



Cross-Government Fraud Landscape Bulletin 2019-20

'Fraud is a hidden crime, in order to **fight it** you have to **find it**'



Detected and prevented fraud continues to increase year on year demonstrating the role that those working in counter fraud across government play in supporting the government's objective of finding more fraud.

In order to understand the fraud threat against the public sector, departments and their arm's-length bodies must find it. An increase in detected fraud across government departments shows strong progress in this area but there is still work to be done. Departments continue to pursue innovative methods to detect and prevent more fraud and error.

Since its establishment in 2018, the Government Counter Fraud Function (GCFF) has brought together the 16,000 people working in counter fraud from across government with a common purpose, supporting government in delivering greater efficiency and effectiveness. Of these 16,000, around 90% work for HMRC and DWP on welfare and tax fraud, our highest areas of known loss, with the remainder working across the other departments within central government.

This report focuses on the activity of those working outside of HMRC and DWP to fight fraud.

Value of the Function

The bringing together of counter fraud experts across government allows best practice and knowledge to be shared, thus enhancing the capability of government to respond to the risks and threats facing the public sector.

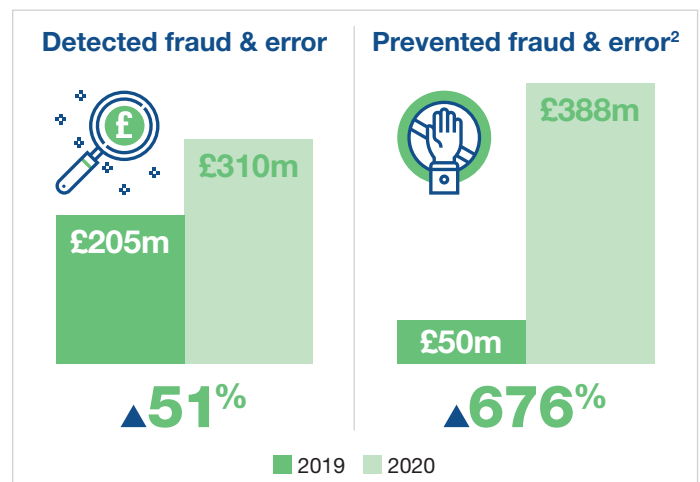
The Function comes together to agree the best practice approach, methodology and tools needed to measure, estimate and detect fraud loss.

This leads to greater outcomes as a result of the use of fraud risk assessment, the use of data and analytics and investigative response.

Challenges 2020

2020 has been particularly challenging due to the heightened risk of fraud and economic crime as a result of the COVID-19 global pandemic. Criminals have taken advantage of this to target the public sector, particularly in relation to stimulus funding and support. Departments are currently working hard to put in place post event assurance measures to measure, understand and recover where possible, losses arising from C-19.

In 2020, RUSI (Royal United Services Institute) have stated in their view fraud has now reached epidemic levels¹, and therefore never before has there been such a pivotal role for the Counter Fraud Function, to protect public services by fighting fraud and helping reduce economic crime.



1 <https://rusi.org/publication/occasional-papers/silent-threat-impact-fraud-uk-national-security>

2 2019-20 was the first year that the GCFF asked departments to report on their prevented error losses separately to their prevented fraud losses. Prior to this the figures were solely labelled as prevented and it is unknown how much related to fraud and error respectively.

Scale of the Challenge

Total estimated fraud (outside of the tax and welfare system) is **£2.5bn - £25bn³** per year.

Fraud against public bodies takes money away from the vital public services that citizens rely on and can damage trust in government. The estimated fraud cost to the government outside of the tax and welfare system is £2.5- £25bn per year. This increases to £29.3bn-£52bn when fraud against the tax and welfare system is included. The government has extrapolated these estimates from loss measurement activity undertaken across government, which include activity completed under the Fraud Measurement and Assurance Programme.

Counter fraud colleagues from across the GCFF play a key role in finding and preventing this fraud, continuously striving to improve the methods used to reduce the impact of fraud against the public sector.

Whilst 2019-20 shows that progress has been made across government in relation to detecting fraud there is still work required to better protect public expenditure.

Scope of Bulletin

The Fraud Landscape Bulletin focuses on reporting the progress that Departments have made in preventing, detecting and recovering fraud during the 2019/20 financial year. This excludes fraud

within the tax and welfare system, as these figures are reported in full via HMRCs and DWPs annual reports, and this instead focuses on the 'rest of government' where there is otherwise a reporting gap'. We aim to be the most transparent government globally in how we deal with public sector fraud. As such, we are publishing this bulletin to demonstrate our commitment to transparency and openness. A full report on the wider Counter Fraud Function activity is due to follow in the Autumn of 2021.

Throughout 2019-20 senior leaders across government have continued to work on the counter fraud strategy as agreed by the function in 2018.

Our five functional Priorities:



Building capability across government & supporting organisations to evolve



Innovation in intelligence & data sharing



Increasing our understanding of risks & threats and utilising this to design opportunities for fraud where possible



Close working with Cyber Security on shared threats & opportunities



Minimising loss in identified areas

- 3 The overall estimate is calculated using the best available data and excludes tax and welfare.
- 4 As of 01/01/2021.
- 5 Fraud and error figures excluding anomalies.



