- Ministerial departments and public bodies with sufficient relevant expertise should be active members of the Fraud Risk Advisory Panel.
- Ministerial departments and public bodies must make all necessary data and information available to the PSFA when engaged to carry out a service supporting on initial fraud impact assessments, fraud risk assessments and fraud measurement.
- Ministerial departments and public bodies must make all necessary data and information available to the PSFA when engaged to perform 'tiger team' services.
- Ministerial departments and public bodies must submit relevant information where requested by the PSFA for the purpose of updating and validating the Global Fraud Risk Assessment.

Data and Intelligence

Functional Responsibilities

- The PSFA will work with ministerial departments and public bodies to deliver data pilots to prevent and detect fraud, seeking to operationalise those that prove effective and proportionate.
- The PSFA will provide access to expertise on utilising data for the implementation of preventative and detective controls.
- The PSFA will lead, maintain and innovate the operational delivery of the National Fraud Initiative.
- The PSFA will work with departments to access and implement the Digital Economy Act.
- The PSFA will offer a service to targeted ministerial departments, public bodies or specific schemes to make use of a common data platform and analytics service to prevent and detect fraud.
- The PSFA will lead on the operational delivery of the Internal Fraud Hub for HMG.
- The PSFA will understand the different technological solutions available for preventing and detecting fraud and work to support ministerial departments and public bodies in understanding and using them.
- The PSFA will have the option to take a formal legal view when there are areas where there is disagreement that data can be shared to find and prevent fraud. This advice will be formally recorded.

Ministerial Department and Public Body Responsibilities

- Ministerial departments and public bodies should seek advice from the Digital Economy Act Board for relevant data sharing requirements.
- Ministerial departments and public bodies should seek out expertise and consider deployment and use of data analytics solutions and technology for fraud prevention and detection.
- Ministerial departments and public bodies must provide the PSFA with accurate and timely details of individuals referred to the internal fraud hub database in line with the internal fraud policy for HMG.
- Ministerial departments and public bodies should provide the PSFA with required access to data to conduct data pilots and reviews of preventative controls where required.

Enforcement

Functional Responsibilities

- The PSFA will build a model to advise on targeted complex, sensitive or high-profile cases, and will develop a working definition of such cases for ministerial departments and public bodies.
- The PSFA will design and seek to implement an Enforcement Unit with the ability to conduct investigations and enforcement/recovery activity on a targeted basis across ministerial departments and public bodies.

Ministerial Departments and Public Body Responsibilities

- Ministerial departments and public bodies should seek central advice when dealing with highly complex, novel and sensitive fraud cases, or cases that carry a high potential for reputational damage (high profile) to government, as per the PSFA working definition.

Policy and Cross Authority Services

Functional Responsibilities

- The PSFA will work with counter fraud experts to develop and maintain a cross government counter fraud strategy.
- The PSFA will undertake thought leadership and horizon scanning to identify future trends and threats, and consider early action that could be taken to prepare.
- The PSFA will produce and distribute a survey to gather feedback from stakeholders across government on its effectiveness.
- The PSFA will use insight from across the Function to develop proposals for legislative/policy improvements that facilitate improved counter fraud outcomes.
- The PSFA will lead on the internal fraud policy for HMG.
- The PSFA will bring the counter fraud function together through engagement events and promote the work of the PSFA.
- The PSFA will build awareness of fraud across the public sector.
- The PSFA will provide oversight and governance through attendance of high priority public body counter fraud boards and steering groups across government, providing advice from a PSFA perspective.
- The PSFA will lead the implementation of agreed cross government recommendations for reducing fraud risk or improving fraud control.
- The PSFA will sit on recruitment panels for SCS public body fraud leads.
- Public body SCS fraud leads will have a dotted line reporting to the CEO of the PSFA.

Public Body Responsibilities

- Public bodies must follow the Functional Standard in having their own Strategy, policy and response plan.
- Public bodies should work and support the PSFA to implement the cross-government counter fraud strategy.
- Public bodies must adhere to and ensure compliance with the internal fraud policy for HMG.
- Public bodies should ensure high priority oversight boards & cross government steering groups have a PSFA representative within their membership.
- Public bodies should support the PSFA to implement cross government recommendations for reducing fraud risk or improving fraud control.
- Public bodies must notify and include the PSFA in the recruitment of SCS fraud leads and seek updates on their progress when considering their performance.



“The creation of the Public Sector Fraud Authority represents a landmark in our fight against public sector fraud. We know that fraudsters are a committed, capable and evolving adversary. To respond to this we must raise our ambition and challenge ourselves to increase our impact. The PSFA will support public servants across government and public bodies to take that step - to innovate and to modernise our approach to fraud.”

Mark Cheeseman OBE,
Interim Chief Executive, Public Sector Fraud Authority



Notes

Notes



Public Sector
Fraud Authority