£670m

Detected fraud over the past 5 years outside of tax and welfare



c.16,000

People in counter fraud roles (incl. HMRC and DWP)



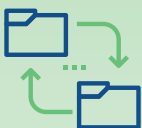
c.6,600

Members of the Government Counter Fraud Profession (incl. HMRC and DWP)⁴



58

Fraud loss exercises since 2014



5

Data Pilot exercises in 2019-20



£310m

Detected⁵ in 2019-20 (▲51%)



£388m

Prevented⁵ in 2019-20 (▲676%)



£92m

Recovered⁵ in 2019-20 (▼7%)

Reporting loss

Departments and their arm's-length bodies report quarterly, identified loss from fraud and error, alongside associated recoveries and prevented losses to the Cabinet Office Centre of Expertise for Counter Fraud.

To increase confidence in the data, all loss data is subjected to an annual assurance process. In addition, a Prevention Panel reviews and approves the methodologies used to calculate prevented fraud.



Financial highlights

The key metric for the GCFF is preventing fraud. This means money prevented from being lost to fraud or error. It is much harder to recover loss post payment or award, so we strive to improve year on year, how much we prevent, and therefore protect from fraud loss.

In 2019-20 prevented fraud and error across government was £388m, this represents a 676% increase on the 2018-19 total.

Detected fraud and error across government was £310m in 2019-20, a 51% increase on the 2018-19 total.

Recovered fraud and error has remained relatively constant from 2018-19, with £92m being recovered across government, a 7% decrease on the 2018-19 total.

Reported levels of fraud and error

This table shows the total amount of detected fraud and error reported by government departments and their arm's-length bodies in 2019-20⁶.

	Detected Fraud	Detected Error	Total detected
Ministry of Defence	£172.4m	£0.0m	£172.4m
Department for Transport	£0.5m	£27.9m	£28.4m
Department for Education	£13.7m	£7.5m	£21.2m
Department for Health & Social Care	£20.6m	£0.5m	£21.1m
Department for Business, Energy & Industrial Strategy	£4.5m	£13.4m	£17.9m
Department for International Development	£9.2m	£5.8m	£15.0m
Home Office	£0.4m	£13.4m	£13.8m
Department for Environment Food & Rural Affairs	£0.3m	£9.5m	£9.9m
Ministry of Justice	£3.3m	£0.2m	£3.5m
Foreign & Commonwealth Office	£0.4m	£2.4m	£2.8m
HM Revenue & Customs ⁷	£0.6m	£1.6m	£2.2m
Department for Work & Pensions ⁸	£0.9m	£0.0m	£0.9m
Ministry of Housing, Communities & Local Government ⁹	£0.3m	£0.0m	£0.4m
Department for Digital, Culture, Media & Sport	£0.3m	£0.0m	£0.3m
HM Treasury	£0.0m	£0.2m	£0.2m
Cabinet Office	£0.0m	£0.0m	£0.0m ¹⁰
Department for International Trade	£0.0m	£0.0m	£0.0m ¹¹
Total	£227.5m	£82.4m	£309.9m

NB: All figures are rounded to the nearest £0.1m.

⁶ All figures are reported at departmental level and exclude anomalies.

⁷ Internal fraud only (excludes tax avoidance / evasion).

⁸ Internal fraud only (excludes welfare fraud).

⁹ Excludes Local Government.

¹⁰ c.£37,000 detected.

¹¹ c.£6,500 detected.

Trends over time excluding anomalies

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Detected Fraud	£74m	£119m	£151m	£99m	£227m	£670m
Detected Error	£31m	£72m	£67m	£106m	£82m	£385m
Total detected fraud and error	£105m	£191m	£218m	£205m	£310m	£1029m
Prevented	£33m	£45m	£36m	£50m	£388m	£552m
Recoveries	£20m	£52m	£47m	£99m	£92m	£310m

NB: All figures are rounded to the nearest £1m.

Trends over time including anomalies

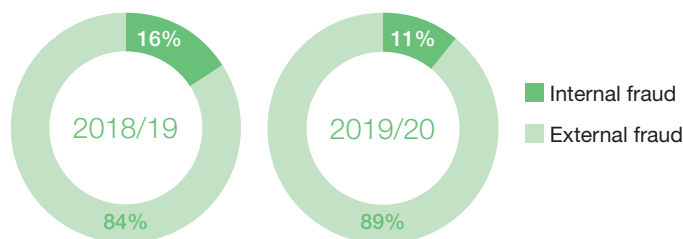
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Detected Fraud	£74m	£119m	£151m	£99m	£227m	£670m
Detected Error	£31m	£182m	£67m	£142m	£167m	£589m
Total detected fraud and error	£105m	£301m	£218m	£241m	£395m	£1260m
Prevented	£33m	£45m	£755m	£234m	£478m	£1545m
Recoveries	£20m	£162m	£47m	£99m	£166m	£494m

NB: All figures are rounded to the nearest £1m. Anomalies include one-off processing errors and high value prevented fraud attempts with no loss to the central government.

Detected Fraud by Typology (internal vs external)

This table shows the total amount of internal and external detected fraud for all government departments and their arm's-length bodies.

	2018/19	2019/20
Internal Fraud	£16.3m	£24.7m
External Fraud	£82.8m	£202.6m
Total	£99.1m	£227.3m
Internal Fraud	16%	11%
External Fraud	84%	89%



NB: All figures are rounded to the nearest £0.1m.

Definitions

To ensure a consistent approach government applies the legal definition of fraud (as set out in the Fraud Act 2006): **“The making of a false representation or failing to disclose relevant information, or the abuse of position, in order to make a financial gain or misappropriate assets”**

Government defines error as losses arising from unintentional events, processing errors and official government errors. Such losses are judged to be without fraudulent intent.



Contact the Government Counter Fraud Function:
FED@cabinetoffice.gov.uk



Government
 Counter Fraud
 Function